



Oral History of Mark B. Hoffman

Interviewed by:
Burton Grad

Recorded: June 13, 2007
Mountain View, California

CHM Reference number: X4019.2007

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Table of Contents

BACKGROUND	3
COLLEGE EXPERIENCE	7
MILITARY SERVICE	12
FURTHER EDUCATION	15
WORKING FOR AMDAHL	18
WORKING FOR BRITTON-LEE	20
STARTING SYBASE	25
STAFFING SYBASE	28
VENTURE CAPITAL RELATIONSHIPS	32
PLATFORMS	34
MICROSOFT RELATIONS	36
REVENUES AND PROFIT	39
ACQUIRING POWERSOFT	41
LEAVING SYBASE	43
INTRAWARE	45
COMMERCE ONE	46
EVERDREAM	50
THE ALTHEA FOUNDATION	51

Mark B. Hoffman

Conducted by Software Industry SIG—Oral History Project

Abstract: Mark Hoffman grew up in Minnesota and got his Bachelor's degree from the US Military Academy. After serving in the US Army for 6 years, primarily as a logistics officer, he took MBA courses and then joined the Amdahl Corporation. He describes his work at Amdahl and then at Britton-Lee where he managed the manufacturing, product support and maintenance activities. He left Britton-Lee to join Bob Epstein to form Sybase where he was the CEO. It was an outstanding growth story, but with some changes in the company management, he left and became interested in Intraware and then became the CEO of Commerce One. Finally, he discusses joining Everdream as the CEO and some of his personal activities including the Althea Foundation.

Burton Grad: This is an oral history interview being conducted with Mark B. Hoffman. It is now June the 13th, 2007. I'm Burt Grad. We were at the Computer History Museum in Mountain View, California, and the Oral History Project is being sponsored by the Software Industry Special Interest Group of the Computer History Museum. Mark, we normally start with your family history and then we go to education. So let's start there. Where did you live when you were growing up? What did your parents do?

Background

Mark Hoffman: I grew up in Minnesota, in a small town called Windom. It was named after William Windom, and it was a rural community, about 3000 people. I grew up in an environment that was on a river, lots of open space around me, almost rural, although we lived in town. It was a Tom Sawyer, Huckleberry Finn kind of existence, with boating and canoeing on the river, and ice-skating, back then. So it was a pretty neat place to grow up.

Grad: Was it big enough to have a grade school and a high school locally?

Hoffman: Yes, all that was local. My father had lived there for a really long time. His grandfather was a tailor and had started a dry-cleaning establishment, along with the tailor business. And then my father and his sister took that business over. He ran that his whole life.

Grad: We share a common background. My grandparents and my mother and father were in the dry-cleaning business in Washington, D.C. And I grew up in the laundry business. Did you work in the business when you were a kid?

Hoffman: I'd go help him out and do stuff with him but he never wanted us to work there. He didn't want us to grow up and take over the business or anything like that.

Grad: Did you mother work in the business as well?

Hoffman: She was a teacher. She didn't have her degree when she started, but she was teaching in a one-room schoolhouse, and so she taught everything through grade school and high school, at that one-room school.

Grad: Did you go to that same school?

Hoffman: No, that was a different school, in a different town. She actually went back to school and got her degree and then taught 2nd Grade in Windom.

Grad: So growing up in that kind of environment, your family's there and you said at least a couple of generations had lived there before?

Hoffman: Yes, on my father's side.

Grad: Brothers and sisters?

Hoffman: I have two brothers. I have a brother who is three years older than me, and a brother who's 15 years younger.

Grad: Oh, that was a very big surprise.

Hoffman: Yes, it was a pretty big surprise.

Grad: No sisters then?

Hoffman: No.

Grad: Did you have a lot of other family-- uncles, aunts, people like that in the family?

Hoffman: Oh we had tons of them-- uncles, aunts. Every holiday was a family get-together.

Grad: Particular religious connections or anything in that area?

Hoffman: I grew up in the Lutheran Church

Grad: But it wasn't a significant part of your life at that point in time?

Hoffman: We went to church every Sunday. It was important but didn't play the central role in my life.

Grad: So you went to grade school there locally in Windom.

Hoffman: Yes.

Grad: Was there a junior high school? Did you go directly to high school? How did that work?

Hoffman: There was a junior high school and then a high school. It was really a very good school, for the area, when you figure how rural it was and how small it was. But there were very dedicated teachers. I had some wonderful science teachers particularly who I worked with and got very involved in doing science projects.

Grad: What kind of science projects? That's one of the things we always ask.

Hoffman: We were tracking a couple of things. We did a lot with balloons to look at weather patterns. We were filling a balloon with helium and we put a postcard on it to say wherever that comes down, and if somebody found it, here is a postcard, please fill it out, tell us where you are and send it back to us. We were doing that and we were doing some things with a camera where we'd send it up above the town and had built some devices that once it got up a mile above the town, the device would burn through the string that was holding it and then drop the camera back on a parachute down to the ground. It was interesting stuff.

Grad: Were these high school projects?

Hoffman: Actually, it was probably really in junior high.

Grad: Were you mechanically inclined at any time during that period of time? Were you doing any kind of radio stuff? Were you doing any of those kinds of things?

Hoffman: I did build some radios and a little electronics but I didn't do a lot of that.

Grad: What were some of your extra-curricular activities? What were you doing outside of studying?

Hoffman: I was into sports. So I wrestled, I played football, I did track, played baseball.

Grad: Pretty much across all the seasons?

Hoffman: Yes. It was interesting. I kind of went across all the groups because I was pretty good academically, National Honors Society, and I was a good jock and played all the sports. I just had a good time in high school.

Grad: You went through on pretty much a normal progression then as far as going through school was concerned? They didn't have grade skipping or anything like that at that time?

Hoffman: No, no.

Grad: A lot of close friends or a few good friends? How did that work for you?

Hoffman: Well in this town you knew everybody. Our class was 100 people, so you knew everybody in the class. But out of that you'd have 5 or 6 really good friends and people that you hung out with.

Grad: Did you take trips; did you go places with family or with friends?

Hoffman: We did. Of course back then we were really driving everywhere. But we'd mostly go west – my grandparents lived in Washington State, in Tacoma, and so we'd drive out there and visit them or go to Chicago or Minneapolis. Those were the big trips back then.

Grad: When were you born?

Hoffman: In 1946.

Grad: And you continued to live in Windom right through school?

Hoffman: Yes.

Grad: When you got into your junior or senior year at school, did you have any exposure or use of computers?

Hoffman: No, there was nothing like that. The only thing that we had then was the balloon project and using measurement devices and things like that. I don't think there was a computer that I was aware of back then.

Grad: You graduated in 1964?

