



C.E. Unterberg Towbin Story

NVCA-Venture Forward Oral History Collection

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National Venture Capital Association
Venture Capital Oral History Project

Thomas I. Unterberg
Interview Conducted by
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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 Laurance Rockefeller, J. H. Whitney and Georges Doriot, and the mid-century associations of Draper, Gaither & Anderson and Davis & Rock — families and firms who financed advanced technologies and built iconic U.S. companies.

Each interviewee was asked to reflect on his or her formative years, 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 relatively 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 representing just 0.2 percent of U.S. GDP have fueled the creation of 12.1 million American jobs and \$2.9 trillion in sales. Yet even these figures, while significant, greatly understate the collective accomplishments of the venture capital industry.

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

I'd like to extend a special note of gratitude to each interviewee for generously contributing time to this initiative and for candidly sharing 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 2014

VENTURE CAPITAL GREATS



A CONVERSATION WITH THOMAS UNTERBERG

Tom Unterberg is the general partner at Tamar Technology Ventures. He was the co-founder, chairman and senior managing partner of C.E. Unterberg, Towbin.

With over forty years of investment banking experience, Tom has acquired a wealth of experience through hundreds of public and private financings through several bull and bear markets. He has led IPOs of Intel, Compaq, and Applied Materials, invested in Compaq and AES and has a legacy of underwriting Israeli high-tech companies beginning with the IPO of Scitex.

Tom served as a managing director of Shearson Lehman Hutton Inc. from January 1987 to January 1989. And prior to that, he served as the chairman, CEO, and senior managing director of L.F. Rothschild, Unterberg, Towbin. With Robert Towbin, the firm was known for its merchant banking investments, particularly in high-technology companies. Tom was associated with this firm or its predecessors from 1956.

Tom holds a B.S. degree from Princeton University and an M.B.A. degree from the Wharton School of the University of Pennsylvania.

The following interviews with Thomas Unterberg, in New York City on August 3, 2010; Robert Towbin, in New York City on October 26, 2010; and Mel Lavitt, in Washington, DC, on November 22, 2011, combine to provide personal recollections and the history of C. E. Unterberg Towbin. My name is Carole Kolker.

Carole Kolker: *When and where were you born?*

Tom Unterberg: January 8th, 1931 right here in New York.

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

TU: Didn't. My family moved down to Jersey.

CK: *Your parents were living in New York when you were born?*

TU: Mm-hm.

CK: *And your parents' names were--?*

TU: Marjorie and Clarence.

CK: *Why was he called "Dutch?"*

TU: Because I think he had a lot of sisters, and one of them thought he looked like a little Dutch boy, so they called him Dutch. At least that's the story.

CK: *Did you have any siblings?*

TU: I have a younger sister.

CK: *How'd you all get along?*

TU: Fine.

CK: *That's a pretty nice balance there, probably less fighting than when you have a brother.
How about your interests as a child?*

TU: I don't think anything out of the ordinary.

CK: *Were you a reader?*

TU: Probably.

CK: *Were you a tinkerer?*

TU: No.

CK: *How about athletics?*

TU: Normal interest in athletics.

CK: *So you went to school in New Jersey, grammar school? Where did you go to school?*

TU: I went to grammar school in Shrewsbury, New Jersey, and then junior high school in Red Bank, New Jersey.

CK: *Did you any favorite subjects?*

TU: Not really.

CK: *Any favorite teachers?*

TU: I didn't like science.

CK: *How interesting. That reminds me of what an interviewee told me who hated math, and he ended up in this business.*

TU: Bob Noyce told me once that there's no reason for people like me to understand science. He said, "If I can't explain to you what my company does in five minutes in a way that you understand it, then I can't do my job."

CK: *What kind of a kid were you? Did you have high energy? Exuberant, competitive?*

TU: I'd say probably a little bit above normal, but not extraordinary.

CK: *Curious?*

TU: In the things that interested me, which I suspect were mostly sports.

CK: *What sports did you play?*

TU: Normal ones, mostly football and tennis.

CK: *Are you still playing--no tennis? Swimming? No. Well, you're keeping in shape somehow.*

TU: I have gyms in both my homes. And I played tennis until a couple years ago, then I hurt my back and haven't played since.

CK: *Did you have any early role models that you could think of growing up?*

TU: No.

CK: *How about values in your home? What was important? Attitudes towards success or work ethic? Is there anything that stands out as being a message?*

TU: There was always a high level of interest in philanthropy and working for non-profits, which I think carried forth to both my sister and me.

CK: *I was wondering if your father ever talked shop around the home. Did you grow up hearing about the business?*

TU: No.

CK: *Did he take you to work?*

TU: Never.

CK: *Did you ever have a job earning money during your high school years or into college?*

TU: Maybe odd jobs in the summertime, but that's about it.

CK: *Did you go to camp?*

TU: Went to camp, yeah, sure, 'cause it was during the war, my parents shipped me off to camp every summer, they didn't know what to do with me.

CK: *Where did you go to camp?*

TU: Place called Kennebunk up in Maine. Because it was during gas rationing, and we lived on what they called a farm, but it wasn't really a farm, and it was in the middle of nowhere.

CK: *This was in New Jersey.*

TU: Yeah.

CK: *So you were more rural than urban.*

TU: Well, they would say that. It was a couple miles from a bus stop.

CK: *How far was the closest house?*

TU: Close.

CK: *Did you have any crops or blueberries or--?*

TU: You know, garden [unintelligible] animals, that kind of stuff, chickens.

CK: *Did you have any chores? If you didn't earn money--*

TU: I used to raise chickens. I didn't particularly enjoy that.

CK: *What were your goals for yourself when you graduated high school?*

TU: It's interesting 'cause now when you talk to these kids that are graduating high school, they're very serious about goals and where they go to college. My parents shipped me off to prep school when I was 15, and I was so excited when I got through prep school and got accepted at Princeton, that was my goal. I thought I'd have a very good time for four years at Princeton, which I managed to do.

CK: *Is that why you chose Princeton?*

TU: For the life of me, looking at the way these kids today visit schools, talk about schools, I don't know why I chose Princeton.

CK: *Did you consider any other school?*

TU: It was as simple as the headmaster at Deerfield sitting down and saying, "I would suggest that you consider one of the big three and Williams. And if you don't get in, I can always

get you into Adams.” That was the extent. And Harvard and Yale didn’t particularly interest me, and Princeton was an hour from my house. So that’s where I ended up.

CK: *What did you major in?*

TU: Economics.

CK: *The logical question is why did that interest you?*

TU: I think because I took an economics course my first year and I enjoyed it, and I just stayed with it.

CK: *Were you involved in any sports or extracurricular activities at Princeton?*

TU: Not seriously. I played on the freshman squash team. I don’t think there’s a lot else I did. I worked for the Princeton Tiger for a couple years, but it didn’t amount to much.

CK: *I’ll have to remember that. How about any organizations? Did you belong to any?*

TU: The [ED] Club, they have ED clubs instead of fraternities in those days, they still do. My club was called Key Coseal.

CK: *Have you maintained any of these Princeton contacts? I know you went on--*

TU: Yeah. I still have a few close friends who were in my class at Princeton. I served on the board of the Princeton Investment Company for six years.

CK: *What I’m getting at is, having gone to, being a Princeton alum, does that provide a network for you in any way?*

TU: Never used it.

CK: *So when you meet someone who went to Princeton in business, it isn’t a band of brothers?*

TU: Not for me.

CK: *So what were your plans when you finished Princeton?*

TU: To try to stay out of the army and go to graduate school, which I didn't stay out of the army and I did go to graduate school eventually.

CK: *So you were in the military. Is this the Korean War?*

TU: Yeah, right at the end of it.

CK: *Tell me about that experience.*

TU: It was nothing. I got drafted, I went to Fort Dix, went through 16 weeks of basic training, they decided they wanted to keep me at Fort Dix first as an acting platoon sergeant, and I ended up running a couple warehouses in the quartermaster corps, and after about 20 months they said, "Okay, you've had enough; you can leave now." So that was it.

CK: *It was over. Do you feel in any way that that experience had any impact on your life?*

TU: Absolutely none.

CK: *The discipline or the whatever? Most people say every kid should be in the service--*

TU: The 16 weeks of basic training was a different experience, but after that it was a really casual existence.

CK: *And also being thrown into a mix of, a very diverse group of--*

TU: That's true, because I guess in those days Princeton was not a very diverse group. But actually it wasn't that bad, because this was, you know, everybody had just graduated from college, went in the army at the same time. So it was mostly college graduates.

CK: *After you finished the service, you went on to Wharton.*

TU: Yeah.

CK: *Why Wharton?*

TU: Because I didn't get into Harvard.

CK: *So you're evidently following this interest in economics. Or business?*

TU: By now I'd gotten modestly interested in the securities business.

CK: *Do you know what triggered that interest? Was it any professor?*

TU: Yeah, at Wharton it was. There were a couple of professors, and I found out that investments in corporate finance seemed to be much more interesting than anything else I'd been exposed to before.

CK: *Had you ever thought of doing anything else?*

TU: I think unfortunately the real question was that I thought about doing anything. You know, when it's college, it was getting through college; army, it was getting out of the army; when it was Wharton, maybe, actually, I guess maybe halfway through Wharton I decided I wanted to be in the securities business, maybe because I couldn't figure out what else I wanted to do, what else there was.

CK: *Definitely the times. Was your father influencing you in any way or guiding you with these decisions?*

TU: Not really. I don't remember ever talking to him about it. I mean I told him what I was thinking. I'm sure if he didn't agree, he would've said something.

CK: *How was your experience at Wharton? Sounds like it was more positive than—*

TU: Well, it was much more serious than Princeton. There I really studied and did reasonably well, and didn't have that much of a social life during the two years I was there; I just worked.

CK: *In what years were you at Wharton?*

TU: Graduated in '56.

CK: *So you were there '54 to '56?*

TU: Yeah.

CK: *And you were in the army from--*

TU: '52 to '54.

CK: *Okay. Where did you head after Wharton?*

TU: It was interesting. I started interviewing, actually I started interviewing with Boston firms because I had a girlfriend in Boston. The girlfriend didn't last very long, so my interviewing process in Boston didn't last very long. Then I started talking to firms in New York. The general reaction was—by then I finished, I guess I had finished Wharton maybe around January or February. So I was working at what was then, I guess it was [unintelligible], and every firm I talked to said the same thing, "Why should we train you for a couple years? You'll just go back [unintelligible]." Fine, I said, "Screw it," and I stayed at [unintelligible].

CK: *It was almost like a disadvantage.*

TU: It wasn't a plus. There were a total of six people. It wasn't much of a firm.

CK: *Were you interested in getting a different experience?*

TU: What happened was—I don't know if it was my father or Belmont, but they put me on a trading desk, and I found that I liked trading stocks. And I was reasonably good at it.

CK: *What did you like about it?*

TU: It's sort of the action, the intensity. Knowing instantly whether you were making or losing money.

CK: *Are you a risk taker?*

TU: Yeah, unfortunately that's been my problem for most of my life. If I let myself gamble, I'd probably be in Gamblers Anonymous.

CK: *So you like that edginess.*

TU: Yeah.

CK: *When I asked you about growing up, was this evident in your childhood at all, that you were a risk-taker?*

TU: I don't think so.

CK: *So this is all coming after.*

TU: Yeah, that's probably a fair statement.

CK: *So you were a trader, you started out as a trader, and you said there were only six people at Unterberg, Towbin?*

TU: Mm-hm. And there was another trader, a bookkeeper, secretary, my father and Belmont.

CK: *I think someone mentioned the secretary's name, she was there for a long time.*

TU: Margaret [Knielie].

CK: *Yes. Was she there a long time?*

TU: Yes. She was there, and she'd been there for a while when I got there and she stayed there until she died. So...

CK: *That's a long time. So among these six people, were you finding any mentors or guidance? Someone who said, "You're really good at this?"*

TU: Well, the trading thing came pretty naturally. Then pretty quickly after that, Belmont Towbin just started taking me around with him when he visited companies. I just watched him and I picked up most of his habits.

CK: *I want to hear about your relationship with Belmont, because you worked with him for--*

TU: Well, it seemed like a long time, but in the overall scheme of things, I would guess I worked with him very closely until, when I did start there? '56. Maybe 'til about 1960. After 1960 I was pretty much on my own.

CK: *Let me ask you something about family businesses? How much of a challenge was that? Being in a family firm. What were the challenges?*

TU: My father really did two things—his family had a lot of real estate interests, and he spent a lot of time, which had been started by his father, he spent a lot of time, they owned eight or nine buildings in New York, and that took up a big hunk of his time. Then he was very actively involved in the day-to-day management of Unterberg, Towbin. With six people, how much time could management take? He was on the board of three or four

companies. We'd do a deal for somebody and my father would go on the board. That was pretty much what he did.

CK: *Were there expectations of you, though, because, I mean did you feel that you had to prove yourself in a way that somebody else might not?*

TU: You know, in all fairness it never got there because I was always further ahead of myself than I thought I was going to be. Maybe it was the period we were going through, but the first five years I was in the business really easy. Everything we did was right, and it was easy to make money. I was convinced by the end of 1961 that, you know, it never occurred to me that you'd do an IPO that was going to go down, it didn't. You'd never lose money on a trade, because most of the time, you didn't. It was very easy.

CK: *Let's go back and recapture the history of Unterberg. You said your father's family had real estate holdings, and I read somewhere that your father studied banking in Europe?*

TU: That's true. My grandfather was in the shirt business—

CK: *And your grandfather's name?*

TU: Israel Unterberg.

CK: *Oh, so that's where you get your--*

TU: Yeah. He was in the shirt business in York, Pennsylvania, and for whatever reason, I mean maybe a lot of people did this in his day, he started buying real estate in New York. He made some money in the shirt business, and so the family was in shirts and real estate. My father didn't like shirts and real estate. This was after he'd been sent to Philadelphia Textile College because that's where you went to learn the textile business. SO when he didn't want to go into the shirt business, my grandfather said, "Okay, then, if you want to

be a banker, you should go to Europe and study banking,” so I think this trip to Europe might’ve been a summer. He spent a month in Germany or maybe two months in Germany and two months in England, something like that. I think that’s all that was.

CK: *Where was your grandfather Israel born?*

TU: Here. Well, there are various schools of thought on that. There’s one side of the family that claims he came over here at the age of four and slept in his cousin’s shirt shop on the Lower East Side, but then they discovered my grandfather’s father buried in Brooklyn, so they decided my grandfather probably grew up here, was born here. So I never really—

CK: *Well, your grandfather could have brought his family over when, your great-grandfather, when your grandfather was four.*

TU: He could’ve.

CK: *I mean that’s a much better story.*

TU: I don’t know what the real story is. At any rate, I don’t know. He was here most of his life.

CK: *But he had the wisdom to send your father--*

TU: I don’t know if it was wisdom. I think at the time, he probably made some money and said, “Okay,” because then my father then started a broker dealer with a couple guys. I guess he got some money from my grandfather, but I think that firm eventually went broke, and he started Unterberg, Towbin I guess after the crash in the early ‘30s sometime.

CK: *And he started it in New York. He was in New York.*

TU: Yeah. But it had nothing to do with technology and venture capital. It was basically in, I think he traded bank stocks.

CK: *And how does Belmont Towbin figure into the partnership?*

TU: I think Belmont was at Harvard Business School, and I guess he came into see Unterberg for a summer job, my father gave him a summer job. He liked him and then hired him after he got out of Harvard.

CK: *So you were talking about some of the early stocks that just took off, that—do you know some of the early Unterberg, Towbin ventures?*

TU: Yeah, what would happen is, I guess until the Second World War the firm was mostly trading over the counter stocks. Then Belmont and Towbin served in the army with Lawrence Rockefeller, and I guess after the war Lawrence Rockefeller had made some investments, venture capital investments, and he said to Belmont, “I'd like to figure out some way to get some public money for these companies.” And there weren't many firms that were doing, in fact there weren't any, I don't think, that were doing little tiny IPOs, and these were small. They were probably \$3 million, \$5 million, \$6 million. But when you were a five or six-man firm, you would be paid whatever it was, 6-7-8% to do this, that was a payday. So Belmont started doing these small technology IPOs.

CK: *Do you remember any of the--*

TU: Yeah. Actually, one of the companies—the early ones were, this would be in the late '50s, Reaction Motors, Airborne Instruments, Aircraft Radio, [Stabit] Engineering, FXR, which was not a Rockefeller [unintelligible]. At the same time, General Doriot at American Research also got hold of Belmont, so he started doing a couple small deals for American Research too. One was high-voltage engineering. For the life of me,

[unintelligible] I can think of right now. But we were very active in the American Research portfolio. Those were the two.

CK: *You were there in '56.*

TU: Yeah, I was there.

CK: *So were you involved with--*

TU: Yeah.

CK: *So you were involved with Rockefeller and--*

TU: Well, that was—

CK: *Was Peter Crisp working with him at this time?*

TU: Peter Crisp started, I'm not sure when.

CK: *I think maybe in the '60s. He was there for, I think, 45 years.*

TU: Let's see, I did the Thermo [Electron] deal in maybe very early '60s, I think, and Peter was on the board of Thermo Electron, so he was there in 1960.

CK: *Did you know General Doriot?*

TU: I met him. I didn't really know him. My contacts were Peter and Charlie Smith. Actually, we were friendly with all those guys, Teddy Walker [unintelligible].

CK: *You were just telling me about Belmont's relationship with Rockefeller, and then Doriot came to--*

TU: Well, Belmont had known Doriot from Harvard Business School. It wasn't hard to find us because nobody else was doing this stuff. And then the business got bigger because the larger Wall Street firms would start handing us all these little deals to do, 'cause they didn't want to do 'em. They hoped the companies grew up to be worth something, they could then take 'em over.

CK: *At a later stage.*

TU: Yeah.

CK: *There was a 1959 Time article called "Midget Maker."*

TU: Yeah.

CK: *As you were telling me—[interruption] It's a wonderful article. He's talking about you establishing a reputation for making markets for these growth companies.*

TU: You know who wrote the article? Do you remember channel 13, public broadcasting, they had a program called "Adam Smith?"

CK: *Yeah, "Adam Smith's World."*

TU: That was Adam Smith.

CK: *And he got the name--*

TU: He made it up. His name is Jerry Goodman.

CK: *Were other companies coming to you?*

TU: Oh, sure.

CK: *You're building a reputation for taking these small companies. So perhaps, and I know you were involved with Cray.*

TU: Cray was '76, '77.

CK: *Is this through Charlie Lay?*

TU: Not really.

CK: *He was at New Court.*

TU: He may have introduced us to Cray, but back then everybody knew what Unterberg, Towbin was. By then it was me and Hambrecht and, you know, Robertson, Alex Brown. All these companies would come to the same four firms.

CK: *So that was your competition in terms of--*

TU: We were competitive, but basically you always had two or three of us involved in every deal, because there were always two or three underwriters.

CK: *So if Alex Brown got a deal, he might--*

TU: Or the company'd be talking to four and they'd pick two. That went on for a long time.

CK: *Did you feel this was a network? Would you describe this as a network with other venture firms? That you had established any kind of a relationship?*

TU: Yeah. There weren't very many venture firms in those days either.

CK: *So you mentioned Venrock. What other venture firms?*

TU: Well, it's hard to avoid Kleiner Perkins. I guess we did—now I think of it, you go back to—Certainly, NEA, Mayfield, Morton Collins down at Princeton, I forgot what he called

his firm. It was the only venture business that Princeton had ever invested in 'til I came along.

CK: *How did that come about?*

TU: When I was on the board of PriCo they said, "Find us a couple more investment firms and venture firms to invest in."

CK: *So were you going out and—how did you go out and find these venture firms?*

TU: Oh, you'd call on the companies and they would have these venture guys as investors, or sometimes Venrock would call me or, you know, Kleiner Perkins would call on something.

CK: *Did you do anything with Oak, with Ed [Glassmeyer]?*

TU: We did. I don't remember names offhand, but certainly he was another active Princeton alumni.

CK: *Do you remember, I know you were involved in Intel in their first offering—is there a story behind that?*

TU: Well, you know, the early money had come from [Arthur Rock], whose partner was then Dick Kramlich, who went on to NEA. I think they called and said, "We'd like to take these guys public." So they talked to me and a couple of other guys, and they chose [unintelligible]. That was a big deal for us. I think it was maybe \$9 million. It was, it was \$9 million. And that was a relationship that continued 'til 1989 or 1990.

CK: *So is there a certain loyalty that's established once you get your foot in the door with--*

TU: Sometimes yes, sometimes no. But in this case, it went on for a long time.

CK: *There must've been a lot of, as you said, there's competition, and that's west coast, you're operating east coast-west--*

TU: Yeah. Remember, by then, a couple years later I merged with LF Rothschild and we had offices all over.

CK: *And that made a difference?*

TU: Well, it was really, it was initiating my relationship with the management, and then I was very friendly with the CFO and the treasurer. And certainly they used other bankers too, but they also used my firm a lot.

CK: *I'm just interested in seeing how you not only established each relationship, but maintained them, because there are a lot of IPOs coming down the pike, and you want your fair share, your share of the business. What would make someone choose Unterberg over Hambrecht and Quist or over Alex Brown something?*

TU: Well, it depends on the era you're talking about. Generally there's not a lot of difference between investment banking firms. So the issuer tends to pick the guys they like the best or that they get along with, and maybe you're particularly good at something they want done, there might be somebody who's best at convertible bonds as opposed to somebody who's just an equity guy.

CK: *So these relationships are important, these venture capital relationships.*

TU: I think what's important is you want to have a firm that the venture capital guys think is good at what they do.

CK: *How do you--*

TU: Well, you try to perform for their portfolio companies when you, if you say you're going to do this, this and this when you take them public, you damn well better do it, because if you don't, then they're not happy with you very quickly.

CK: *So I guess the bottom question is what distinguishes Unterberg, Towbin over the years? What has distinguished Unterberg to give it the reputation it's earned?*

TU: Well, our reputation has been all over the place. I mean, probably it was, we stopped doing this business seriously. I went to Lehman Brothers in 1989, and after that, I was there for a year and decided I didn't like big firms, so I restarted Unterberg, Towbin in 1989 or 1990. We didn't really particularly care about the IPO business or the venture business.

CK: *Because— what had changed?*

TU: I had done enough of it. I'd probably been involved in a couple hundred IPOs; I didn't need to do any more.

CK: *Do you have a favorite IPO story? I know it's kind of a heady time, and there's a lot of energy up there after the road show or whatever they've done. How about Apple?*

TU: Apple, I lost that business to Morgan Stanley.

CK: *You didn't have the IPO?*

TU: I'd been an investor in Apple, which in itself is a story because I was [unintelligible] and I had a chance to buy a block of Apple about a year before it went public, and I thought it'd make a good investment [unintelligible] Rothschild, and I went to what was then the senior partner, said, "I want to buy," whatever it was. It was probably a few hundred thousand dollars worth of Apple. That money wasn't that big in those days. He said,

“No no no, we can’t put our capital in pre-public, locked up investments.” So I actually called Patrick [Offin], said, “Do you want this?” He took it.

CK: *There’s a story.*

TU: And then Apple was going to do their IPO with Hambrecht and [Alec] Rothschild, and Morgan Stanley decided they wanted to go in the IPO business. So Apple said, “What the hell? We might as well be Morgan Stanley’s first IPO.” So they turned it over to Morgan Stanley and Morgan Stanley said, “We will take both Unterberg, Towbin and [unintelligible],” and either the company Morgan Stanley decides [unintelligible].

CK: *So I know that the venture capitalists see themselves as a band of brothers, but it doesn’t like, you know, your end of the business is—I mean it’s much more competitive.*

TU: You don’t think the venture capital business is competitive?

CK: *I think early on, the venture capitalists that I’ve interviewed have seen a lot of, they’ve done a lot of networking and trying to get funds, you know, get together to raise funds. Maybe that has certainly changed today because--*

TU: They’ve all gotten very big, and they’re all getting funds from the same people.

CK: *Right. But there are certain venture firms that worked together. Those are the band of brothers, you know, early on, when they needed--*

TU: Well, yeah, because when I talk about getting business from Kleiner Perkins, Kleiner Perkins’ first fund was \$9 million. So they couldn’t do a lot of stuff by themselves.

CK: *Right. Had to rely on, and they had--*

TU: I think we did the original financing for [Seven] Rosen, and I think we got, it was either 20 or \$25 million, that's all they had.

CK: *And who would you call in when you needed to raise funds? Did you, were you, I mean you were able to, you said you helped raise funds for Seven Rosen.*

TU: Yeah.

CK: *So you were selling.*

TU: Going to institutions or rich individuals, saying, "Do you want to invest in a venture capital firm?"

CK: *Did you have certain people that you went to as a rule? Was there a list of ten?*

TU: There were, but now you're talking 30 years ago.

CK: *That's the history, right.*

TU: I remember taking Ben Rosen and LJ Seven to London to raise money for 'em, but if you had to ask me who we called on in London, I haven't got the faintest idea.

CK: *Yeah, just the fact that you got it. How would you describe your relationship with these venture capitalists? Was it personal in any way? Did any of these relationships develop personally?*

TU: The difference between the east coast and the west coast—on the west coast social and business relationships are totally intertwined, because most people haven't been out there for all that long, and the people you see in business become your social friends. East coast I think is totally different. You've got your business and you've got your social life, and I can't think of, maybe a few venture guys I was socially friendly with. I was

friendly with Arthur Rock on the west coast. Even Peter Crisp, I knew him for years, but I think I probably met his wife twice.

CK: *But business-wise, you had a close business relationship with him? Or was it all business? Is there a difference between just all business and--*

TU: Well, we didn't have a lot of, it wasn't a social relationship.

CK: *Or informal, maybe that would be a better, you know, kind of in between.*

TU: No, it was built around—he was on the board of Apple, he was on the board at Intel at one point, and Thermo Electronics had been a client of mine for 20-odd years and I was on the board and he was on the board.

CK: *These relationships, I just want to understand, with venture capitalists, do they ever develop to a point where you know, if they have a company ready to go to market, that they're going to call you?*

TU: No, they wouldn't. Maybe years and years ago they would. Now it's a business. It was [indeed], but by the time we got to LF Rothschild in 1977, you had bankers crawling on the venture firms, saying, "What's in your portfolio? This is what we think of the market. We think this kind of deal will get done. [unintelligible] fits this, and who should we be talking to in your portfolio?" This was a business. Whether it was Rothschild or Hambrecht or, **now apparently who do nothing will go around** communicating to venture firms.

CK: *So prior to this, you--*

TU: Yeah, initially people might call you and say, you know, "Would you have any interest in taking this kind of company public?"

CK: *Did your father—you said your father was busy—he didn't do this—and Belmont?*

TU: Belmont, I guess by the late '60s I was running Unterberg, Towbin. My father was close to being semi-retired, had a lot of other interests.

CK: *How about Bobby Towbin?*

TU: He came just a couple years after I did, late '50s.

CK: *And this is Belmont's brother.*

TU: Belmont's brother. By then, the six people was now probably 60 people. So we were bigger.

