Oral History with Thomas B. Judge

NVCA-Venture Forward Oral History Collection

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National Venture Capital Association
Venture Capital Oral History Project

Thomas B. Judge

Interview Conducted by
Carole Kolker, PhD
October 19, 2011

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

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

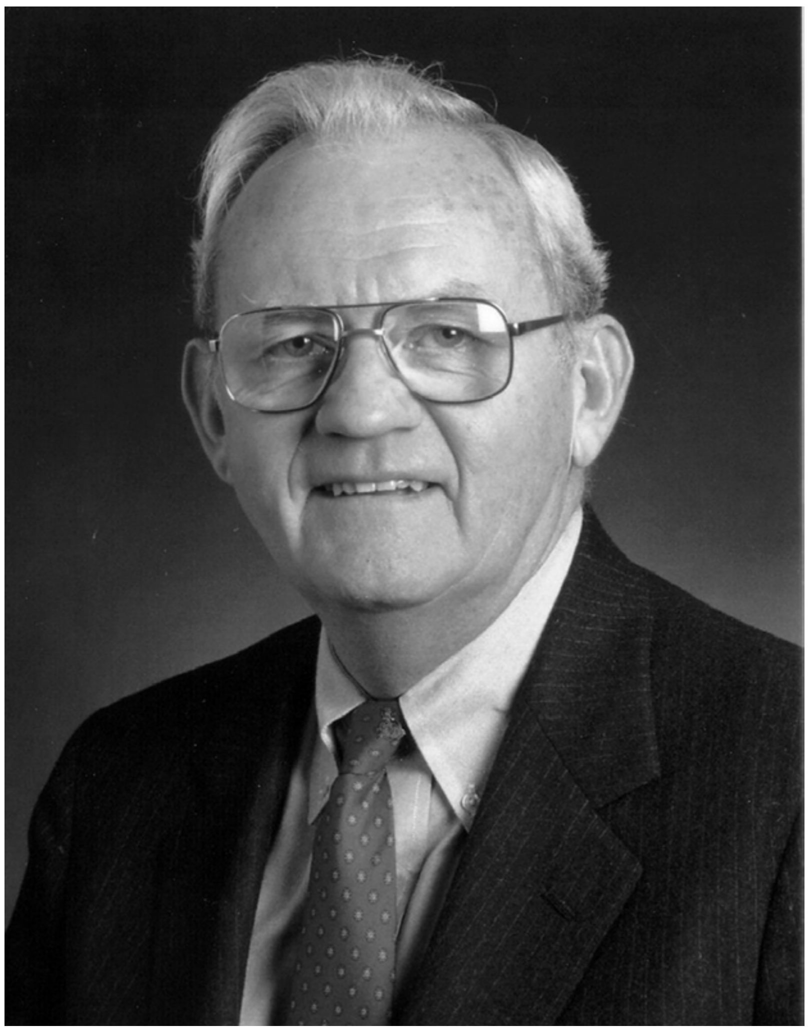
As the venture capital industry prepares for a new market reality in the early years of the 21st century, the National Venture Capital Association reports (2008) that venture capital investments represented 21 percent of U.S. GDP and were responsible for 12.1 million American jobs and $2.9 trillion in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

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

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

Charles W. Newhall III   2010

VENTURE CAPITAL GREATS



A Conversation with Thomas B. Judge

Tom Judge has been active in the private equity industry since 1980 and currently serves as senior advisor to a number of firms, in the United States and Europe, active in varied aspects of private equity. From 1980 to 1995, he managed the AT&T venture capital portfolio that grew from zero in 1980 to commitments of $1.5 billion in 180 partnerships formed by ninety firms. This portfolio has, on average, returned 25 percent per year since inception or a multiple of over 200. During his fifteen-year tenure at AT&T, Tom was considered the "dean" of institutional investors. Prior to managing the venture capital portfolio for the AT&T Investment Management Corporation, he was involved in all aspects of the administration of employee benefit assets at AT&T for seventeen years.

Tom was one of the first institutional investors to introduce an expected return on venture capital partnership investments. In 1982 he established an expected return of 15 percent. In 1987, he introduced to the private equity industry the concept of vintage year performance measurement, and in 1990 he was a member of a small committee that proposed valuation guidelines which became the de facto industry standard.

Tom also co-founded the Institutional Limited Partners Association, which has grown to a membership of over one hundred institutions. He was one of the first institutional investors to recognize the importance of managing the stocks distributed by private equity partnerships and, in 1988, hired an investment management firm to manage distributions from the AT&T pension fund venture capital portfolio to enhance the return on the total private equity portfolio.

Tom has been a frequent speaker at private equity and pension fund conferences and seminars worldwide. He retired from AT&T in September 1995. In that same year, he was inducted into the Private Equity Hall of Fame. He is also an honorary Kauffman Fellow. Tom holds an undergraduate degree from the Pennsylvania State University, and he earned his MBA at Seton Hall University.

The following is an interview with Tom Judge, taking place in McLean, Virginia. Today's date is October 19, 2011. My name is Carole Kolker. This interview is being conducted as part of the National Venture Capital Association's Venture Capital Oral History Project. This interview has been reviewed by the interviewee and lightly edited for clarity.

Carole Kolker: *OK, Tom. Thank you for making this so convenient and meeting me here in Virginia. We're going to get started and go back and talk about your early years: where were you born, and when?*

Tom Judge: How far do you want me to go?

CK: *Well, let's start at the beginning.*

TJ: Okay. I was born July 27, 1930 in Oswego, New York. Oswego is on the southern shore of Lake Ontario, and Lake Ontario is the easternmost of the Great Lakes. My father managed the Pontiac Hotel in Oswego. It was kind of a combination hotel/resort business. And three years after I was born, my mother died of cancer. And of course my father at that point wanted to leave Oswego, wanted to get away from that environment, and he got a job managing a hotel in Philadelphia. And we hadn't been in Philadelphia long when — at that point I was about three-and-a-half-years-old — I contracted scarlet fever, which in those days was a killer. I'm still alive, as you can see, so I was able to get through it. But I was in the hospital for, I believe my father said, three weeks. My two sisters could not come to see me; I was contagious. My father could come see me, but he did not get any closer than twenty feet to my crib. If he brought me a toy and it fell on the floor, it went into the incinerator because it was contaminated. Well, you can imagine, between losing his wife and me being in the hospital with scarlet fever, he was a bit depressed. So he sent me to live with his sister and her husband on what is known as the Albany/Schenectady Road. It runs from Albany to Schenectady, New York, obviously. And he sent my two sisters to live with his brother in Saratoga Springs. I lived with my Aunt Kitty and Uncle Joe for about three years.

My Uncle Joe was an interesting person. He worked for the Niagara Mohawk Generating Plant on the Hudson River; it was shift work. The things I remember about that is every night he would go down in the basement and stoke the coal furnace; he'd have to bank the coal so it would be safe. He would sit in the living room on this busy highway, by the way, and with his, I call it a cathedral-shaped, table-top wood radio, he would listen to the Albany Senators Baseball team games. And he would sit there for the whole game; I never did understand, but he loved it. So anyway, my father at that point was managing a hotel in Utica, New York, and he met a lady who became my stepmother. And her parents owned three dairy farms around a place called Holland Patent, New York; it's near Utica, New York, which is on the Mohawk Trail. And I spent the next number of summers on this one farm; it was a glorious experience. My grandfather, her father, let me name two new work horses he had acquired. One was white and one was brown. Of course, being a fan of the Lone Ranger, I named one Tonto and one Silver. The following year, he actually let me drive the team. I couldn't believe this the more I thought about it; he put me up on a wagon and let me drive these two horses with a manure spreader. Now, this is the manure that came out of the dairy barn and was being spread out on the corn fields and hay fields. These crops were used to feed the cattle. I was in seventh heaven. Here I was, throwing the stuff all over the place and driving these horses. When I got back to the house — by the way, my grandmother and grandfather had a beautiful big house on a hill overlooking a valley, it was spectacular — I was told I couldn't come into the house because I smelled something fierce. And they handed me a towel and told me go to the woodshed, which was attached to the house, take off all my clothes, leave them out there, and then I could come in and take a bath.