Hoffman: Yes.

Grad: And what did you do then?

College Experience

Hoffman: I went to a school called Gustavus Adolphus, in St. Peter, Minnesota. I was interested in biology. At that time I thought I wanted to be a teacher and so I went to Gustavus for one year. I just didn't like the environment that I was in. I'd grown up pretty much lower middle-class, so I had to pay my own way from what I'd earned at being a lifeguard – that was another thing I did in high school every summer. I had to pay my own way. I went there on an academic scholarship, which was really a wrestling scholarship, at that point. I was also working in the cafeteria doing dishes and making a little bit of money to get through. It just was a real struggle to do it. So many of the kids there were really on the opposite end of the economic scale, so they'd be out in cars and doing stuff and I'd be working. I had a good time but I didn't like the environment, and I wanted to do something different and more exciting.

Grad: Was the subject area a problem or just not of terrible interest?

Hoffman: No, I liked biology.

Grad: So that wasn't a problem?

Hoffman: No, I liked that in high school and I liked it there.

Grad: So some time during this first year at Gustavus Adolphus you made a decision to change what you were going to do?

Hoffman: Just to step back a little bit, In my high school I had a principal who was a Reserve Air Force officer and so in my senior year he had talked me into applying to the congressman to get an appointment to one of the Academies. So I applied in high school and I was an alternate. After I got into Gustavus, he still followed me and got me to reapply. I didn't think a lot about it, but toward the end of my first year at Gustavus I actually got the appointment. That made me just go back and rethink what I really wanted to do.

Grad: What was your family's view about you going to a Military Academy?

Hoffman: They were very supportive. They thought that was a better idea; and it was also free, of course. They actually paid you to go there. So that was a good thing.

Grad: The Vietnam War was underway at that point in time.

Hoffman: It was still pretty early but it was starting to go.

Grad: Was that of concern to you or them at that time; was it a positive or a negative?

Hoffman: I didn't think about it that much. I'd never been to any of the Academies, I'd never visited them. And so when I got the appointment to the US Military Academy, I didn't go out there, I didn't look. But I was interested in the Engineering education that you got there, and I was very interested in a much more active lifestyle. And so all of that – and the free education – attracted me.

Grad: Again I can share that I'd applied to the US Military Academy when I was a senior in high school in Washington, DC, and the way it worked there was by competitive exam, since we had no congressmen or senators. And I did get an appointment

Hoffman: You didn't take it.

Grad: No. I got a National Merit Scholarship. It was the first year they were offering it. It was called the Pepsi Cola Scholarships at that time. And that paid for any school in the country full tuition, full board, everything. So I chose that instead of going into the military.

Grad: You ended up going up to West Point? Plebe is in the summertime I think.

Hoffman: Yes, you have to be there by July 1st. And so I had just one month. I got out of Gustavus; I did some work and then just took off. It was my first plane ride.

Grad: This had to have been a big culture shock for you.

Hoffman: Yes. For my first plane ride, my parents drove me up to Minneapolis and I flew from Minneapolis to New York City. The World's Fair was going on there at the time. I landed in JFK, or whatever it was then – maybe it was Idlewild. And then I just took a bus down to the World's Fair and I spent the day there and stayed in a little hotel that night that was right outside the World's Fair, which wasn't actually the nicest area. I stayed there that night and then the next morning I took the bus up to West Point.

Grad: So they didn't arrange your transportation up to the school. You had to get yourself to West Point on your own.

Hoffman: You had to get up there and show up.

Grad: Very different. Had you traveled to the East Coast before that by car?

Hoffman: I had never been there before.

Grad: That was quite an adventurous thing to do Mark.

Hoffman: Yes.

Grad: Were you an adventurous person? Did you feel you were?

Hoffman: Definitely, yes. I love to go off and do different, unusual things like that. From a town near Windom you could take the river and canoe to Minneapolis, which was a couple hour drive by car. We canoed that route one time during a flood. But we had an amazing adventure – we went over a dam in the night because we didn't see it till it was too late. It was just great fun. I loved that.

Grad: So you didn't have a lot of physical fears or things that?

Hoffman: No, maybe I felt too indestructible.

Grad: That must have been quite an experience to be a plebe up there at West Point for the summer, given your background, wasn't it?

Hoffman: Yes, you get off the bus and people are screaming and yelling at you, and just trying to get you to understand you're in the military, and cutting all your hair off. At that point in time, people's hair was getting a little bit longer. And then it was just immediately you went into intensive physical training. But I was in pretty good shape.

Grad: I'd say, given your sports activity. You had been in good shape for that, I would have thought.

Hoffman: Yes, definitely. Immediately it's a lot of physical training, a lot of how do you march, all the protocol, all the history.

Grad: You had no previous experience, no ROTC or anything of that kind?

Hoffman: No.

Grad: How did you find the discipline? Was that a problem to you, the nature and style of discipline? You were probably raised in a comfortable family where maybe hopefully not a lot of yelling and screaming.

Hoffman: No, definitely there wasn't. It didn't really bother me. You could just mentally put yourself in a different place and just let this stuff go by.

Grad: So that was not an uncomfortable experience for you?

Hoffman: It's not to say it was not uncomfortable, but once you got used to this environment it was OK. Somebody could be in your face and yelling at you and you just kind of went away mentally.

Grad: I understand. Basically engineering was your primary focus while you were there at the Military Academy?

Hoffman: Yes.

Grad: Any particular aspect of it

Hoffman: Back then you got a General Engineering Degree, and that was the only degree that anybody could get. You would take 21 credits per quarter. And so it was very heavy academically. For instance, we had to take three years of calculus.

Grad: Were your math skills pretty good at that point?

Hoffman: They were pretty good. Yes, both math and in science.

Grad: How about your other courses – English and other subjects?

Hoffman: English I was good at.

Grad: History?

Hoffman: Yes.

Grad: So you really had no areas in which you were weak, from a school standpoint then?

Hoffman: No. I felt really comfortable and I went through there, at a modest kind of pace and drive in the sense of schoolwork. I picked things up pretty quickly and I didn't struggle a lot with it. I was in the middle of the class and didn't knock myself out to be higher than that.

Grad: How about on the military aspects of it, the drilling, training, other activities? Were you good at those as well?

Hoffman: Yes. Again because of the physical side. I'd hunted back in Minnesota, I'd handled guns

Grad: So those were things that came relatively easy to you then?

Hoffman: Relatively easy. I also wrestled there. I wrestled all four years at West Point. While I loved sports, the only thing I did there was wrestle, I didn't go into other sports.

Grad: So you ended up doing quite a bit of traveling around for wrestling matches I would guess.