CK: *So your business has changed a lot from the time when you started. I mean the nature of the business and the relationships seem to have changed, almost dramatically since the '50s and '60s. I guess I'm trying to--*

TU: It was still a pretty small firm.

CK: *But the relationship with venture capital industry--*

TU: Well, venture capital, we changed and did the venture capital business, got much bigger.

CK: *You were talking about your relationship with ARD.*

TU: Yeah, it was mostly Belmont.

CK: *And Venrock or Rockefeller. And were there any other early venture firms that, early offerings that, I mean really early, that just—Were you involved in I-Tech?*

TU: No. I don't think we were.

CK: *Just an early offering. Compaq—that comes later, right?*

TU: Compaq, yeah, that was in the late '70s. We did that deal after we merged with Rothschild, which was a disaster.

CK: *Because--?*

TU: We did it at 11, it went to two. Then luckily it turned around.

CK: *And [Citas]?*

TU: That was in the early '80s. That was after I thought I was going to get the Genentech business, and we lost that to Morgan, maybe, and then the number two company was Citas, so I went after Citas and we did [unintelligible].

CK: *You seem to be interested in technology to some degree, in the technology field, technology investments.*

TU: You're relating this to the venture capitalists. They're either in health care or technology most of the time. But we were doing other stuff too. Diners Club was one of our more successful [unintelligible].

CK: *Tell me about Diners Club.*

TU: That was Belmont Towbin. He got friendly with Ralph Schneider, who was running Diners Club. He was trying to sell it to American Express, which American Express should've bought it and they didn't. And then Ralph said, "Why don't you take us public?" so we took it public, and it worked out very well. But we were doing lots of little deals that had nothing to do with the venture community.

CK: *So what part of the business did you like the most, as you went on?*

TU: It got to be a very simple business. It was totally capital markets-oriented, and you had to find deals to do, you had to do them and you had to do a reasonable job trading them after the deal came out, and following the company on a research basis. That's what we did.

CK: *What would make you decide to do a deal? Was that a decision that—did you look at the company? Did you look at the management? Did you look at the industry before you would decide to get involved?*

TU: Yeah, again, the pattern gets established very early on. Basically, it's gotta be in a business that you're reasonably comfortable in, where you get to know the management well, or maybe you know them from past companies, where you know who the investors are, and you may know some of the directors, and then you decide among your partners is this something you want to be involved in?

CK: *So what's the most important part of it? Is it the management or is it the product or the industry?*

TU: One takeaway from General Doriot is he told me once, "I'd rather have good management in a mediocre business than mediocre management in a good business." So if the management's okay, usually you come out all right.

CK: *So that's what you're looking for.*

TU: I had some bad experiences though. We did a deal for a company, I think it was in the shoe business, and about two weeks before we filed they found him in the back of a car without his head. Somebody cut his head off.

CK: *Oh. Well.*

TU: So we didn't do that deal.

CK: *Have any other stories like this?*

TU: It's hard to top that one.

CK: *Yeah, I guess so. I wasn't sure if that's exactly what you were saying. I mean you're in New York, maybe--*

TU: It's a Boston company.

CK: *There you go stereotyping. What were you all doing during the bubble, during the '90s?*

TU: Well, the next iteration of Unterberg, Towbin?

CK: *Yeah.*

TU: Well, the concept was pretty simple. We wanted to have enough of a capital markets business to attract some investment opportunities, but normally if you're doing stuff, companies come to you, and it may not be a financing opportunity, but it may be an investing opportunity. So, we were basically looking for places to invest. And actually during that time we weren't particularly interested in the IPO business, but we did have a couple small venture firms that—the pattern was always the same. We'd do private equity partners, one, raise \$25 million that does great, didn't do private equity partners to raise \$100 million, it's a disaster. So we got tired of that after a while.

CK: *Did you learn something from the--*

TU: Yeah, that I was a lousy investor.

CK: *How has venture capital and investment banking changed since then, and the relationship?*

TU: It's harder to make money.

CK: *Why?*

TU: You have to be a little more discriminating. Because a lot of people lost a lot of money. When we did private equity partners, I mean private equity partners one was \$20 million and \$22 million. Probably took us months to raise \$22 million. Come four years later you do private equity partners two. I think we raised \$110 million at a cocktail party. At the same time, we were doing another venture fund for a guy named Bart Schachter, it was also a disaster. Raised \$130 million for him in two days. There was just money coming in from everywhere. It went on long enough so you began to think that this is the way it's always going to be. It isn't.

CK: *Did you get lulled into that--?*

TU: Actually, we weren't that stupid. I mean at the end of '99 we had a firm portfolio that made a lot of money, and we said to our partners, "Look, we'll either sell this for you or distribute the securities if you want. You know, it's time." The problem is--we distributed \$50-60 million worth of securities; we thought the timing was terrific—the problem is we took that \$50-60 million and put it back in the market; a year or two later, got killed.

CK: *Well, there was a period of time, I guess it's 1990, where you were, you formed a company with Bob Harris?*

TU: No, you're right, the second iteration of Unterberg, Towbin started as Unterberg, Harris, then when Harris left we took the name Unterberg, Towbin because Towbin [unintelligible]. He'd left to go to Russia.

CK: *Oh. And where is he now?*

TU: Across the street. He's at Stevens and Company.

CK: *So he's going in a different—I thought Stevens was in Little Rock.*

TU: Arkansas, they are, but he's on Madison Avenue and 55th.

CK: *So just kind of reflecting, is there anything I haven't asked you that you thought I might ask you, or something you'd like to share? Especially about, since we're talking about venture capital, maybe Unterberg's early relationships?*

TU: It's interesting. I'm trying to think of examples where maybe, if you were on the board of Tandem Computer, which I was, there were three or four venture guys also on the board, whether they directed any business to Unterberg, Towbin, but then I guess it was Rothschild Unterberg Towbin. They may have. For the life of me, I have no recollection of it.

CK: *Right. So you said that Belmont kind of took you under his wing when you were--*

TU: That's a little extreme. I wouldn't say he took me under his wing.

CK: *Okay. You learned a bit from.*

TU: I followed him around for a year.

CK: *What was he like?*

TU: I think he's very smart. He was a good investor. He could be very sales-y when he wanted to be. He also wasn't the hardest working guy in the world. Basically, I think he understood the process of how you raise money for small companies. Didn't make any difference if it was technology or Diners Club or National Shoes, but he understood how you did it, and had a pretty good nose for determining what we should be involved in and shouldn't be involved in.

CK: *What do you think has given you your self-confidence? Just to make the decisions that you have to?*

TU: In all fairness, it came very easily. I got trained and grew confident as the business underneath me grew without, in all fairness, any extensive planning on my part. My planning at the old Unterberg, Towbin was, okay, when you were operating at 110% capacity you could add another person, and that was about as far as it got.

CK: *What made you think you were well-suited for this industry?*

TU: Because by the time I'd been doing it for a couple years, I don't know if I was well-suited, but I was having a pretty good time and I was making money. Didn't have to give it a lot of thought.

CK: *What excited you about what you were doing? Did you enjoy going to work?*

TU: The one thing my father did tell me was that if you didn't enjoy going to work—he told me two things—one is if you don't enjoy going to work, you shouldn't be going to work. The second is you can't make any money sitting in the office. That was the extent of it. And also, remember the receptionist's birthday, which I never did.

CK: *So those were the words from dad, yeah.*

TU: I mean he had a knack for—I had a home on the Jersey shore in the '70s, and I guess he'd pretty retired by then, and whenever I came down on a Friday afternoon, he'd be sitting on my porch, and he had a knack of asking me maybe six questions, none of which I knew the answer to. Always involving, "Did you remember to do this?" It was so-and-so's birthday, you know.

CK: *So it seemed a little bit tough on you.*

TU: Well, they weren't particularly pertinent questions.

CK: *But did he know that the answers were going to be no?*

TU: Pretty much. This went on for years.

CK: *Did you ever stop and think that you might've enjoyed, were there moments where you stopped to think, "I might've enjoyed doing this or that," something else?*

TU: Not really. Actually the reverse of that, because I started this small money management business a year ago, and after a year I decided it's really boring, and I'd like to go back to, if I'm going to do anything, I'd like to go back to what I used to do.

CK: *So you even played this out, what you might liked to have done. I mean from your observations of working with venture capitalists and entrepreneurs and these IPOs, do you see venture capital in any way as a romantic quest? Maybe in contrast to--*

TU: No.

CK: *No, you don't see it.*

TU: No. You know, I think successful venture guys make a lot of money, and they're entitled to it. It's very hard work and I think it's probably not much fun a lot of the time.

CK: *You mentioned that it's changed. How was it in the early days in contrast to today? How would you see that? Because you've worked with a lot of these people.*

TU: The deals were much smaller, the timeframes were much more shortened. Deals were almost on a hand to mouth basis. A guy founded, you know, worked on the deal and went on the board of the company. Eventually they took it public or sold it. It was a much more personal, individual thing.

CK: *Do you have any venture capitalists that you admire, that you've met along the way?*

TU: I admire them all. They're all much smarter than I am. I've never met a venture capitalist where I scratched my head and said, "Jesus, how could a guy this dumb be doing this well?" They're all great.

CK: *That's interesting. So they're hard working. Would you say that the contributions you've made in getting some of these products to market, that you've made some contribution to the economic growth of the country in some way?*

TU: Well, I don't think in terms of economic growth of the country, but I think, yeah, it's a constructive role. I mean I think it's much more productive and much more interesting than, you know, what investment banks are doing these days. You know, bond trading, derivatives, mortgage banks, I'm not particularly fond. But it's not a business I know.

CK: *Let's talk about what you're doing when you're not dealing with money. Have any hobbies, sports, like to travel?*

TU: My wife and I talk about that a lot. Did so much traveling up until a couple years ago. I've had trouble getting myself excited about traveling, because not only did I used to travel a lot on business; my wife and I used to, we were sort of into hiking for a while, so we'd go strange places to hike. Now the idea of a big trip is to go to London for a week and go to the theater. Even for the first few years of the new Unterberg, Towbin, I had a home in San Francisco, I had a home here, had a home on the Jersey shore. We were all over the place. I spent most of my life on airplanes.

CK: *It wears off. Do you sense—I know now that you're involved in investing in Israeli companies.*

TU: No, that goes back—actually, that was a venture relationship.

CK: *What is that?*

TU: I was down at Caneel Bay in 1983 and a fellow named Fred Adler called me up, who was in the venture business, and he's called himself by various names over the years. He was a lawyer [unintelligible] McGrath, but he's had various venture firms, and he said, "I got a deal in Israel I want you to do." I said okay, he said, "Can you like get over there now, 'cause I want to get this started?" So I left the Virgin Islands, went to Israel, and did an offering for a company called Scitex, which, it was okay, it was moderately successful over the years, wasn't great. But I got pretty friendly with the guys that ran it. And there wasn't a lot of interest in doing small Israeli IPOs in the US marketplace or in any marketplace. But Israeli companies started to find us, so starting in the early '80s we did a lot of Israeli stuff. And then when I got to Lehman Brothers, they by then, they had a guy named Harvey Krueger, who dominated Israeli investment banking, so I didn't do anything in Israel while I was at Lehman. And in the '90s we got interested in Israel again and we opened an office in [unintelligible]. We sold Unterberg, Towbin in 2007, and Colin Stewart, who bought it, didn't have any interest in Israel, so they shut the office down. I still have a lot of relationships over there. I had a venture fund over there for a while too, which did okay. It's been pretty quiet on the Israel front for the last couple years.

CK: *What are you doing today? You said that--*

TU: Small long-only micro-cap technology fund, I spent \$55 million, and we just invest in technology companies with very low enterprise values. Basically, companies with a lot of cash and low market caps, just because we thought that was an overlooked part of the marketplace, which it is. It's doing okay.

CK: *Are you finding it challenging or interesting?*

TU: No.

CK: *No. You're ready to retire. Are you ready to retire?*

TU: I'm either ready to—well, this is semi-retirement. I mean, no, I'd probably look for something, I am looking for something else to do.

CK: *Do you sleep well at night?*

TU: Most of the time.

CK: *You said you're a risk-taker.*

TU: I don't worry a lot.

CK: *How do you handle stress?*

TU: I remember, at L.F. Rothschild, Unterberg, Towbin, the CFO of Intel called me one afternoon. Actually, it was the CFO of IBM, it was John **[Rogstrike]**, he was the controller, he's now in this building, said—

CK: *John?*

TU: **Rogstrike**. He was a partner at Salomon Brothers, then he went to IBM. Said, "Look, we've got a bunch of Intel stock here at IBM and we want to get out of it." Said, "Oh yeah, how would you want to get out of it?" He said, "I'm thinking of doing a block of IBM for Intel stock, about \$300 million worth." I said, "Yeah, makes sense. What's your time?" He said, "Well, I'd sorta like to do it tonight in the euro market." I said oh. This was maybe two or 3:00 in the afternoon. I said, "How do you plan to do this?" He said, "I want you, Salomon Brothers and Morgan Stanley each take \$100 million worth and sell it." "What kind of terms are you thinking about?" He told me what the terms were.

I said, “Well, I think that sounds reasonably okay; when you make up your mind what you want to do, call me.” There was a partners’ dinner that night and I was at 21, I was [unintelligible] Rothschild Partners, I get a call around eight or 9:00. He said, “Look, we’re ready to go, here are the terms. It’s okay with Salomon, it’s okay with Morgan Stanley. Do you want \$100 million worth?” And I said okay, so I took it. Now, that can create stress. Luckily, my partners weren’t too upset and the offering, we bought the bonds at 97 and sold at 103, so it worked out very well. That’s when you can get nervous, some of this other stuff, [unintelligible] sell stocks, it’s going to go up five or ten percent, they don’t really care about—

CK: *How do you make a decision yourself?*

TU: That’s Wall Street, that’s the way it works. If you’re dealing with corporate America, they’ll say, “Well, that sounds okay, I gotta take it to the board of directors, I’ve gotta take it to the boss and then I’ve gotta take it to the board of directors.” Wall Street, you can’t do that.

CK: *So is that where the experience confidence comes in? Are you personally, do you make decisions quickly? If you have to have it by 11:00, as one interviewee said, “I wait ‘til 10:59 and then I make the decision.”*

TU: No. I’ve always believed in the first ten minutes you know 95% of what you’re going to know.

CK: *Oh, interesting. And what do you base the decision on? Is there any intuition in there?*

TU: Well, in all fairness, it goes back, if you spent your life on a trading desk, what was harder—buying IBM converts or buying General Devices stock at three dollars 40 years

ago when you had no idea who you were going to be able to sell it to or when you were going to be able to sell it?

CK: *So that's stressful.*

TU: That can be more stressful.

CK: *You never missed that?*

TU: No, I do miss that.

CK: *Oh, you miss the trading. Oh.*

TU: In those days, in all fairness, it was easier in those days because you didn't have all this electronic stuff, you didn't even have NASDAQ. Nobody knew what a stock was quoted, didn't tell anybody [unintelligible] it was easy.

CK: *Maybe for you. We were talking about what you do when you're not involved in work. You were talking about traveling. You said you go to the gym. Do you like to read? Do you go to the shore?*

TU: Look, up 'til a couple years ago it was all hiking, running, biking, tennis. Gradually scaling—not so gradually after I hurt my back. So I'm still trying to—

CK: *Still doing your exercises.*

TU: Gym's fine. There isn't much I can do beyond that. Still do a little biking, but not much.

CK: *In terms of your legacy here with--*

TU: There's no legacy here.

CK: *Really?*

TU: No. There's no Unterberg, Towbin anymore.

CK: *Is there something that you would like to leave as Tom Unterberg? Something that you feel you've accomplished?*

TU: I think over the years we've done a reasonable job in an area that we should've done much better in, because unknowingly, going back to the early days, we were perfectly positioned, and we had no idea then.

CK: *Interesting. Thank you.*

TU: You're welcome.

CK: *Is there anything you want to add for the record?*

TU: No, I appreciate your coming up, and I enjoyed talking to you.

CK: *Thank you for Chuck Newhall and for National Venture Capital Association. Chuck has really been the guiding spirit.*

TU: My father and Chuck Newhall served on a board together once, a company called Pacific Airmotive. I think his name's Watson Newhall.

CK: *So your ties with some of these people go back a long way. What was your relationship like with Ben Griswold?*

TU: Didn't have one. That's the guy who ran—

CK: *Alex Brown.*

TU: Didn't really know him.

CK: *So your father and Chuck Newhall's father. Have you and Chuck talked about that?*

TU: I don't think so.

CK: *He's such a historian--*

TU: I don't think it was a very good company.

CK: *I think that the ties, if you start looking back at some of the people who are involved early on, it was such a small group of people, that they start seeing some—it's almost that little geography game you play. In the business world.*

TU: That was a couple generations ago.

CK: *It was a smaller world then.*

TU: Yeah, now it's a very big world.

CK: *It certainly has changed. Tom, thank you very much.*

The following interview with Robert Towbin is taking place at his office in New York City. Today's date is. October 26, 2010. My name is Carole Kolker. This interview is being conducted as part of the National Venture Capital Association's and Harvard Business School's Venture Capital Oral History Project. This interview has been edited for clarity by the interviewee.

Carole Kolker: *I want to talk about you first. When and where were you born?*

Robert Towbin: I was born in, I lived in Brooklyn, but I was born in Manhattan on May 26th, 1935.

CK: *And how did it happen that you were growing up in New York?*

RT: Well, no, actually my mother was 45 when I was born. I had three older brothers. The oldest of my three brothers was Belmont Towbin, who was really the Towbin of Unterberg Towbin, and so I was kind of an afterthought, and my mother didn't even realize she was pregnant; she thought she had cancer. And Clarence Unterberg had a brother-in-law who was called Dr. Rubin, who at the time was the most famous gynecologist in New York or something, and he was at Lenox Hill Hospital. And so he said to my brother, "If your mother's not well, have her go see Dr. Rubin," so she went to see Dr. Rubin in Manhattan at Lenox Hill Hospital, and he said, "There's nothing the matter with you; you're just pregnant." So that's when I was born, and my brother had just begun working at CE Unterberg and Company, which was the original firm.

CK: *25 years?*

RT: Yeah, my brother was born in 1910 and I was born in 1935, and then I had two other brothers subsequent—my brother had two brothers, who were born in like 1915 and 1918 or something like that.

CK: *So it's Jess and--*

RT: Yeah, my brother Jess was the youngest of the three, and Carter was the third.

CK: *So in a sense, you're an only child because you're--*

RT: Actually there's a picture up there, a picture of—that's my father and my three brothers; that's before I was born.

CK: *Where was that taken?*

RT: That was taken in Brooklyn.

CK: *So this is Belmont.*

RT: Belmont was the tallest, he was the oldest, and Carter was in the middle, and Jess was in the bottom. And sadly, they've all passed away.

CK: *So in a way you were raised as an only child.*

RT: Well, fortunately or unfortunately, my mother died when I was six, and that was the beginning of the wartime; the war had begun really in 1939, but the war in America, and there was a draft before Pearl Harbor. I was a little kid. I was four or five. My brothers were all grown up, so they were all draft age. My youngest brother got drafted, went into the army, my brother Jess, and was put in the quartermaster corps and ended up in New Guinea, and he was there until 1945. But fortunately he was in the quartermaster corps and not the infantry, or he would've not made it. So he was overseas during that whole early part of his whole life. He was the brother I had overseas in my family. My brother Carter—my second oldest brother—had the gout, had a very bad case of the gout. In fact, I have the gout, but now they have pills and I don't have any problem with the gout. But he had the gout, and he had it so badly that he couldn't really exercise, and he was 4F—he didn't get drafted. So he wasn't in the service, and he worked at various jobs. Then my older brother, Belmont, had connections. We cleared—Unterberg Towbin cleared through a firm called—at that time it may not have been Unterberg Towbin, I think it was CE Unterberg and company—we cleared, you know, we did our back office stuff through [Lobroad's], Carl M. Lobroad's and Company, and John Loeb was the senior partner, and it was a very prestigious Jewish banking firm, and we were the first firm to do that. And the Unterbergs were quite a distinguished family in New York, and had been here from the days—the Unterberg family goes back to, particularly Tommy Unterberg's mother, goes back to the days of the Spanish Portuguese Synagogue, 1600, and they were called the [Nafen]s. And the Nafen family is an old Spanish Portuguese family. So they were very distinguished in the Jewish community, long before the German Jews or the Eastern

CK: *So they're Sephardic?*

RT: Sephardic, yeah. And Tommy, in those days I remember the Unterbergs going to Congregation Sharith Israel in morning clothes and a hat—women sat upstairs. It's still like this, I guess like that, I don't—but the rabbi used to come to the office every now and then. They were very distinguished people. And the Unterbergs were quite a distinguished family, and Clance Unterberg looked like Louis Calhern. He was a very distinguished, tall, good-looking man. And he always lived in New Jersey. And my brother—then my brother went to, I don't know, Boyce High, he went to high school in Brooklyn, and he was quite clever, and he went to Johns Hopkins, undergraduate. And he went to Johns Hopkins because we had a cousin who lived in Baltimore, so he could live in their house, because we didn't have any money. My father came from Russia in 1909. My father had been born in 1889, and he came from Russia in 1909, sort of the emigration of the Jews from southern Russia, came from the Ukraine, and he was the oldest child in his family. All his brothers and sisters were born in America; he was the only one born over in Europe. They came and they settled in Jersey City, and my father really didn't go to school, and his father was a butcher, he lived in Jersey City.

CK: *They all came—the parents.*

RT: The parents and the one son at the time. Subsequently they had a couple of daughters and a couple of sons.

CK: *And your father's name?*

RT: My father's name was Harry. Harold Clay Towbin, but I'm not sure if that was made up later. But his name, when he signed something, it was Harold Clay Towbin. It's the Russian Towbin. And subsequently—I've lived in Russia for a while. I go to Russia. I was in Russia all last week, actually. And one of the things I do, because I go to Russia,

is I have Russian cards because I lived—I don't know, we'll talk about that later, but I lived in Russia. That's Towbin in Russian. And that's why it ended up T-O-W-B-I-N, and there are very few people who spell it that way who aren't related to me.

CK: *It is unusual, it isn't a name you hear all the time. So your grandfather was a butcher, and then--*

RT: And came to Jersey City. Where, I don't know if they had cousins or relatives, I don't know. But they lived in Jersey City, and he had a butcher store, and in those days—we're talking about 1900s—to get the meat, they'd go across on the ferry to the meat market, which is now a fashionable neighborhood, and they'd get the meat and bring it over at 4:00 in the morning to Jersey, and my father drove a team of horses, picked up the meat, and he would bring it back to Jersey. So he never really went to school. So he spoke—he didn't speak with an accent, really, at least I never heard him speak with an accent, but he didn't speak good English. It sounded like he was American, but he just sounded uneducated, because his verbs were wrong.

CK: *But they didn't speak Yiddish?*

RT: No. Interestingly enough, they were obviously—I remember my grandmother just vaguely, and my grandmother, I remember once somebody starting to talk Yiddish, and my grandmother saying, "Speak American," and nobody in my immediate family spoke Yiddish. Most of the Jewish people I knew spoke Yiddish, but they didn't. And so my father was forced not to speak English, and so—but he was the only one that had that problem. All his brothers and sisters were all very well-educated, but they were born here. One sister was a teacher for all her life, and they were very intellectual. But my father was the hard-working one. He got married in 1909 or 1910, and his wife, my mother, Minna, was born in Riga, but she came here as a baby. She really was a baby when she arrived. And my father met her, I think, in Jersey. Her name was Berlin, and

she was born in Riga, but it's very common for Jewish families in Germany particularly, but in Eastern Europe, to take the name of a city as their last name. So her name was Berlin. I remember a cousin of mine who was captured in war, going to the German hospital, he was wounded, and the German doctor came by and said, "What's your name?" and he told him, and he said, "Are you Jewish?" and he suddenly realized, and he said, "No," he said, "It must be terrible to have a name like Berlin and not be Jewish." And obviously the officer knew, but he just passed him by. One of those moments.

CK: *So your father continued as a butcher. Did he ever--*

RT: He continued a butcher for a brief time, I don't know how long, and eventually he went to work for McCormack and Company. McCormack and Company, as you know, is the spices and teas, and they were headquartered in Baltimore. How he got the job, I'm not exactly sure. But he was a salesman for McCormack and Company. And he worked for them his whole life.

CK: *So he traveled.*

RT: No, he traveled to—he was like assigned to Brooklyn, and there were no supermarkets those days. What you did is called on these little stores, and you sold them eight cans of pepper. And the back of his car, in those days you could take the back seat out of the car—he'd take the back seat out of the car and fill it up with spices. So my father's car has always smelled like a spice factory. And then on the weekends he'd take the spices and put them in the garage and put the seat back. That's what he did his whole life. And he fit in, and he also realized that this is probably a pretty good job from his point of view, given his ability to do much else. So he worked very hard, and was broke all the time. And my mother, who I didn't really know, who died when I was very young, but everything I've heard about her was that she was like me—she loved to spend money, and she lived a nice life. And my father was crazy about her, but he just couldn't afford

it. And every now and then things would happen, like they'd turn out the lights because he hadn't paid—[interruption]

I was talking about my father, and my mother. They got married and lived in Jersey City, and my brother was born there in 1910. And my father at that point was working for McCormack and Company. And I would think he delivered spices and teas to the little stores, and he made a living, but he had some medical benefits. McCormack was very good to their employees. In fact, they created a thing called multiple management where the people involved in the company—it was a long time ago now—would be partners with them. It was the kind of philosophy that Charlie McCormack, the founder, was very good at. And that company never got taken over for that reason. It's an interesting company. And my father was, over the years, as a young man, was given five shares of stock and eight shares of stock or whatever it was, but this was long before these sophisticated methodologies were developed. And McCormack—I don't know how big a company it was then, but its name was well-known. His products, he made tea, and they also made pepper, and imported all this and packaged it. And they had this big plan on Light Street in Baltimore, right on the water. And it was a famous building. And my father once took me to it, that's why I know about it. And in the top of the building was a kind of museum of spices, something they had fixed up. The McCormacks kind of were into that sort of stuff. And one of the things they had at McCormack was in Ripley's Believe It or Not—it was the biggest book in the world, and it was a book that was about eight feet tall, and you could open pages, and it was the history of spices. And so that, I remember that—my father was very proud of all these things. As an adjunct to that story about stocks, when they used to turn out the lights and my father never had enough money, and nobody in my family had any money, my father had one asset, and that was his stock in McCormack and Company, which I guess if he needed money, his wife would say, "Sell the stock." You could sell it, but you could only sell it back to the

company. The interesting thing about the stock was that if you worked there, the stock you had had a vote, but if you bought the stock in the market, the stock you bought in the market, which was a small market cap, had no vote; it was a voting and non-voting stock. One of the things about voting and non-voting stock is that I think even to today, you can't list that stock on the New York Stock Exchange because voting and non-voting stock are not permitted to be listed. So you can only list—it had to all be common. McCormack didn't want that Charlie McCormack kind of controlled the company, and the voting stock had all the votes. So if you owned voting stock—and subsequently my father eventually died and had every share of stock that they had given him—it wasn't a great fortune, and I never even considered it was worth anything, but there was a market in the stock. And back in the early 1960s some people got a hold of the name, because it was a fairly big company then, it was probably doing \$100 million in revenue or something—I don't remember the numbers. But I got a phone call at my office, and this was during the hot days when Unterberg, Towbin [unintelligible], from a friend of mine, a casual acquaintance at that time, who had worked at GH Worp and started his own firm, was called Donaldson Lufkin and [Jim Rappe]. And Bill Donaldson called me up and said, "You know something about McCormack and Company?" I said, "Well, yeah, I kinda grew up with the name, I know a lot about it." He said, "Well, you know, can you get me an appointment with Mr. McCormack? Because we're looking at this company, we think it's an interesting stock." I said, "I can't believe it," I said, "I never thought about it as a stock." I said, "In fact, I think my," at that time my father was still alive, and I said, "I think my father still owns the stock." He said, "Really? Because we're looking at this stock." So he did a report, it was one of the first reports that anybody had ever done. The only market in the stock was at Alex Brown, and of course it was a market in the non-voting stock. Eventually my father passed away, and we had the estate to manage, so my brother I guess was the trustee. My brother said, "Get me a market on the McCormack stock." I said, "You can't sell the McCormack stock, it's like a family

heirloom.” He said, “No, but I want to know what it’s worth.” So I call up and they said, “There’s no market,” I called Alex Brown, they said, “There’s no market in the non-voting stock,” in the voting stock. The only way you can get a market—so I called the treasurer of the company, and he said, “Well, if you want to sell some stock, we’ll make you a bid.” I said, “Well, I assume the voting stock is worth more than the non-voting stock.” He said, “Well, why no, I don’t think so.” So I said, “Well, I’ll let you know if I decide to sell it.” Eventually we sold the stock, and the thing that’s so interesting about it was, I’m not sure of the number, but let’s assume it was worth \$250,000, the stock that he had gotten starting back in 1910. It was a little bit of stock here, a little bit of stock there, but it was all voting stock. And I remember that if you added up all the money my father ever had, including anything he ever had, it wasn’t worth \$250,000. Never. If it was worth \$50,000, it was a lot, and that was probably his car. So it was a real lesson. My brother used to say stocks were made to be sold. I said well, it wasn’t true about McCormack.