When I was six years old, my father reunited the family so we could live with him and my stepmother. My father was in the hotel business; we moved around a lot because he was reassigned to troubled hotels to try to straighten them out. So we lived all over the northeast. And because of this I was probably at six different schools during the eight or nine years of grade school. So I never really got to know anybody or made friends or anything. But anyway, at a point, he ended up at a place called Rochester, Pennsylvania, which is about twenty-five miles north of Pittsburgh on the Ohio River, managing another hotel. He and my stepmother, who really is the only mother I ever knew, decided that I should — since I'd been in so many schools — go to one school. They sent me to the St. Vincent's Prep School in Latrobe, Pennsylvania. I think Latrobe is the home of Arnold Palmer. I could be wrong, but I think it is. Anyway, the school was run by Benedictine monks. They were good teachers, but they were tough, tough disciplinarians, believe me. Every week, for every course that you took — now, this was high school, basically — you took an exam on Friday. If you didn't do well in a subject — that didn't mean you had to flunk it — if they said, "given your abilities, you didn't do well," you went to "Jug" on Saturday morning. You went there for two hours and studied that subject and took another exam. If you failed that exam, or they didn't think you did well enough in it, you spent another two hours. Well, it didn't take anybody too long to figure out that wasn't a good thing to be doing. So you studied during the week and did well. And I give them credit. After that, I went to Penn State University and studied the hotel business. I was going to be in the hotel business like my father.

CK: *I was just wondering — you did bounce around, what did you say, six different schools, and then ended up at St. Vincent's. What kind of a kid were you? Were you a reader or were you a tinkerer?*

TJ: Well, when I was at St. Vincent's, I did two things — I don't know if this answers the question. I got involved in oratory. And they had these — they weren't contests, but they would get students together from different schools and they'd have a competition, and somebody would win a gold medal and all that. And I was, I can't remember the name of the talk, it was a "humorous declaration." How I ended up with that topic I have no idea, but it was a story about something, and I don't remember it at all. But anyway, I ended up going to the national finals in St. Louis. I remember going with a priest on a train to St. Louis to be in the national finals. I didn't win, but I had a good time. Another part of the program was oratory in radio. Local radio stations around western Pennsylvania would let people like me, as a high school student, read the news. And then somebody else would read the news at a different station, then they'd decide who did the best job. It was kind of fascinating. Also, I remember this. I was Sir Joseph Porter in *HMS Pinafore*; I was the admiral or something in this stage play when I was going to St. Vincent. So I guess those were my interests or what I did.

CK: *You're a performer.*

TJ: Yeah, I guess so. Yeah, I still am, probably.

CK: *Did you have any mentors during this time? Your father seems to be pretty much on the go.*

TJ: Because I bounced around so much, I never really got to know anyone that well. My contemporaries maintain contact with people they knew in grade school or high school. Unfortunately, that never happened to me. I just moved around too much. So, no, I didn't have a mentor at those points, really. My father was my mentor from my early days through college and beyond. He was not only my mentor during that timeframe; he was a very good father.

CK: *What would you say were the values in your home toward education and success? What was expected of you?*

TJ: Well, my father, I think, finished high school. My mother did finish high school. But they were — I don't want to use the word insistent — they fostered my thinking about earning a college degree because they never did. And their sisters and brothers never did. Consequently they felt it was something that I should do, very definitely. So that was part of the goal.

CK: *Did you play any sports?*

TJ: Yes. Well, I played basketball and football, but I kept turning my ankle. I must have weak ankles. So I finally gave that up. I decided I wasn't an athlete and I never was.

CK: *Well, you're using your head a lot. How about the work ethic? Did you ever work while you were in school to earn money?*

TJ: Oh yeah; yes! Oh, absolutely. Probably the first jobs I had were when we were in Rochester, Pennsylvania, and I was going to St. Vincent's Prep School. In the summer I worked in the hotel. I was a bellhop; I was an elevator operator; I was a dishwasher; I was a busboy. I think that's about it. Oh yeah, I was expected to work. Yeah!

CK: *So how would you have described yourself as a kid in terms of your energy, your enthusiasm, risk-taking, competitiveness?*

TJ: My problem was, I think, even in college I didn't know exactly what I wanted to do. At first, I wanted to be in the hotel business. Then I decided, nah, that wasn't for me. And, well, I finally found an interest in finance. How that happened, I'm not sure. But that's what prompted me down the road to go to graduate school. But back when I was in prep school or even college, I wasn't sure what I wanted to do. I did well in college. I was learning, and I was learning how to analyze things, which is good, which is what kids, I think, need to learn in college. But I just didn't really know where I was going, to be honest with you.

CK: *Were there any mentors at Penn State?*

TJ: There was a mentor. Can't remember his name. It's terrible. He was the dean of students and I was the president of my fraternity. Somehow I got on the inter-fraternity council. Of course we kept getting in trouble, the fraternities at Penn State. There were fifty fraternities. Five of them were on campus; the other forty-five were in the town of State College; they were spread out. And we'd raise a little hell and got into trouble. And so I was the one, I don't know why, but I was the one that had to go see this dean of men; he was a nice guy, God bless him. But he taught me a lot about being reasonable and not jumping to conclusions and things like that. Later I thought about it; I really admired him for that. I mean, there was one time — this was a ritual; I hope it isn't anymore. One night, during the school year, the fraternities would get together and go out and steal all the traffic signs in the town — stop signs, street signs. And we would put them in a big pile, and then they'd give them back to the town. Of course, the town had to go put them back up again. You know, it cost money. And I remember him calling me and saying, "Yeah, you gotta stop doing this. I hope you don't do it next year." You know, it was one of those things. I think he taught me a lot about life, about being reasonable, being thoughtful, and doing the right thing. Yeah, I would say.

CK: *So where were you headed after you finished Penn State? What were you thinking about in terms of your—*

TJ: Well, I didn't have much time to think about it. Three days before I graduated, I received my draft notice. I was drafted into the U.S. Army. In fact, I was inducted into the army exactly six days after I graduated. And that was during the Korean War.

CK: *So this is 1955.*

TJ: Fifty-three. I had to show up in Pittsburgh where I was drafted, put on a train, and didn't know where we were going. I mean, there were, from that area, probably 600 of us in this group from western Pennsylvania, headed to, we didn't know where. Turns out we ended up in Fort Meade, Maryland, but only for a week. They put us through all kinds of tests and everything. They posted scores on the bulletin board and these young men would get excited; they figured, "Oh, I'm gonna go to machinist school, I'm gonna to go to this school." Well, at the end of the week, I guess the army needed infantrymen. So, we were all put on a train and taken to Fort Campbell, Kentucky, for sixteen weeks of basic infantry training. And, that was it. When that was over, they gave us a leave for about a week. I thought that when I went back to Fort Campbell, that I would get shipped to Korea along with everybody else. As it happened, in those sixteen weeks, one morning, you know how soldiers line up every morning outside the barracks for roll call. They called out three names. My name was one of them. And that day, instead of going out and wallowing in the mud or whatever, we were gonna go take a test. I said, "Boy, it's better than wallowing in the mud, I'll take a test anytime." Well, the test we were taking was for officer candidate school. We didn't choose this; we were told this was what we would do. So, I took the test.

It took six or seven weeks for the test results to come back. The results were not back so I was not going to Korea. And at that moment, they changed — it was the Eleventh Airborne Division at Fort Campbell, Kentucky — they changed it from a training division to an operational division 'cause it was going to be sent to Europe, ultimately, to replace the Eighty-second Airborne Division. So I was put into a tank battalion and put into the headquarters company, and as a buck private. That means no stripes. First I was the intelligence chief, which is supposed to be a master sergeant. When they finally got a master sergeant to do that job, I was made the supply chief, and this went on, and that's how I spent my two years in the army, right there in Fort Campbell, Kentucky. Kind of strange.