Hoffman: Right. We definitely went to a lot of different areas. We had a good team. We were nationally ranked and I went to the Nationals my senior year.

Grad: That's pretty impressive. Were you a very competitive person? I don't get that in your personality, when you talk to me.

Hoffman: Certainly in wrestling I was very competitive. I'm very driven in terms of making things happen. I don't want to be passive. I'm not a yeller or anything like that, but I expect a lot of people.

Grad: Was that true then too when you were in college? Because you sound like you were a little bit passive on your educational thing. You didn't push; you didn't have this drive to be number one.

Hoffman: Only in wrestling

Grad: You had drive.

Hoffman: That was my passion and drive, when I did that. But I didn't actually work hard at West Point academically. I was happy to be just in the middle.

Grad: And what rank did you end up with on the military side?

Hoffman: I can't even remember.

Grad: You weren't a captain of a company?

Hoffman: No.

Grad: So you got out in 1969 with a degree. Then what did you do?

Military Service

Hoffman: Then I went into the Artillery. I was a 2nd Lieutenant and got sent out to Colorado Springs. I spent a huge amount of time in the field. About three out of every four weeks, I was in the field. I got there in November, it was cold; I was in the field all of November, all December, all January, and we were just training, training, training, training. It was during Vietnam and I was supposed to spend time there, get into a unit, and then I was going to go to airborne school, to ranger school, to helicopter school and then to Vietnam. But what happened was a friend of mine had an operation on his knee to fix the ligaments. I had this GTO which I'd gotten after West Point and he had a motorcycle. Since he couldn't drive the motorcycle, he was taking my car and driving that. So, for a couple of months, I drove his motorcycle. I guess I'd been in Colorado just about a year. I was going up a mountain on the motorcycle on a paved road, but I slid off and hit some gravel, slammed into a tree, and I flew off. I had a helmet on, thank goodness, or I probably wouldn't have survived. I never saw the

helmet but they said I cracked the helmet open on the pavement when I hit. And so for the next six months after that both my legs were screwed up and I had some broken bones in my hand and my arm. I had six months of operations and then rehabilitation.

Grad: That's quite a change in your situation. You were doing logistics, planning and strategy work at Fort Carson during that period of time?

Hoffman: Yes.

Grad: Were you using computers at that point in any way? Had you used any computers in school?

Hoffman: One interesting thing about West Point is they actually had some IBM mainframes there, and you had to take COBOL and you had take FORTRAN; so I learned COBOL and FORTRAN. This was my first exposure to using computers. If you were doing an engineering project you had to do some of those projects utilizing the computer. We did a fair amount of work on the computers. They were really unusual at that time and they also had remote terminals out in the barracks. There was one terminal down in the basement of each barracks building and you could go down there and use it.

Grad: These were typewriter-type terminals; there were no screens?

Hoffman: Yes. Otherwise we were doing punch cards.

Grad: Did you get any particular connection or interest in them at that point in time, or it was just part of the tools you used?

Hoffman: It was a tool to use, but I found them pretty interesting and it was fun to do. I liked the languages, just because it seemed so rational. I'd learned the two languages, not hugely well, but good enough to do a little programming with them.

Grad: How long did it take to recover from those injuries?

Hoffman: I was six months in the hospital, but a lot of that was just rehabilitation.

Grad: Yes, but that's a long period of time.

Hoffman: Yes, it was a long time.

Grad: So you didn't get to Vietnam at that point?

Hoffman: No. Then they cancelled my orders to Vietnam. They told me I was never going to walk correctly again. They did a major operation on my knee and it turned out to be extremely good, because afterwards I was able to run. I've done marathons; I've done all these other things. So it didn't turn out the way they thought it would. But they said, "Okay, you can't be in the Artillery any longer. We are going to put you in the Transportation Corps" – which is a non-combat arm branch of the Army. So they sent me off to Virginia to Transportation School and then back to Fort Carson. When I got back there, I worked in another area and then they ordered me to Vietnam again. They said, "Okay, now you're in the Transportation Corps; we are sending you to Vietnam." And I was really enjoying the work I was doing at Ft. Carson at the time. But I was also ready to go to Vietnam. This was now 1971 now and I was about 30 days away from going to Vietnam. They called me up and they said, "We are cutting back in Vietnam. You're not going to go to Vietnam; you're going to go to Korea." And so then I went off to South Korea.

Grad: How long were you there in South Korea?

Hoffman: I was there a year. I was about 10 kilometers off the DMZ in Korea.

Grad: You commanded a unit there?

Hoffman: Yes, for the first time. I really enjoyed that. I really loved having a company. I just found that to be challenging and fascinating. I was this young kid, still at that point and I can still remember taking over this unit. When I called my sergeants in and they were all 10, 15, 20 years older than I was. There were maybe 20 of them standing around and I'm this kid who doesn't know much of anything at that point, just saying, "Hey we've got to do the following things in this company." It was a logistics company, so we did electronic repair and logistics for a division. It was just a fascinating job, not only because of the company commander stuff, but all the people I worked with were a cut above rest of the people in the division because they had to know radios and computers and how to fix trucks, and they were just a pretty good group of people. I really enjoyed interacting with them.

Grad: When that assignment was over, where did you go next?

Hoffman: I came back to the U.S. to Fort Eustace, VA.

Grad: Again you were still in the logistics and planning area?

Hoffman: Yes.

Grad: And you'd completed your commitment.

Hoffman: Yes, I was there for about 2 years.

Grad: Did you think seriously about staying in?

Further Education

Hoffman: I hadn't really thought about it at that time because I had a five-year obligation. When I came back that time, I had a couple more years to go. But I was sort of thinking about should I be a lawyer, should I be a doctor? I applied to some law schools and didn't really get anything there. I applied to Mayo Clinic and I got accepted except I had to take an organic chemistry course. What happened was that I finished the first semester of it and I was working on the second semester and I was notified that I had to go to the field; I was going to be gone for that next year. So I called up the Army and I said, "I got into Mayo. I'll sign up for more time if you let me go to Mayo, because it's a great school." And they said, "No, you have to go do this other job." It might have been the best thing that happened to me, but I was angry at that time. I did what I had to do that and decided to get out. I went back to school and got my graduate degree.

Grad: Any family at that point in time?

Hoffman: I was married right around the Transportation School time.

Grad: Any children?

Hoffman: Not at that time.

Grad: We'll move ahead a little more quickly. You left the Army. Now what did you decide to do?

Hoffman: I wanted to go back to school.

Grad: You ended up with a rank of Captain while you were in the Army?

Hoffman: Yes, I was a captain.

Grad: Did you sign up for the Reserve after that or not?

Hoffman: No.

Grad: So you completed your obligation; that was finished.

Hoffman: I was in six years, and at that point I didn't have to go into the Reserves or anything.