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

RT: I had a peculiar childhood because I grew up with my father, who was working all the time. And the war was on, and my brothers went to war. My brother who wasn’t in the war had gotten married and lived—because they were all grown up. So I lived in this wartime childhood between 1940 and 1945, and kind of came of age in those years. And my interests were, I went to public school in Brooklyn, and I went to P.S. 179. I was pretty much on my own. I don’t say that in a negative way; I actually found that quite—I had a lot of freedom; my contemporaries didn’t. Their parents said, “Where you going?” Nobody ever said that to me. But I studied. I don’t know whatever I did—television didn’t exist at that point. So I went to the movies, did all those things. I remember, I could go to the movies on Saturday. If my father gave me 50 cents, I could go to Church Avenue in Brooklyn, buy two frankfurters, have a soda, go to the movies, buy a comic

book and come back with a dime. I remember that vividly. That was a kind of big treat, a 50-cent piece and I could have a great day.

CK: *Were you involved in any sports?*

RT: At that point, no. There was nothing organized at all. I played stickball on the street, and that was the sport of the time. Anything else was a little too organized, and you had to have a school or club or something. But there was nothing—a buncha guys got together, you had a Spalding ball, a bat made of a stick, and that's what you played. That's what I did for that sort of thing, so I was kind of fat and short, and kind of fat—not short; I was tall—but I wasn't in great shape.

CK: *Stout. Husky.*

RT: Yeah. And I remember in those years, I got into a lot of trouble at one point when I was about 11. I hung around with the local neighborhood kids. My neighborhood was kind of partly Jewish, partly Italian neighborhood, as Brooklyn was in those days. The neighborhood I lived in hasn't changed; it was a lower-middle-class neighborhood, was off Ocean Parkway. There were nice houses, but not there, and most people lived either in an apartment house or in three-family houses. I lived in a three-family house. And my uncle lived down the street, my mother's brother lived down the street, who had no children, and who worked as a lawyer in the Supreme Court. He worked for the state, for the city or the state. He was a lawyer in the court. He wasn't a prosecutor, he was a lawyer that—I don't know what he did, actually, but he had a respectable job in a courthouse. My aunt was, my mother's brother, she worked as the secretary to a judge. So they thought they were the most important people around, and in a way they were, and they also had no children, so they had no focus on anything but themselves. They were perfectly nice. They went to the theater. They had a lot of programs from the theater, I remember that in the house, because I didn't know anybody else who went to the theater.

They'd go to Manhattan and go to the theater. But if there was a problem, a technical problem, my father and mother would turn to my Uncle Martin Berlin, and ask him about it. He was very conservative. I mean that in the sense of being very careful about doing all the right things. What happened was there was a gang fight. A bunch of kids were on Ocean Parkway on a Saturday afternoon, I don't remember, or maybe on a weekday—a lot of kids—then all of a sudden a bunch of kids, some of whom were black, and some of whom, I don't know if they were Puerto Rican. I don't know, they were not from our neighborhood, you knew that right away. And they suddenly come up Ocean Parkway, and a fight breaks out. I was scared, everybody was scared, but everybody was fighting, you couldn't do anything about it. A guy comes up and hits you, you gotta be careful. So we're all fighting, and people were yelling, and all the little old ladies on the street were screaming, and somebody called the police. The next thing you know these big police vans come right up the bicycle paths, and they threw everybody in the back of the police van and they took them to the 17th Precinct in Brooklyn.

CK: *Including you.*

RT: Including me. And I remember that vividly because the police—the cop—there were all these kids in this big jail. It happens to be the same precinct—you remember that guy, Diallo? The guy they arrested and they abused him and they put a pole—

CK: *Yes.*

RT: All that stuff. That was in the 17th Precinct, and that was 40 years later, but I remember the 17th Precinct, and I remember the cop, who pulls me out of the thing, one at a time, he asked all the kids questions. He said, "What's your name?" and, "Where do you live and what's your telephone number? I want you to write that down," and I was probably 11, but I must've looked 15, because I was much taller than kids—and I was terrified, not of anything except my father getting really angry. I mean what the hell, I was in jail, it was

scary as hell. I said to the cop, “I’m not giving you my name and address.” I don’t know what possessed me to say that, but I was more terrified of doing that than being in jail, because if my father didn’t know where I was, that was better than him knowing I was there. It was just one of those decisions you make. So the cop said to me, “I want your name and address,” and he made a fist, and he hit me right in the face, just like in the movies. I never thought that people really did that. The gang fight, people banged into you, rolled around on the ground, but he really hit me. I thought my head would come off. I was so scared, but I didn’t cry, I didn’t want to cry. I was terrified, I really was. I don’t think I’ve ever been terrified like that in my life, and I gave him the name and address, and to this day I can’t stand cops. I got a thing about it, it’s stupid, but I really have a thing about cops. Eventually, they called, my father came down with my uncle. They put me in a lineup, they had a lineup. This one kid had gotten stabbed in this fight, which I didn’t even know about, and not killed, but he was stabbed, and they were looking—so there were people who were looking, and they had a lineup, so they put me in a lineup, you know, behind one of those mirror-windows, you know. And eventually I got out. I don’t know how my uncle got me out, but he got me out and I went home, and there was a big meeting. At this point my brother Belmont, who was in the Navy, was in—it was 1945 or ’46, this happened—and my brother was either in the Navy or had just gotten out of the Navy, I can’t remember, but he was still in Washington, came up. My other brothers were there. We never had all those people in one place before. And I remember, we met, and brother—I think my brother was just getting out of the Navy, and he had been [related] with Unterberg. So he had an apartment on 55th Street off Park Avenue, he had a little apartment, but it was a nice apartment, and it was obviously Manhattan, and everybody came. And a family discussion about sending me to military school. That was the idea, send me to military school. So I went to a military school in the sixth grade. It was called the Bordentown Military Institute in Bordentown, New Jersey. And it was like they sent me to the army. But you know, they had a couple of

schools that they wanted to send me to, and I don't remember the choice. I remember I did have a choice, I could go there or [Admiral Farragut], which was the Navy's school. I don't know why a military school, but they thought military school—

CK: *Straighten you out.*

RT: So I went to this military school, and I was there from the sixth grade to the 12th grade. I was there a long time.

CK: *A boarding school.*

RT: It was a boarding school, near Trenton, New Jersey.

CK: *Who paid for this?*

RT: My father paid for it; my brother really helped. I really don't know, but I'm sure my brother had a lot to do with paying for it. At that point my brother was starting to make some money because he'd gotten out of the Navy. He'd been an officer. My brother—that's my brother, and he was a commander in the Navy, and he had a very big [unintelligible] to get to that, because that was a very important thing for Unterberg, Towbin. He had just started to make enough money to be able to pay for this school, or help my father pay for it, and I think he may have helped.

CK: *How would you describe the values in your home, whether it's towards education or success or work ethic?*

RT: I would say the values were everything that you, if the world of the late '40s, the values were the values that you read about in the newspaper all the time, about, we were the good guys, the Japs and the Nazis were the bad guys, anti-Semitism. We were a liberal, left-wing Jewish family, but we weren't really a very big family, because there was myself and my father, and everybody else was married. My brother had gotten married to

a glamorous lady. My second brother had married a woman who was a secretary in the District Attorney's Office, and my third brother, Jess, had married a very nice lady. He had come back from New Guinea. So he was the hero because he had been really in the war, and he came back and he went to work for McCormack and Company.

CK: *What were the expectations for you?*

RT: I had a very interesting life because my mother was not around. My father was much older, and my brothers took an interest, but they were like my father, but they weren't. So I had a very good—I could say anything I wanted to them, and that was great, because you couldn't say to your father things you'd say to your brother.

CK: *Did you feel that you were expected to go to college?*

RT: Oh yeah, definitely, because my brother Jess and my brother Carter didn't go to college because my father didn't have enough money. I don't know the details of that, I never asked, but that was the reason. My brother Belmont went to Johns Hopkins, and subsequently went to Harvard Business School in the class of—he was class of '30 or '29 at Johns Hopkins, and class of '32 at the Harvard Business School. That was kind of unheard of at the time. My brother was very smart, he was Phi Beta Kappa at Johns Hopkins. He was a very good student, and he was the hero. If you were going to be like anybody, you were going to be like him.

CK: *If you had a mentor--*

RT: It was my brother. But I didn't see him a lot, but that was even better, because I never saw anything to criticize. He also was married to a movie star, who I got to know pretty well, Phoebe. She was a very, very attractive woman, and she had been a dress designer and an artist. She was very talented, and she was not Jewish, although her name was Jacobs and I think she was partly Jewish. But she came from Memphis. She moved to New York with her mother, who was also an attractive woman, and they lived together,

the mother and daughter. She was the only person I ever met who had been to Europe, I mean as a tourist. In '38 she had gone to a fashion show in Paris.

CK: *It's interesting because you're being exposed to a lot through your aunt and uncle, your brother--*

RT: Yeah.

CK: *--your brother's wife, and you were kind of being exposed and seeing the world, even though--*

RT: Well, I saw bits and pieces of it. Eventually, in '48 or something, my brother—one of the most influential things was that my brother bought a home in Woodstock, New York, which was not necessarily a fashionable place, but there were a lot of artists there, my sister-in-law was an artist, and my brother also could afford to live there. He was not rich at that point, but he could afford to buy a house. He bought this house in Woodstock, and I used to spend a lot of time there. I spent a lot of time in Washington during the summers during the war. I would go down there—I was off from school, what was I going to do? And he sent me to a camp one summer, I hated this camp.

CK: *What camp?*

RT: It was some Camp Locanda, some private camp, and I was totally homesick, I really hated it. I hated all of the activities and all the crap.

CK: *The structure.*

RT: I was totally miserable, and they didn't take me out. I stayed there for whatever it was, six weeks or something, but I never wanted to go back to camp. And I guess I must've really complained a lot about it. So my brother took me in, to Washington, which was a very glamorous place during the war. And I remember, he belonged to the Army-Navy

Country Club, and I visibly remember that, because I went there, and he worked, so he'd leave me there to go swimming in the swimming pool. I was all on my own. He said, "If you need anything, just sign my name," and I learned how to sign "Lieutenant Belmont Towbin." And I said, "This is amazing. You can actually get anything you want by just signing your name." I was totally, I never knew such a thing existed. Well, that was like heaven, and I remember that. I remember a lot of things about that. We lived in Arlington, and my sister-in-law drove an ambulance. Everybody did something. She drove an ambulance for the Army or whatever, for the hospital, maybe it was for Walter Reed, and one of the things she did, she had a uniform—she was very attractive, so she even looked great in a uniform. She had this uniform, and she'd take me in the ambulance, and I'd sit in the front of the ambulance, an Army ambulance with a red cross, so I thought that was great. And what she did was pick up pregnant women for their exam. Like they'd go back to the hospital or whatever it was, and they'd have a checkup, but the women would be loaded into the back of a truck, like an Army truck, a ladder, and there were all these women, they'd stop. I had never seen a pregnant woman before. I had grown up with all men. So I turned to my sister-in-law and I said, "What's wrong with her?" and she started to laugh. She said, "They're having a baby." I didn't even know what the hell she was talking about. I must've been nine. That I remember. That was a very vivid memory.

CK: *What kind of a kid were you? How would you describe yourself?*

RT: Well, because of my sister-in-law I became very interested in painting and drawing, which I still do.

CK: *Were you outgoing? Were you a risk-taker? Were you exuberant?*

RT: No, I wasn't. I was a loner. I shouldn't say I read, because at that point I didn't read; I drew pictures. My sister-in-law taught me how to paint, and I still paint. So I've always

painted, and I paint. I was all right. I can paint portraits and things. So I did things like that, and I was involved in what would be called the arts today. In those days it was just I drew pictures, like our kids draw pictures. My pictures were kind of better than most kids’.

CK: *Were you encouraged in any way?*

RT: Yeah, I was encouraged by my sister-in-law to draw, and she eventually had a studio in Woodstock. I used to go up there.

CK: *You earned money while you were going through school.*

RT: I went to work when I was 12. There was no money. The only time I ever needed money, in the sense that I needed money—it wasn’t like I was rich, but I didn’t have any use for money—if I’d go to the movies, as I described. But when I was in college, when I was still in military school, I guess I was applying to college—I can’t remember what it was, but I needed some money, like \$400 for something. I can’t remember what it was. And I had never asked my—I was always afraid to ask my father for money, because he didn’t have any money, I knew that, and there was always a lot of talk about money, and the talk about money was that he didn’t have it. So I did not go to my father and say, “Dad, can I have some money?” Because two things: Number one, if he gave me money, he’d give me a quarter, and I was too embarrassed to say, “I need a dollar,” or something, so I never asked him for money. But there’s one time I did need money, and I wrote my brother a letter, and he sent me a check right away for \$400. My brother was incredibly—there was no discussion of, “What do you need it for?” or something. I think it was for some sort of, I had to maybe file an application to college, and my father didn’t know anything about this. He didn’t know anything about how you file an application to college and the college boards. I wouldn’t even begin to try to describe that to him. I

was kind of on my own. I listened to what the teachers told me, and they say you gotta filed it with a \$22 filing fee.

CK: *So this is the early '50s.*

RT: This is 1952, '53, something. My brother for the first time gave me some money. Now, at that point I realized I'm going to need some money in the summertime, and what am I going to do in the summer? At this point I was about 12. So if I was 12, that's 35, 45, about '47. So I went to work. Now, in New York State, you gotta be 15 to get a work permit. I can't remember what the rules were, but I was too young to get a working permit from the city, or there was some, had to have a piece of paper to get a real job. So I got a job, my brother got me a job at a law firm called Strook, Strook and Levan, which is a pretty well-known law firm, that happened to be on the same floor as Unterberg, Towbin's office. At that point, about 1947, my brother became a partner with Clarence Unterberg in the firm. My brother was very smart. Clarence Unterberg was very connected and wealthy. My brother was—I'll go back a minute: Clarence Unterberg had been a very very distinguished man, but his family's business was the shirt business. They had a thing called the Public Shirt Company, but they also owned a lot of real estate. In the 1920s they bought real estate when everybody was going broke, you know, like today. But they bought buildings like 40 Worth Street. 40 Worth Street was a building that was a square block downtown. It's now, God knows what it must be worth, that property, but it was a whole building, and it had been a building where the people made shirts and clothing. In those days that was downtown. The Unterberg Family owned 40 Worth Street; they also owned 509 Madison Avenue, and they owned 10 Fifth. They owned five or six buildings, which they had bought from the banks at, you know, it's like today, but they bought it at 20 cents on the dollar and took over the mortgage, and it became a great fortune, those buildings.

CK: *It was Clarence--*

RT: And David. Clarence Unterberg had a brother called David Unterberg.

CK: *And they were in the shirt--*

RT: It was called the Public Shirt Company.

CK: *And was this their father's business?*

RT: Yeah, I think it was their father's business, I recall, as I recall.

CK: *[unintelligible] family.*

RT: But what was interesting about it was Clarence Unterberg had gone to study—Clarence Unterberg went to the Philadelphia Textile Institute in Philadelphia. That's a college he went to, which was a school, sort of a trade school, because they wanted him to go into business. He didn't like the business, and he eventually went to Germany—I'm talking about during the '20s—to study in, I don't know, some fancy college, studied in—I don't know any of the details of it, but I remember he did go to Germany. He came back, and he didn't want to work in the shirt business. And so he worked in Wall Street for a firm called AM Schiff and Company. The Schiffs were also a well-known family, they were [unintelligible] Family, but I don't know if they were related, but AM Schiff was a respectable firm, and he became a partner, because he was a wealthy man, a distinguished, you know, [Arcrowd] Family, and knew all the right people. So he worked there, and my brother got a summer job with Clarence Unterberg at AM Schiff and Company, having just graduated from Harvard Business School. So he was well-educated, young kid from Brooklyn who had nothing, had no money, and maybe they paid him \$10 a week, and he worked for Mr. Unterberg. Now the crash came, and he worked I guess in the summers while he was at business school. I don't remember, but the crash came, and AM Schiff went broke, and Clarence Unterberg paid out all of the

debts of the firm, and the firm was saved. I don't know if it was saved, but I think the firm went out of business, but they didn't owe any money and nobody got in any trouble or anything. And he started CE Unterberg and Company. And knew the Loeb's, and he cleared through the Loeb's. We're talking about another 100 years ago, I mean literally, it was like a different world. Everything was done by hand, it was relationships and friendships, and the Jews were all one group, and then there were the Protestants. There were groups of people who ran Wall Street, but they were very separate, and one didn't talk to the other. They were very polite, but that was it. Your crowd and our crowd. And Clarence Unterberg was very very—he was very distinguished, he looked very distinguished and he was, and the Unterberg Family was, I mean it certainly gave the Towbins a lot of class. My brother got a job there, and then when he started the new firm, he brought my brother in. My brother was very smart, and before computers. He could do arithmetic and he was very savvy. And Clarence Unterberg knew that and needed that. So there was him and Clarence, and then they had a trader and one other guy—that was it, that was the firm.

CK: *What kind of job--*

RT: So when I came along when I was 12, I needed to make money, the first job I got was working with Strook, Strook and Levan, who was a law firm, big law firm, Jewish law firm on the same floor at 61 Broadway, and I worked in that law firm as a runner. I worked six days a week and I would deliver envelopes and packages. In those days that was the way you did it. There was no Federal Express or anything. So if one of the partners needed a bunch of material, I would go to Westchester where they lived, and never been there, knew how to get there, and I'd buy a ticket, and they'd give me money to do that, and I'd go to Scarsdale and deliver an envelope, and I'd go back. And to me that was exciting.

CK: *It's certainly better than delivering groceries.*

RT: Oh yeah, no. Also, I think I wore a tie, and it was like I was not—I wasn't cleaning out the toilets. So it was fine with me. I liked that. And there was a nice lady who's the office manager, who eventually I learned—[interruption] So I had that job, and then that was sort of interesting, but then eventually I could get working papers, and I wanted to work on Wall Street. So there was a guy called Johnny Wassman, who was a very good friend of my brother's, who was a partner of a firm called Asiel and Company. They're now merged with a French bank. But anyway, Asiel and Company went way back, was an old-time firm, but they were a bond-broking firm. Such a thing doesn't exist anymore. There used to be, if JP Morgan wanted to buy bonds, wanted to buy an issue of US Steel, a particular bond, and they wanted to buy it, and Salomon Brothers had it for sale, JP Morgan wouldn't call Salomon Brothers to buy it. There was a world that existed in those days. So what they'd do is they'd say—because they didn't want Salomon Brothers to know that they were buying them, because they were afraid that Salomon Brothers would find out who their customer was. It was a sort of different world. And so they'd go to a bond broker and they'd say, "Listen, US Steel, threes of 82, we want to buy a million dollars worth of 'em; you buy 'em for us," and we'd charge an eighth, and we'd pick 'em up, we'd find out who has 'em, and usually us as a broker meant that nobody knew who was buying 'em. Everybody knew that the brokers would only be selling to somebody else; nobody would ever ask the broker who their customer was, and the customers were never individuals; they were always other brokerage firms, and occasionally institutions. But the brokers were actually, not by law, but they never called the Fidelity Fund or they never called the New York State Pension Fund, they'd never do that; they'd always call the big firms. But remember, there were a lot of firms then. Now there are five firms on Wall Street, but there were 500 firms, and many of them very good firms. So you'd know who they were. And those were your customers. And we sat in the trading room—in those days a trading room, forget about computers, it was like a big

telephone room, big switchboards, and you had plugs, and you'd plug in, and you had wires to Salomon Brothers and to JP Morgan, and you'd press—and when you sat at that console, if you were a trader, you were given, those are your accounts, and you'd have a line of buttons that lit up, and those were the ones you answered. You didn't answer the ones that were somebody else's. And so the guy at the other end always knew who you were, and it became, he understood you, and very often if you screwed up, the customer, like JP Morgan, would call the boss and say, "I don't want that kid on the phone anymore; get somebody who can talk." You know what I mean?

CK: *That was a lot of responsibility at an early age.*

RT: Well, at that point, yeah, it was. You gotta understand what Wall Street was about then. I should go back a minute to the thing with the law firm. The last year as a law firm, they found out that I could write well, I have nice penmanship, so they used to send me down to the courts and copy opinions. They didn't have Xeroxes. And occasionally if the opinion was 500 pages long, they would, you'd pay to have it photographed in a real—they'd put it up on the screen and they photographed it. But that was very expensive. So they'd send the kid down, and I would sometimes spend a whole afternoon literally copying by hand these legal opinions, and I'd give it to the legal secretaries to type it up for the lawyers. That was half my job, and I really did well at that because I got raises, because I could write very well, I had very good penmanship; I still do. So that was very important. Then I went on to Asiel, and at Asiel, you gotta understand, let's assume you're a broker at Asiel—I remember, there was a big firm in Philadelphia called Elkins, Morris and Stokes, big, old-time Philadelphia firm. Philadelphia once had been a big financial center—Drexel had come from Philadelphia. It was a big, big, important place. And Elkins, Morris and Stokes were a big firm in Philadelphia, had a lot of business, particularly stock business. And Elkins, Morris and Stokes would give Asiel all their business. These were the days when there were no negotiated rates; all the rates were

fixed. So if they gave you a \$100 stock, you made more money than if they gave you a \$2 stock. So it was a totally different world, and we got all their business, and I had that account. And in fact, in that trading room, every now and then it would light up, it was so busy, and they'd say, "Elkins calling," and you knew if you had Elkins, you stopped what you were doing. So I remember getting orders from them. And what they'd do is say, "How's General Motors?" and the way you got a quote on General Motors, you could do it two ways: If it was an active stock like General Motors, you'd call the floor of the stock exchange. You dialed directly to your booth, and you said, "I need a quote on General Motors," and they knew it was for an important customer, and you'd have to wait a couple of minutes, and the broker would come back and say, "48.25, nine, 10,000 by 200." They'd give you the size. If it was a less active stock, you could dial three numbers on the telephone, and a machine up in the New York Stock Exchange would give you the quote. Not the size, just the quote. If it was an active stock, you dialed two numbers, and a girl would come on the phone and give you the quote. But if you needed the size, like how big is the bid, how big is the offer, you'd have to go to the floor.

CK: *Is this when you were working permanently for--*

RT: No, this is in the summers. I was probably between the time I was 13 and the time I went to college, and I also worked on the floor of the stock exchange. Every now and then they'd put me down on the floor, and we had a specialist seat, we were the specialist, and this guy called Jake Stone, who was a very famous—we were the specialist in Texaco and we were the specialist in—and working on the floor of the stock exchange is very exciting because you're a specialist clerk, and you'd write down—a guy would come over, he'd leave an order. In those days there were no computers, so if a guy had a big order, he had 10,000 shares of Texaco to buy at 50, and the stock was 48, he'd leave the order with the specialist, and I'd write it in the book. So I had a book that showed where I had orders. And then if somebody came in for a million shares to sell—in those days it

wasn't a million; it was like 100,000 shares to sell at the market—at the market, you went down the book and you looked and say, and the broker would, you'd show the broker the book, and the broker would say, "We'll pay 42 for 100,000 shares," and it would fill all the orders, and then you'd have to go long the rest, the specialist would go long the rest. That's why the specialists always had a lot of money. They always had to have a lot of money to do that.

CK: *Can I assume this is just on-the-job training?*

RT: Oh yeah. I didn't know, nobody told me it. I used to ask questions, but nobody told me any of this.

CK: *And did you talk to your brother about what you were doing?*

RT: Well, I did, but my brother didn't know much about it either, because my brother went to business. This had to do with the every, this is the everyday thing in the stock market.

CK: *You worked for Asiel in the summers from '50 to '57.*

RT: Yes. I graduated from college in '57.

CK: *When you graduated high school--*

RT: I graduated high school in '53, and I applied to—

CK: *What were your goals?*

RT: I wanted to go to Princeton. Why did I want to go to Princeton? Because Unterberg went to Princeton.

CK: *What did you want to do?*

RT: I don't know. I assumed I was going to go to work on Wall Street because everybody I knew worked on Wall Street. But I didn't think about what I wanted to do. I wanted to go to college, and I worried about that after I—but I think Wall Street was always kind of—it wasn't like I didn't know what I wanted to do; I knew I was going to go to work, I didn't have any money, and I had to go to work. It wasn't that Wall Street was, I was going to make a lot of money; it was just that that's, I worked there since I was 12, and I knew a lot of things. I can talk about, as I've talked to you now about these things, and Wall Street, probably today nobody knows anything about, but I knew about a lot of things. And in those days it was very very important. If you didn't know that, you could screw up millions of dollars worth of business.

CK: *What were you learning about yourself?*

RT: What I learned is I learned the negative—I was never very good at arithmetic, I was very bad at arithmetic, and there were no computers and there were no gadgets.