CK: *Certainly an experience.*

TJ: Yeah, it was that. At one point during those two years we went on maneuvers down to Camp Stewart, Georgia, which is now a fort, and we camped on the edge of the Okefenokee Swamp. I remember vividly, they set up outdoor showers on the edge of this swamp, and you would stand in the shower, look into the swamp and see these cottonhead snakes traveling through the water. They had rattlesnakes, too. Somebody caught one and hung it up on the mess tent. They hung it up on the edge of the tent, and it touched the ground, which meant it was at least six feet long. Somebody held a beer can up next to it and the diameter was the size of a beer can. That was a big snake. Anyway, that was an interesting experience. But anyway, I survived two years in the army.

CK: *How do you think this experience might have influenced the direction of your life?*

TJ: Well, it was interesting. Just before I was supposed to be released from the army with an honorable discharge, a colonel called me into his office to interview me. He was going try to get me to reenlist. From his perspective I should stay in the army. I guess he didn't like me because I told him, "The only way I'd stay in the army is if you made me a two-star general; then I'll stay; otherwise, I'm leaving." Well, he wasn't too happy about that. No, I think the army teaches you a lot of things. It teaches you discipline and teamwork. Teamwork is critical in the army; you're not on your own. You are part of a team, and you have to support the team and they have to support you. And I think those are a couple of things I learned in the army.

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

TJ: Well, a dean at Penn State had gotten me an interview at Alcoa. I went, and they offered me a job selling aluminum. That didn't sound promising to me for some reason. My brother-in-law worked for New Jersey Bell in Newark and got me an interview. And I took a job as a supervisor of at least twenty-five ladies, who were all, I would say, over fifty, and I was what, twenty-something? The department was called revenue accounting; a fancy name for billing. These ladies processed service orders for telephone service, updated customer records, and sent out bills. I thought about going to law school at night on the GI Bill. I decided to go to graduate school instead. And for some reason, I was interested in economics — supply, demand, those kind of things, and kind of a smattering of finance. Seton Hall University had just been accredited as a graduate school, and it was located in downtown Newark. So I said, "This is the place for me." I went to class at night, and I studied on weekends. My wife used to take the kids out of the house on Saturdays to a park or somewhere, so I could study. And within, I think it was three years, I got my master's degree. Now, in those days, to get a master's degree at Seton Hall — and probably because it had just recently been accredited — you had to write a thesis, and take oral and written exams in three subjects: economics, finance, and I can't remember the third one. You had to do well in all three oral and written subjects. And I have to tell you, the orals were tough because the professors were not easy on you.

But anyway, I got my degree. Subsequently I was moved to the Chief Statistician's Office and wrote a monthly business conditions report for the state of New Jersey. At the time, it was the only monthly business conditions report written and published in the state of New Jersey. We must have had 150 or 200 people in Trenton, the state capital, receiving that report every month, I think, relying on it. And the reason we could do that is kind of fascinating, I thought. Because of all of the New Jersey businesses to which New Jersey Bell provided services, we knew what the demand was for new service, disconnects, and upgrades; that told us a lot about the state's economy. The state didn't have that kind of information. So they were very interested in this report. Because of that experience, I was transferred to AT&T to write part of a monthly national business report. After that, I was transferred to market research, which was then part of the Chief Statistician's Office. I remember my first assignment was to do market research on what then was called radio telephone. Now, in those days they actually had a telephone in the front of a car and this huge box in the trunk. And of course, it didn't work well, because there were towers here and there. The minute you got into a valley or something, you lost reception. And I vividly remember this: I went to see someone in Bell Labs who was involved in some aspect of radio technology. I was trying to learn something about it so I knew what questions to ask in market research. This gentleman sat at a table, put a piece of paper down, and drew circles that touched each other. He said, "Very soon, you will be able to have cellular service because as you move between cells the system will recognize it and transfer your call to that cell, and then to the next cell and the next cell." That's what cellular telephone became as we know it today; that's how it works. But I remember that vividly, that he sat there and drew these circles that touched each other and said, "Someday soon, that's what will happen." Kind of fascinating.

CK: *That is. So did you move to New York for this job?*

TJ: No, no, no, I lived in New Jersey. I commuted. I got up very early. I still get up early, you know, like 4:30 in the morning, oh yeah. I would go get on the train and go to Manhattan. When I was with AT&T, I was in the 195 Broadway building, which is about a block from Ground Zero. That was the headquarters of AT&T. So I did the market research. And the next thing I knew, I was permanently transferred to AT&T. Normally, if you were sent from an operating company like New Jersey Bell to AT&T, you're supposed to go to AT&T for only two or three years, and then return to New Jersey Bell. But for some reason, it was decided I would stay at AT&T. I was transferred to the Treasurer's Office in the pension fund group. That was the beginning of my experience in dealing with pension funds.

CK: *I keep getting back to mentors, because I feel they're important. And I was wondering if there were any mentors while you were going through night school at Seton Hall or in your early days at Bell? Anybody influenced you?*

TJ: There was a gentleman, his name was Paul Olive, and he was my boss when I was in market research at AT&T. I got to be very fond of him. I remember when he gave me the assignment of doing market research on the radio telephone. I told him, "I don't know anything about this technology. I don't know anything about market research." He said, "I tell you what. You go do what you think you should do, and I'm going to keep track of what you're doing. I'm going treat it in the following fashion: I'll envision you on a six-lane highway; as long as you're in one of those six lanes, I won't bother you. If you get on either shoulder, I'll nudge you back into traffic." And I thought to myself many times since then what great advice that was. He wasn't going to tell me what to do. He'd watch what I was doing to ensure that I didn't get off track; I thought that was great advice. I had great admiration for him.

CK: *But it also sounds as if he is encouraging a certain amount of self-confidence.*

TJ: Yes, and independence. He wanted me to do this on my own. And he said, "Go find somebody in marketing who knows something about this radio telephone." So I did. I went over to the marketing department, and sure enough, I found somebody. We didn't go all over the country. We went to a number of places and interviewed people who were using the service. They weren't happy with it. But the bottom line was— Previously, surveys they had done, people had complained about traffic, the darn thing wouldn't work, about the operators, about the billing. The bottom line was, the service was really bad. You know, the necessary technology wasn't available. Therefore, it didn't work well. So it wasn't one thing, it wasn't traffic or — it was the whole thing, it was just a lousy deal. And that's what we concluded in that study.

CK: *So you moved into administration of employee benefits?*

TJ: Yes, the AT&T pension fund. I was responsible for monitoring active equity and active bond managers. For the assets of the pension fund, we would hire investment managers to manage portions of it, because you didn't want to put all your eggs in one basket, you just didn't give it to one manager. And I would monitor them. What you were really doing was trying to figure out if they're doing what they said they were going to do, and also how well are they doing versus the universe. And that's basically what I did for quite a while.

CK: *So what was exciting you about your work at AT&T ?*

TJ: Well, I was fascinated with investments, as to why they behave as they do. Why do prices go up and down, what causes that? Is it all psychological or is it logical? I was just fascinated by it, totally fascinated, for some reason. Don't know why.

CK: *Did you see AT&T as a career?*

TJ: Probably. My age group probably is the last one that went to work for a company. I worked for AT&T for forty years. I retired. I'm sure my age group is the last one that will do that.

CK: *Company man.*

TJ: Yeah, I was.

CK: *That loyalty.*

TJ: Yeah. And during those times, the company, AT&T, was a benevolent company. I mean, it really was. They were concerned about your welfare, your health, and they had a great health plan. Now, it probably cost a lot of money, but while I was active with AT&T, I don't remember ever having to spend more than probably fifty dollars for a doctor or a prescription or anything else. And I think that caused loyalty. Now, today that's gone by the boards.

CK: *Let's move on and talk about how you moved into AT&T Investments and took over. This is 1980?*

TJ: No, we're still in the seventies. I thought about this a lot, and I am convinced that the thing that got me interested, ultimately, in venture capital investments, was in 1973-74 when the public stock markets declined by 50 percent. Now, stop and think about that.