Grad: What did do you decide to do at that time?

Hoffman: We were trying to figure out where to go. My wife was from Tucson and so we moved to Tucson. It started out that I was going to work for my father-in-law who had a car dealership. I did a little bit of everything there. I sold cars at one point. But I had some income so I went to night school for one semester but I thought, "This is really hard to go to night school – to work all day, go to night school. This will take me a very long time to get through this." I decided I'd rather just go 100%. I had the GI Bill. Because it was part of my father-in-law's business, I could work a little bit and keep my hours down low enough; I decided to go to school 100% of the time.

Grad: So you got an MBA at the University of Arizona in Tucson?

Hoffman: Yes. My thinking changed quite a bit there. At that point I had a daughter, so when I went to the university, I was highly incented to get the MBA. And for the first time I loved school, I loved learning about business, I loved learning how the pieces fit together, how accounting tied it all together – all those things. I was focused on the finance side; it was my emphasis; we didn't call it a major, but it was my emphasis. I really liked that. My grades were great. I was driven, I was working hard

Grad: It's interesting seeing that because you had an interest in medical and you almost pursued that even after you were going to get out. You had engineering from the Academy, and yet here you seem to find this a more interesting subject than the other areas. Is that a fair statement?

Hoffman: Yes, definitely. Yes, because it was just like all these pieces were coming together for me and I realized how they fit within a company. And somehow that clicked in my mind.

Grad: Although your father was entrepreneurial in the sense that he had his own businesses, it doesn't sound like you were very involved in it other than doing odds and ends.

Hoffman: No.

Grad: We've had some cases when we talk about entrepreneurship being sort of built into them, and that somebody always knows they want to work for themselves and be their own bosses. I'm not hearing any of that from you. Is that correct?

Hoffman: Yes. I think that's exactly right.

Grad: Because we've tried to differentiate some cases as very strong entrepreneurship drive in some people's personality-- like Bricklin and Frankston and Fylstra. They were going to have their own businesses come hell or high water, it didn't matter.

Hoffman: Yes. I didn't think that way. When I was young I was thinking about being a teacher. My ambition wasn't as big.

Grad: Well that's the personalities of the people, and how that reflects in the way they run their business is of interest to us. And you don't appear to be a driven personality. Some of these others, you can hardly keep them down.

Hoffman: But I am driven, but in a different way.

Grad: It also has to do with the idea of working for someone. The discipline you had to accept and live with in the Academy and then as an Army Officer – many of these people would have had great difficulty in accepting that. You were willing to take the time to go back to school. Many of these people would never have accepted that – the Bill Gates or the Larry Ellisons of the world – they only wanted to do it and do it now. Quick recognition, quick reward, quick satisfaction – it is a very different personality. I'm sorry to make this aside, but that's why we think these backgrounds give us insight into how people operate their businesses, how they relate to other people. It's different in each case.

Okay, you got your degree, now what were you going to do?

Hoffman: While I was getting my degree, I was a TA. I was working for my professor in the Finance Department, and we were doing some Monte Carlo financial investing simulations utilizing the mainframe that they had at the University of Arizona. That was really interesting and I got more computer time. As I thought about it, I thought where are the really growth

businesses that are going on? I thought that would be the high tech area. So as I got to the end, I decided I really want to go into the high tech area. So companies I interviewed with were high tech companies.

Grad: And you interviewed in your final year at the MBA program. Had you not done any internships or worked at any companies during the summers or anything like that?

Hoffman: No. Once I decided to go to school full-time then I went one year and half of the summer, and completed the degree. Like what I'd done at West Point, I took so many classes there in a short time. I took a really heavy load; I worked hard – worked my butt off.

Working for Amdahl

Grad: So you applied to various companies, did you get acceptances from many?

Hoffman: Yes I was accepted by the three main ones I applied to. TI wanted me to come down and be a military rep selling their products into the military. I got an offer and I decided that after WestPoint, that was just not what I wanted to do; I wanted to do something commercial and it was the same with Hughes. I interviewed there and I got an offer and it was a really interesting area because they were building some of the first stealth missiles – the rockets and all of that. So that was really interesting, but again it was military stuff. I had applied to Amdahl and I got turned down by them at first; this was for an MBA program where they'd hire 5 of us. They turned me down but then just a few days later they called me back and said that one of the interviewers came back and said he had some specific stuff for me to do. They asked me if I could come in and be in the program and come into Amdahl.

Grad: And that meant moving to Sunnyvale in California?

Hoffman: Yes.

Grad: Did your wife have any problem with doing that?

Hoffman: No we were ready to move. In fact when I took my last test, I had my car parked out in the parking lot; it was the middle of the summer and 110 degrees. I had this cactus, we packed up the car the night before, so I went in and I took the test, came back out, we got in the car and we drove up to Sunnyvale and went to work. But the cactus had been in the car while I was taking the test; it was so hot it just turned white. But we got in the car and we just drove straight up to Sunnyvale.

Grad: You participated in a special program while you were there at Amdahl; what was that?

Hoffman: They had a MBA rotational program where you'd spend 6 months in four different areas; it was actually a phenomenal program.

Grad: That's unusual.

Hoffman: It was really, really good.

Grad: So you covered a whole range of different areas within the company?

Hoffman: Yes. The first program rotation was to financially analyze the test system for their next generation of test systems. I worked with one of the engineers there and we went through the whole manufacturing side, how this system gets set up, how it gets tested, what are the cost and the savings.

Grad: That's pretty fascinating; you're 33 years old at this point in time, so you're not coming in as the typical student just out of school at 25 or 26?

Hoffman: Right.

Grad: You've had this range of experience as a leader, it's a different thing. The others that were taking the program with you, were they similar in age or were they maybe 5 to 10 years younger than you?

Hoffman: They were all younger than I was.

Grad: Did you find you took a different approach to things because of that age difference?

Hoffman: I think I did fit in better with the company and a lot of the people there. I felt more confident and comfortable just talking to some of the people and going into the different organizations, particularly with the financial information I had to get and understand. I had to talk to everybody to get the information I needed.

Grad: You felt comfortable doing it?

Hoffman: I felt comfortable doing that.

Grad: You had some other assignments in quality assurance and some other areas during that period of time?

Hoffman: My second program was in the purchasing area. Amdahl really had a lot of PCB boards that were in their computers and the day I walked in they had just terminated the lead and buyer of this group that I was supposed to work in. They had taken some kickbacks from the vendors. I learned more in that job. You think it's just a purchasing job, but he had left a mess and of course manufacturing's dependent upon getting all that stuff on time. The more I got into it, it was like he doesn't have the right stuff ordered and it takes months to construct these boards because they are the highest technology level. I just got thrown in there and I learned so much in that job.