CK: *You were an artist and a writer.*

RT: Yeah. I didn't know anything about arithmetic, I was not very good at that. I remember screwing up once. This is later on. Eventually I worked on the floor, but if you worked on the floor, you weren't a member; you were a clerk, and you did all these things I talked about, but you went back upstairs and you really became a trader where you were given stocks to trade. And eventually they put me on a thing to trade hybrid preferred stocks. You know what that is? It's a preferred stock in a company that pays a dividend. At one point, for instance, in the 1890s, US Steel, all the major companies issued seven percent preferreds. Non-callable. They're forever. You got seven percent a year on the stock, and when they were offered, they were all offered at par, which was either 100 or whatever the par value was, and you got seven percent on the par value. And over the years, as interest rates changed, the preferreds went up and down, but you always got this

return, or you got a different return, depending on what you paid for the stock. I traded those. And one day—I think it was the day that the—you know how the banks are closed on Columbus Day, but the stock markets are open? It was one of those days when the banks are closed, the market's open, and the newspaper—I got a call from the New York Times or the Wall Street Journal or something, asking me, "You trade preferred stocks; I need the quotes of, we need them for the edition; we usually get them from the Bank of New York, but they're not open." So they asked me to, and they gave me a list of preferreds, and I got the list of preferreds, and I stupidly thought—I had certain preferreds on my desk that I knew the quotes of, but there were a lot of them there that I didn't trade, and I had those things, and I made markets, and I based my quotes on the last stock I bought. So if I bought stock at 88, I'd make a bid 87 and a half, 88, or 87 and three quarters, 88 and a quarter. But I didn't realize that preferreds didn't trade on numbers; it traded on yield, and I didn't understand that. And of course, nobody explained it to me. So if a AA company traded at a six percent yield, their preferred would be traded at six percent yield, and you'd just have to figure out what the price was. But it's the yield that's important. And I start—I made up a bunch of quotes, yeah, for the newspaper, who cares? Nobody's trading. So I made up these quotes, and the next day every major account said, "I heard that they got, the Wall Street Journal got all these quotes from you," because they called the paper to tell them all the quotes were wrong. It wasn't a serious error, but boy was I—I learned my lesson about stocks that yield as opposed to stocks that trade. That was a big lesson.

CK: *So you wanted to go to Princeton.*

RT: I wanted to go to Princeton, because Unterberg went there, I'd assume that I'd go. I had good marks, I did fairly well, not as well as kids do today, but I did well, and I applied to Yale, Harvard, Dartmouth, Princeton, Columbia, and I think in those days they had a thing about early admittance, but the idea of early admittance was you picked the easiest

school to get into for early admittance, and then you said no to them. I don't know why. There were all sorts of things that you did that, I don't know why you did them. Another thing I learned from somebody—I didn't learn a lot, but everything I learned was wrong—don't go to a school in a big city. And for some reason that was a rule, don't go to school in a big city. So I got accepted at Columbia, I turned them down. First one was Columbia. Then I got accepted into Harvard, I turned it down, they're in Boston. I got accepted at Yale, I turned them down, they were in New Haven, and I wanted to go to Princeton, they weren't in a big city, and that's where I was going to go, and I was sure I was going to get in. I got put on the waitlist at Princeton. I couldn't believe it. I absolutely couldn't believe it. But I played football, I did all the things you're supposed to do. So I ended up going to Dartmouth. I didn't even know what Dartmouth was. But they're in the Ivy League. So that's where I went.

CK: *Did it turn out to be--*

RT: Dartmouth was fine. I got two kids that went to Dartmouth.

CK: *What did you major in?*

RT: English, Shakespeare, English literature, wrote my thesis on Shakespeare.

CK: *What future did that hold for you?*

RT: It didn't hold any. I knew that this was the only time I was gonna read Shakespeare.

Which isn't true. But at the time, I knew there were things that, if you go to work, you don't do, and I did everything that I knew I wouldn't do if I went to work. I'd been working for a lot, I knew what working was all about. Later on in college I learned from a philosophy professor, maybe the only thing I ever really remember of college—he was called Rosenstock, he was a very famous philosopher.

CK: *What was his name?*

RT: Boygen Rosenstock-Yussi. Hyphenated name. If you buy Lapham's Quarterly—I don't know if I have it—Lapham's Quarterly is Lou Lapham's magazine, it's a quarterly, and every issue's about a different subject, but one is about religion, but that's not here, I don't have it. His quote is at the beginning of that. But anyway, Rosenstock-Yussi had believed that life was made up of a cross of reality, like that, big cross, cross of reality. And one part of the cross—each of the things, you did 100% of, you focused on, and that's what you did; you didn't do anything else during that 25% of your life. So work, pleasure, physical activity, and ceremonies. And if you had those things, and you lived your life with 25% of your time spent in each of those four things, you were a happy person.

CK: *Ceremonies meaning--*

RT: Ceremony means you do things, you go to college, and you get a diploma, that's a ceremony. You act in the theater and you win the Academy Award.

CK: *Achievements.*

RT: Achievements. Call it anything you want, but whatever you do has, part of it, you can be recognized for what you do, and so you want to pick your other things that relate to that. You gotta—the other three things you do, there has to be very important—if you're a very good athlete, so at good physical activity, spends a lot of time at that, you want to be sure you win something; you don't want to just work out. So the ceremonies can be in any of those four things, but you've got to have that element of ceremonies. That's the only thing I learned in college that I've never forgotten. Very important thing.

CK: *How did that impact you?*

RT: Well, I do a lot of different things, and I've never—one of the reasons why I'm not as rich as a lot of people I know—I have a lot of friends who are wealthy; I'm not—because I do a lot of other things. I got that sailboat. I spent a lot of money on that sailboat. People could say that's a frivolous thing to do, but I've sailed across the ocean four times. And the experience on that sailboat has been like going to 500 plays. Everything means something different to somebody else. But the point about it is you can't do it all the time. The reason it's four, the cross in reality, is you can only do 25% of your time doing that. You gotta do 25% of your time doing something else, and 25% doing something else. That's the important thing about it.

CK: *You graduated from Dartmouth in '57. Did you have contacts with people at Dartmouth that you've maintained as part of a network in any way?*

RT: At the college? Well, my daughter and my son went to Dartmouth. They're class of '82 and '83, or '82 and '81, I'm not quite sure. My daughter will be 50 this year.

CK: *And your daughter's name is--?*

RT: Minna. She's my mother's name.

CK: *And your son?*

RT: My son is called Bram. My name is Abraham Robert Towbin, and so he's called Bram.

CK: *That's his given name?*

RT: No, his given name is Abraham Robert Towbin, Jr., which is not very Jewish to do that, but that's what it is. So he's been called Bram. His mother was Catholic.

CK: *Did you always go by Robert?*

RT: Everybody always called me Bob or Bobby or something like that.

CK: *But you never used the A.*

RT: I never used that. I used the initial, A. Robert Towbin, always.

CK: *Even as a kid?*

RT: Yeah.

CK: *What were your plans when you graduated Dartmouth?*

RT: Well, when I graduated Dartmouth, I knew I was going to go to work—well, no, I shouldn't say that. I graduated Dartmouth, I was in the ROTC. Everybody was in the ROTC because you'd get drafted otherwise. So I went in the Army, and I went to Fort Sill, Oklahoma. I got married right after I got out of college, and I went to Fort Sill, Oklahoma, and I was in the artillery. But I was very fortunate; it was between the Korean War and the Vietnam War. So I was in the Army artillery school, and eventually ended up in—in those days you could go in on active duty for six months. So I went to the artillery school, and then I went to Fort Benning, Georgia, and then six months was up and I got out, and I was in the reserve for seven and a half years. Used to go to Kingsbridge Armory and go up to [Candrum] in the summers for two weeks. That's what everybody did.

CK: *Did the military have any impact on you personally, emotionally?*

RT: Well, I don't like the military. I don't like anything about it. You know, fundamentally the military teaches you how to kill, and it teaches a lot of people—for some people it's probably very good, because they never had any discipline before it, they never had—but if you sort of think about the better things in life, the military can be very, very, very negative. I mean, I guess you need a military. Certainly in those days, you were always fighting a real war against something, but fundamentally military teaches you how to kill.

And now, recently you suddenly see the results of that because you're not fighting a war, like you're not fighting the Nazis and you're not fighting the Japanese. And so what does the military do? They take all that training and they apply it to very very bad things. And if you have a government that—who ever would think the United States would fight a war that we weren't the good guys? Vietnam was the first one. In Vietnam we were on the wrong side, and since that time that's really been the decline in our country, has been that. And so the bottom line is that the military, there are certain technical things about the military, and they certainly provide a lot of jobs for people and they give a lot of business out—a little too much. I mean when I was in the military you drove a truck; nobody drives a truck in the army anymore. They hire people outside to drive trucks, and everything's outsourced. That wasn't true of the military I lived in. The best story I have about the military was one day at Fort Sill, we got an assignment, this is what we're supposed to do, at Fort Sill we were supposed to meet at 6:00 at night and go into the field. That was all it said. So at 6:00 we all, this whole unit met, we all went into the forest of Oklahoma, out into the wilderness. And the assignment was to set up a field telephone radio system. You know, now they have wireless, but those days you had to string wires, and we were in the artillery. So the idea was all the guns, wherever they were placed, they would all be connected by this telephone system, so that the commander could tell the guns when to shoot and what the target was and all that. But the communications was this, literally a little telephone switchboard and a lot of wires running out. No one had ever seen such a thing before. So we're out in the field from six at night to six in the morning, trying to put this together, and the sergeants, the regular army sergeants did it all. They tell you what to do, but nobody taught you anything. So the next day at 4:00 there was a class. Now you were in your uniform, regular uniform. Went to class, and the class was on the field telephone system. So at the end of the class—it was taught by a Marine colonel because it was all the different services because this was the artillery headquarters of the Army. This Marine colonel got up and tells us at the

end of the day, “Any questions?” “Yes, sir.” “Yes, lieutenant?” “Sir, why did you take us into the field at 6:00 last night and keep us out there ‘til 6:00 this morning, and then give us a class on the field radio telephone the next day at 4:00?” And he looked at me—this was the best thing that ever happened to me in the Army—he said, “Aside from that, Mrs. Lincoln, how was the show?” It was a great answer, it was an absolutely great answer. That was the only time I ever was impressed, and he was a Marine, though; he wasn’t in the Army. That was great.

CK: *That's a great story. So when you got out, it looks like you went and stayed with Asiel for another two years.*

RT: Well, I was with Asiel until Unterberg, Towbin started to get some publicity, like that article in Time Magazine, old article, and Tommy Unterberg was interviewed. Tommy was older than I was; Tommy was about five years older than me. He went to Princeton class of '52, I think, so I was younger, and I knew Tommy since we were kids, but I wasn't kind of his best friend. He lived in a different world than I did. So there was Tommy, he was at the firm, his father and my brother, and the trader and maybe one other person. And at some point my brother said to me—and I was doing fine at Asiel. I remember, they gave me a \$2,000 bonus the first year; I thought that was a fortune. And Tommy, my brother called up and said, “We need some help over here. Why don't you plan to come over and work for us?” And frankly I was doing pretty well at Asiel, and Unterberg, Towbin was not that super famous, nor—I know the Unterbergs had a lot of money, but the firm wasn't making a fortune. So I kind of hesitated, and I went up to see Johnny Wasserman, who was the boss of Asiel at the time, and I said, “I don't know what to do, Johnny,” I said, “My brother wants me to come and work there,” and Johnny said, “Don't be ridiculous. It's your family firm; go there.” I said, “This job is an interesting job, and you've learned a lot, and what are you gonna be, a preferred stock trader all your life?” I said, “That's not where you make the real money in Wall Street,” because they

were really brokers' brokers, that's what they were, which literally was right; they disappeared. That kind of company disappeared. So they did arbitrage, which was good. That was the only thing that stayed, but the big firms did much more arbitrage than they did; the ones with a lot of capital. You've got to understand that Wall Street in those days, you're talking about a time when you couldn't be incorporated, you couldn't be public, it was illegal. Couldn't be a member of the stock exchange without being a general partnership. You really have to understand that because that's incredibly important. The biggest firm on Wall Street in the '60s was Merrill Lynch with \$250 million in capital. \$250 million in capital, and everybody thought that was a fortune. The second biggest was Stevens, with \$100 million of capital, and nobody ever heard of Stevens. That's how I first heard the name. And Jack Stevens and his brother had made a fortune, they put it all into business, they didn't take out. Everybody in Wall Street took the money out. They made a lotta money, but they took it out, and taxes weren't—even when taxes were high, they still took it out. They didn't want to expose it, because if you're a general partner in a brokerage firm, everything was exposed. If somebody screwed up the next day on the trading desk and you lost \$20 million, you were broke. You lost your house, you lost everything. So you can see that risk-taking, you don't have to make rules, people didn't take risks. I visibly remember going in the trading room at Unterberg, Towbin with \$1 million of exposure, and saying, "I think you ought to cut the positions by 50%." "What do you mean?" I said, "Just sell enough so that you're down to half a million, not a million; I don't care what you sell. You're a trader, you sell it." But everybody did that. That was not—every day people who were in charge came into the trading room when I was trading at Asiel, they'd say, "Lighten up by 20%," something like that. And you'd lighten up. And the reason was they didn't want the exposure because anything could happen, and everybody forgot that. So the first thing that happened was they permitted incorporation. So brokerage firms who were members of the New York Stock Exchange could become incorporated as limited liability

corporations. That was a big step because it reduced your personal liability. Then they allowed you to go public, and Donaldson became the first to go public. I remember Bill Donaldson asking me all about it because we were experts on going public, and then Bear Sterns went public. That was a very big step because you were giving up control to this public entity. You technically didn't—a lot of times you kept control. And you couldn't be A and B stocks because they weren't permitted to be listed. You couldn't be voting and non-voting. So Wall Street became very suddenly, it changed, and so risk-taking, you didn't have any risk. You got fired. So you made \$50 million, like the guy from Goldman Sachs made last year, you'd get fired, but you still got \$200 million in the bank, and you don't have a job; so what? It's not like you lost your house, you lost everything you had in the bank.

CK: *So it becomes less conservative.*

RT: Well, by definition. Why shouldn't it be? And particularly if you take the risks and start to make not hundred of millions of dollars, but billions of dollars—I mean I remember standing on the Florida Stock Exchange next to an old-time specialist, and they were very active that day, and he said, "Jesus Christ, look at the volume," and it was four million shares that day. He said, "How the hell they could do four million shares? It's impossible, they can't keep all the paperwork together." They do four million shares in a second on the stock exchange, in a second. You don't even know it. That's in my lifetime. It's not like 200 years ago. That's what it's like. So all the issues that have happened in the world—so what happened was my brother said, "Come to work here," so I went to work.

CK: *What do you think it is about your personality that has made you well-suited for investment banking?*

RT: Well, I once took an exam in college—not an exam; some sort of thing that tells you about your personality—and it says, “Answer these questions. Do you like girls, do you like boys, do you like tall people, do you like cheap people?” So I answered two or three pages and you send it to some university and they tell you what you’re best suited to be. They said I was best suited to be the chairman of the Chamber of Commerce. That’s what it said. I think about that. Fundamentally—and this is why Unterberg and I were so good at what we did, together—I’m a salesman, and Unterberg is very reticent and very quiet and very smart. And the combination of the two worked. I knew that he was smarter than I was, and I got the picture. It wasn’t like I didn’t understand what was going on. But it took me a little longer to figure it out, but I figured it out. So I would be the salesman, and Tommy would—and Tommy was rich, that was the other thing, Tommy had a lot of money, and I was always the poor guy on the block. Everything is relative; I had plenty of money at one point, but Tommy had, whatever I had, he had twice as much.

CK: *I want to look at some investments because this is a venture capital project.*

RT: I’m sorry.

CK: *No, no. I’m just saying—this has been just a wonderful foundation in understanding the role of investment banking and how somebody grew up in it. But I want to look at some of the Unterberg, Towbin investments and your relationship with venture capital.*

RT: Well, the fundamental basis of our relation to venture capital was my brother’s going into the navy. When my brother went in the navy, he got a commission—he didn’t apply to some government thing—he got a commission through a couple of friends, Wall Street acquaintances. One was a guy called Harold Linda. Harold Linda was the first president of the Export-Import Bank, and he was very well-connected in Washington, and he was a very distinguished investor, private investor. And Bill Goldman was his partner. And there was a guy called Ralph Hansman, who was a little younger. Linda-Goldman was a

very important couple of rich guys who were very good friends of the Loebes, part of the sort of Jewish—and, but very very intellectual people, very knowledgeable. They knew, I mean they knew everybody. And my brother'd gotten out of business school, and the war was starting. Harold Linda was in Washington, working for the government in some special assignment, and he said to my brother, "Come down to Washington, I want you to meet some people," and the next thing you know my brother was offered a commission in the navy. First he was offered a job in the navy starting tomorrow, and he'd go to work as a civilian while they checked his records and all that, and eventually he became—not an ensign—they started out as lieutenant JG in the navy, and he'd never been to any school or anything like that. They gave him a uniform and gave him an office in a Kwan set hut, and he had an office the size of this room, and there was another desk in it. And he came to work one day, and the guy at the other desk, very nice guy, got up, the same age, said, "Hi, my name is Lawrence." "What's your last name?" "It's Lawrence Rockefeller," and that's how my brother met Lawrence Rockefeller. And they were in the navy together, and they were—here's a letter from the navy department. My brother and Lawrence ran the production planning bureau of aeronautics in the navy product. Their job was to be sure that all the airplanes that the navy needed were built on time and delivered. That was a very very tough job because what that meant is you had to get Boeing to allocate on their assembly—all the major airplane manufacturers had endless orders when the war started to build airplanes. But the navy and the army air force—the air force was not a separate branch. So the army got, they were the big customer. The navy had airplanes that went on aircraft carriers and a few other kinds of planes, and the navy never got enough airplanes. And part of the problem was that manufacturers would say, "Well, listen, we got 500 bombers to build. We can't build those little airplanes for the," partly because they were much cheaper, but they took as much time to build. And so Lawrence Rockefeller and my brother, who was really the numbers guy, were assigned to go to the airplane companies and get them to allocate part of production to the navy, and there was

a big fight in those days, as you can imagine, between the navy and the army for priorities. And it was politics, and it was relationships. It was—you know, there was no bribery involved, there was none of that bad stuff. It was just you had to get the guys to do it. And if they knew you, it was a lot better than if they didn't know you. Well, they didn't know my brother, but if Lawrence Rockefeller went to see Boeing, there was a guy called Mr. Boeing who said, "Lawrence, please come in." "This is my associate, Lieutenant Towbin," and Lawrence was the same rank. Lawrence didn't need a rank; everybody knew who he was.

CK: *Now, your brother was at Harvard Business School. Did he study with General Dorio?*

RT: Yeah.

CK: *Would he--*

RT: They were great friends.

CK: *They were.*

RT: Oh yeah.

CK: *What do you know about that relationship? Because during the war, Dorio, wasn't he involved in procurement?*

RT: Yeah, but General Dorio was not involved with my brother during the war.

CK: *Okay.*

RT: He met him after the war. The reason—what happened was at one point after the war, one of the companies we took public was American Research and Development. And we took them public because nobody else wanted to, and Dorio ran it. And Dorio got, his

accent got thicker as—I knew Dorio quite well; we were very good friends. But my brother really knew him. He adored my brother. He thought my brother was a genius.

CK: *Did your brother take his manufacturing course?*

RT: No, I don't think so. I think Dorio was not teaching then. I think Dorio was young at that point, and I'm not even sure he had arrived in America then. This is 1920, '30.

CK: *Oh, right. Yes, your brother was there--*

RT: Yeah, he was there early. But between General Dorio, we met Mike Wall, he worked for the general. He's still around, Mike Wall. You should interview him. Michael Wall.

CK: *W-A--*

RT: W-A-L-L. He lives in Pennsylvania.

CK: *So it's Belmont who meets Rockefeller, and how--*

RT: They spent the whole war together.

CK: *And how about afterwards?*

RT: Afterwards is even more important. Afterwards, the Rockefellers became—the Rockefellers, room 5600 was a kind of church. It was the most important place that Unterberg, Towbin ever—here's Michael Wall. You can tell him I—But in any case, Michael Wall started a bunch of companies. He was a student of General Dorio. Anyway—

CK: *You were talking about Rockefeller and--*

RT: Well, the Rockefeller office—the war was now over. Belmont and Lawrence, Lawrence went up to—when I wanted to go to Princeton, Belmont said, “Go up and see Lawrence.”

I put on my military uniform from Bordentown Military Institute and I went up to see Lawrence Rockefeller in room 5600 in Rockefeller Center. That was an experience. The most interesting thing about that that stuck in my mind was it was the first place I had ever seen black people who had jobs that were real jobs. First place I had ever been in an office where there were like black lawyers, and one of the important people was in an office and was black; I'd never seen that before, and I never even thought about it before. And the Rockefellers, nobody at the Rockefellers ever talked about it, but that's what it was like, and that was extraordinary. And then I went into Lawrence's office, and he sat down, he asked these questions, and I told him what I said. And he wrote a letter to Princeton, and I didn't get in. I got on the wait list. But that office gave us business that you wouldn't believe. First place, nobody knew we knew them. The Rockefellers were really rich, and there were all sorts of accounts. But now there are a lot of rich people, but in those days there were none of these other people existed, and the Rockefellers had—they did things like build Rockefeller Center when they needed to build, give people jobs, you know, didn't need stimulus programs. They just had the money. And it was a fascinating family, really fascinating family. Very high quality. And we had a little trading desk, and every now and then the phone would ring and somebody'd say, "Uptown is calling," and there was a guy called Phil Bauer—he died—Phil Bauer was the head trader at the Rockefeller office. He would give out the business. I mean I don't think he gave it out on his own, I think they told him these were the people you could use. And the Rockefeller office had—there was a guy called Randy Marsden who ran the office at one time, and there was—then there was a guy who came from—I don't remember. This is, remember, this was just a family office. They didn't manage money for anybody or any of that stuff. And there were a handful of people. There were eight people. If you knew the eight people, it was pretty important. And you didn't call them up for business; they just called you. I guess it's late enough now in the history to—I remember once they said, I was on the phone because I was sitting at the desk, and they

said, “We’d like you to buy 1,000 shares of Chase Bank every day.” At that time Chase Bank [unintelligible] account, stock selling around 50. So I said to Phil, “Phil,” I said, “Every day for what, a week?” Said, “No, just buy 1,000 shares every day, we’ll let you know. And, you know, obviously some days you probably can’t buy it, you report to us what’s going on.” For two years we did that, and David Rockefeller became the chairman of Chase Bank. You know, they owned Eastern Airlines. There were a couple people on the board of Eastern Airlines who they, Michael Rockefeller got lost in New Guinea, and the next thing you know they were renting—nowadays, everybody does everything, but in those days they got whole big airplanes that they commandated. You know, they just gave it to ‘em to go search. Nelson Rockefeller went to New Guinea looking for him. The whole office was like in a tailspin. And then every now and then they’d invite you to Bocanico. When you’re in Bocanico, you really find out what the world is really like. Now you can visit it as [unintelligible]. The largest taxpayer in Westchester County. Think about it. People could ride horses through it, they allowed people to ride through it. But the houses were extraordinary. And there’s a thing called the Playhouse, which had the initials of all the children, like David, Lawrence, you know, the various, on the ceiling, and they had pool tables, swimming pools, bowling alleys. It was like—and it was very elegant. And I’ll tell you something: You weren’t upset about it; you were over-awed by it. You just couldn’t believe it. I mean for me, having grown up the way I did, I never saw anything like it, and I loved it. I said, “You want to aspire to something, this is what money really can buy,” because it was not ostentatious. There weren’t 500 buildings. It was a couple of—and I guess it was Nelson had a—there was a tunnel that you went through to go to the one of the houses, and it was an art gallery. It was the most unbelievable pictures you ever saw. I mean, extraordinary. I don’t know whatever happened to it.

CK: *How did this influence me?*

RT: Well, it influenced me in the sense that it gave me a sense—first place, it made these people human beings. They weren't names in a magazine, they were people I got to know, and I got to know on a personal basis, and I learned that they were just people. They were very nice. Some of them were less interesting than others, but they were incredibly nice, and they were so important to us, and so nice. I never had a—if I called them up to ask them to go to lunch, they would fuss about being sure that they were available.

CK: *And how about their philanthropy?*

RT: I didn't ever get involved in it, but every now and then you got an order from some Rockefeller foundation. It was totally separate. No, in fact I don't think the foundation ever gave us business. There were things that they—I'm trying to remember the philanthropy, I'm just thinking about it a minute. I'm not sure that my exposure was ever to the philanthropy thing. I never, of course, asked them to give any money to anything, and they never asked me to give any money. That's another thing that's interesting. I know a lot of very rich people, in a way, sort of richer than the Rockefellers. They'll hit me for money all the time, for, they're doing some big thing, and take a table, and \$75,000, and I said, "Well, is it okay if I take a \$5,000?" That kind of thing. But the Rockefellers never did that, never.

CK: *I know that Unterberg, Towbin took some of the early--*

RT: We took—the Rockefellers were the original—in my mind, if you said to me, "Who were the original venture capitalists?" I would say the Rockefeller office, because I didn't know anybody like—and Lawrence and my brother talked about that because Lawrence and my brother were exposed to all of the high technology that came out of the war, which was all the technology. I mean, radar and computers and all of that was—and the first deal of any significance we did was a deal called Rockefeller, it's called Marcourt

Aviation. Marcourt Aviation was a company they formed, they funded, and they made Ramjet engines. The Ramjet was a jet engine put on the back of a regular engine, and it made the plane become a jet engine, it would go fast. And at first they put it in an airplane, but then they realized that the real thing they would do is if you put a missile and put this engine on the back of the missile, you'd have, you know, like a missile, instead of firing it out of a silo—these were small missiles, and there was, the last protection against the Russians was a big chain of sort of—in northern Canada, the whole of northern Canada was protected by these Boemark, they were called Boemark Missiles—Boeing and Marcourt. Marcourt—Boeing made the missile and Marcourt made the engines. And they were funny-looking. They looked like these drones, and they weren't drones, but they were all bombs. And you could press a button and fire 'em, and they would go to Moscow. Whether they really worked or not, who knows? But they must've worked. And that was the last defense of the United States, was the Boemark. And so Marcourt went from this little company that designed these engines, these Ramjet engines, to a 250,000-foot facility out in Utah.

CK: *So the Rockefellers introduced you--*

RT: And we took them public, and Clarence Unterberg went on the board of that company. And the reason was 'cause he was—my brother, he was the senior person, and he knew, my brother introduced him to Lawrence. He was older than my brother and he was very distinguished. And so he got the—he was the guy who went on the board and met all the important people. I don't know if Lawrence was on the board. But not Peter Crisp, but Randy Marsden might've been on the board. And the stock came out. I can't remember the price of the stock. I don't know if I have it. But anyway, the stock came out and went from, let's say it went from 15 to 48 or something. It was a very hot deal. And from that time on we started doing deals, and the Rockefeller would, every now and then, we'd do a deal for them, but then other people would come to us because of that.

CK: *So that was--*

RT: That was—we were the first firm—most firms didn't do small underwritings.

CK: *Why?*

RT: Because they didn't make any money at doing them. It was too small.