Over the course of two years, if you had a pension fund that was worth billions of dollars, and 60 percent of it was invested in public stocks, and that 60 percent was cut in half by value, that was quite a shock. That meant that now, AT&T as a company had to start putting money back into the pension fund to make up for that. And we, the people who were working in that — there weren't many of us — decided we needed to find pension fund investment vehicles other than public stocks, public bonds, and treasury bills. Now, also, in 1974, the Department of Justice filed an antitrust suit against AT&T. They wanted to break up AT&T, which they ultimately did.

And in '74, I think it was Labor Day '74, Gerald Ford, then the president, signed what was known as ERISA, the Employee Retirement Income Security Act. That was fascinating to me because what brought all that about was Studebaker, an automobile company, had gone bankrupt, and pensioners got thirty cents on the dollar. Now, that was a corporate pension fund. At the same time, Jimmy Hoffa was in trouble because his Teamsters' pension fund that he controlled had been lending pension money to Jimmy Hoffa's brother-in-law to build motels in Florida. However, when ERISA was adopted, it applied only to corporate pension funds, not state pension funds, not endowments, not foundations, and not Taft-Hartley plans. It tells you something about Washington. Anyway, that's what happened. And I read this law, and I had become aware at that point in the late seventies, that endowments, like Harvard, Yale, Stanford, and two investment banks — J.P. Morgan, which at the time was a partnership; was not what it is today — and Morgan Stanley was a partnership. They had invested a few dollars of partners' and endowment money in venture capital partnerships. And I kept saying to myself, I wonder if this is something that would work for a pension fund? And I went to the lawyers, and the lawyers said according to ERISA you can't do that, it would be imprudent.

Fortunately, in 1979, the Department of Labor issued regulations interpreting ERISA, and fortunately, in those regulations it said that they adopted the "prudent man rule," which means you could invest others' money the way you would invest your own. And the lawyers said, that's it, you can do it. So I was aware, because I was monitoring a stock portfolio that was managed by Manufacturers Hanover Trust Company, there was a person there who had invested some money in venture capital partnerships. His name was Ray Held. I got to know Ray, and I like to think that I taught Ray a little something about what makes institutional investors tick. And he taught me something about venture capital investing. To make a long story short, early in 1980 we made our first investment in venture capital partnerships. So that's what got us started.

CK: *How were you able to establish relationships with these venture capital firms?*

TJ: Well, in 1980, AT&T decided that they would create the Bell System Trust. They took all the assets of the telephone operating companies — there were twenty-three; there was New York Telephone, New Jersey Bell Telephone, Ohio, so on — and put them in one big trust. The reason was economics, save money. Before they did this, there were sixty-three trust companies being paid to hold these assets, there were over one hundred investment managers. Some of those investment managers were managing accounts for four or five different Bell telephone company pension funds. If you stop and think about it, every time you hired a manager, you started at the expensive end of the fee schedule. So, if you could consolidate all this, you'd only start at the expensive end of the fee schedule once. I had three people reporting to me at the time, we were all monitoring managers for the $8 billion AT&T pension fund. All of a sudden we got this huge — I mean it was like $40-50 billion dumped on us. The first thing we decided we'd better do was go through every one of those portfolios and see what's in them.

One day I was looking through one of the stock portfolios and at the end of this list of stocks, there were a couple of investments called "LP." I said, I wonder what that is. What in the world is LP? Well, Ray Held explained to me that was a limited partnership. So anyway, that's how we got started. In 1980, maybe '81, getting involved slowly in venture capital partnerships, I started hearing two names: one was Stan Pratt of *Venture Economics*, and the other one was Dick Testa of Testa Hurwitz. He was a great guy. And I said to myself, I have to meet these people. I gotta pick their brains. So I called them up, they were very gracious and said sure, so I flew up to Boston. I got to see both of them in one day, one in the morning, one in the afternoon. I got back in the office the next day and the phone started ringing off the wall. It was general partners raising funds.

And in those days they were raising $100 and $200 million funds. It was interesting as I thought about it later. If they said, “We’re raising a fund,” it meant they were raising their first institutional money, because if they were raising their second fund, they would very proudly say, “We are raising our second.” Anyway, the phone just rang off the wall, and they wanted to know if they could come see me. And in the eighties and nineties, I have to tell you, it was a lot of fun investing in venture capital.

CK: *In what way?*

TJ: Well, they would call and they’d say, “Can we come see you? We’re raising a fund.” And I’d say sure, and they’d show up. All the general partners would show up. Now, in those days that meant two or three people, that’s all. They would make their pitch. I was interested in two things: one was their strategy. What were they going to invest in and why? How were they going to do that? The other one was their investment decision-making process. How did they go about finally making a decision to put real money into this start-up? And during the meeting, I’d look around at the — there were only two or three of them — I’d look them in the eye, I’d say to myself, Do I trust that person? And if, at the end of that meeting, if I liked their process, their strategy, and I trusted them, I would make a commitment. That was it. Today, there’s “we’ll get back to you about your allocation.” There was none of that; it was the golden handshake. If I said to somebody who was raising a $200 million partnership, “We, AT&T, commit $20 million," that was it. It was a golden handshake, there were no questions. I got $20 million worth of that fund. And that was it.

CK: *Who were some of these early firms that you were working with?*

TJ: Oh gosh. A lot of them have gone out of business, unfortunately. I mean, I can remember Mayfield. I think Mayfield was the first firm to go to the limited partner agreement form of investing. Prior to that, they were all corporations. And somebody at Mayfield or others figured out how to get the SEC off their back? And the way you'd do it is you'd form a limited partnership and not a company. Then they won't even know you exist. And Mayfield, Merrill Pickard, Crosspoint, Kleiner Perkins are some of the other firms. AT&T was probably one of the first institutions to invest with Kleiner Perkins. I got to know Don Valentine at Sequoia. At first we couldn't become an investor.

A lot of these firms thought that they were better off if they had foundations and endowments as investors, 'cause they didn't like ERISA clients. And of course the AT&T pension fund was subject to ERISA investment rules. But finally, one time Don Valentine was raising a "growth fund," and of course he needed investors, and we got in; that's how we got in. Reid Dennis, a general partner of Institutional Venture Partners, was on that list.[Bancroft Library's Venture Capital Oral History Interviews] He was a believer in foundations and endowments as clients. He never let us become a client of

Institutional Venture Partners. But it was interesting because the phone just rang off the wall, and these people would show up. And you know, if it made sense, common sense, the strategy made common sense, their process made sense — and I knew a little about investment decision-making processes, or at least I should have — and I trusted them, I'd make a commitment. And that's how we began investing in venture capital. It was the beginning, and it just blossomed. In 1981 I convinced the people at AT&T that we should allow up to 1 percent of pension fund assets be invested in non-traditional investments, which included venture capital. Of course, until '85, it was venture capital; it wasn't private equity. That did not happen until Bill Simon, former Ford Motor whiz kid and former secretary of defense took Gibson Greetings private for $1 million and sold it for $100 million in less than twelve months. Of course that hit the front page of the papers, and then everybody wanted to invest in buyouts. That's how the term private equity came into being.

CK: *So you've worked with a lot of venture capitalists over the years.*

TJ: Oh yeah, a lot. And you know, I always admired them. They are type A personalities, they have to be. You've got to believe that you can do anything. I can't remember who they were, but there were venture capitalists, young people, who would mortgage their house — I'm sure their wives were ready to kill 'em — to make an investment in a company. That's the only way they could get the money. I also remember Vince Occhipinti of the Woodside Fund, was a venture capitalist investing in start-ups, told me that for three years, he lived on zucchini, which he grew in his backyard, because that's the only way he could afford to eat. But anyway, it was that kind of driven people. And that's why even today, venture capitalists will say, "If I had my choice, I would like to invest with an entrepreneur who I know who has been successful; once they do it, it's in their blood."