Grad: That's great when you get those kind of assignments and then you had another one in production control?

Hoffman: I had one in QA and one in production control.

Grad: So over this two year period you had quite a range of experiences to do with different aspects of the business and then what happened?

Working for Britton-Lee

Hoffman: Well, the next thing was that one of the guys who had decided to hire me into Amdahl went to work for a company called Britton-Lee. He wanted to hire me. Britton-Lee was making what was called a database machine, which I knew nothing about.

Grad: And why were you willing to leave Amdahl?

Hoffman: I just looked around at Gene Amdahl and others entrepreneurs in Silicon Valley and could just see all these guys starting up companies, being successful. I came into the Valley but couldn't even afford a house because I was not making enough money. It just seemed like from the time I took that MBA through this period of time, I was just getting more and more driven. I got up there and saw that there were just all kinds of opportunity if you just go after it.

Amdahl was bigger by the time I got there; it was a fabulous company but still growing great. My friend who went over to Britton-Lee called me up and just said "You have to come over and look at this thing." I went over there and walked into this empty building. He said, "We have to

build all the manufacturing facilities up to manufacture the Britton-Lee database machine, and we need a production manager and Director to do all this.” So I decided to do that.

Grad: That’s quite a swing. You went from a relatively well established company since Amdahl was a reasonable company by that point, it had some income. Now you took a jump; you took a risk. What changed in you?

Hoffman: Well, I was still worried about it, going in there, but when you’re in the Valley you just feel that if that doesn’t work out, you can go somewhere else.

Grad: Did your wife feel comfortable with that?

Hoffman: She was nervous; it was a big change. When I told my mother, she said, “No, they brought you up there and they trained you and spent all that money on you.”

Grad: Well that’s the other side. Did you feel some sense of disloyalty?

Hoffman: Yes I actually did when I left there, but a couple of things had happened that made me unhappy, around compensation and performance. This guy had just said, “I think you did a pretty fair job, and I’m going to give you a 2% raise” or something like that. And here was a project where I thought I had done very well. I thought if I have to go through that every time to get a raise then I can go over to this other company and get a big raise just by making that jump and I know I can do the job.

Grad: Had you been renting a house?

Hoffman: We were renting a house in Mountain View.

Grad: Okay you joined Britton-Lee in 1980 in Los Gatos is where they set up their operation. What were you doing there?

Hoffman: When I started I was the Director of Production, putting together the production schedules, warehousing and purchasing. I was also running the IT for the company.

Grad: Having never had any operational experience other than the training assignments that you’d had at the company, you were given a hell of a lot of responsibility very early.

Hoffman: Definitely.

Grad: Not early in age but early in terms of work experience. But then you'd had the military, which I guess was a major plus for you.

Hoffman: Yes, I had run electronics and this warehousing company in Korea and then I had production experience at Amdahl. I had learned so much at Amdahl I actually felt very confident about the job going into Britton-Lee. We started with nothing; it was 2, 3 desks in this empty warehouse and we built it into a full production facility. At the end of it I was the VP of Operations and I was running all the manufacturing; I was running all the IT.

Grad: When you say the IT, the IT for the internal operations, not the producing-- they weren't producing any software at that time for sale or were they?

Hoffman: Well, yes. We had a facility up in Berkeley where the people that had come out of the Ingres Project and where Bob Epstein had been. So when Bob left, I took over his job as the VP of Engineering. I was VP of Operations and I was VP of Engineering for about a 9 month period and so I was just super busy toward the end.

Grad: Was this the first time you had responsibility for building any software?

Hoffman: Yes.

Grad: So how did that work out?

Hoffman: Well, the real good news was we had some good people there.

Grad: I understand. But still you had the responsibility for it and I'm sure there were decisions to be made about it.

Hoffman: Yes, there definitely were, so I really had to spend the time and listen. But they were people I had worked with for just about 3 years so we had a lot of respect for each other.

Grad: Had you worked with those people up in Berkeley?

Hoffman: Yes.

Grad: Even though you were primarily doing operational work, you still had been working with those people?

Hoffman: Yes. We had to because of the hardware and the software; we had to be tied together so tightly, it was just essential.

Grad: So you stayed with the company until 1984. What happened then?

Hoffman: During 1983, and early 1984 period, Bob Epstein and I decided that a lot of the things that we were doing to optimize the database performance could be done on general purpose hardware as opposed to specially built hardware. We put together a plan to do that and we took it to the principals who were there, Dave Britton and Jeff Lee. Because they came out of the disk drive area in the hardware side, they really looked at this as a back end machine just like a disk drive. They felt that we needed to build specialized hardware to get the performance and so they said no.

Grad: You were not able to convince them that it could be done with general purpose hardware?

Hoffman: Right. So shortly after that, Bob left and he went away and I didn't see him for a while. Then one day he called me up and said, "Gee I've been thinking about this problem, the software part of this business. Can I come down and see you?" So he came down and we walked around the lake in Los Gatos and talked. We got together again a few times after that. He and I knew each other really well over the years and we eventually decided to see what we could do. I would keep working at Britton-Lee but on the weekends or other times or at night we would work on this other project. Obviously that felt conflicting, once we actually got into it and started to think about it. So somewhere along the line, I can't remember the exact date, I decided to quit Britton-Lee and so I did. Bob and I got together and worked together every day after that, either together or from our homes. We began to think through the business plan, what this thing would look like, and really started to write the overall business plan.

Grad: Did you have any stock or anything in Britton-Lee?

Hoffman: Yes.

Grad: And you had to give that up when you quit?

Hoffman: I gave up some options when I left.

Grad: They didn't withdraw them all?

Hoffman: No. They couldn't take back the options that I'd already earned and exercised.

Grad: Oh, you already had some stock?

Hoffman: Yes.

Grad: Britton-Lee was privately held though, wasn't it?

Hoffman: It was private at that point.

Grad: Now that's a little more confusing, I don't quite understand that.

Hoffman: Even in a private company, if you leave, you still have 60 or 90 days after you leave to exercise your earned options. So if you've been there 3 years you can buy three-fourths of your options.

Grad: You invested that portion of the options; you chose to exercise your options and buy them up?

Hoffman: Yes.

Grad: Since you'd had two major jobs there, were they upset with your leaving?

Hoffman: Well, they were upset because by that time I'd taken over all the operations for the company.

Grad: If I were your boss I'd be upset.

Hoffman: The year before this I actually was going to leave. Gene Amdahl had started Trilogy and the guy who hired me out of Amdahl to go there had gone to Trilogy and a lot of the Amdahl people went to Trilogy and a lot of them knew me. They were trying to hire me into Trilogy. I was about to accept that job when Britton-Lee gave me the VP title and more stock and all those things. But then we worked that year, I was still trying to do the hardware and talk about the software and how could we really broaden out the whole plan and we felt the hardware was holding us back and people weren't listening to any of that.