CK: *And you did it because--?*

RT: We did it because we thought people would like to own a stock, we did the homework, we prepared the prospectus. But interesting enough about Wall Street—when we did Marcourt, we were the only underwriter. Know why? Because nobody else would underwrite it with us. People would go in a selling group. For instance, I could get the Lehman Brothers or Goldman Sachs to take a position in the deal as a selling group member, but not as an underwriter. You understand the difference? And so they would be—we'd sell the stock, but we'd be the only underwriter, and nowadays you really want that, to be the only underwriter. In those days you wanted to have a syndicate. Like you see up there there's an ad for Rothschild Unterberg, Towbin, has 100 underwriters. The more underwriters you had, the better, the more important you were, and particularly if you had all the big names. So when Unterberg, Towbin went public, you see we had all these big names. And so you wanted to have 50 underwriters from all over the country. And that's changed. It's totally changed. Now everybody wants to do it all. And we used to get most of our business because of our reputation—we used to get a lot of our business from other underwriting firms. Goldman Sachs would have a deal that they didn't want to do because they thought it was a little too risky—you couldn't even imagine this today—it was a little too risky, and they'd call us up and say, "Take a look at this company, it's really an interesting company, but I don't think we're gonna do it. We

might do the second one.” So very often we did a public offering, and then the second time around they’d be a joint account with us, which was great for us.

CK: *What’s the story with Intel?*

RT: Well, Intel was interesting. Unterberg really worked on Intel more than I did. But Intel came to—I can’t really remember. Tommy may have told you how he first met with, what’s his name? There were two founders of Intel. One of them’s still alive. Gordon Moore and—Jesus, I can’t believe I can’t remember. It’s just my age. Gordon Moore and the other founder were both at Fairchild, and they had been—Fairchild Semiconductor was a great company, it had a lot of phenomenal engineers. And they came up with the idea of making a small chip. And we did a public offering at \$19 a share, I think it went down to ten after it came out. This was 1971. So this was a lot later than when we first started. And everyone talked about Intel—it was one of those names. It’s like today everybody talks about Facebook or something. But Intel was one of those names that people knew about. But nobody quite understood it, they just knew about it. And the idea was that they could put a lot of information on a chip, which was a little unheard of at the time. But they started doing that, making chips that went into sort of sophisticated computers. But the problem was it wasn’t a big enough market, it wasn’t a very big market. You gotta remember, in 1960 there were 900 computers in the world in 1960, and they all cost \$1 million apiece, and there were only a handful of them, and nobody quite knew how to use ‘em, and nobody quite trusted them. So you gotta understand what’s happened in the world. In 1970 they had appeared now, there were chips, and they were complicated things, but they were still IBM 360 computers, which cost \$250,000, which were the guts—you had a computer like this, but it was attached to the mainframe. And so it was a dumb screen, and you could access the big computer, that’s the way it worked. Then eventually they could put chips into this and you could come up with a small computer. Well, Intel had a way of growing silicon that made discs

of silicon and chopping them up. And problem about it was it was very hard to get quality. You could get—you'd grow the silicon and you'd have it down, but the problem was it was so complicated and so difficult to make that the yield was very low. You got maybe five percent quality stuff out of all the stuff you made. And so the key to the business was really developing a methodology of manufacture that could give you very high quality. There's a man called Manny Peori, who was the head of research at IBM. We had a meeting or something with Intel. Bob Noyce was the other guy. Bob Noyce and Gordon Moore were on the stage, and Bob Noyce was a wonderful guy, a great speaker—his kid went to Dartmouth. Bob Noyce was phenomenal. And he got up and he said, "We have a chip that you could put a whole IBM 360 computer on a chip the size of my fingernail." And I don't know if it was Manny Peori, but somebody interrupted him and said, "It'd be terrible if you dropped it on the floor and it went into a hole in the floor," and Bob Noyce said, "It wouldn't be so bad; just reach in my pocket and take out another one." And you began to understand what was going on, that there was something happening in the world of technology that was beyond your conceiving of what it could do. At one point IBM bought 20% of Intel, then they sold it. A lot of people weren't convinced about Intel. At one point Intel made watches. It's called Mychroma watches, and they made a DRAM, because they couldn't make enough money in the really good stuff, the big chips, because there wasn't enough market yet, so they made this watch, and they had a whole factory that made this watch called—I think I still got one in a drawer somewhere—and it had a DRAM chip in here that could make a watch, and they thought they were going to end up in the watch business.

CK: *What other venture capital firms were you working with?*

RT: Well, Greylock was very important. Well, American Research and Development was the original, and that became a public company. And the people there—Greylock was formed by a bunch of guys from American Research and Development—Bill Elders was

the guy, and Bill Elders was another great person. And he formed Greylock, and they became the kind of next—there's the Rockefellers, Payson and Trask was another one. Many of them originally came from these rich families and went into technology, but then the people left those firms and the guys from the next generation started their own—much as they do now. In California, well, Kleiner Perkins came later, but they were one of the first group. And there was Arthur Rock, who was on the board of Intel. I guess Arthur was how we met Intel. Yeah, I think that's how, because he was a good friend of Tommy's, actually. And Arthur Rock was... [interruption] So I learned what Cray did, and I really knew that—it wasn't a matter of analyzing some numbers, it was a matter of—you never make a mistake on numbers; you only make a mistake on people. So I wanted to find out about Seymour Cray, and I had some pretty interesting friends, like Isadore Robbie, who won the Nobel Prize in Physics. Edward Teller, I knew people like that. And I can't remember who it was I called, but I have a feeling it was either Robbie or somebody else. It was somebody of that stature, totally independent, brilliant scientist who understood computers the way only a handful of people could. I can't remember who it was. And I said, "What do you know about Seymour Cray?" and this guy was running—I think he was running—he had a very important job in the government. He worked for the government, he was really important. I can't remember who it was. And he said to me, "Seymour Cray is the most important man in America today." And I said, "You gotta be kidding." He says, "I'm telling you." He said, "What he has, nobody else has, and it's really important." And that's before I really knew what Cray Computer could do. And one of the issues, and the reason he said that was because what the Cray Computer could do was simulate an atomic bomb explosion without dropping a bomb. Now, if you think about it, if it could really do that, it is pretty important because politically it could mean—and he did it—and so then I went to visit this guy who had this reputation, this guy in Sheboygan, Wisconsin. And I went to see him, and he had an office about the size of this, and there was nothing in it, except for one of those big

newsprint charts. So I said, “Listen, Seymour,” I said, “This is fascinating,” he took me around, showed me what they were doing, and I said, “What kind of computer do you use when you want to do your calculations?” And he went up to this chart, had a pencil at the bottom of it, one of those felt pens, and he said, “That’s what I use,” and he opened up the chart, and there were all these calculations underneath it. So I got the message. And the computer, which was really small, had this enormous—it was in a big thing like a mainframe, but the whole thing was an air conditioning system, ‘cause the computer would melt if it didn’t have this, and it was floating in liquid oxygen.

CK: *They say we couldn’t have had computers without air conditioning; the air conditioning had to come first.*

RT: Yeah, that’s true. But this was—he created things like vectors. He designed his computer so series of numbers, he would take a number like 2, 8, 12, 25, 30, I don’t know what the—and they were called vectors—and so he could use one symbol for that series of numbers, another symbol for another series, and that’s how it got to be able to do a million calculations a second, million calculations a second. And that was only the beginning. Now they do 100 million calculations.

CK: *If someone wants you to underwrite a company, what due diligence--*

RT: In a case like Seymour Cray, you find out about him, you meet the financial people, you see that they got decent accountants, they keep their books right. You can tell if this—they do things carefully. Remember, a lot of the business they were doing is for the government, they were doing a lot of business for the weather bureau and things like that. So the government is sure that they can do what they do, and they bill on time and all that. It’s probably simple. There’s not a lot of people in these companies. So you do that, but the biggest thing is checking to be sure that they’re what they say they are.

CK: *How do you go about that?*

RT: You just call up. It's amazing how easy it is to check people out.

CK: *Is this through a network that you had?*

RT: No. If Seymour Cray is a physicist, and he went to MIT or he went wherever he went, you make a few phone calls, eventually you get to them. Like the guy I can't remember at the government who gave me the check on him, he ran the supercomputer part of the government. The highly secret stuff. So half the time he couldn't talk to me about anything, but he could talk to me about Seymour Cray. That's why he said things like, "He's the most important guy in America today," because he couldn't go into details.

CK: *So you took them--*

RT: Yeah, we took them public, and they didn't have any sales, didn't have any earnings. But everybody knew who they were. It wasn't \$1 billion, it was whatever the amount of the deal, and it was very hot.

CK: *How about Compaq?*

RT: Compaq was different. Now you're getting into the big time. Here's a small company that wants to compete with IBM.

CK: *Is this through Unterberg?*

RT: No, I think Compaq came through Ben Rosen at Seven Rosen. You know Seven Rosen?

CK: *Yeah.*

RT: Well, Ben Rosen was an investor in Compaq, I think. And so was Kleiner Perkins, 'cause Tom Perkins was on the board. And Perkins was on the board with Unterberg. Perkins and I are very good friends, and he didn't get along with Unterberg that well. That's

another story. But Perkins and I know each other very well, and Perkins is very difficult, and he was on the board at Compaq with Tommy.

CK: *So did they come to--*

RT: They came to us to do a public offering. I think it was either Kleiner Perkins or Seven Rosen, came to us and asked if we'd do the public offering, and we said yes. We did some homework. Actually we had a young woman who works at Intel now, Shelly Floyd, who went to Grinnell College, and knew Bob Noyce's family because she came to Tulsa, and it's a small world. Shelly and I are very good friends. She's got a senior job at Intel as a sort of investor relations kind of thing. But she's great. She was a banker for us, and Bob Noyce I think had asked because of Grinnell. Steve Jobs is on the board of Grinnell. That's an interesting story. I'm not sure, I think it's true, but I never asked Steve. But he went on the board at Grinnell. He never even went to college, or he went for a year or something. But he went on the board at Grinnell, I think because Noyce was on the board and got him on the board, because he was young, and obviously very successful. And they wanted to build a new library, and Jobs said, "What do you need a library for?" And they said, "Well, have you seen our library? It's getting kind of small." Said, "You don't need a library. You may need it for a few old books, but you don't use libraries the way they used to use them," [unintelligible] computers. And they got very upset and he quit. I think he quit the board.

CK: *I have to confess that this was on pause when I came back on resume, and you had just gotten off the phone with Steve Jobs. I just wondered, for the record, about how you met Steve Jobs.*

RT: I think I met Steve—I owned the stock before I met him. I met Steve out in Palo Alto at a conference, one of those AEA conferences in those days everybody went to. Steve was there, and I said to him, "We're going to have a little dinner tonight at one of those

restaurants on University Avenue.” I said, “It’ll be a bunch of interesting people. Maybe you ought to come.” It was just another stock then, at the time. He was well-known, but he had had his ups and downs, and I don’t know if he was back at the company or he left the company. I think it was before he left the company, he was still there, but they were struggling.

CK: *And you were just kind of being a nice guy and--*

RT: I met him at the thing. I think Ben Rosen might’ve introduced me to him, of 100 people. And I said, “You want to join us? We’re just going down there, we’re gonna go in an hour.” He said, “Yeah, I wouldn’t mind joining.” He didn’t know—I think he knew who I was. But he was a kid, and I was kinda older.

CK: *Relatively.*

RT: And I liked him. I thought he was a little wacky, but I liked him.

CK: *What did you like about him?*

RT: He really said what he thought, and sometimes he was wrong, and sometimes he was right. But he really—he had a different view of high-tech investing. He was totally uninterested in money. He was really interested in what he did. That is a very—that’s very important. You don’t meet a lot of people like that, particularly these days, everybody’s into all this money stuff. This whole business about Zuckerberg, who I don’t know at all, you know, Facebook, I just don’t know any of that, but—

CK: *So the entrepreneur has changed.*

RT: Yeah. I mean, Steve Jobs is not like that. And he’s very smart, he’s really smart. We were talking today and he says, “I don’t mind having all this money, I don’t have to buy anything.” I said, “I agree with you.” I said, “Don’t buy anything you don’t want to

buy.” He’s got \$50 billion in cash--\$50 billion in cash in a technology company. Can you imagine how much money that is? You spent \$1,000 a day for 1,000 years, you spend \$365 million. You can't even figure out what \$50 billion is, you have no idea how much money that is. So he gets one percent interest, it’s not bad.

CK: *He’s part of your network?*

RT: That’d be overstating it.

CK: *Does it just become personal?*

RT: Well, it’s personal. I sent Steve Jobs a note this morning because I wanted to talk to him about something, and I said, “Can you take a few seconds and give me a call? I know you’re busy.” And he called me. There aren’t very many people who probably can get to him. I sent him an email, and you can imagine, he must get five million emails, but he’s obviously got this particular email address, maybe there’s something that flashes or something. But when I go out there, we—and when he got sick, I spent a lot of time, I was worried.

CK: *Do you have any—I guess some of these questions I’ve already covered. I have down here Thermal Electron. I don’t know--*

RT: Thermal Electron is a Boston company that Tommy was on the board of. What’s the name of the guy who ran it? I’ll think of his name. Thermal Electron was an interesting company because it was a conglomerate, sort of, of company—what’s the guy’s name? He’s a foreign name.

CK: *We’ll Google it.*

RT: Yeah. The guy who ran Thermal Electron—I’ll think of it. He had several interesting technological things. He wanted to build a kind of conglomerate or technology, and

eventually spin off the [unintelligible]. There were different thermal companies. And Tommy was very much involved in getting that business for us. Anyway, he and Tommy were very close, and he was a distinguished guy in Boston. He was on the board of the Federal Reserve Bank of Boston. Anyway, he and Tommy, they wanted to go public, and we took them public, and it was very successful, and then there was a spinoff that we took public, and the whole thing was a very successful deal, and eventually they merged with somebody, but I can't remember who.

CK: *Do you pursue these relationships? If you know somebody might be ready to do an IPO or a company's going--*

RT: Yeah, I do. I used to do it a lot, very successfully.

CK: *Okay, so tell me--*

RT: And I do it today, not so successfully.

CK: *If you could tell me how you did it, and then what's changed, that might--*

RT: I don't know what's changed. One of the reasons is I'm 75 years old, that's changed. But one of the things that I—I stay in touch with what's going on. It's easier and harder in both ways today. In the old days, a guy called, you went and had lunch with somebody, went to California and had lunch with Don Valentine and talked about a whole bunch of things, he'll mention a couple of names, you never heard of the companies, "What the hell do they do?" He said, "Well, you ought to visit them." That kind of conversation. And you end up with five or six potential names to call and you go visit the companies and you ask a guy like Don Valentine to call up and they go [unintelligible]. So you go and visit them. It was a small group of people that did all the—now there are thousands of people today. And there's all sorts of newsletters, and God knows—I mean everything is available.

CK: *But when it was you and Tommy--*

RT: Well, in the old days you had a small group of—it was a group of people, you went to California if you didn't have an office, or you went to Silicon Valley and you went to Palo Alto or wherever the hell you were going and you met with—you made five or six appointments in the course of two days, you maybe went to see a company that you were involved in as well, and you, in the course of those lunches, dinners or meetings, you ended up meeting—a handful of people mentioned 10 or 12 different names, and you went out and made appointments and saw them. And we had a few guys working with us, with good bankers, and they'd follow up on making the appointment for you. I didn't have a big staff.

CK: *What made Unterberg, Towbin unique? What distinguished you?*

RT: What Unterberg, Towbin unique is we were very lucky. There was nothing—I mean, my brother, that's my brother, the care and feeding of small science companies. That was written in the '50s, '60s, probably the '50s. We just got lucky. The Rockefellers were the luckiest thing to happen to us—that was the beginning. And that was a pretty important relationship. And from the Rockefellers came relationships that came with other relation—next thing you know—one of the guys I knew very well is Saul Steinberg. He had the first leasing company that leased IBM computers, and he had written a thesis at Wharton on leasing as opposed to selling, and IBM needed to get so much of a return on their computers, so they would lease them, because they could get a better return by leasing them than selling them. And Saul Steinberg had a thing called Reliance Insurance. It was an insurance company, but it was originally called LeaseCo, and it was leased computers. And Saul is a progressive young guy—sadly he had a bit of a stroke—his chief financial officer is a guy called Bernard Schwartz, and Bernard Schwartz, we all knew each other, Bernard Schwartz one day came to me and said he's leaving LeaseCo

and he's gonna go on his own, and he's got an opportunity to buy a company called Loral, which was a small defense manufacturer that got into a lot of trouble with the government because they bribed the naval contracting office or something, and they'd lost all their business, but their technology was still good and they were making military equipment, and he wanted some money—this is a classic case of a small firm that doesn't have a lot of capital. We had capital, but we didn't have—and he wanted to make a deal where he'd get \$4 million from us and he'd buy control of LeaseCo, and the numbers were small compared to today, but it was a lot of money. [interruption]

[end of file 1; begin file 2]

RT: And I didn't have any money. I mean I had all my money at Unterberg, Towbin. Everything I owned was part of my investment in the firm. [unintelligible] big firm, but we owned the firm, so the only people that had any money were my brother and Clarence Unterberg. And I said, "You know, if we make a deal with Schwartz, we could be a very important shareholder in this company, and he has some great ideas to building a new business." Well, to make a long story short, [unintelligible] "We don't do that. We're investment bankers. We're intermediaries; we don't put money into companies." That wasn't entirely true, but this company was not like a high-tech thing. This was a real business that manufactured for the government and so forth. So to make a long story short, Schwartz and I still stayed friends, and he did get the money through the bank and bought the thing, and then eventually—he didn't take it private, but he got control of it. It stayed, it was a couple dollar stock or something. And it started [unintelligible] needed to raise some money, and we did all the financing for him. Public financing, a lot of it. And he's now—well, a lot's happened since then, but the company eventually sold most of its military business to Lockheed. And there is a Loral today, but it only consists of the aerospace, the satellite manufacturing business that was bought from Ford, which we helped buy, when Ford got out of everything but automobiles. So they own that—it's called SSL—and they also own a satellite company up in Canada called TelSat. It's a different company now. But Loral actually went broke, because—and it went into receivership and came out of it—and the reason was we had a company in there that we created called GlobalStar, which it has a satellite telephone business. It was two companies—Iridium and GlobalStar. Both companies went broke. Both of them still in business, but they went into receivership and reorganized, and I was on the board of GlobalStar through it all.

CK: *Let me ask you about your board memberships, more about the time you spend when you're on a board.*

RT: Do you have my résumé?

CK: *I do. I have the list, but when you're involved with these companies—I know, from what I hear from venture capitalists, is how much time when they're involved in backing—and I'm sure your role as an investment banker certainly is different. But when you're put on a board, does that board time, is it a lot of your, a chunk of your day or week?*

RT: Oh, being on a board, generally you meet a minimum of four times a year, sometimes eight or 12 times a year, depending, and every time you meet, it's a day. It might be three-quarters of a day, but—originally when I used to go on boards, you'd go on the board and they'd pay your expenses to go there, but you didn't get anything for it. Now the whole world has changed. You get paid for the thing, and you also get stock. It's very different than it used to be. Nobody ever got paid for—

CK: *What's your role if the company's having a problem?*

RT: Actually, if the company isn't having a problem, you don't have much of a role because the more—if you try to take a role at that point, it's self-serving. You might say, “Well, you ought to merge with so-and-so,” because you can see that there might be a fee in it or something. You don't do that. You try not to do that. So there's not a lot you can add to a board as a banker, except when you got a problem. Then bankers can be very helpful.

CK: *In what way?*

RT: Well, most of the time it's a money problem. Sometimes it's something else—you know, if they've done some horrible thing, if they've cheated or stolen, they gotta figure out how you get out of there.

CK: *Do you have an example that you remember of a company that was struggling? You talked about Apple having its ups downs—but that you really had to step in and--*

RT: Yeah. I'm very involved in a company called GlobeCom Systems. They make ground stations for satellites. Publicly owned company that I got involved in very early on. I did a couple of public deals for them—I didn't take them public; I think they had gone public through somebody else, but I met them.

CK: *What period of time was time?*

RT: It's not that long ago. It was probably 10, 12 years ago.

CK: *While you were with--*

RT: Unterberg, Towbin. I was with Unterberg, Towbin. And what happened—this is a nice company, and it was introduced to me by an analyst in our firm who knew the field, and he said, “This is a company that's interesting, you ought to go visit.” In the old days you could mix your analysts and your banking stuff; you can't do that anymore, there's a law against it. So I went out there and visited the company, and I met the management, and it was losing money. The company was doing business, but it was losing money. There were some obvious things—you ask enough questions, you get the books, you read the numbers, and you—and the company was very nice people who had a lot of experience in the field, but there were some things that—either they should be a private company, but if they were a public company, they were going to have to change what they were doing. It was very obvious to me. And it would've been obvious to any other investment banker as well; I just happened to be the one that was there. One of the things they used to do is they were competing against very big companies. They were competing against major suppliers of satellite-related ground station stuff, and they were Raytheon and all these big companies. They were competing, and they were also competing against big, like Nippon Electric made 50 different things, and one of them was part of what they did. So that either they compete against very big companies who supplied much more than they supplied, or they competed against little companies who cut prices, or they tried to get

business from foreign companies, like small companies that couldn't pay their bills, small countries or, you know, the telephone company of Toga or Tonga or something, things like that. And what happened very often is, because the company would make some money, they'd always have enough money to carry on, but when you did the arithmetic and added up the P&L, they never made any money. And the stock reflected that—didn't go up. But potentially they had a lot of opportunity to make money, they could've made money. And one of the things they did is they used to buy into other companies. They'd buy minority interests in small companies, 'cause they'd get the business from the company by making an investment in it. And I said, "That's not a good thing to do." It was obvious, but they did it, and it was—well, we cut that out.

CK: *This is the board working.*

RT: Yeah. I was a kind of key member of the board. At one point they wanted to make a deal with a company in Washington, I remember, and I said to them, "This is a disaster company, you don't want to do this." I did the homework, I looked at the—I just had a totally different perspective on the business. And I remember, I was on vacation, and I called them up, I was in France, I called them up and said, "Do not do this deal." Usually the board votes on something. I said, "I don't say that very often, but do not do this deal," and they didn't do it, and they would've gone broke if they did.

CK: *So your sense of responsibility as a board member was preying on you enough that you--*

RT: Oh yeah. You had to, if you see something—

CK: *Kind of keeping you up at night.*

RT: Well, you always have to do your homework. Sometimes you're not always right, but for instance, sometimes companies want to borrow money and the banks have money available, are trying to get you to borrow it. And there's a time when borrowing money

makes sense, but there's no reason why a company that's on the edge should borrow money if it doesn't have to. Sometimes it has to. And so you get them to sell equity as opposed to borrowing money, so they own a little less of the company, but you know—

CK: *I'm going to go back to page four, because I want to follow that in '77, you went in with Unterberg, Towbin in '59 and became a partner in '61?*

RT: Yes, that's right.

CK: *And then merged with Alfred Rothschild in '77.*

RT: I became a partner in '61? It says that? I think when I joined the firm in '59, one of the things, I think we were members of the New York Stock Exchange and the American Stock Exchange, and I think I was a member of the American, so you had to be an individual, and I was a member of the American Stock Exchange, and I used to go down to [Fuller] sometimes, but not all the time. And I think you had to be a partner to be a member.

CK: *So you joined as a partner, more or less.*

RT: I think so. You may be right, but I don't know.

CK: *And then according to the official record, in 1980 you're the senior partner. This is with [Elif] Rothschild.*

RT: No. In 1980 I'm a partner of Unterberg, Towbin, CEO of Unterberg, Towbin. Elif Rothschild didn't come into the picture until 1977.

CK: *Right. So then '80.*

RT: Oh, you said '80, that's right.

CK: *In 1983 you're vice chairman.*

RT: Mm-hm.

CK: *And then by '83 you're director and vice chairman, but then you leave.*

RT: Unterberg and I left.

CK: *And in 1987 you worked for Lehman Brothers. Why?*

RT: Did you ask Tommy about that?

CK: *I have to be honest that I don't remember what he answered.*

RT: Well, the reason ostensibly was we had a disagreement with the management or the board of the company, and we didn't want to be involved with it anymore.

CK: *And so you and Tommy both went to Lehman Brothers.*

RT: Right.

CK: *And then in 1994—am I jumping ahead?—you are appointed the head of the Russian--*

RT: The Russian [unintelligible]. Yeah, but in '90—Unterberg and I leave Rothschild-Unterberg, Towbin and we go to Lehman Brothers, and there we're co-head of technology banking at Lehman Brothers. We have a lot of friends at Lehman Brothers, old friends.

CK: *Were you hired as a team in a sense?*

RT: Yeah. We didn't have anybody else. And eventually, guys like Mel Lavit came over and Andy Malick. There were varying people. Originally it was just us and our secretaries.

CK: *So you're really a separate division of Lehman Brothers.*

RT: No, we were in the investment banking division at Lehman Brothers, and we ran technology banking, it was a big firm. We knew everybody. We knew the people. It wasn't like we didn't know anybody. Peter Cohen was running it then, we knew him, and we knew Jimmy Robinson because they owned it then.

CK: *And you were brought in because of your expertise and connections?*

RT: Yeah, we were very good in technology banking. Peter Salomon really was [unintelligible]. So Peter Salomon was a partner then, now has his own firm. And that was fine. Unterberg—what happened was Tommy Unterberg had always been in a small firm and always been the boss and always been in charge, and Lehman was a big firm, it was an enormous firm, old firm. And Tommy Unterberg didn't like it, he just didn't want to be working in a big firm. And so after a little while he left. He wanted to leave, and wanted to start Unterberg, Towbin again. This is maybe our first disagreement. I said, "I don't want to go back to that. This is a nice place, everybody's very nice. They have a nice dining room, they pay us well." It hadn't gone public yet, but they were going to go public. I can't remember, and we had stock. Lehman Brothers was a household name. And this was still the old Lehman Brothers, this was not the Lehman Brothers that went broke. So everything was fine, but Tommy just didn't like it. Eventually he really wanted us to leave, and I said, "Listen, Tommy, I'm not gonna go. I do a lotta other things besides this, and this is a perfect platform for me." So he left, he was pissed, but he left. So I stayed, and it was fine. I kind of missed him, but it was all right. Then out of the blue, a friend of mine asked me to go over and see Jerry Corrigan, who was the head of the Federal Reserve Bank of New York. I had never even been there before, and he said to me—he was chairman of the Russian-American Enterprise Fund, which is part of this program to help the communist countries that are no longer communist. And would I like to be the president, chief executive? And I was shocked. I was touched. Of course, [unintelligible] he didn't know me. I was, "The head of the Federal Reserve

asked me to do this?” So I said, “I’ll tell you, Mr. Corrigan, it sounds fascinating to me, but I think really what I ought to do is visit—I went to Russia in the ‘60s,” I said, “It was a nightmare, but it was a different place then.” So I said, “Maybe I’ll go back for a little bit on my own and just look around.” And I had some people that could make contacts for me and stuff. So that’s what I did, and I went there for two weeks, just visiting companies and getting a feel—it was a different place, it was really interesting. And I said, “This could be pretty exciting,” particularly with my background. And the idea was this was my project, was small companies. The idea was not to invest in the Kamaz Truck Factory, but to invest in smaller, privatized companies that were just learning about capitalism, in a sense, in the most generic sense of the word—you know, making money legitimately, all the things you have to do, and all the things that have to change. There’s an awful lot, because communism was very very different. If you had a factory, you took care of the housing, you took care of the food for the workers. Half of running a company was taking care of the people, and you didn’t fire people, and nobody knew how much money they made because everything was done out of Moscow. Very different. And I would have to institute—and I had a lot of power to do that, so I was able to do it. And the money was all American, but half the board was Russian, half the board was American. The American appointments were kind of political appointments, but the Russian board were political appointments, but they were all very sharp business types, or they were connected to the government, but they were good. And that was a whole new experience for me. At that time, I don’t know if Fold was running the place or not, but whoever it was, I said I got this appointment, they looked at it like I was appointed ambassador or something, and I said sure, and he said, “That’d be great for the firm,” so I went. I spent from ’94 to the end of ’96. I wanted to be there, I would’ve stayed the rest of my life, but I ended up having a fight with Washington, not with the Russians.