I remember, a firm trying to raise a fund would come along and say, "Well, so-and-so, who's getting along in years, is going to step back and won't be full time" Yeah, he's forty-eight-years-old or something, Well, the fund got raised. Next thing you know he's right in the middle of it. They're just that way. They cannot and should not give up, and they don't. They say they're retired and they're gonna do this — they don't, they don't do it, they can't. And I admire those people, I really do. I think that's one of the things I really loved about the industry. They weren't conceited; they weren't full of themselves, because they would make mistakes, and they could lose money faster than a lot of people. The personalities were, "We can do this." I mean, they would come up with some crazy ideas. I remember saying to Alan Patricof, "Sunglass Hut in airports?" I said, "What a stupid idea." Well, you know, yeah, I was wrong and he was right. It's crazy. I asked Rick Burns of Charles River once — we were just having dinner up in Boston — I said, "What was something you learned early on about this business that really hit your hard?" He said, "Never give a founder of a company a dime until you get it in writing that you have the right to fire the founder as the CEO, 'cause most founders don't make good

CEOs. They're not business people. They're idea people, they're not business people; they're not CEOs." But he said he learned that the hard way. I admire them.

I have a lot of friends in that business. I invested in Apax in Europe; it was formerly called MMG Patricof, because Alan is the one who put them in business. And in England, at the time, the Inland Revenue was taxing partnerships. So they would form a company on the Channel Islands, because that was a separate country. Then to avoid the tax in the Channel Islands, once a quarter they'd get on an airplane in London and fly to Bermuda, another English overseas territory, to make investment decisions, and then fly back to London. Well, you know very well there were decisions made every day, but they would do this, go there, and they had a lord or a sir or something who was the secretary, so there was no question about validity. That's how they did business. I mean, finally, the English got their act together and they don't tax partnerships now. But it was fascinating stuff.

CK: *How did you meet Alan Patricof?*

TJ: I don't remember. I imagine Alan was trying to raise a fund, a partnership, and I got to know him. I was on Alan's advisory board for quite a while. I liked Alan, Alan was a great guy. It was funny — we were in England once at a dinner, and Alan and I had gotten in a discussion about politics. He's a Democrat — at the time he was supporting Hillary for senate or something in New York, and I'm a Republican and I admit it and

I'm glad of it. And we got in a discussion, and the English, they couldn't believe what we were saying to each other about politicians. But anyway, it was kind of fun.

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

TJ: You mean the people, the general partners? (Sigh) I really think they can learn it, but they have to have that perception within them before they learn anything that they can do almost anything. If they don't have that drive, then I don't think they'll ever be a venture capitalist. They could learn how to do it, how to find deals and do deals and all that, but if that drive isn't inborn or something, no, I don't think they'll ever make it. That's my perception, I could be wrong.

CK: *In general, these venture firms came to AT&T.*

TJ: Yeah.

CK: *You didn't go and seek a relationship with venture capital firms. You were in the driver's seat in that sense.*

TJ: Well, you're in the driver's seat until it comes to terms and conditions, then you're not in the driver's seat. (Laughs)

CK: *Tell me about that.*

TJ: It was funny. I founded the Institutional Limited Partners Association along with a guy named Bob Black of Kemper Investments. And we formed it because we just wanted a chance for limited partners to get together to talk about common interests. And it's funny, he and I, we never could remember which one of us came up with the idea, because we were sitting in a cocktail lounge in a hotel in San Francisco; we were at a venture conference. After that we said, "Yeah, it's a good idea." We took a cocktail napkin and made up a list of about, I think it was fifteen people we knew, and we invited them to a meeting, the first meeting of the ILPA, at a Marriott Hotel right outside O'Hare Airport. We picked that because it was kind of the center of the country. And my daughter worked for Marriott, and she knew the manager of this place, and she talked to him, and if I could get three or four or five of those people to stay overnight one night, I could get a conference room for nothing, and that's what happened. We invited fifteen, and all fifteen showed up. It was amazing. The word got out that we had done this. I got calls from the pension funds of the state of Rhode Island, the state of New Mexico, and the state of Arizona within three months. They all wanted to join this group. It was just amazing.

Anyway, right after we formed it, I was on a panel at a venture conference up in Boston. After the panel, they had a question and answer session. Well, a general partner stood up and accused me of trying to form a cartel to control the venture industry. And I said to him, "You're outta your mind, we'll never control the industry — you control it." And that's what made me think about terms and conditions. I mean, you didn't control that; they did, no matter what. And in the beginning, fees were reasonable; it was a 2 percent management fee on a $100-200 million fund and 20 percent carry. Then some of these so-called venture firms were raising billion-dollar funds. Two percent fee on a billion-dollar fund is a lot of money. I mean, the thing I think that really helped kill the large buyout funds is 2 percent on $15 billion as fees? I mean, it's ridiculous. Yeah, you can spend it by making the general partners millionaires, and they could care less about the investments, 'cause they're making money on fees. And that's what you don't want. You want the interests to be aligned between you and the general partners, so you both have the same interests. The reason is so that nobody gets overpaid and you share the profits. We never did get control terms and conditions. Never. Didn't happen.

CK: *So it's the same.*

TJ: Yeah.

CK: *I know there was some things that you came up with to challenge — you established a target rate of 15 percent?*

TJ: Yeah. I took a lot of flak over that, too.

CK: *How did you arrive at that?*

TJ: Well, when you're running a pension fund, the most critical decision you make is the allocation between equity, debt, and short-term investments. That, believe it or not, controls about 90 percent of your return. It's not the individual investments within equity or within bonds; it's your asset mix between those three — equity, debt, and short-term. It's a fact. Anyway, I was under the gun at AT&T. They would come up with expected returns on public equity. The way they'd do it is they'd go out and ask investment managers, What's your expected rate of return? They'd take the responses and average them and they'd get a number, right? Well, they looked at me and said, "Well, okay, what's your expected return?" I said, "Gosh, I have no idea." Well, you know, finally it got to a point where I was under tremendous pressure to come up with a number. And I thought to myself, You know, if you could get a 50 percent premium in private equity over public equity, large-cap public equity, that should be sufficient to cause you to invest in private equity. So I went and I looked at the return on large-cap public equity from the Depression through probably 1980, '83. It was 10 percent. I said, 50 percent of that is 5 percent, so the answer's 15. Then I said, well, you know, take a look at small-cap stocks, just to make sure you're not getting off-base. And the return on small-cap stocks, which, you know, a lot of them came out of the venture industry, was 12 percent. I said if I can get 25 percent premium, that's 3 percent and that also comes to 15. I said, that's neat, huh? They both come to 15 percent. No, really.

So I was at a venture conference, and I said, this is great, I'm gonna share this with the world. I did, and oh man, in the question and answer period, I got hammered. I mean, venture capitalists were saying to me, you know, if you go around saying you can only get 15 percent — and in those days they were talking about 25, 30 percent returns. They weren't getting them, but they were talking about them — they might get them on individual investments, but not on a partnership. I was accused of all kinds of things. But you know what's fascinating? I'll bet if you went and looked right now at the returns since 1980, it'd be awful close to 15 percent. Yeah.

Bart Holoday was managing venture capital for Brinson Partners, I think, or First Chicago, whichever. We became good friends, and we got talking one day, and we were discussing the fact that if you looked at the valuation of an individual company that happened to be invested in by more than one partnership, you could get vastly different valuations. This partnership would value it at X dollars, and another partnership would value the exact same company at Y dollars. So he and I came up with a one-page valuation policy, and really, it was on one piece of paper. Now, here we were, two limited partners. Now, how were we going to sell this? And fortunately, Stan Golder, who was very well thought of in the industry — of Golder Thoma — stood up and said, "I think they're right." And he convinced Frank Caulfield of Kleiner Perkins to get us before the NVCA — here's one for you — to share this one-page valuation policy. Now, basically all the policy said was you keep things at cost until you either have an independent third party investing in the company or you take it public. Anyway, they went to the NVCA and presented this, and the NVCA turned them down. It was interesting. Within a few months, the British venture capital industry, then the European venture capital industry, both adopted them. And they started appearing in offering memorandums, and even appeared in textbooks, and the NVCA never adopted them. Never.