Grad: It was a hardware driven company.

Hoffman: Yes it was definitely.

Grad: Okay, then you left.

Hoffman: And I came out of a hardware background too, being with Amdahl and Britton-Lee, but I got it, you know.

Starting Sybase

Grad: But you got the difference, you got the message; I understand that difference. Okay now you and Bob Epstein are partners. What was the deal between the two of you?

Hoffman: We were cofounders.

Grad: You incorporated the business?

Hoffman: Yes.

Grad: And what did you decide to call it?

Hoffman: We had a different name originally and then settled on Sybase.

Grad: So you basically formed Sybase. Where did you locate it and why?

Hoffman: We started to do the business plan on Bob's porch up in Berkeley. Since I was living in Los Gatos at the time, I'd drive up almost every day but at least 3 times a week, and we'd work on the plan. Then I started to talk to potential investors. TRW was interested because of work we'd done with them before, so we had their support if we could find venture capital to build this thing. They believed in us because we had done some really great things for them back at Britton-Lee. We were looking around for venture capital and one of the West Point guys from Kleiners Perkins was Frank Caulfield. I knew Frank a little bit from before and started to talk to him about Sybase. We started to talk to Hambrecht & Quist about it because TRW connected us with Tom O'Rourke and Bob Evans who had been connected with TRW in some of the things that they had done. A friend of mine who was a lawyer was also a West Point graduate and he introduced me to Larry Sonsini at the law firm Wilson, Sonsini, Goodrich and Rosatti. We came down and made a pitch to Larry and at the end of it we said, "Well, we don't have any money to pay you, but we need help." Larry said, "I like your plan and I'll support you through your funding." We didn't think it would be that long but although we had to go longer than he thought, he was very supportive and he's a super guy. Larry supported us through that whole period and we had to really work hard to get a lot of the investment funds from the venture capitalists. We would go to them and they would just say, "Oracle's been out there for 5

years, and there is Ingres and Informix. There are around 50 database companies out there. You guys are dead it's never going to get funded." We probably talked to 20 some companies at that point in time.

Grad: How long a period of time are we talking about?

Hoffman: From the day I left, it was just about 9 months until the day we closed that first round of funding.

Grad: How much money did you get in the first round?

Hoffman: One and a half million dollars.

Grad: What had you been doing for income during that period of time?

Hoffman: Not much. We were running up our credit cards and utilizing some of the money we had from Britton-Lee over that period of time. I sold my mother some stock, not in Sybase but in Britton-Lee, because they were now about to go public. She put together \$5,000 - \$10,000 which was a lot for her at that point in time; well, it was a lot for me at that point in time too.

Grad: You finally got your financing; while you had been trying to raise money, did you continue development work?

Hoffman: We had hired some people. Tom Hagen and Jane Doughty came to work for us and they, along with Bob, really focused on the technology and designing and coding.

Grad: Let me back off a bit. Where did the specifications come from? Because you were proposing a new system, you must have had some reasons to say that this relational database system is different from the others. What were you considering the unique characteristics that you were selling to the venture community?

Hoffman: Well it had to be a high performance database and it had to be networked so it could run like the Britton-Lee database machine did. It had to be very robust, because in a transaction environment it couldn't fall down on us.

Grad: It was the transaction environment you were focusing on?

Hoffman: Yes, definitely the transaction environment.

Grad: This was something different from the query language systems that had been developed before. Was this the same pattern that Britton-Lee was going after?

Hoffman: Yes.

Grad: So that was the pitch you were making to the VCs.

Hoffman: The VCs were telling us that relational databases were not designed for transactional processing and they will never be fast enough. We'd tell them that we just built one at Britton-Lee that was capable of high performance and we think we can do it faster and better and cheaper than what's going on there.

Grad: One of the questions raised here is were you depending upon Moore's Law in terms of the improvement in price performance of hardware? Was that a factor in your thinking?

Hoffman: Definitely, because these general purpose computers were just going to get more and more powerful. What we realized designing the Britton-Lee stuff is that a small group of us without huge funding cannot keep up with this evolving environment.

Grad: What platform did you decide to build on?

Hoffman: Sun.

Grad: Why?

Hoffman: They were just coming on the marketplace and they would give us one to start with. Actually, they sold us one but they were more patient about waiting for the money to come in. And then DEC was coming out or had just come out with their platform. But we didn't have any relationships there although we did with Sun. So the very first platform was Sun.

Grad: When you were talking though to the VCs, what platforms did you expect to market on?

Hoffman: We had already done the deal with Sun.

Grad: And the fact that you were proposing to market with Sun, would that have scared off the VCs?

Hoffman: It did scare them off a bit. But again because we were pitching it as a database machine that had to be network savvy, and Sun was very good at all of that, it really fit into what we were trying to accomplish.

Grad: It scared off a lot of the investors.

Hoffman: It scared off a lot of them who couldn't see the bigger picture.

Grad: You were depending upon whether Sun was successful or not. If they failed, where were you going to go next?

Hoffman: The original plans were that we were going to sell it to OEMs so we were going to go to (and did go eventually) to DEC, to Sun, to IBM. We said, "We built this relational database, here's how it works." What we found was we got rebuffed very quickly. We would go to DEC and they would just say, "Guys, we were going to build that ourselves. We can do it; we don't need you."

Grad: So it had a UNIX operating system at that point in time?

Hoffman: Yes.

Grad: So you were going to write this under UNIX?

Hoffman: Yes.

Grad: And what language were you going to use to write it?

Hoffman: C.

Staffing Sybase

Grad: Okay, you got your money, a million and a half dollars and you were actually hiring some people. Were you paying them before you got the money?

Hoffman: We were paying them. Both Tom Hagen and Jane Doughty came out of Britton-Lee so a little bit of the money was coming from the Britton-Lee stock. I think Britton-Lee went public in 1985 so we did have some money from there.

Grad: What happened during those first couple of years?

Hoffman: It's such a great thing. This is always the best time in a startup company. You have money, you have no product to ship and you just get your heads down and build this product. And you're doing a little bit out in the market place but you can't sell because you have no products so there are no expectations, but at the same time you're learning a lot internally about how this stuff has to work and how it has to fit together.

Grad: Were you involved in the technical side in terms of the design and implementation?

Hoffman: Some at that point, although I've learned a lot more since then.

Grad: At that point in time, what were the roles that you and Bob were playing?

Hoffman: Bob was definitely the technology lead, coming out of the Ingres project; he ran the database program there.