CK: *This is the Clinton years.*

RT: Yeah. Interesting enough, I had been a Democrat, I'd been involved, but it had nothing to do with politics. Corrigan—I think the political element came in later when I gotta go in the State Department, and the guy who ran the Russian desk, whose name I can't remember, he's kind of an important guy, and Dick Holbrook was at the State Department then, who had worked at Lehman, and I knew Holbrook well, and Holbrook was all over the Secretary of State, telling him how great I was, not that he really knew, but he was very nice. And then I got the job, and I went to work, and I was a Clinton fan. I think if I had been some sort of extreme right-wing Republican, I might not have, somebody would've stepped in. It was a wonderful experience. It was the greatest experience I've had in a long time. In fact, I just got back last week from Russia.

CK: *Did it change your world view in some way?*

RT: Oh yeah, totally.

CK: *In what way?*

RT: Well, there were a lot of things that I thought I knew that I didn't know. Russia is an Eastern country, not a Western country, and that goes for the makeup of the Russian people and the way they think and the way they feel and why they do certain things. It's a little surprising. Americans tend to have opinions about things and they make up their minds, and everybody I guess has learned this over the years, but I learned it with this experience, that what you think is right doesn't necessarily apply to everybody. And some people—it's sort of like the Muslims and the Christian world; you may disagree with the religion or whatever, but you gotta understand that two billion people live that way, you gotta pay attention to it, and you gotta really understand it. You can't just write it off.

CK: *There are cultural differences.*

RT: Enormous. And I learned that. And you learn that in every sort of way. You know, when you talk accounting in the early 1990s and you were an accountant in Russia, if you took a course in accounting, it was like 15th century accounting. There were items like there's inventory and current liabilities, current assets, that sort of stuff. Well, there were animals—that's a title of a thing. It's just totally out of date. So you have to sort of start at the beginning, and you gotta explain about profit and loss and all that stuff. Some of it is very rudimentary. And then if the guy's an engineer and makes very good things, one of the things that he doesn't know is how much it costs to make it, and he doesn't care because no one's told him that it does matter because the government pays for everything. Remember, it's going to a country of 175 million people where everybody works for the post office. It's a very peculiar—so it's gone to the other extreme in some sense now.

CK: *Like the Wild West.*

RT: Well, I think the Wild West term is overused. It's just human nature—when you have all these rules put on you for 75 years, you adjust to that, that's the way you live. The most saddest part of Russia for me was what happened to the military. I don't like the military, I'm not a big fan of the military, but I really felt sorry for the—there were five million soldiers in the Russian army; there are now less than a million. But they, people had a lot of respect, they had good jobs, they worked hard, they did things; never fought a war either. When all that stuff was going on, the Americans were fighting all over the place, the only time they started to fight a war was in Afghanistan, and they quickly learned that that's a waste of time. And I keep thinking about, when I was there, the way Americans dealt with Vietnam veterans, you dealt with Afghan veterans, who had been in Afghanistan and had gone through all that hell. I financed a lot of small companies that were run by Afghan veterans and their wives. And I got real respect for those kind of

guys, who really got the short end of the stick, and then as inflation grew and all the money was wiped out, you were a colonel in the Russian army, you looked forward to a retirement—very often they moved to Estonia, someplace like that, where it was nicer and they could live nicely—they didn't have any money. So I have a whole different view of Russia.

CK: *What a wonderful experience.*

RT: Like Lushkov, who just got fired, whose wife got very rich and all that, that's part of the Russian temperament, but Lushkov at one point when I was in Moscow decided—there was a swimming pool in Moscow, a public swimming pool, it was the biggest swimming pool you've ever seen. And originally there had been a cathedral built on it, and Stalin ripped down the cathedral and he wanted to build one of those big apartment houses that they had in the 1930s. And every time he'd try to build it, it's fall in the water. They couldn't—it was on the Moscow River, but he couldn't build this building. It was like some sort of weird thing. So they ended up making a swimming pool, a public swimming pool on this site. And Lushkov became mayor. Now, Moscow needs a lot of things, but one thing it doesn't need is another church. And Lushkov decided to build a cathedral, which was built to honor the Battle of Boradino in 1812. It had been built, this fantastic building, and Lushkov had it built, rebuilt on the same site; it didn't fall in the river, and it's the biggest church in Russia. And of course, it was \$10 billion to build or something. And everybody, including me, said that's the most ridiculous goddamn thing in the world. This town needs anything but another cathedral, and the roads are falling apart. It's ridiculous, and somebody's making a fortune to build this. But it was best thing that ever happened to Moscow, just take it from me. It changed the city. And only in Russia could that happen. Those are things you learn about. If you live there—you gotta live there. But I lived there for three years.

CK: *Chuck sees venture capital as a romantic quest. Do you see romance in your work?*

RT: Oh yeah. Venture capital in the true sense of the word—people use it in a lot of terms—but venture capital to me, the people I knew, was backing a new idea that would end up making money. I would think that would be my best definition of it.

CK: *From the point of view of someone who participated--*

RT: We were a stockbroking firm, and we did analysis of companies. We analyzed small companies, because big companies, we couldn't do any business in the big companies, so we had to do it in the small, and we didn't want to have a research department of 50 people and all the expense of that. So we had to work within the context of a small business. So how do we make any money in that? The way we could make money is trading, make a little money doing that, but that's not very much. Commission business, which in the old days, you had a big rate, so you got a fair amount of money for commission, which was giving people ideas on what to buy. And also doing underwritings. Participating in other people's underwritings for a little bit, and you'd sell them to clients or whatever, and also doing your own underwritings. And from doing your own underwritings, which originally were given to us by people like the Rockefellers when they gave us Marcourt, they were the venture capitalists, we were the underwriters. But it became evident to me that if you got into the right deal as an investor before it went public, you really could make a lot of money and people could very rich. So we never had a fund—I must say at one point I wanted to have a fund and there was a disagreement amongst us about it, and we didn't have one. And I remember, one of my partners said, "Well, what do you know about venture capital?" I said, "Well, not any more than [unintelligible] knows." And that was true. Frankly. But we didn't go into it the way Bill went into it, and some of the other guys, and we never went out and raised a fund. Which I would've liked to have done, I think we could've done very well at that. But the bottom line is what I think of venture capital is you start, you always start

with the people. And that's very important. That's the fundamental thing. You gotta have somebody who has an idea and people are credible, they're not wheeler-dealers. And some of them, sometimes it's hard to distinguish between the sort of promoter and the real venture capitalist. But you catch on after a while. You can pretty much figure it out. So that's one thing. Then you gotta make a judgment after you get all finished, is the idea credible enough to make it into a real business? I'm going to see a company this week that makes a new kind of eyeglass. Eyeglass—and you can adjust it. It's a new kind of eyeglass, and he wants to go ahead and raise—he's raised venture capital; he wants to raise some more, and then eventually he'd like to go public. And I don't know yet. I don't know if it makes any sense. Eyeglasses are a big business, but they're also very cheap now, and whether it makes any sense or not—so I'm going to go take a look. That's a classic venture capital deal. It's a patented process.

CK: *Would you do the backing or would you get a venture firm--*

RT: What I would do is, if I liked it, if I decide that it makes sense—and I make that judgment myself—in the old days, I'd go to Tommy Unterberg and my brother and say, “Let's put some money in this. We need \$8 million; we'll give 'em two and raise six.” That's what you used to do. Now, I don't own this firm and I don't control the money, so I would go to them and I would say, “Look, I really want to go into business; you guys want to put some money in? I'll put a little of my money in, but then we have to go out and raise the money and put our name on it, and we're going to sponsor it,” and I leave it up to the people who run Stevens to make that decision because it's not my decision.

CK: *How do you raise the money? Who do you go to?*

RT: I go to traditional people who invest in those companies, there's a lot of rich guys around. Sometimes I'll go to a fund if there's a fund around who likes that. You might go to Welch Carson because they know health care and they might be interested in it. There

are a bunch of people who handle—sometimes the deals that I'm talking about are usually too small for the big firms, who want to put hundreds of millions to work. So I have to go to smaller groups, but there are plenty of small groups. When you get down to below \$10 million, you can go to five or six people.

CK: *Are there any venture capitalists that you particularly admire?*

RT: Oh yeah. All the well-known names. I think they're fine. I don't know of any that I don't admire. I mean Patricof, he's done an unbelievably successful thing with APAX, but now he has a small fund and he looks at it in exactly the right way.

CK: *How do you know Alan Patricof and how far back does that relationship go?*

RT: Probably '60 or before. Actually, I think Alan was a friend of Tommy's first, and I met Alan through Tommy Unterberg. Alan's father worked on Wall Street as a stockbroker, but I've known Alan, I mean I can't remember how long; I've known him all my life, and we're very very close friends.

CK: *It seems that some of these people that you have a business network with, there aren't the boundaries between business and social, that you--*

RT: Oh yeah. There are a lot of people I don't want to do business with, and I just don't. There are guys I just don't want to do business with, and I don't want to be a judge, I don't want to say they're crooks or anything, but I just don't want to do business with them. So I can afford to—

CK: *Different values and standards?*

RT: Yeah, there are a lot of guys who want to take advantage of the public market—go public and sell all their stock and make a lot of money, and they go to the next thing. That's different. It's not my [unintelligible].

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

RT: One of the things I wonder about is what's taken it away. Some of my self-confidence is ameliorated as I get older and I've lived longer and experienced more. I've seen a lot of things over the time I've been around. I believe in one thing very strongly. I think that morals haven't changed. I think that the way people conduct themselves in terms of honesty, integrity, giving your word on something, I don't believe—the Russians are like that. You can get a contract 50 pages long, doesn't mean a thing unless you know the guy doing it and he shakes hands with you. That's more important than anything. And I don't care about all the lawyers in the world—they'll figure out a way around it if they want to. But integrity is really important. I mean, in this business particularly. People give you their money. You can make mistakes, you don't always win all the time. But you make honest mistakes, that's a given, because people are human. But I mean there's some things you just don't do. You don't lie, you don't steal. It's very ordinary stuff, but you'd be amazed how many people do do that. I knew Bernie Madoff very well, and I think that has been the single most shocking thing that I ever—

CK: *Were you invested with him?*

RT: No. I don't invest with other people, just I don't because if what I do is invest, then I obviously invest with myself, I don't invest with somebody else. So I don't give other people money to invest. And I would never tell somebody to invest with Bernie Madoff, 'cause I'm in the business. If you want to invest, invest with me. I don't want what Bernie Madoff does. Bernie Madoff had a business that's totally unrelated to managing money. He used to make a market, a third market in listed stocks when it was permitted to do that. That was the business I thought he was in, and everybody did business with him. He did business with the biggest firms in the world, and he just traded, you know, he'd make a better market than they'd make in the Florida Stock Exchange. That was his

business, that's what I thought his business was, and I knew him for 15 years. He was a perfectly nice guy, and I thought he was actually nicer than most. I mean I didn't think of him in any other way. And when this thing came out, I mean that was a real shock to me, and what was even a bigger shock was how many people I knew who had money with him that I didn't even know he had. I never thought about it. [unintelligible] he took accounts. I mean people put their charities with him. To me it was just appalling. And you know, if ever somebody deserves to be shot or drawn and quartered, one could think that that might be the kind of a person that—because there was something missing, and they always say, you know, he's a human being and all this stuff. But there's something about it that was—and there are varying degrees I've run into that sort of thing before. There were guys you didn't do business with, but this was to me very shocking, and that to me—I think there's nothing—the only thing on Wall Street is you have reputation, that's the only thing. If you don't have that, then forget it. That's my view, truly.

CK: *Do you have anything that you would cite as being the most rewarding experience you had?*

RT: No. My life generally has been phenomenal.

CK: *I want to talk about the balance of your life outside of it. I want to hear about your boating interest.*

RT: In the mid-'70s, when I was 42—35, 45, 55, 65, 33 years—I had a massive heart attack, I really had a bad heart attack. I was in London on business, and I had a bad heart attack. I went back to New York. I didn't go to the hospital in London, I flew back to New York. I was 42. It came as a total surprise. I had smoked a lot and I was fat, but I wasn't enormously fat, but I was out of shape—all the reasons why people have a heart attack. But I had a really bad heart attack, and I was in the hospital for three months, and I nearly died at the beginning. I didn't know I nearly died because I was—

CK: *You were in London and you came--*

RT: I was in London and I was with my wife, and I had this heart attack and I came back, and I went right to the hospital from the airport. I was trying to go on the Concorde, but it was filled, so I took a first-class—

CK: *You didn't go to the hospital in London.*

RT: I didn't go to the hospital in London 'cause London scares me, hospitals scare me in London, so I didn't go. So to make a long story short, I came back, and I sort of—I had a different view of things. They weren't major, but I kind of wanted to not—I worked a lot, but I still didn't want to quit or anything. So I liked sailing, I had chartered a boat a couple times, and I really enjoyed big boats, and I had chartered this boat at the Cannes Film Festival, I was on the board of the film society at Lincoln Center, I used to go all the time to the Cannes Film Festival. So I went to the Cannes Film Festival, and I chartered this boat and I liked it. So I went back a couple of years, and then I said—and now I had recovered from my heart attack and I went back, and I was sailing, and I said to the captain, “See if these people would sell it.” It was interesting about the dollar and the franc; the franc was three to the dollar at the time, and I said, “I'll pay \$200,000 for the boat.” It was a 94-foot yacht. And the guy laughed it off, he said, “Don't be ridiculous.” Because I knew that you buy a boat like that, it always costs money, so the price is the beginning. So two years later, and my heart attack was finished, was over and I was better, two years later the franc went to eight to the dollar, and the guy sold me the boat for the same amount of money. So I bought the boat, and I've spent most of my money on that boat—too much money.

CK: *Obviously you're in sailing.*

RT: Yeah, I like to sail.

CK: *Did you take sailing lessons? Did you study sailing?*

RT: No, I went sailing in the '60s in Hong Kong with a friend, I went sailing up at Dartmouth on a little boat, but I wasn't—

CK: *You didn't grow up on the water.*

RT: No, I wasn't—I loved being out on the water and sailing, I just really enjoyed that. I didn't get seasick and I really liked it, and to this day I feel exactly the same way about it. I haven't changed. The minute I get on the board, my whole attitude towards everything changes. And going across the ocean's even more exciting.

CK: *So that's your release.*

RT: Yeah. So I really love it. And I belong to the New York Yacht Club and I was on the board for a while, and all these fancy things that are associated with sailing, they're sort of extra, but that's not the reason I do it. But the yacht club has been very good to me and very nice. And then recently I was asked to join the Royal Yacht Squadron, which is a big deal in the world of sailing, and there are only five or six American—

CK: *What does that mean?*

RT: The Royal Yacht Squadron started in the 1500s, 1600s, and is the oldest—if it's not the oldest yacht club in the world, it's close. And it's a very distinguished group of people. It's like only 420 members or something. And most of them are English. There are a lot of—I went to dinner there in London. They're into cows and they're in the castle that was built by [MDA]. That's the headquarters of it. It's really very interesting, and the people are Supreme Court judges and admirals and people like that. They're all English—people who, in the course of my life, I'd never meet.

CK: *What would your father say if he could listen to this story?*

RT: I'm not sure. My father would have more questions than he'd have—

CK: *If he listened all morning.*

RT: Oh, if he listened to the story, he'd be very happy. He'd particularly be happy that he's got six grandchildren. I've had three wives. If I was better than I was, I wouldn't have had three wives, but on the other hand, I've had an incredibly—if I dropped dead tomorrow afternoon, I would've had a great life. I don't have any regrets, and I don't have any—I'm very very lucky. You can't imagine how lucky I am. I don't have a lot of money and I'd like to have more money, I'm always worried about that, but my kids have plenty of money now. So I'm not embarrassed about anything.

The following interview with Mel Lavitt is taking place at the Marriott Hotel in Washington, D.C. Today's date is November 22, 2011. My name is Carole Kolker. This interview is being conducted as part of the National Venture Capital Association's and Harvard Business School's Venture Capital Oral History Project. This interview has been edited for clarity by the interviewee.

Carole Kolker: *I want to just first thank you very much for arranging this meeting with me and taking some time off from visiting our fair city and the sights. I'm glad you're having such a good time here.*

Mel Lavitt: Great time.

CK: *But we're going to start from the beginning. I just want to know, for the record, where you were born, when you were born.*

ML: I was born in Denver, Colorado, in 1937 at St. Joseph's Hospital. I grew up in Denver, graduated East High School, and went east to Brown University where I received an AB degree in 1959 in American Civilization. My family, I don't think ever heard of the term "venture capital."

CK: *Just back up for a minute, how come your family was living in Denver?*

ML: Well, my father's parents came over from Russia to New York City in the early 1900s. Now, Russia could've been Lithuania, Latvia, whatever. My grandfather was a tailor, specializing in shirt making. He had asthma. And because some of his relatives were living in Denver, he and my grandmother went there for his health. One of the things that my sisters and I regret is that while our parents were alive we never got our family history.

CK: *How they got out to Denver: Opportunity?*

ML: Yeah, this was in the early 1900s, and I think that they probably took a train.

CK: *Well, from the stories I've heard, someone says, "Come here, there's opportunity."*

ML: Well, there was opportunity, yes, there was opportunity, but there was also the fact that he had asthma, so Denver is a great place. They have the National Jewish Hospital, which specializes in asthma. So that's where my father, my Uncle Lou, and my Aunt Ida grew up. And my father went to the University of Colorado, became a civil engineer and moved to Chicago to work for a construction company that built bridges. That's where he met my mother, who grew up in a little town called East Chicago, Indiana, which is not too far from Gary, Indiana. Her parents, I think, were born in the States, but their parents came over from Europe. Most Jewish people came over from some place, Poland, Russia, Germany, although my grandmother's parents could've been from England. So again, we don't know exactly. My folks met, got married; my mother was a

schoolteacher, and my father brought her to Denver into a very different type of family. My grandfather had passed away, so I never knew him.

My grandmother, we always called her a “cousin to God” because she was so Orthodox. That’s how my father grew up, Orthodox. On the west side of Denver was where all the Jewish people lived, and they were all Orthodox. As their children grew up and got into the workforce, and got a little more affluent, they moved to the east side of Denver. On the east side of Denver, we had two Jewish houses of worship. We had Reform, Temple Emmanuel, and we had a conservative synagogue, BMH, Beth haMedrosh Haggdol. My family was a member of BMH. So my father went from Orthodox to Conservative. Reform is sort of real and Orthodox sort of real, and Conservative is sort of made up, in that it takes a little bit from this and a little bit from that. We’re not gonna do this, but we’re gonna do that. So we had a lot of dos and don’ts. But we weren’t particularly an observant family; however, we did observe Rosh Hashana, Yom Kippur, and Passover. My mother had to change all of the dishes and silverware et cetera, for Passover and all the food. On Yom Kippur, my father and I would walk a couple miles to services. My mother came from sort of a Conservative/Reform family, and when my grandmother — I’m not sure she was ever accepting of my mother — would come to our house and she wouldn’t eat anything, because it wasn’t kosher. Even though we didn’t have bacon or ham at the house, you know, we did mix milk and meat. So it was kind of a funny family thing.

But mother made the best of the situation. She always had a lot of friends. My father, when he returned to Denver, was never really a successful businessman, and he was probably the only one of his friends who was drafted into World War II. The good thing was that he didn’t go overseas, but the bad thing was, everyone who didn’t get drafted made a lot of money. They all came out of it really financially set, and he came out of it

needing a job. And he sort of went from business to business. He was a very good builder, and he ended up doing a lot of construction for a man by the name of Marvin Davis, Davis Oil, which was a significant oil company. Marvin Davis ended up taking over one of the movie companies in California. But anyway, so Dad did a lot of his building for Davis's various projects in Denver.

CK: *And your father's name?*

ML: Al.

CK: *And your mother's name?*

ML: Ruth. So my father's name was Abraham. He hated it, he didn't want to be called Abe or Abie, so he changed it to Albert, Albert Ralph Lavitt. Everyone called him Al. And my mother was Ruth Lucille Friedman, which became Ruth Lucille Lavitt. It was interesting and strange for her to come from a different place and to be in this family. And we did struggle, because my father went bankrupt, and my mother had to go to work. This was while I was in high school. I was determined to get away from Denver and go to college. I was accepted at Brown University. To be able to go, I borrowed money from my uncle, worked on campus, and had a student loan.

CK: *Did you have any siblings?*

ML: Two sisters, both younger, Carol and Terry.

CK: *What would say were the values in your home towards education, towards work?*

ML: There was great value placed on work. I worked every summer since I was thirteen. Different jobs, but most were manual labor. My father valued an education for me, not as much for my sisters. Even though they had an opportunity to go to University of Colorado, neither graduated.

CK: *So the expectations for you were—*

ML: Yes. It was the old-fashioned, I'm the son, so I should go and get educated and do something. Now, they didn't say I had to be a doctor or a lawyer, but get educated and get a good job. And girls were supposed to grow up and get married, which they did.

CK: *So growing up, were you a reader, were you a tinkerer, were you more into sports?*

ML: Into sports. We did not have a very intellectual family at all. My father read, but he read novels. He was very smart; he was brilliant with math. And I remember when I was a junior at East Denver High, I got a D in some algebra course, and he couldn't understand it. It was terrifying for me to tell him that I got a D. I took the same kind of a course at Brown and got an A. But, no, everything I've learned about any kind of culture came through college or after college.

CK: *Why'd you choose to major in Am Civ?*

ML: American Civilization? I have no idea except that a senior in my fraternity, Pi Lambda Phi, who I looked up to also majored in Am Civ.

CK: *Was there a career? What were your goals when you started Brown?*

ML: I didn't know up from down. Okay? I got into Brown. I really wanted to go to Dartmouth, and I was wait-listed at Dartmouth. I was accepted at Northwestern and at Lafayette, and I knew I didn't want to go to the University of Colorado. I wanted to get out of Denver, and many of my friends at East Denver High were going to Ivy League schools. I don't think I had the grades or the SATs to get into Harvard, Yale, or Princeton. Dartmouth was a very popular school. That's why I think I was wait-listed. A lot of people wanted to go there, and they were very athletic-minded. I loved sports, but I wasn't good enough to play on any of the varsity teams. Dartmouth was a very big jock

school at that time. And Brown, when I got in, was a second choice school for East Coast prep school graduates.

So I go to Brown, and I remember that almost everyone there was disappointed they were there. I wasn't necessarily disappointed, 'cause I didn't know any better, but the others wanted to go to Harvard, Yale, Princeton, Dartmouth, someplace else other than Brown, which was kind of interesting. That was a turning point at Brown, because they decided in the admissions department, "Enough's enough; we're not going to take anyone that doesn't want us. We're not going to become a second-choice school anymore." And over the years they managed to, through early decision and if someone was applying to some of these other schools, Brown wouldn't take them. Now it is among the "hottest schools," taking only about 10 percent of applicants. Some turnaround.

CK: *Did you find any mentors while you were at Brown? Anything that influenced the direction of your life?*

ML: Well, yes. So, Brown had a fraternity system. And East Denver High had a fraternity system. One thing I was pretty knowledgeable and skillful at was trying to figure out how to socially get along. And because I was from Colorado, there weren't a lot of people that anyone there had ever met from Colorado or from the West. They had one Jewish fraternity, it was non-sectarian, but mainly Jewish, called Pi Lambda Phi. And so I rushed a lot of fraternities, the Sigma Chis wanted me, and the Kappa Sigs wanted me. And there was a very great guy that I met, Joel Davis, in Pi Lam. There was a term we used at Brown, "tweedy." Joel was very tweedy. He always wore great tweed jackets, and bowties. I sort of said, "This guy's really great." He influenced me to join Pi Lam, which turned out to be a great decision. Pi Lam was a fraternity that really emphasized education. So grades were important. Everyone there was upwardly mobile; they wanted to be doctors, lawyers, and Indian chiefs. If you didn't do well academically, you were

not well thought of in the fraternity. But we also had a lot of fun — great parties, and the fraternity had a sing-off. So I have very fond memories of my fraternity life.

After my freshman year, I ran out of money and I had to go to University of Colorado for a year. I knew a lot of students there, and a lot of fun, but I knew I couldn't stay there because I would never graduate; it was just too much fun. It was a real party school. So I got good grades and received a scholarship back to Brown. Again, I had to borrow money, work, and take out student loans, but I was determined to go back and graduate from Brown. I think that shows you something a little bit about me — determined to do what I want to do.

CK: *And maybe that influence of that fraternity and their high standards was something that—*

ML: Yeah. You know when I got back, I felt good and everyone was great, happy to see me. I had fun my sophomore year at Colorado, which is totally different than Brown. I did well in my classes — well enough to earn a scholarship back, but I was happy to go back and happy to graduate. Brown was a very important thing in my life; and if I hadn't gone to Brown, I wouldn't have met my wife, Wendy.

One of my fraternity brothers was dating Wendy's best friend, and I stayed at his New York apartment junior year during spring vacation. And so we double-dated. We went down to the Village, and we must've gone to seven or eight places and had a great time. Wendy was at the University of Michigan as a freshman and I was a junior. Brown's school year ended in May and when I returned home, a neighbor, Joy Day, told me, "Wendy Adler's going to University of Colorado summer school." So, as bad financially as things were, my father always managed to continue his membership at a country club. He loved to play golf. And they had dances, and I was dating non-Jewish girls. I knew that if I wanted to bring a date to a country club dance, where my father and mother were

going to be, I had to find a Jewish girl, so I said, Oh, Wendy Adler would be perfect. (laughs) So we started dating. And if CU was a party school during the school year, the summer was just really great. I would go up there with my friends after work. We hit it off really well. When my father met Wendy he fell in love with her, as did my mother and my sisters. By the end of the summer we were lavaliered, and then during my senior year we got pinned, and at the end of the school year we got engaged, and we got married in September of 1959. It sounds too fast and crazy, but by that time most of my friends from Denver were married and some even had children.