CK: *To this day.*

TJ: To this day. Of course, now they changed all that valuation stuff, and I think it's crazy, but that's none of my business.

CK: *I have one other thing that came up in my research that you're responsible for, and that's establishing a "vintage year performance measurement" in 1987. How did you arrive at this?*

TJ: Yeah. Well, I had a lot of partnerships, and I was trying to find a way to compare the performance of numerous partnerships. I got State Street Bank, who was the trustee of all of this, to come up with a measurement system so I could measure the internal rate of return on each partnership. Just the partnership. And then I said to myself, you know, sometimes you look at the investment returns and they're all over the lot. And I said, "Well, that shouldn't be that way." It just didn't make sense to me. So I said to the people at State Street, "I tell you what: Take all that data for one year on the assumption that if a partnership started in a given year and invested over the next two or three years, that all of the partnerships that started in that year were making investments in the same economic and financial environment as each other. And that if that were true, you should be able to compare what they're doing." So I asked them to take all of the raw data — the market values, the contributions, the distributions, all the cash flows — and make believe that in this year, let's say 1980, there was one big partnership. And what was the internal rate of return on that partnership? That became my benchmark, and I would compare each of the partnerships within that, who'd started in that year, with that number. And at the time I was probably drinking a lot of white wine, and that's where the word "vintage" came from. And you know what's interesting? I remember sharing this at a conference held in the Windows on the World in the World Trade Center. And I would say within a year, *Venture Economics* started publishing vintage year performance. They never said a word to me about it. But they had somebody in that room when I made that presentation who picked up on it. Within a year, all of a sudden they were promulgating this vintage year performance. I think that's how it became accepted, I guess. But that's how I came up with it. All I was trying to do was find a benchmark for the investments in the AT&T portfolio.

CK: *It sounds like you've been pretty influential in moving the industry, or awakening the industry, I should say.*

TJ: You know, I think back about it, I do feel pretty good about some of the things I did. But I'm sure a lot of things I did that I put out of my mind were probably not too smart. But you know, anyway, if on balance the pluses outweigh the minuses—

CK: *What were your greatest challenges, do you feel, at AT&T in your role as an institutional investor?*

TJ: Well, I think the biggest challenge is, first, the asset mix of the total portfolio. Some of these endowments got themselves in a lot of trouble because they were under the gun by the university to get more money and they kept reaching for return. Therefore they kept investing more and more money in private equity. And some of them, I think, got to a point where they had half their assets in private equity. I think at one point Duke Endowment was probably close to 50 percent. And you know, first came the bubble, followed by the crash. That ruined it. I always say to people who ask, "Well, how much do you put in private equity?" The first thing you do is decide how much you're going to put in equity. Let's say it's 60 percent. Then you say to yourself, Of that, what portion is going to be allocated to large-cap, small-cap, international, and private? And you try and come up with something reasonable within that framework. But private equity is part of equity, in my mind, as opposed to part of debt, as opposed to treasury bills.

CK: *Do you feel that there's something that distinguished AT&T's venture capital strategy from other institutional investors?*

TJ: Not really.

CK: *Was there a philosophy—*

TJ: I think that AT&T was the first corporate pension fund to invest in venture capital. I mean, before, those endowments I mentioned had done it. But we were the first. And it was interesting. I heard this from other people. I don't know how true it is, but people would wait to find out what I was going to invest in before they made a commitment. And I used to say to myself, what a dumb thing to do. I mean, they think that I know what I'm doing. I probably don't, and maybe I don't, but boy, I wouldn't rely on that. No, if I liked the people and their story made sense, I invested with them; that was it. It was that simple. It is a people business. I mean, you're investing in people, 'cause it's a blind tool. You know, when a partnership starts, there are no investments in it; you're betting on those people. So what you're doing is evaluating people. Those type A personalities. And that's the name of the game.

CK: *Did you ever think yourself of starting a venture capital firm?*

TJ: Oh no. I'd be terrible at it. Let me tell you something. A lot of corporations have created venture arms within the business, and they all fail, except one, 3M Company. Now, why they succeed, I have no idea. Jerry Ackerman might be able to tell you, 'cause he ran it for a while. But it is the only one I know who succeeded. Normally, what happens if they take people who were raised in that corporate environment and put them in charge of this, it doesn't work. Wrong people, wrong personalities, everything wrong. So, no, I just didn't; no,I didn't have the interest, the drive. I wasn't a type A personality, or I don't know what, but no, absolutely not.

CK: *Did you ever think there was something else you would like to have done or could have done well?*

TJ: Oh, I'm sure I could have done a lot of things better, but no. I was pretty satisfied. You know, between creating the ILPA, which I think has probably gotten out of hand by now, and the vintage concept and the 15 percent and the one-page valuation policy — I feel pretty good, yeah. And I got to meet people like Chuck Newhall and Dick Kramlich and, you know, some really fabulous people. I mean they, I don't know, there's just something about them.

CK: *Are there some venture capitalists you've worked with repeatedly? Did you work with the same companies?*

TJ: Oh yeah. Firms, oh yeah, I invested in every Kleiner Perkins partnership until that group that was at AT&T that I was part of went over to J.P. Morgan to form the Private Equity Group. Then Kleiner Perkins threw us out. I really haven't forgiven them for it. They didn't want a fund of funds manager. I said, Well, you wanted my money when I was somebody else. So I've never forgiven them for it, no. But no, I mean Crosspoint, Golder Thoma, NEA. I think we go back to NEA III, probably the first one or so, my guess. Oh yeah, and I sat on NEA's advisory board for years, until I got sick and tired of flying to the West Coast for advisory board meetings that lasted two to three hours, and then getting on a return flight. I said, "I'm getting too old for this, Chuck. I quit." And they gave me a silver plate and sent me home. It was just dandy from my point of view, and I'm sure theirs.

CK: *So if one of these VC firms called you up and said, "We're starting a new fund," is this a network that they can be assured of your being on board with this fund?*

TJ: Well, I don't have any money to invest.

CK: *At the time, was it a networking—*

TJ: Oh yes, absolutely. The networking was extremely important. In fact, I'd claim, and I still feel this way today, every time a firm comes to raise a new partnership, you should, as an investor, you should almost, I say almost, treat it as if it were a brand new firm, because the people may have changed over that time frame. You know, it was three years ago they raised their last fund? And you better go back and make sure, because, you know, there was this assumption that Kleiner Perkins, Sequoia, Crosspoint, they all do well. There's no question. They're good, you know, and people would make up a list of the ten best and all that. Well, I'm not so sure that's true, because there is turnover.

You would get some of the younger general partners, who are good investors, who would get disenamored with that firm because they didn't think they were getting a fair share of the pie. They'd go off and start a new firm. I'd say absolutely. I would invest with the new firm. North Bridge is a great example. Two guys from, I think it was some outfit in Baltimore [Alex.Brown & Sons], and two guys from Hambro [International Equity Partners] in New York got together and formed North Bridge, came to me, and I invested immediately. I mean, they were individuals who had great track records. The only thing you worry about with them is, can they work with each other without killing each other? Seriously. Because they're type A personalities — you know, I mean they claw at things. So that's your concern, that's the risk you're taking, not the risk that each one of them is a great investor. So I invested with them. I think to this day, had I not invested, you would not be able to get into North Bridge as a new investor. I don't think they're taking any new investors since— So if you didn't get in, that's why you have to take that risk of a new firm. Oh yeah, absolutely. Art Marks came to me when he left NEA and said he wanted to start a firm and do — I remember this, 'cause I keep reminding him — he said, do venture capital the old-fashioned way. Raise a couple hundred million dollars, invest in seed, start-up, those kind of things. And to me, that's what venture capital is all about. It's not a billion-dollar fund trying to do growth equity or something. Oh yeah, no, I've always said, and I still say it to the people at J.P. Morgan, "Your job, one of your jobs is to be on the lookout for the next North Bridge, the next Kleiner Perkins, the next

Sequoia, because they're out there, and your job is to find them, and you've got to find them before anybody else."