Grad: So he was the technical lead at Sybase. And what was your role then?

Hoffman: I was the business side. I was working with the venture capitalists. We had to get money, space payroll, benefits, insurance and then more money, space etc.

Grad: So your primary function was to be the businessman in this relationship?

Hoffman: Yes!

Grad: But how you were spending your time, first before you got the money and then after you got the money?

Hoffman: Well, almost as soon as we got that money we had to start on the next round so within 6 months we were back talking to raise more money.

Grad: So you end up not heavily involved in the technical side from that point on, is that accurate?

Hoffman: Not heavily involved.

Grad: Bob Epstein built a staff of technical people to work with him?

Hoffman: Yes.

Grad: Who were some of the major players who came in?

Hoffman: Well the big ones were Tom [Hagen] and Jane [Doughty] and they were both out of Berkeley. They had done a lot of work at Britton-Lee and had Berkeley experience so they were the real key players in design.

Grad: When did you start thinking about building the sales force and doing those kinds of things?

Hoffman: It would have been in the middle of 1986.

Grad: When did funding come through – 1984, 1985?

Hoffman: 1985, March or April, I can't remember the exact date. When the funding came through, then people were heads down building the product and we needed another round before we could really build the sales force.

Grad: Did you have a working product at that point?

Hoffman: Not really; it was more a prototype with a lot of code.

Grad: So how did you get the second round?

Hoffman: Even in the first round people knew we would have to get the second round and they just wanted to meter us and get us out to another checkpoint in building the product. They wanted to know if we were ready to start to build toward sales and getting the product out. We felt pretty good about getting the product out by the end of 1986.

Grad: How much money did you get on the second round?

Hoffman: It was more money in the second round so we had to go out and bring in some new players.

Grad: What happened then? You got a product out the door and you were building a sales force; what was going on in 1986 then?

Hoffman: At the end of 1986 we brought the product out; we had a couple of customers that we talked to – Picatinny Arsenal and BP. We were talking to them and product was out there but it was not working very well. We were just not seeing the performance that we had expected to see and we had some other issues. So again we just went heads down in over the next probably 3, 4 months and we really worked to get the next release of the product out. We drove hard to do that and it was actually a little bit more than 3 or 4 months – probably about 5 or 6 months before we were out there with another real product.

Grad: This was in the middle of 1987?

Hoffman: Middle of 1987. But the product that we had earlier was in some sense okay because people were just building their applications; they were not yet running this product in production. They believed in us, they believed that we can do it.

Grad: You were cofounder, chairman, CEO and president at different stages or was that all at one time?

Hoffman: That was all at one time.

Grad: It sounds to me that you were really running the company from a business standpoint but that Bob Epstein was running the technical, the development operations; was that his role?

Hoffman: Bob was more like the CTO; Tom and Jane actually reported directly to me.

Grad: I don't know Bob so tell me a little bit about how his relationship with you.

Hoffman: Well, Bob's a brilliant guy, very super smart and Bob can be good on the technical side, but he can also be very good at presenting to people and talking about the technology and where the industry needs to go. So Bob kind of went back and forth between talking to VCs with me and being more like the CTO on the other side.

Grad: This was full time work for Bob though; he wasn't working in any other company or other projects at that point, was he?

Hoffman: No.

Grad: Did the company get any income during this period?

Hoffman: One of the things that helped fund this time also was that we had a contract with TRW to design a secure database. We were also very focused on those deliverables as we got paid for them.

Grad: In 1987 you had some customers, you had a product that was working reasonably. What was going on, what kind of revenue did you have that first year? Do you have any memory of that?

Hoffman: We did 6 million dollars in 1987, most of that was in the second half of the year. But we had generated some really good interest by then. I think that 6 million was less than our plan due to the issues that we had it was a little bit less than planned. It was still a pretty good first year.

Venture Capital Relationships

Grad: Did you need a third round by then?

Hoffman: Yes, we needed a third round so we were raising capital again.

Grad: Were you giving up your shares as you're working along, reducing your percentage of ownership?

Hoffman: Yes.

Grad: Do you remember what you and Bob started out with as percentage of ownership?

Hoffman: Well, Bob and I had 100%.

Grad: Then you got your first round; what did you have to give away to get the first million and a half?

Hoffman: 50%.

Grad: So they put you at 3 million dollars, pre money?

Hoffman: No, 3 million dollars post money.

Grad: And then the second round came, so your ownership was well below 50% at that point?

Hoffman: Right, exactly.

Grad: So by the time you got your third round, you were probably down around to 20% or 25% between the two of you

Hoffman: Yes, probably pretty close to that.

Grad: Was that a difficult decision to give up that much ownership?

Hoffman: Here's how we looked at: we were coming out later in the market than the other players that were out there. Those guys had already been out, they had a run rate, they were pretty good size and so the thing that we realized very quickly is that we would have to grow fairly fast in that market and we would have to be much more aggressive than the other database companies.

Grad: I wasn't thinking so much about the money, but I was thinking about the control issue, the ability to make the decisions as against having the VCs make the decisions. Was that a factor to you?

Hoffman: It really wasn't. I would actually say that in all of my companies I've had pretty good relationships with the VCs. I haven't had the kind of horror story you hear about. Once we shifted and went from 6 million to 24 million in that next year, those guys were getting pretty happy. And then to 56 million and 100 million; it was phenomenal growth and I don't think anybody historically had seen anything like that then.

Grad: It was certainly a great growth rate. What role were you then playing? You had a real organization by the end of 1987 and 1988; you had a VP of sales. How did you set things up?

Hoffman: Well Stu Schuster was the VP of Marketing, he was running that. I had a VP of Engineering and then I had a VP of Sales. I had an organization by that point as we were starting to get into 1987 and 1988.

Grad: By VP of Engineering you mean for the program development work? Did you separate out maintenance and support or wasn't that significant enough yet?

Hoffman: Not originally. It was still part of the Engineering Department.

Grad: How did you price your product?

Hoffman: We just looked at the other database companies.

Grad: You basically used them as a model so as to be competitive; did you try and come in below them or what did you try and do?

Hoffman: We were actually pretty comparable to the other competitors.

Grad: You weren't trying to low ball to get the business?

Hoffman: No, again because our angle was on the transaction and they were still really back in the decision support area. You didn't have to really align; we were going after a separate set of applications, a different group initially.

Platforms

Grad: When you released the product, did you release under Sun as your primary platform?

Hoffman: It was Sun.

Grad: But did you release anything else under any other platform at the time?

Hoffman: Well, Sun was already getting into lots of Wall Street firms so that worked super well for us as we began to roll out. You could go to Wall Street and you didn't have to teach them anything; they were already trying to figure out how to use this stuff.