I graduated Brown with an American Civilization major and I found that major interesting. I didn't know what I wanted to do after graduation. I knew I didn't want to be a doctor, and I certainly didn't want to become an engineer, and so I thought I'd go into business. The only economics course I took at Brown was a corporate finance course, and I got a C. I thought I did well but I got a C. Fortunately, my in-laws took a liking to me. God knows why they let me marry their daughter; I had no money, I had no job. During that summer I stayed at their apartment because I had to make up one course that I missed. So, I went to Columbia. My father-in-law had a little business on the side in New Jersey. I worked there during the day and went to summer school at night taking philosophy. Anyway, Wendy's mother planned a grand wedding for us at the Plaza Hotel, black tie, and white tie for the wedding party.


My father-in-law and his friends were a group that I called "Jewish mafia." Now, the Jewish mafia were people like Tom Unterberg's father, Clarence Unterberg, Adam Gimbel from Gimbel's and Saks Fifth Avenue, Leon Hess from Hess Oil, Cy Lewis from Bear Stearns, Gus Levy from Goldman Sachs, et cetera. He was well connected and that is how I ended up on Wall Street. He tried to get me a job at Lehman Brothers, but that didn't work out, because they only wanted you if you went to business school. Probably

what I really missed in life was not going to business school. I'm not sure I could have afforded it, but everything I learned about business was through on-the-job training. Ralph was able to get me a job at Bear Stearns. In those days, Bear Stearns and other firms had training programs. So I learned everything from the back office to sweeping up, to research sales and trading. I worked in every department. Anyway, we had this great wedding, we went to the Caribbean on our honeymoon, came back, I started to work at Bear Stearns. After the training program, I ended up in research. Don't ask me why, I have no idea, but I ended up in research. And between the time I went through the training program and began my real job, I went into the National Guard. This was the alternative to being drafted. It was through my father-in-law's friends in New Jersey that I got in the New Jersey National Guard and then the Air Force Reserves. I went to San Antonio, Texas, for basic training.

CK: *The six months?*

ML: Yes. And Wendy's uncle was Buddy Adler who was running 20th Century Fox Studios. His most famous movie was *From Here to Eternity*. And when I got out of basic training, I met Wendy in Los Angeles, and we stayed at their house, toured the studio, and had a great time. It was a little vacation. Then I went back and really started working in Bear Stearns's research department. One of my good friends from Denver was Bruce Paul, whose aunt and uncle were Ruth and Elliot Handler who started Mattel, the toy company. Also, my father, when he was in the army, was able to keep Elliot Handler from going overseas. So I had an in with Mattel, and for that reason my in-laws said, "Okay, you're going to be a toy analyst."

So I flew out to California to meet with the Handlers, knowing nothing about

 ! That was the time before there were any kind of rules or regulations about what management could say. So they would tell you what's going on and how

they're going to do. I wrote a research report on Mattel as well as a company called Aurora Plastics, which made little cars, and Hasbro. Mattel became a hot stock, and of course everyone thought I was really smart. There was one mutual fund, Centennial Fund, that was buying private stock. The Handlers wanted to sell some of their shares and so the institutional salesmen arranged the trade. The day of the trade, Cy Lewis, who was the senior partner of Bear Stearns, said to me, "Kid, you're now in institutional sales." It was just like that. This was a promotion, but my boss in research was Jerry Kohlberg, who founded Kohlberg Kravis, the big LBO firm. If I'd been smart or knew anything, I would've instead tied myself to Jerry. But who knew? Anyway, I now sat at this big trading desk with most of the big partners at Bear Stearns. Again, a new adventure, but still I had no idea what I was doing.

CK: *I was going to ask you, what are you learning about yourself at this point?*

ML: You know, I don't know, I'm just learning to get along. I would say that's probably the best thing, okay. Wendy was still finishing school, 'cause that was one of the deals when we got married. She had to finish school. So she went from the University of Michigan to Finch College, which is no longer. It was a private girls' school in New York. And she graduated from Finch and went to work at Random House writing book covers. Later she wrote six books on American Folk Art and Random House's Knopf division was her publisher. So I am now in institutional sales, handling really crummy accounts, because all the good accounts were taken. I was learning, but unhappy. But then came an opportunity. I was friendly socially with Tom Unterberg and Bob Towbin, who were junior partners in C.E. Unterberg, Towbin, a small (tiny) firm run by Tom's father [Clarence] and Bob's brother [Belmont].

CK: *How did that come about?*

ML: Well, because my father-in-law was a member of Hollywood Golf Club in Deal, New Jersey. Wendy's parents summered on the Jersey Shore and so did the Unterbergs and Bob Towbin. I got a call from Bob Towbin one day, and he said, "Mel, Tommy and I'd like to meet you for a drink at the City Athletic Club." And I said, "Okay." So I met them for a drink and they said, "We'd love to have you come over, and you could cover any account you want. You want to cover Morgan Bank, you can cover it; you want to cover Fidelity, you want to cover Putnam? Doesn't matter." You know, that was really exciting to me because these were the biggest accounts on Wall Street, and fortunately or unfortunately my father-in-law didn't know enough to say, Don't do it.

CK: *You're going from a big firm—*

ML: I'm going from a big, established firm where I was one of three or four people sitting on the institutional sales desk, to this nothing little firm that had done—they were known for doing these small, little public offerings. There was a *Time* magazine article called, "Some Like It Hot," about Unterberg, Towbin. They had a good reputation, but it was like apples and oranges.

CK: *So what made you take this leap of faith or this risk?*

ML: You know, I think it was, I was flattered they wanted me, and I was frustrated that I didn't think I was getting anywhere at Bear. I mean, I wasn't writing tickets at Bear Stearns; I didn't have ticket-writing accounts at that time. It felt that it would've taken a long time to get anywhere.

CK: *So you saw opportunity—*

ML: I thought it was an opportunity. My father-in-law didn't understand the business well enough to tell me, Don't do it. You're in a great spot. Cy Lewis, who was a good friend of Wendy's father's, said, "You're gonna go work for that little firm? You are making a

big mistake.” He said, “Get outta here.” He said, “I don’t want you here tomorrow.” That’s the way it was on Wall Street. It wasn’t like— Because you’re no longer with us, pack up your stuff and leave. And he, forever, every time I’d see him, he’d say, “How do you like working for that firm?” So I go to join Unterberg, Towbin. And the deal was, they paid me \$10,000 salary, and I earned a \$3,000 bonus my first year, so I made \$13,000, which you couldn’t afford to live in New York on, \$13,000.

CK: *And this is 1962.*

ML: Yeah. And it was a shock. They had no research; they had nothing to sell; they were doing no deals. Nothing was happening. So I could sell to anyone, but had no product. Certainly it was not like Bear Stearns.

CK: *And was Belmont still active?*

ML: Yeah. It was Clarence Unterberg, who was Tom Unterberg’s father; Belmont Towbin, who was Bob Towbin’s brother; Tom and Bob and me; also Tom Greenberg, who was the trader, who looked ancient. I think he was in his sixties; but he looked ancient at that time. Miss Kineely, who was the office manager, who was a terror; and then a girl by the name of Kathleen Walsh, who was her young assistant, who she terrorized. And then we had maybe three people in the back office. We cleared all our transactions through Loeb Rhoades and Company, which was a big firm at that time. They were called our correspondent firm. But nothing was going on, because the markets were just dead, and it was almost a year before we did a public offering again. C.E. Unterberg, Towbin’s bread and butter was small IPOs.

CK: *What was unique about Unterberg, Towbin? You mentioned this Time article. They had a reputation as a little guy.*

ML: Yeah. They had a reputation of doing hot offerings — small IPOs for small companies. The big firms were not in the business. Wall Street was very stratified at that point. Goldman, Morgan, and you had a lot of firms, like White Weld, who aren't around today, that would do larger public offerings for recognized companies. A lot of bond and municipal bond deals. They were just retail sales firms at that point. So it was very stratified about what firms would do. The stratification stopped when the commissions went from fixed to negotiated. So then everybody had to almost do everything, because there were firms that had floor brokers, and you would use their floor brokers; you didn't need a floor broker. Eventually, everybody needed their own people, and it made Wall Street very inefficient. It used to work very well, because each firm did their specialty really well; now everybody has to do everything, so it's a higher cost model.

Belmont and Dutch Unterberg had a view that they were going to do small deals just like big deals were done: the same commission, the same charges. They were going to do them very classy; they weren't going to take warrants. They weren't going to make them look “schlocky” like the firms that would do crummy deals. So we had a reputation for doing Tiffany-like deals. Not that the companies always worked out, but the deal itself was always very clean. It wasn't something that was skewed so that we would win and the public would lose.

CK: *Could you just talk for a little bit about these personalities? Belmont and Clarence and—*

ML: Sure. Clarence Unterberg was the firm's senior partner. He was tall, six feet two or three, and had personality. Dutch didn't smile a lot, was very proper and dignified — the kind of person that every charity and organization wanted to have his involvement. Bottom line, he lent dignity to the firm.

Belmont Towbin was the other name partner, and unlike Clarence Unterberg, he did not come from a name family. Bob Towbin was the youngest of the four Towbin brothers, and the age difference was such that he could have been Belmont's son. I wear white collar and white cuff shirts with a collar pin, dress shirts, because that's the way Belmont dressed. I mean, he dressed great, and he was a very warm person and very smart. I don't know how smart Clarence Unterberg was, but Belmont was Phi Beta Kappa smart. Clarence had the contacts for deals; Belmont had the ability to put them together. Belmont and his wife, Phoebe, were very social. They would go out every night with friends, many of which became customers of CEUT. Belmont's favorite place was El Monoco.

CK: *Do you know how the two of them got together?*

ML: Yes. I think Clarence started C. E. Unterberg after the Depression. He was making markets in a few companies and not doing any deals. He was looking to hire somebody, and he met Belmont Towbin, who was his first employee. Belmont went to Johns Hopkins, then to Harvard Business School. And one of his teachers at Harvard Business School was General Doriot, who ended up running American Research and Development, which was one of the first venture capital firms. Out of AR&D's portfolio came High-Voltage Engineering, and I think Digital Equipment. So Dutch hired Belmont, and Belmont, because of his ability to be a good researcher and analyzer of securities, got CEUT into doing small deals. Stern and Stern Textiles was one of the first deals. We used to have all those old prospectuses, which Tom may have or Bob may have. But I think that's how it started. And so naturally Tommy, who went to Princeton and then to Wharton, came into the business. Bob, I don't know where he went to high school, probably someplace in Brooklyn, went to Dartmouth. After Dartmouth, he did not go to graduate school; he went to work at a bond firm, Asiel. At Asiel he got some training, and then joined the firm a few years after Tom.

CK: *Were Bobby and Tom as compatible in their skills as Clarence and Belmont?*

ML: I never saw a harsh word between Clarence and Belmont. Clarence was a gentleman, austere, not really approachable. Belmont was a gentleman, but he wanted to be a mentor. I remember the first day I was at the firm, he said, “Kid, come over here.” It was after the market closed. And he said, “We’re going to do a deal for this company called Tia Maria.” They make a liquor drink, sort of a coffee after-dinner drink. He said, “How would you price it?” I had no idea what he was talking about. Had no idea. But I just knew that most stocks sold at ten times earnings, so I looked at spread sheets, wasn’t sure what I was looking at, and I said, “Ten times earnings.” He says, “Yeah, I think so, too.” (laughs) He treated you like an equal.

Initially I sat on the trading desk. I mean the trading desk was me and Tom Greenberg. So I sold stocks off the trading desk, mainly to my father-in-law and some of his friends, because we had nothing to sell to institutional accounts until we started to do some deals. Clarence would come over at the end of the day to look at the big book where we entered all the trades. Every day: “Why are you long two hundred shares of XYZ,” whatever it was. And, “Why are you short one hundred shares of PDQ?” He would nitpick every detail and ask where we were and why was this and why is that? It was like you were always getting a test at the end of the day. And Belmont would be much more conceptual. When Clarence would get bullish on the market, he’d buy municipal bonds. Belmont loved to buy stocks, high-flyers like High-Voltage Engineering, Xerox Corporation, and Polaroid Corporation. And that’s where he made a lot of his money, because he understood that stocks that have a high multiple can go higher, because a multiple only implies how much risk you have by buying a stock. The higher the multiple, the greater the risk if you make a mistake. That doesn’t mean the multiple can’t go higher. He understood growth stock investing probably before anyone else understood

growth stock investing. And that's what we were doing, because when you played with these little companies, they were not value companies. The firm's pecking order was Clarence, who's senior partner, Belmont, Tommy, and then Bobby. That's just the way the pecking order was. They were all partners at different percentages. I wasn't a partner; Tom Greenberg was never a partner. It took a while for me to become a partner, because to be a partner you had to produce. I became very good at selling and finally became a partner in the early seventies. It took eight or ten years to become a partner, but that was not unusual on Wall Street at that time.

CK: *Were you assuming while you were there— Was your goal to make partner?*

ML: Oh yeah. My father went from job to job and went bankrupt. I said, You know, the mistake he made was not sticking to something. The mistake I made, in hindsight, probably if I had to do it over again, was sticking entirely at Unterberg, Towbin, because I was good enough, in my opinion, now looking back, that I could've succeeded at bigger firms. Because we were capped out on how much money we could make. No matter how good we were, we were not going to make as much money as some of these big firms. Had I stayed at Bear Stearns, the year or two after I left is when the institutional business really took off at full commission. All of the guys who I was in the same class with there, became partners, became much richer, much faster. And so why do you work? Because you want to make money; you're not painting pictures. So the way I look at Unterberg, Towbin is that there was too much "psychic income," not enough real income. It was fun being there; I learned the whole business, it was exciting. And everyone thought it was a great place. So I call it psychic income. But in reality, we didn't have a business model that could make as much money as we should have. We should've been taking warrants on our deals. There's nothing wrong with that. We would've done much better, instead of trying to be too pristine about: Well, we're only going to take this cash fee. Because when these stocks really did well, that's where we

would've made a lot of money, on the warrants. Anyway, it was fun, I enjoyed it; I learned a lot. I learned everything about the business, because I worked in every facet of our business. So I wasn't compartmentalized. But if you were looking at just pure economic return, we didn't have as much as we should've, ever.

CK: *You were talking earlier about the dynamic between Belmont and Clarence. What about between Bob and Tom?*

ML: Well, Bob and Tom were competitive. It wasn't personal; they were just forced to be competitive, because they had to produce. They had to bring in business, and they had to do deals. For Belmont, it seemed easier because he was such a social animal — Diners Club was one of his big IPOs, and his General Doriot/ARD relationship was important. Probably his most important relationship came from his relationship in the Navy during World War II with Laurance Rockefeller. We became an important investment banker for the Rockefeller family. Tommy and Bob leveraged this relationship. Tommy was more successful at it, probably because he was older and developed a good relationship with Peter Crisp of the Rockefeller firm. That's how Tom got the Intel deal. Bobby was sort of always playing a little bit of second fiddle. On the other hand, Bobby was very outgoing and aggressive. He had no trouble calling anybody about anything and trying to reach out and do deals. So he developed his own relationships. The difference between the two is, I would say, Tommy is a — in baseball parlance — would bat .333, a lot of singles and doubles, and a few home runs. Bobby would bat .250, not as many singles and doubles, and more home runs. He was always swinging for the big deal and often found one.

CK: *More of a risk-taker.*

ML: Much more of a risk-taker, because he was always trying to prove himself, to prove that he could do the big deals. And my sense is — they're both different, and I have great

respect, and regard, and friendship with both of them — Tommy is more like his father, more reserved. Very smart. I remember when we would play bridge on the train going down to the Jersey Shore, if he bluffed, he usually won because of his reputation for being so smart. And also, a few bucks didn't mean anything to Tom. Meant more to other people. So he was able to use what I call his economic position when he bluffed or in business. Bobby was more approachable. You could be with Tommy — you interviewed him — I don't know how his conversation went, but you could be with Tommy in a car riding somewhere, and he'd never talk, and Bobby'd never stop talking. Bobby was always very friendly. Bobby became very much involved in Democratic politics. They're both Democrats in different ways. Bobby was very involved with the Kennedy family, and always involved in certain Democratic causes. And Bobby knew a lot more people, a very interesting guy. He loved to paint. He's painted murals. I don't know how talented he really is, but he loved the painting. And he collected people and had a lot of friends all over the place. Tommy knew a lot of people, but didn't have as strong attachments to them. Anyway, that's the dynamic of the two.

CK: *You mentioned the Unterberg, Towbin relationship with the Rockefellers. Was it Laurance Rockefeller?*

ML: Lawrence, yes, who was the venture capitalist.

CK: *And these came about through—?*

ML: Belmont Towbin sat in the same office when they were both in the Navy together, they were in the procurement department. They sat next to each other. That's how the story goes. So they became friendly. So afterwards, Belmont parlayed that into doing investment banking for the Rockefellers.

CK: *This is a big family fund — and Unterberg, Towbin is this small—*

ML: Yeah. Because a lot of the companies that were investing were so small and speculative that the big firms — Morgan, Goldman — weren't going to touch. These were not the kind of deals the big firms were going to do. We did Intel; we were the lead manager in Intel. We also had a venture investment in Apple and were in the IPO.

CK: *How did that come to you?*

ML: Well, as I said, Peter Crisp, who worked for the Rockefellers was friendly with Tom. He got Tom to go out there. And I remember I was playing golf with Tom at Hollywood Golf Club, we're in the second hole; I can visualize it now. And he said, "We're going to do a deal for a company who makes more computers than IBM." I said, "What's it called?" "Intel." They made a little 1 k chip, which was a microprocessor, which makes computers work. And so we did the deal. And it was a very, very over-subscribed deal, except the problem is Intel lost the process to make the chip as we were doing the deal. The batches weren't coming out correctly. So the stock went from twenty-three and a half, where we did it, down to nine. It went from a deal that everyone wanted to buy to a real problem for us. And I remember Andy Malik, who is my best friend, and who was on the trading desk then, and is now the Chairman of Needham, got an order to buy 25,000 shares at nine from an English firm called Buckmaster and Moore. That stopped the stock from going lower, and it just never had a downtick for a long time after that.

CK: *And who's Andy Malik? You evidently have been friendly with him for a long time.*

ML: In 1971, I hired Andy to work for us on the trading desk to be a sales trader. I was a partner by that time. Mike Gilfillan ran the trading desk at that time. Tom Greenberg had retired, maybe even passed away by that time. And so Andy was doing what I used to do when I first joined the firm — sit on the trading desk and sell to clients and trade stocks, and he did it very, very well. We had a much more vibrant business by that time; we went from six people, we expanded to another floor, we maybe at that point had twenty

people to twenty-five people in the firm. We hired some more research people. The firm sort of grew up a little bit. Andy stayed with the firm through the L.F. Rothschild days. And then when Tom and Bob went over to Lehman, he went over there, and worked in Lehman's equity capital markets group.

CK: *So that's Andy Malik's — how he fits in. How did most of the deals — you were just telling me about the Rockefeller deal — how did the deals come to Unterberg, Towbin? You have Cray and Compaq—*

ML: How did all this happen? First of all, there are always cycles in the business. You'd go through a new IPO cycle and then the market would drop, and then you'd go through the cycle again. And every cycle we got a little bit bigger in people, we got better deals, more known. We also got a couple other partners: George Martin; Jim Furneaux came from Keystone, George from Rosen Research, Ben Rosen's firm. George was an expert in mini-computers and Jim in semiconductors. Then we hired Lou Lubrano from Loeb Rhoades & Co. Cray Research came through Bob Towbin and George Martin. Compaq also came through Tom and George. Jim also brought in many deals. The bottom line is that we had more people doing more deals, and Bob and Belmont were also doing a lot of deals. Everyone was doing deals, and I ended up being the person who was responsible to sell the deals. They would load up the wagon and I would unload it. I guess we had moved downstairs in 60 Broadway — we were on the thirtieth and twenty-ninth floors. Thirtieth was back office, twenty-ninth was the main office. Bobby Towbin designed a great office; we had beautiful offices. White, curved walls — Bob had a real artistic aesthetic sense. For a little firm, we also had a kitchen and dining room. It was really great. So now we're in our new offices there and we're doing a lot of deals. Then an important event happened. Bill Hambrecht's firm decided to move out of New York and let go of some of their people, and we hired a successful salesman by the name, Tony Bear. So we improved our sales effort. Deals then were done with syndicates, and Andy

Blum, our syndicate manager, was the best of the best. He put the syndicates together, along with Tommy and Bobby's relationships. It was important to get all the big firms in our syndicates. They would underwrite with us and they wouldn't underwrite with other smaller firms, which was key, because of our reputation.

CK: *So you were establishing a network.*

ML: Yeah, in our network. But that's how deals were done. And I got the idea — we were doing a deal for a company that made dumb terminals. Basically, you had a computer and a bunch of dumb terminals. I think it was called, maybe, Computer Terminals. Anyway, I said, "You know, if we could get some people, some customers into a room rather than just send them a prospectus, I think we could sell a lot of stock." So that's how C.F. Unterberg, Towbin started the "road show." So I invented the road show on Wall Street. And from there, if you telescope to L. F. Rothschild, Unterberg, Towbin days — it was my group, Special Equities Marketing, who ran the deals and the road shows. My partner was Andy Malik and we had helped win the business, people on our trading desk, who marketed our deals to the firm and accountants. We took it to really a fine edge. So that's how the road show started. We built a machine to get deals done, get them to market, then sell them, allocated the shares and finally support them in the after market. So in 1983 we did eighty-three deals. Now, that's without cell phones, fax machines, or any type of technology — just people, travel, and phones.

CK: *Are any of these memorable deals, real challenges that have a story that you want to share?*

ML: Yeah. Anyway, the point is everything sort of built on each other, and it was so exciting. And one of the reasons — I talked about psychic income — it was exciting to be at Unterberg, Towbin, everyone told you how great you were all the time. We were the

“show,” the choice of the VCs for their companies, the choice of the companies to do their deals, and the envy of our competitors on the Street.

CK: *So you don't always get that in a big firm.*

ML: No. You get a big paycheck, but no one tells you you're great or the firm's great and it's exciting, and “ooh, you did this hot deal,” that kind of stuff. So I would say we built it and had a lot of good people. It just wasn't Bob and Tom and me, George, Jim and the two Andys, we had very talented people before and after we merged with L.F. Rothschild in 1977. And even before that time, some larger firms wanted to buy us. At that time, not every firm did deals, and there were firms that wanted our expertise. One of these was L. F. Rothschild. Their senior partner had passed away and they needed to replace his capital; we had capital. We had a deal business and they didn't; we had an over-the-counter business at that time, they didn't; and they had a bond, research, arbitrage and retail business that we didn't. It was a great merger, on paper. However, it never really jelled, because there was always friction between who's going to run the firms eventually, between some of the Rothschild people and Tommy and Bobby.

CK: *Now, Clarence retired at this point?*

ML: Yes, Clarence had retired. Belmont was our senior partner, but soon after retired. And then Tom moved up.

CK: *And Bobby were — and you?*

ML: Before we merged, some of the important deals we did were Intel and Cray Research, the first supercomputer company.

CK: *And how did that come to you?*

ML: I think it came probably in two ways: Cray I think came to Bobby, who was friendly with the Piper Jaffray firm in Minnesota. And George Martin went out to look at this company, Cray Research. We always ran the deals, so we'd be on the left of the prospectus. Seymour Cray was the "father" of the supercomputer, so the deal had a lot of interest. The supercomputer was hot and did well. It was a big round pole with a bench around it. And I remember Belmont Towbin said, "What is that?" George said, "That's a computer." "And if it doesn't work, we can use it as a religious icon and pray to it." It was a very hot deal. Those kinds of deals put us on the map. Then we got involved with Ben Rosen, and we sponsored the Rosen Research Conferences, and that helped us get more into technology, especially in Silicon Valley.

Compaq came from our Ben Rosen relationship. Ben started a venture capital fund, Sevin Rosen with L. J. Sevin, who was a semiconductor entrepreneur. And it was an early venture fund, and they were early investors in Compaq. CEUT raised money to help start Compaq. This was a George Martin and Tom Unterberg relationship. Compaq was the last deal we did in 1983. We'd done three other computer deals before that during the year, but Compaq was the fourth and the "real" one. The others were Altos, Televideo, I can't remember the third. Because the first three sputtered and we had trouble getting Compaq done. The product was a big, heavy, luggable computer — it was like a big sewing machine. And everyone wanted to know, What's the next product? And also, I remember the CEO of Compaq was not comfortable making presentations. So we sent him to charm school to learn how to speak. But we finally persevered.

I remember, I called one account at least three or four times, and they said no to me. Finally, the last call, because we kept lowering the price, they said, "Okay, we'll buy 50,000 shares." This account, Hinson and Holman, helped make the deal. I remember, to get the deal done I brought a number of institutional accounts to the Comdex Conference

in Las Vegas to see and use the Compaq computer. Finally, we got it done. We started at one price and got it done at a lower price. The stock was priced at twelve, went to fifteen and then, during the bear market of 1974, went to three. Went down a little bit, then went up; well, actually it went down a lot, went down to three after we priced it about— I think it went twelve to fifteen to three, because the market fell apart between 1973 and 1974. From then on, the stock had a huge run. So I guess one thing I learned from the deal is to never give up, keep persevering, working hard, and believe in what you do. In addition to Cray, Compaq, and Intel, Seagate and Tandon, we did Tandem Computer, the first non-stop computer company. This was a TIU relationship. Bob also had a big hit with Loral.

CK: *How did he get that, do you know? Just network?*

ML: Networking. A lot of the stuff is just networking. We did a lot of the deals. In the meantime, we had competition from Robertson Stevens and Hambrecht & Quist and Alex. Brown.

CK: *I was going to ask you, right, who your competition was.*

ML: Alex. Brown was what I call a real firm. They were a large boutique with strong research, retail, and institutional sales and banking. You know, Robertson Stevens and Hambrecht & Quist were San Francisco firms who became very tight with the West Coast venture capitalists. The four of us were called “The Four Horsemen.” Because we were the largest and did the most deals, we were then the largest of the horses. Before we merged with L.F. Rothschild, our only competition was Hambrecht. We formed an alliance with Hambrecht. And we would do deals together because they had a larger sales force, and we were on the left, and they were always on the right of the prospectus. So obviously, they didn’t like that. Eventually, after we had merged is when all the jockeying took place, and everyone else wanted to run deals. Tom and Bob never let

anyone run a deal because, they said, “Once you let ’em run a deal, they’re always going to want to run a deal.” But finally, we had to let these firms run deals, because they would bring in the business.

CK: *You said they were on the left, you were on the right.*

ML: No, we were on the left. Left, you want to be on the left on the prospectus; they were on the right. But eventually they had more clout with issuers, so the compromise was that if they were going to run the books, you be on the left and look like you had the books. And also it depended on whose typeface you used. There’s a lot of little nuances that only people— It’s like inside baseball. The book runner has a big advantage, because they know the shape of the deal and where the stock’s being placed. We always worked very well with our co-managers. We’d let them know what’s going on and want their input. We’d work together, much more collegial than today. Sometimes, when we had other co-managers, they’d shut us out or they tried to shut us out of what’s going on. A lot of times in the business there was too much energy placed on trying to fight with your co-manager rather than getting the deal done right. I’m just trying to think of some of these other things we did, we did a lot of really interesting companies.