CK: *So then you do have to be proactive. You don't sit there and wait for them.*

TJ: Oh, absolutely. You keep your eyes open, and if you know that two young guys are leaving this firm, keep track of where the hell they're going, and yeah, oh, absolutely. Because you want to find the next one of those big firms. Yeah. Absolutely. And that's where the network is important, to be able to keep track of those people. Where do they go, what do they do?

CK: *Because it says you've worked with over ninety firms. But it's interesting, you've worked with East Coast/West Coast venture firms. And I'm wondering if you see any difference in their cultures.*

TJ: Oh boy. Cultures? I don't think so. If you look at the people in the Boston-Washington area and compare them to the West Coast, I don't see a lot. There's no difference, I think, in the people. The difference probably is in the sectors they're investing in, because certain sectors are more prone to be available in Silicon Valley than they are in Washington or Boston. But now I think they're still same people, type A personalities, driven, will do it 'til the day they die. I mean, seriously, that's the kind of people they are. God bless 'em.

CK: *You've been investing for over fifteen years in these venture capital firms. What changes did you see over that time in the venture capital industry? Or just in venture capital in general. Did it change much from the eighties into the nineties?*

TJ: It didn't change much from the eighties 'til about the middle of the nineties, when I retired from AT&T. But I have to tell you, since then it has changed dramatically. I mean, today, I would be surprised if there is one institution in this country who is actively putting money to work in venture capital partnerships. I'd be surprised if there was one. The money now, I think, is coming from and being invested in China. In fact, I said to someone the other day, "You know, the center of the universe of venture capital may have moved from Silicon Valley and Boston to Beijing and Shanghai." I'm not sure of it, but it may have. That's where the money is, that's where the opportunities are. Today, I'm not so sure it's fun to be an investor in venture capital. It was fun when I was doing it, I loved it, it was a lot of fun. I enjoyed it. I'm not so sure today it's fun. I mean, you know, the first thing that happened is you had all these secondaries that were being sold, because, these endowments and foundations, they all got burned and they sold this stuff for thirty cents on a dollar or forty cents on a dollar. And if you bought it, chances are you're gonna do well. And today, I think we did one direct investment in fifteen years in a company that a venture capitalist brought to us and said, You know, we're gonna do this investment. We need more money for the company. Today that's pretty much the name of the game, is direct investment in companies, I think. Yeah, oh, I think it has changed dramatically, and not for the better. Not for the better.

CK: *I want to ask you some questions about — you mentioned that you were on the advisory board at Kleiner Perkins.*

TJ: No. They didn't have an advisory board.

CK: *Because I know being on a board can be time-consuming.*

TJ: Oh yeah.

CK: *Oh, it was NEA that you said—*

TJ: Oh yeah, yeah.

CK: *I was wondering, how much time does it take?*

TJ: Ooh. Well, I don't think it takes that much more time, and I do think it's worth it. For example, normally the advisory board will meet twice a year in person. They might meet over the phone, but twice a year in person. One of those meetings is, normally, in conjunction with the annual meeting, and you should, as an investor, go to the annual meeting anyway. So that is not really a burden. The one that takes your time is that other meeting of the advisory board that's six months later or earlier. That takes time. But, I think that by doing that, you're able to gain a better sense of what is going on in the firm and in the investments, and they're equally important. What is changing in the firm and what's going on with the investments. And I think the fact that you see them twice a year, you probably have a better feel for the changes that might be taking place at either one of those, than you would if you only went to an annual meeting.

CK: *What is your role or what's expected of you when you're on an advisory board? I imagine it differs from—*

TJ: It does, it does. It differs from firm to firm. But I think that normally an advisory board is probably the largest investors in the partnership. And I think that the general partners are smart in trying to get a sense of how that group, which probably accounts for, let's say, 80 percent of the total partnership, how that group feels as opposed to everyone. NEA has a lot of individual investors, so when they have an annual meeting, they have hundreds of people, and it's tough, I think, for them to get a handle on how all those people feel. But yet if you take the eight, ten, whatever, largest investors in NEA and get them in a room as an advisory board, and start feeling them out, then I think you'll get meaningful input. Also, those people, having the advantage that they're able to sit on other advisory boards and make comparisons about how this firm's doing and how this sector's doing and those kind of things, which I think should be helpful to 'em.

CK: *Do you get involved in the portfolio companies to any degree? Are you responsible for any research in between these meetings?*

TJ: In the individual companies that they're invested in? No. Well, and you probably shouldn't, because the fact that as a limited partner, the reason your liability is limited is because you have nothing to say about how the venture firm is managed, or what investments they make or what exits they make. That's none of your business. So that's how you get limited liability. So you better not be sticking your nose in there too much. Now, if that firm brings an investment to you, a direct investment that they're making, and asks you to invest in that company, then of course you have to get involved. Yeah. You've got to do your due diligence on that company. Yeah.

CK: *You've had a really good perspective on venture capital from outside. Do you see it as a romantic quest? I know you admire these men, do you see what they're doing—?*

TJ: A romantic quest? Well, it might be for some of those people. It might be. Because they are so intent and they're so confident. Can you imagine going home to your wife and saying, "I just mortgaged the house to put money into this start-up company that's gonna make widgets?" Yeah, there's gotta be some romance there of some sort. Yeah, I think so.

CK: *You just said "confidence." What has given you your self-confidence, do you think?*

TJ: Well, I don't know. I got lucky. Seriously. No, I think I got lucky. I got lucky in that — I keep telling the people at J.P. Morgan this is true — I was lucky to be involved in the venture industry from 1980 to '95. I think those were the best years to be involved with that industry. Now, today, I'm not sure. I get headaches just thinking about what these people are going through to try to put money to work. Really. Or to raise money.

CK: *It's changed that much.*

TJ: Oh, I think so. Yeah, I think it's changed dramatically. I hope someday it'll get back to where it was; I doubt it's gonna happen, though. Right now companies don't dare take — there are companies out there that are ready to go public, small companies. The people that run the companies are afraid to take them public on a given day because that day the Dow Jones may drop 500 points, and it'll just take their stock with it. And you don't know what day that's going to be, so you don't dare go public. That's bad, that's horrible, it's unfortunate.

CK: *Do you think that the bubble and the burst accounts for this instability today in some way?*

TJ: Yeah. I think venture capitalists brought on a lot of this themselves with — you know, as I said, they were raising billion-dollar funds, and they called them venture capital, and they were investing in this and that. And the Internet bubble, what, 2000? You know, it was bound to happen. And then of course, this financial crisis we had since then just made it worse. But I think, even the Internet bubble was crazy. I tried to convince some of these firms, "Don't try to invest, you know, don't try to raise $800 million or $1 billion." But they could, so they did.

CK: *So you retired from AT&T in 1995. And so that's what, sixteen years.*

TJ: Yes.

CK: *Have you kept your hands in this—?*

TJ: Well, I'm very fortunate. The group that I work with, two years after I retired — this really, I think, was a very, a win-win situation; there aren't many of them, but— AT&T was trying to reduce headcount. J.P. Morgan at the time had never been in the business of managing private equity for their clients. They managed it for the bank, but not for investors. So this group went across the Hudson River, formed the private equity group in '97, and within a few months, Larry Unrein, who headed it up — and it's a good thing he was in charge when they moved, by the way — asked me if I'd be an advisor. And I said, "Sure." I think I helped a lot in the beginning of that, but I'm not so sure I help them today, to be honest with you. But they won't let me go, so I say fine. And then, you know, [Art] Marks came to me about this doing it the old-fashioned way, and it intrigued the hell out of me, so I'm on his advisory board.