CK: *Was there any disadvantage of being an East Coast firm with so much going on on the West Coast?*

ML: Well, there was, huge. That’s why we opened a West Coast office when we were L.F. Rothschild, Unterberg, Towbin. Sure, because, I mean look: We knew how to do deals, but the action really moved west with the Intel offering. Silicon Valley was beginning to grow; Route 128 was beginning to shrink. You can’t get on a plane and go out for a few days and think you’re in the flow of business. Billy Hambrecht, Sandy Robertson — put Alex. Brown aside for a moment — they became tight with all the VCs. Sandy had a place in Vail and used it to entertain weekends during the ski season. And Sandy always was a wonderful, personable guy. Hambrecht was always a big investor. And so they all

knew each other, they all grew up together, all these companies, the VCs and the West Coast investment banks. We may have had initially the bigger reputation, but eventually you lose your clout. You don't have broad relationships. You may know a key senior guy at a venture firm, but you don't know all the younger people he's hired, who know your younger people. And so if you're not out there, as I call it, going to the soccer games with the kids and peeing at the urinals together at the restaurants, you don't have the relationship. You're on the outside, not the in.

So I think a mistake that we made was not understanding where the money was. And tactically, we knew what to do; strategically, we made mistakes, because we focused too much on the today, not the tomorrow. Strategically, we should have had a West Coast office much, much earlier, with really senior people. Because we were small and operated too much as a traditional Wall Street firm, there was too much cult of personality, too much Unterberg, Towbin, as opposed to other people who would be recognized as real factors. And, if you just take it into the venture area, I think Accel has done it really well, because Jim Swartz and Art Patterson understood that to build a great firm you need to build and nurture great people. Give them more responsibility and visibility and democratize the economics. Today Accel is arguably the number one VC or at least in the top three or five.

CK: *Their company doesn't carry their name.*

ML: Doesn't carry their name, yeah. That's the problem, you know, the cult of personality when you carry the name. Now, there's a Goldman Sachs, but they always overcame it because Goldman and Sachs were long dead before — right. But when the name is on the door and the guys are still young, you want to deal with the name on the door. But even Kleiner Perkins has done a good job with that. So that was one of our problems.

And even when we opened our West Coast office, we didn't have strong enough people there in the banking area. We didn't have the people who were viewed as the real factors.

CK: *So you had a relationship with Venrock. And what other VC firms were you networking—*

ML: That was an early relationship. We were trying to network with Sequoia and Kleiner. Accel was really still the East Coast — they weren't Accel yet.

CK: *How about on the East? Early on, what VC firms were—*

ML: Well, early on, the Citigroup team. There was Swartz, Patterson, Welch, and Carson, they were all at Citigroup. Venad, which was Fred Adler's firm, we did a lot of business for him. A lot of that was doing Israeli IPOs that we started. We were pioneers in the Israeli business, and that was Tom. And we did a lot of it. Scitex was a big, hot Israeli company that we did. The only other East Coast firm was Alex. Brown. They did eventually open a West Coast office, but I think Alex. Brown was viewed as a very high-class, regional growth investment bank, with a lot of sales people. They had a different image, which was made for them when they were chosen to be lead manager on the Microsoft deal. They beat us out of that deal.

CK: *How about some of the older firms, like Oak, NEA? Did you have a relationship with them?*

ML: Yes. We first met Chuck when he was still at T. Rowe Price. Tom Unterberg knew Dick Kramlich when he worked for Arthur Rock, who was an early VC in San Francisco, on the board of Intel and the manager of the Intel IPO.

CK: *I'm referring back to the East Coast days. Were these networks important to your business?*

ML: I don't think they were as important to our business as they should've been. Again, we were too focused on today and today's revenue. Also, not everything we did was a high tech deal. There were some consumer, like [Carol's] Restaurants. So it was deals. In other words, nobody sat down and said, Okay, where is the world going, and do we have the capabilities to take advantage of the trends and opportunities?

CK: *It wasn't about sectors.*

ML: Somewhat. George Martin came in, he was a minicomputer analyst, and that led to our ability to do computer deals. But there was none of this data mining, nobody knew the term data mining. Where is the business going? What's happening? There was never a discussion that I ever remember about, let's talk about what's going on in Silicon Valley, and what do we need to do to be a factor there? I think we always thought, because of the name Unterberg, Towbin, when we knocked on the door we were always going to be the deciding factor. Because we had a great name for doing great deals and making money for our customers. We were always very conscious and protective of our reputation.

CK: *So you weren't out there wooing these VC firms to—*

ML: We did not, when we — early, early, early on — when we should've, figure out how to relate. We were friendly with Sevin Rosen because of Ben Rosen. We did have a venture fund at Rothschild, Unterberg, Towbin. We started a venture fund. Basically, it was a late-stage fund. Today it would be called “growth capital.” It was run by Tom, Bob, George, and Jim Furneaux. One of our investments was Compaq. But the point I want to make is we were great tactically, we could do any deal, but there was no real, real strategic thinking and how do you build a business that could compete with all of the competition that was coming at us.

CK: *So you said a lot changed with the merger with Rothschild.*

ML: Yeah. We got bigger, we got more muscular, and in 1983 we did eighty-three deals; eighty-three was a lot of deals. We were the number one IPO house on Wall Street. But what happened is that we didn't build a broad enough corporate finance department effort. We found out one day that Morgan Stanley was going to do the next Cray Research deal. Why? Because they were offering to manage Cray's cash. Cash management — we never even thought about that. In other words, while we were friendly with John Rollwagen and Seymour Cray— Seymour Cray was the founder and tech genius, Rollwagen was I think probably the CFO, at that point, and then became the CEO. But Morgan moved in more towards the finance side and offered a broader, more sophisticated understanding of debt. How do you do a debt deal? More sophistication about corporate finance. We could do a deal, and George Martin could talk about the product, but we didn't have the range of services that a fast-growing company required. So we suddenly found out that we were out of the Cray business. We tried to catch up, but never really did.

CK: *I don't want to say resting on your laurels, but assuming that things would continue—*

ML: Yeah. It was like: Hey, why wouldn't we do the next deal? We did the IPO and provided research and trading. But it seemed that everybody caught on to our business. And it became very competitive, and suddenly Morgan and Goldman were doing deals that they wouldn't even look at before. At the end of the day, Morgan and Goldman — who would you rather put on your cover to run a deal?

CK: *So that changed.*

ML: That changed.

CK: *The deals that the little guy was, Unterberg, Towbin was doing—*

ML: Well, we were L.F. Rothschild, Unterberg, Towbin by that time, but that didn't mean anything compared to Goldman Sachs or Morgan Stanley or Lehman Brothers.

CK: *But then times had, as you say, changed for investment banking.*

ML: Yeah, everything changed. Well, two things: Politically, there was too much jockeying around between the Rothschild people and the Unterberg people.

CK: *What do you mean by that?*

ML: Who's going to run the firm? What do we do? Who's in charge? It was too much not how do we build a great business, but who's going to be top dog.

CK: *So it's draining the psychic energy in some way, as you were talking about.*

ML: Yeah. It drains the energy, and it was internecine warfare. You saw that at Lehman Brothers with the trading department and the investment bankers. Pete Peterson was forced out of Lehman, which was the best thing that ever happened to him, because he started Blackstone.

Here's what happened: There was a dispute at the operating committee and Board over an arbitrage position, where Tommy and Bobby were on one side and the former Rothschild partners were on the other. Anyway, they had this big meeting, and they agreed to disagree.

CK: *Were they equal partners?*

ML: With the Rothschild people? Yes, and Tom was CEO. We were public by that time. But the Rothschild group had more people on the board. It was one of these things where an internal battle, like the Lew Glucksman, who was a trader, and the Pete Peterson, who was the banker, battle, and Glucksman won that battle for a while at Lehman. So the

Unterberg people lost the battle. Tommy and Bobby, over a weekend, left and went to Lehman Brothers. Then it became very difficult for the remaining Unterberg people at the firm. I'm there, and they didn't want to keep me. I mean, I had no job, you know, because I was viewed as an Unterberg guy. They didn't necessarily kick me out of the firm, but suddenly it was a different firm without Tom and Bob; it was hard to do business. We had no banking department when they left. We had people in a banking department, but we had no leadership, because it was so monolithic. And I got lucky, because I decided to leave and sell my stock. And I sold my stock and left, and then the firm got in trouble in the break of '87, but I got out before that break. It hurt me, too, but I was out. The firm ended up going broke, never recovered from it, because they had too much money in arbitrage. That was the only place they could make any money because the IPO business had dried up. So we went from the top of the heap to the bottom of the barrel, mostly because of politics and a failure to build for the future.

CK: *What did you do? Where did you go?*

ML: I thought that I could run money, just run a little hedge fund, and I moved into an office with a fellow who had a little discount brokerage firm up on the old GM Building on Fifty-seventh Street, a fellow named Jeff Kasdan. And I spent more time and effort furnishing my office and worrying about the size of my office. I'm telling you this to be very honest about what I didn't know about running money. So when that break came in 1987, for two days you didn't know where the hell you were financially. And I remember the second day, I was so despondent, I walked down from Fifty-seventh down through Times Square, then back up past my chiropractor's office, went in, had an adjustment, got back, and by that time the market had rallied. But Jeff went out of business, because his accounts were all screwed up in the mess. It was a horrible time. My personal accounts went to Merrill Lynch, I had to get 'em back, and then I had to find another place for an office.

So I went through a couple years of like wandering in the desert, trying to keep my head above water. And eventually we moved out to Park City because we had a home out there. We had a condo. And we lived there for a couple of years. We kept our New York apartment. We sort of on and off lived there. And I traded stocks. And I just went through a really tough time in my life, because I wasn't prepared — my whole life was in an infrastructure of people. Suddenly I'm by myself. And there's no longer a hot new issue market, and no one's giving me new issues anyway. And I figured, Oh, I could do what all these other funds did — but I couldn't. And I missed an opportunity to join a real successful hedge fund 'cause the guy only wanted me to raise money for him. And I said, "Yeah, but how am I going to know what's going on?" "You're not, don't worry about it." And he was really smart, a guy named Donald Sussman. He had all these derivatives and stuff which worked forever and ever, and he made a fortune. And looking back, if I had just sucked it up and said — and just tried to raise money and not try to think I was so smart and had to be a boss.

CK: *He wanted your connections.*

ML: He wanted my connections, yeah, and that would've been great because— I'm just talking pure economics. I don't know how we would've gotten along, but he was very successful, and I wasn't smart enough to realize that. So I was out in the wilderness out in Utah, and finally Tom Unterberg decided to start Unterberg Harris. And Andy Arno and I — Andy is his nephew, and he was there as a partner, we're friendly — and he got me to join the firm, and I became a partner of the firm. So I came back and did my old thing again.

CK: *So this is Tom Unterberg and is it Bob Harris?*

ML: Bob Harris, yeah.

CK: *And where is Bob Towbin at this point?*

ML: Bob Towbin stayed at Lehman. He liked being at Lehman because they could do big deals. Bob was always better doing bigger deals. Tom was the master of the VC-backed, the high tech deals. Bob's clients were Bernard Schwartz at Loral, L3 Communications. I forget the fellow who passed away who ran L3. He had those kind of relationships, and he could do those kind of deals with Lehman's clout and Lehman's money that we could never do it at a firm like Unterberg Harris. Unterberg Harris was always doing the small deals; Bob Harris was an extremely talented banker. He ran the West Coast office of Alex. Brown and was from a prominent West Coast family. Tom brought basically the whole technology banking group from Lehman over to Unterberg Harris because Lehman wasn't interested in doing the small deals that Tom wanted to do. That's why he left Lehman. Tom was not gonna be the banker for IBM or larger tech companies. Towbin would love to have been the banker for those companies. Eventually, however, he also came back.

CK: *So in '92 you joined—*

ML: I joined and started to do what I did before: run the deal business and sell. And I said, "Tommy, what do you want me to do?" He says, "From nine thirty to four, I want you to sell; I don't care what you do before or after that." That's a quote. "Just sell." Again, we built up a very successful little business. By then Towbin had left Lehman to do venture capital funds for the U. S. government in Russia. I don't know how that really worked out, but Towbin loved it. He always loved traveling and doing "big things." He went to Russia when Russia was really Russia. He would go anywhere. He did all these interesting things. And then he came back and joined us at Unterberg Harris. But Bob Harris and Tom never saw eye-to-eye on things, and one day Bob said, "Tommy, I'm leaving, I'm going to Bear Stearns." He went to Bear Stearns as a vice chairman. And so

the firm became Unterberg, Towbin again, and I designed t-shirts that said, “We’re back.” On the back of our t-shirt, “We’re back.”

At Rothschild, the unit I ran was special equities marketing, which maybe had thirty people in it. You know, it was really a powerful marketing arm. We had a lot of very smart, very attractive women in it. I was always a believer that a smart, attractive woman is worth ten men, because no CEO would ever not answer a phone call from one of these women. You couldn’t get ’em on the phone, but they could. And the joke was whenever I asked, “Where’s Anne,” or “Where is Susan?” “Oh, they’re at the doctor’s.” They were always getting their hair done or they’re always shopping, but they worked hard and were great. And actually, Tom ended up marrying one of the women, Anne Hayes, who’s now Anne Unterberg. After we merged with L.F. Rothschild, Tom was on a trip to Atlanta and met her on the plane. When he got back he said, “Mel, you gotta hire her, she’s the smartest marketing person I’ve ever met.” She was working for Estee Lauder and was married. After her divorce, years later she and Tom married and have had a very happy life together.

My group at L.F. Rothschild, Special Equities Marketing, was a machine. We could’ve done anything. We had smart people. We were so effective in marketing our stocks to our retail salesmen that when the market would break, our clients would be so overweighted in these stocks, it really hurt. But Special Equities always got the job done. We were just great at marketing and selling. So we had a machine. But after Tom and Bob left in 1976, we were disbanded. I remember Sandy Robertson saying, “I don’t understand Unterberg, Towbin. They disbanded special equities marketing. That was their best weapon.” They disbanded it when Tom and Bob went to Lehman. He said, “This doesn’t make any sense. We couldn’t compete against those guys.” Because nobody did it the way we did it.

We invented the whole game — the road show, designing the slide presentation, rehearsing management, and most importantly, both selling ourselves and helping our salespeople, institutional and retail, to sell the deals. Remember, then there was no PowerPoint, no cell phones, no e-mails, et cetera. In fact, the only technology was the telephone and voice mail.

CK: *So the road show is now institutionalized.*

ML: Yeah. One of our great deals was ASK Computer; Sandy Kurtzig was the CEO and founder. She has just started a new company. The new company is ASK, it's the same concept, but in the cloud. It's now called Kennedy — Ken and Andy, from her two sons. One day she came to the New York office and Tommy said, "I want you to meet Sandy Kurtzig." She brought her group, and I got my group together in my office, in a place called the "war room," where there was a large oval table like this, but much, much, much bigger, and there were benches around the room where people sat. Sandy gave us a slide presentation. She said, "What do you think?" I said, "Your whites are not white enough. They're too muddy." When she wrote her book, she put that in there. And the other thing I said to her before we went on the road — she had long, red fingernails — and I said, "Sandy, two things you're gonna do: You're gonna take the polish off your nails and you're gonna cut 'em." And I said, "I don't care what you do after the deal's done, but I want people to take you seriously, not look at your long red fingernails." She remembers that to this day, too. Not only was ASK a successful deal, it became a highly successful company. ASK was one of Tom's most successful relationships. He eventually helped her sell the company and make a lot of money. I forgot who bought it.

CK: *You've been right there through it all.*

ML: We had fun. See what I'm saying? There was so much fun. We'd have these dinners during the road show, and Andy Malick is the master of satire. And he would get up and he would just roast the management in these dinners, and everyone would laugh. We'd be at 21, and we'd have these great dinners, and he'd make fun of everybody. All the funny things that happened on the road show. People loved to go to these dinners. I mean, we knew how to have fun. We also had great conferences.

CK: *Conferences for—?*

ML: For technology conferences, under the Unterberg, Towbin or the Rothschild, Unterberg, Towbin Technology Conference. Esther Dyson always had conferences, which we went to, and we also did the Rosen Research conferences. I remember at one of our conferences, my wife Wendy came and at dinner she was sitting next to Bill Gates. This was before Bill Gates became Bill Gates. He really looked and acted nerdy. So afterwards she said, "If you ever sit me next to a jerk like that again, I will never forgive you." He was the most jerky, boring guy and dinner partner — Bill Gates. He was talking about stuff that Wendy would have no interest in. So anyway, but the point I'm saying, we had fun. We had a lot of fun, we were really great, we were really serious about what we did, we did good deals and some bad deals. Not because we wanted to, but sometimes we were so powerful, we could get anything done. An example was Kolff Medical, which was the Jarvik Heart, the first artificial heart product. The deal should never have come, but we heard that Goldman wanted to do it, and we were going to show Goldman that we're better than Goldman. We did the deal. It wasn't going well. And I remember, I called four hedge funds up and I said, "I want you each to take" — I told them how many shares to take. And I said, "You're going to get first priority on our next three deals." Just to get the deal done. The deal got done, but we shouldn't have done it because the technology was way, way before its time. Their first human patient, Barney

[Clark], died soon after he had the heart implanted in him. And it was just interesting times.

CK: *Just looking at venture capital, in a way, because you've had contact with a lot of venture capitalists — do you see, compared to what you were doing, as a romantic quest? What venture capitalists do.*

ML: Do I see what they do as a romantic quest? Well, first of all, let me put it this way. I think that we made a lot of venture capitalists successful because we got their deals done. Now, could other people? I don't know, maybe, who knows? They'll tell you anyone can do it, because they're never wrong. But we were the engine that pulled the train through, and supported the companies in the aftermarket, and taught the world that this was the place to be. And I think we were very important in that light, because we were early. And we were the first firm that truly focused on it. And I think Robbie or Hambrecht probably would've gotten in there. But we were the model. We were the template. Yes, I think it's a very romantic thing, venture capital. But that was a different era. And then especially in the nineties, you had these venture firms doing these horrible deals, 'cause they could. Three years and out, you know, boom. It was a formula. They weren't building companies, they were building outcomes for the venture firms. I think now it's changed for the better. I think they're a more serious group, more serious and more patient, because the markets aren't what they were. I just had a meeting at Accel with a really smart guy, Kevin Efrusy, who actually got them in the Facebook deal, even though Jim Breyer's on the board. Kevin is brilliant and nice. For a while, you'd go meet some of these venture guys — I don't want to necessarily mention their names — but they were so stuck up, so arrogant. They were doing you a favor to spend two minutes with you, because, What do I care about you and your firm? We can have our pick of whoever we want to do our deals.

CK: *During the nineties, during the bubble— Why don't you talk about the bubble for a minute? What did you learn from that? Bubble burst, yeah, cycle.*

ML: Well, first of all, there's always bubbles. There's always things. I can go back, High-Voltage Engineering or GCA, companies you may have never heard of, that sold at crazy prices. There's a bubble now, I think, in social media. LinkedIn is selling at 265 times whatever they're gonna earn next year. It's crazy. And the stock is now having its comeuppance, because they've unlocked all the shares, so it's now in the sixties, it was in the hundreds. It came out in the forties. In the nineties there were companies that I went to visit, I listened to the pitches, and I couldn't understand what they did, and they didn't do anything because they're no longer in business. You can always understand Amazon or eBay. You may not have believed their story, but you could understand it. But some of these other companies, you just couldn't even understand what they did, and they never amounted to anything. I remember going to a San Francisco baseball game and getting a hot dog and listening to three young kids talking, "Well, we're in the Internet business, and we love it, and we've got all these options, and we're going to make a bazillion dollars." That was just before the market really tanked. And every Internet company looked the same. Barebones, pipes all over the place; a lot of young people at computers, but what was going on? We're always going to have that. I mean, we had great companies come out of the Internet boom. There'll be some great companies coming out of the social networking boom. Today everything is cloud computing, mobility, and social networking. There's only one great success story in computing, in mobility, and that's Apple. Then you got HTC sort of on the periphery, and all the Droid phones. The battle between Google and Apple isn't over. It depends on what Google's going to do. Social networking— Is Facebook going to continue? Is LinkedIn going to continue? Is Pandora, and all these things? I don't know. You just don't know. But we know one thing: The way things are done are different than the way things used to be done. Newspapers are going away. It drives me crazy. I like the newspaper. I hate to

read the *Wall Street Journal* on my iPad. It's not fun. And my grandson who's fourteen is upstairs — everything's on his computer, he doesn't know from a newspaper.

Venture capital's great. It is the engine of growth and change in this country. But just because you say you're in venture capital doesn't mean you are a venture capitalist. A lot of these guys are just looking for a deal. How do we stay in business? How do we raise our next fund? How do we do well enough to raise the next fund? They all don't have the reach, they all don't have the relationships to get the best deals. The Valley is still the Valley; that's where everything is. I live in Utah, we have a vibrant entrepreneurial community. I'm chairman of the Governor's Board of Economic Development; I'm on the Fund to Funds Board; I'm very involved with what we're doing to try to get more venture capital into the state. I just was on a trip with the governor to Silicon Valley. We visited four venture funds. We were at the Stanford D School, called the Design School; that's not a school, it's buildings. Really an interesting place where thinking out of the box is stressed. So I'm pretty much involved and knowledgeable about what is happening. In venture capital and entrepreneurship, Salt Lake's a AAA farm team. We will never be major league, we want to be the best AAA we can be. There's only one major league, that's the Valley.

But looking at the VCs in Salt Lake, there are a few that I know for sure can work in the Valley. And it's hard, because it's not just a bunch of guys getting together, you need the connections. How do you get the right deal flow? Not everyone's going to be invited into Fusion I/O, which was a hot deal in Utah, or invited into Facebook. So Kleiner and Accel and Sequoia and Benchmark, NEA all made their bones on certain deals. And then you've heard there's the venture firms who raise a lot of money, but never had a great deal. So anyway, yeah, I think looking back, the businesses you want to be in, that you want to be a principal, rather than an agent. It's more fun to be a principal, you make

more money as a principal. C.E. Unterberg, Towbin was more of an agent than a principal. In our agency business we practiced relationship banking. However, we always made investments and risked our capital. We always felt that these companies were our companies, because we're invested in and on the board of many of them. And because of this we had a strong relationship. That's important. If you're just doing a deal and it's just a trade, it's not that much fun. So you want some skin in the game. That's why I think, all things being equal, you'd rather be a principal. But the bottom line about C.E. Unterberg, Towbin is that it was about a lot of talented, hardworking, fun-loving people doing their thing. "Cosa nostra."

CK: *Are there any VCs that you particularly admire that you've worked with?*

ML: Well, I certainly admired Jim Swartz and Art Patterson from Accel. Jim and I are very close friends; I've known him for a long time. And these are really, really smart, dedicated guys that drove the VC business. I knew Don Valentine a little bit; he certainly was great. Chuck Newhall and Dick Kramlich have built a huge, successful organization, which have helped finance a myriad of companies. They were the lead investor in Fusion I/O, which has just been IPO'd and could end up being a great company.

CK: *That's Scott Sandell.*

ML: Yeah. It's not even written yet. But Sandell is a brilliant guy. You know, Felda Hardyman has been a great VC. There are a lot of them. I'm seventy-four and now live in Utah. I am a senior adviser to Needham & Company so I am still in the game, somewhat, but it's not like the old days.

CK: *Things have changed.*

ML: Yeah.

CK: *You mentioned that you're chairman of the Utah Governor's Office of Economic Opportunity. Looks like you're able, in some way, to give back all this that you've learned.*

ML: Well, I like to say, in the land of the blind, the one-eyed man rules supreme. So I guess if you do something, you know— Did you read the book *Outliers*? You do something for ten thousand hours and you get good at it. So I know a lot, just because I've done it. And I'm not always right, but mostly never in doubt. And I think I've been very helpful, and I hope to continue to be helpful. And I think I've really fallen in love with living in Utah; I want to help the state. I've become very involved — traveling with the governor to meet and understand the venture business and how Utah can attract more VC money. I'm known. I've become a factor and try to help them as much as I can. Politics and political things don't move as quickly as private business. And politics are still politics. A lot of stuff is done because it has to be done. I'm not a political person; I am learning how to operate in the system. Governor Herbert has appointed me to this position, and I like the governor, and I want to help him succeed. I don't have anything at stake, I'm not looking to run for political office. There's nothing that's going to help me or hurt me. So I try to do what I think are the right things, and it's been a lot of fun.

CK: *I think this is a good place to wrap up. Is there anything you'd like to add?*

ML: Well, I think at the end, I think Unterberg, Towbin, as I say, was a very important firm. Rothschild, Unterberg, Towbin took us to the next level, and as I said, had we been able to overcome the inside political infighting, we could've emerged as an even more important firm. I don't know if we ever would've been a Goldman, or a Morgan, or whatever. Who knows what would've happened? But I'm proud of what I did. And I think that Tom and Bob should've been proud, and I know that Belmont was always proud. Dutch [Towbin], you never knew where he stood. But I think we played a role. And today, the unfortunate thing is the game is now so rigged between the big firms and

the big VCs that smaller firms are there, but basically the big firms say: They don't add anything to the deal; keep 'em out of the way, they'll come in in the aftermarket, maybe. We can get everything done for you. And that concept has been sold to the VCs and sold to the companies. So relationship banking, which is what we were all about, doesn't seem to exist anymore. And that's kinda sad, because Needham, as a firm, is a really good firm, but Needham doesn't get the opportunity that it should to perform.

CK: *So a lot has changed.*

ML: A lot has changed. But anyway, it's been a great ride.

CK: *Well, thank you, and thank you from Chuck, certainly, for taking the time and sharing all this, and from NVCA, because you're really making a nice contribution to a very exciting project.*

ML: And I'm really happy that Chuck told me about this, so I could make sure Unterberg, Towbin got included, because I think we should've.

CK: *This has been very important to the Unterberg, Towbin story as well as to yours.*

ML: Great.

CK: *We were just talking about some of the other venture capitalists.*

ML: As I said, I forgot to mention Alan Patricof. So Alan, when I first met him, was a customer of Unterberg, Towbin's. He was a research analyst at a firm called Gottesman Paper, which I guess they had a family investment business. And he would buy stocks from us. Then he started his venture firm, Apax. And started with nothing, built it up into a huge, huge business, and a very successful business. Now, he was successful, he built it up into a global firm. They did a lot of stuff. They didn't do any of the real sexy deals; they just made money. And then when he retired, he started Greycroft VC and he

is on his second fund. He's like Tommy and Bob; he doesn't want to stop. But he's told me, he says, "Mel, I don't have a lot of time, I don't think, so I want to make sure I put money in companies that we can get out of sooner. I don't have ten years to wait."

Alan's great, and he was a great relationship with both Tom and Bob. Both of them. I don't know who would say they had the best relationship with him. But I would say they both had a great relationship, and he was very important to us. I think you're right when you said the venture business was certainly not a Jewish business. But what really mattered was, could you do what you say you could do? We did. In the end C.E. Unterberg, Towbin did what we did better than anyone else did what we did.