CK: *And what is this for?*

TJ: Valhalla. Yeah. That's the firm he started after he left NEA. And he said he wanted to do it the old-fashioned way, and I said, "Gee, that sounds great." So I kind of helped him, you know, initially come up with a list of who to go talk to to try and raise money. And I think his first fund was close to $200 million. Pretty good.

CK: *I'd say so. So beyond investing, what keeps you busy these days?*

TJ: That and I have four children, ten grandchildren. I don't know. You know, I did figure one thing out before I retired, and that was I had to keep my brain working and my body moving, or I'd be a disaster. And I've been able to do that. I get up every Monday morning, get on the train, go to Manhattan, go to the J.P. Morgan staff meeting. When it's over, I meet with people, I get on the train, I go home. It's good for me, I think.

CK: *Structure.*

TJ: Yeah, yeah. And you know, because I'm involved with them and Valhalla and I do some work with the Burgiss Group, which is somebody I basically put in business, I think — who's in the record-keeping for private equity, they're in Hoboken — Jim Kocis is his name. I'm on his advisory board, or I'm an advisor to the firm. I think just things like that; they call me up and ask me questions or we talk on the phone or exchange e-mails. I think it's good for me. Now, full-time? No, I'd be damned if I wanted to do it full-time. And you know, Monday, when I get on the train in the morning and go into the city, I look at every person on that train and say, You poor people have to do this all week; I only have to do it today.

CK: *So I see that over the years, you were the mayor of Little Silver, New Jersey?*

TJ: Yes. Oh yeah, my God, how'd you find that out? Yes. Yeah, I was.

CK: *So you're very active in your community.*

TJ: Oh yeah, I was. That happens, like so many things. I moved to Little Silver, bought a house there. I couldn't afford one closer to New York, to be honest with you, at the time — that's why we ended up there. And something got me involved in something. Next thing I knew, I was on the zoning board, then I was on the planning board, then I ran for the borough council, and then I ran for mayor, and I was the mayor for two years. And then I said, That's it, and that was over.

CK: *What years?*

TJ: Seventy, '71, I was the mayor. And luckily, right after I left office, they changed it to a four-year term, 'cause mine was only two years. I was delighted.

CK: *And you remained active in your church?*

TJ: Yeah, I was a deacon of the Presbyterian Church. In fact, my youngest grandson, this past Sunday, got his Bible at the same church in Red Bank, New Jersey. Yup. Where I was the deacon.

CK: *Were you there?*

TJ: I was there. Oh yeah.

CK: *This is your tenth.*

TJ: Yeah, my tenth, yeah, my youngest. We call him Omega. He's the last, Omega.

CK: *And I also noted that you were active in scouting. Does that go back to—?*

TJ: Oh, well, my son was an Eagle Scout. And I never, I don't think I ever got past second class. Seriously. So I became involved in it, only because of him, that's all. I was trying to help him. He had a goal; he wanted to be an Eagle Scout.

CK: *What are your children doing?*

TJ: Well, my son has his own business.

CK: *And his name is—?*

TJ: Tom, Thomas III, because my father's name was the same. I have three daughters. The oldest daughter works for Marriott.

CK: *Her name?*

TJ: Lauren. She works, she's in charge of human resource for the Long Wharf Marriott in Boston and the Cambridge Marriott.

CK: *So she's been with Marriott quite a while.*

TJ: Oh yeah, yeah. Goes back, I think she just celebrated twenty-five years. Yeah.

CK: *'Cause you mentioned her when you were forming—*

TJ: Yeah, that ILPA. I called her. She started with Marriott at the Key Bridge Marriott, yeah, right here. In fact, when she did that, first thing she had to do was go to Spanish class, because, well, most of the people were — and Marriott conducted the classes, and twice a week— She's pretty good now.

CK: *So that's Lauren, she's your oldest.*

TJ: Yes, oldest daughter. My son is the oldest, has his own business. That's my oldest daughter. My next daughter's a real estate broker, in-home, in Little Silver, in Shrewsbury, and then my youngest daughter works for HP up in — her office used to be in Marlborough, and they moved 'em. 'Course, HP has been going through, God knows, crazy—

CK: *And her name is — you have three daughters and a son. So the next youngest daughter's name is—*

TJ: It's Lauren, Linda, and Dana. And Dana's the one that works at HP and lives in Sudbury. And Lauren, the oldest, works for Marriott, lives in Bedford, which is right next to Concord and Lexington.

CK: *So you have everybody more or less on the coast here.*

TJ: Yeah, yeah, they're all in the northeast. Two in Massachusetts and two in New Jersey.

CK: *Nice for you.*

TJ: Yeah, oh yeah.

CK: *So in 1995 you were inducted into the Private Equity Hall of Fame. Congratulations.*

TJ: Yeah. That was Phil Paul's doing, I think. Yeah, I think so. Well, it was an honor, but anyway, yeah. I was.

CK: *And also, you're an honorary Kauffman Fellow?*

TJ: Yeah, that surprised the hell out of me.

CK: *That's quite an honor.*

TJ: Dave Morgenthaler and I — now, how the hell did they pick the two of us? I think the Kauffman Foundation, you know, they run the entrepreneurship [program] — I think they were celebrating ten years or something, and they invited him and me. And I always thought it was an odd choice. But it worked out well, we had a lot of fun. And they had this big dinner in San Francisco at the hotel. And they asked each of us to make some comments, and then they had a question and answer period in a huge ballroom. And when that was all over, they gave us these, what they give the people who — it's a piece of granite, I guess, or something, marble? I mean, it's this big — and wood. And the two of us were made honorary Kauffman fellows. I said, "My God, that's amazing." I said, "I don't think they're gonna let me on an airplane with that thing." So they sent it to me.

But no, I was surprised ’cause neither one of us knew this was gonna happen. All of a sudden, you know, I figured, “That’s it, I’ll go back to my room and go to bed.” No, they’re gonna make us honorary—

CK: *That’s quite an honor.*

TJ: Yeah, it was, it was. I was flabbergasted.

CK: *It shows a certain indication of your impact on the venture capital—*

TJ: I don’t know about that. But it’s like when you called me, then I went online and looked at all those people, Arthur Rock and Reid Dennis and Tom Perkins. I said, “My God, they’re legends in this business; I’m not.”

CK: *Well, you certainly are recognized as one.*

TJ: Well, I don’t know. It’s been a lot of fun.

CK: *Are there any questions that perhaps you thought I might ask?*

TJ: No, I think you did a good job of picking it all up. It’s amazing what you knew about me. I didn’t know many people knew I was the mayor of Little Silver, because I don’t go around telling people about that. Anyway, I have to tell you this, though: I picked two bad years to be mayor. It was the two years that the whole town was dug up to install sanitary sewers. Up until then, everybody had a cesspool or whatever. And every street over those two years in town was dug up at one time or another. I remember, there was a contractor from North Jersey who won one of the contracts for part of the town, and I was on his back because he was leaving holes in the ground overnight and not putting lights out. So he said he'd like to meet with me. Well, fortunately I got one of the councilmen, who also happened to be an attorney. I said, "I'd like you to be here." This contractor offered to pay off my mortgage if I'd get off his back. I said, "No way, buddy." I said, "You are gonna hire somebody to be around all night long, so that if the police find any infractions, there's somebody to fix it immediately." And he did that. He brought in a small little van, and he had this guy. He offered to pay off my mortgage just to get me off his back. You believe it? So if you don't believe politics is dirty — anyway.

CK: *Well, I want to thank you again.*

TJ: My pleasure. Been a lot of fun to think about—

CK: *Thank you for NVCA, and I always want to thank you for Chuck Newhall, because, as I said in the beginning, he's really been the heart and soul of this.*

TJ: Well, good. If you see Chuck, tell him I said hello. I have admired Chuck for a long time, and what they did with that firm; really, I mean they started from scratch, and they're the same people, they just had that drive, they were gonna make it work. Okay, I'll walk downstairs with you.

CK: *Thank you very much.*

TJ: You're welcome, my pleasure.

CK: *I enjoyed this.*

TJ: It was fun kind of going back and reminiscing.