Grad: But you did port it to the VAX; why did you bother?

Hoffman: We just thought that would be the other big platform.

Grad: So you had to spend some of your money to make that port?

Hoffman: Right.

Grad: Since the product was written in C, was that of any advantage to you in porting to the VAX?

Hoffman: We didn't make a lot of use of the operating system so it was a fair amount of work for us to do that.

Grad: So Sybase had a fairly normal organizational structure by this point. Its first year of sales was pretty successful, at six million dollars, less than planned but still reasonable. The second year, though, in 1988, sales more than doubled. It goes up from 6 mil to 24 mil. And now the VCs are starting to be happy at what's going on there.

Hoffman: Right. They're paying attention.

Grad: At that point, was your cash flow good enough that you did not need fresh investment money?

Hoffman: We were still unprofitable at that point so we did two more rounds before the IPO.

Grad: So rather than try and go public earlier, the VCs wanted to stay in it. Who were the primary VCs?

Hoffman: Again, it's the primary three: Hambrecht & Quist, Kleiner Perkins Caufield & Byers and TRW. Then we were bringing in some of the new ones, like Oak Investments and Highland Capital. But we still ran into walls and had one firm that said, "We'd love to invest, but you have no experience as a CEO."

Grad: That was still happening by that point in time.

Hoffman: That was still happening.

Grad: Technically, did you basically stay with that product during the late 1980s or were you making major changes to it?

Hoffman: No. The original product was still the base product, all the way through, all the time.

Grad: Did you port to other significant platforms during that period of time?

Hoffman: We ported to Pyramid and Sequent.

Grad: This was still during the late 1980s?

Hoffman: During the late 1980s, early 1990s. Pyramid, I think, was late 1980s and then Sequent maybe right around 1990.

Grad: Bob Epstein was still with the company. Did the other principals still stay with the company?

Hoffman: Yes.

Grad: Did anything dramatic happen in the 1989 or 1990 period, as far as the product or the market was concerned, other than the revenue growth continuing?

Microsoft Relations

Hoffman: Well, one of the things that is kind of a repeating story in our evolution was the idea that we had to grow faster than the other database companies. We were constantly on the search for what we could do that would upset the market and change the dynamics of the marketplace. If we just went status quo and just kept growing at some rate, we were still going to be behind the other guys. So in the 1987 time frame we did a deal with Microsoft and formed a relationship with them.

Grad: That was unusual enough. I know you've discussed that some in the other meetings but talk about that little bit now.

Hoffman: Microsoft came to us and said, "We read a lot about you and heard good things. We'd really love to take a look at your database." We then had some discussions about that. Bill was down. His people were down. And eventually we decided that the way to look at the relationship was that they would go after the low end of the marketplace while we were already at the high end of the marketplace, the enterprise companies, big deals. We felt that by the time we ever got to the low end of the marketplace, it would probably be gone. So this was a good relationship in that sense. And we felt it was something that would really transform the marketplace.

Grad: What was your financial deal?

Hoffman: We got a royalty stream out of Microsoft each time they sold the product.

Grad: This was on a unit basis or dollar basis?

Hoffman: We got a percent of revenue for each unit that they sold.

Grad: Did it matter what price they sold it for?

Hoffman: We got a percent of the deal.

Grad: So if they sold \$100 worth, you got a buck, got five bucks?

Hoffman: It was more than that, but that was the model.

Grad: Did that basic deal hold in place? Did you have any protection for yourselves in case they went to another product and they dumped yours?

Hoffman: There wasn't any protection along that line. We felt that they were making a major commitment and once they started to do work on it, internally, and to spend the time on it – we just felt they were locked up.

Grad: Were they taking over technical responsibility for the low-end product?

Hoffman: Not initially. But they still had code, and they were looking at it. They were trying to understand what pieces they needed. But when they wanted to fix something, they would come to us.

Grad: What did they name the product?

Hoffman: Microsoft SQL Server.

Grad: So they decided to go with SQL Server. They weren't going to use your name, the Sybase name. You didn't want to do that, or they didn't want to do that?

Hoffman: They wanted a Microsoft brand.

Grad: Did you have a problem with that?

Hoffman: No, because they were going after a different market and we didn't have any brand back then.

Grad: One of the things that concerns me on these kinds of deals is they can price something as an entree element and not care about the profit, and then your commission can drop pretty dramatically.

Hoffman: If I remember right, I think we had a minimum.

Grad: So you had a floor.

Hoffman: If they decided to give it away, they still had to pay us "x" amount of money.

Grad: Did you have attorneys of your own that you were using?

Hoffman: Let's see. When we negotiated this we used Wilson Sonsini.

Grad: So he had still stayed with a relationship with you?

Hoffman: Yes, all the way through.

Grad: That's a very significant deal. How long did that hold in place? You were there through the mid-1990s. Did this relationship on SQL Server continue through that entire period or did it change?

Hoffman: It changed in the early 1990s, probably about 1992, 1993. I can't remember the date. What happened was that they were going after the low end of the market; we were going after the high. The requirements for the two different markets were different. So they were asking for all this stuff that a smaller company would utilize, but we were designing all the features for the enterprise. They were putting more and more feature requests for the low end of the market our way. We were making money off of it; a good revenue stream was coming in, but our bigger revenue stream was the enterprise. So we were not keeping up with their requirements and, quite frankly, we should have done a better job. We just didn't do enough for them and they were becoming very unhappy with us. Microsoft can be pretty driven about these relationships. We were trying to build a new database, an object database. We were saying, "Even if they get this and take off with it, the market's going to move to these new types of databases. That would be an advantage for us." But as it turned out, we were never able to pull the new database off.

Grad: What was the new deal?

Hoffman: The new deal was that we basically got some money and we split. They got the source code and they could do whatever they wanted with it.

Grad: Did you get any future commissions?

Hoffman: For a period of time, I think it was about a year.

Grad: So they paid you so much cash and bought the rights. They owned the copyright at that point in time or did you license it?

Hoffman: It was a joint ownership. They owned it and they could do what they wanted with it.

Grad: They didn't have to give anything back to you in terms of technology or anything that they did?

Hoffman: We talked about that and had agreed to sync the products but that didn't work out because we were both so focused on different market segments.

Grad: So SQL Server became their product.

Hoffman: Yes, but the Sybase SQL Server was the base for Microsoft SQL Server.

Revenues and Profit

Grad: You went ahead with selling to the enterprise market. You went public in 1991. Let's start with the decision to do so. Was the market good? Was that an attractive time to go? Why do you decide then? Were you making money by then?

Hoffman: Yes, by then we were making money. We wanted to go public in 1990 and we still were growing; we doubled. But it wasn't what we thought. Our expenses were pretty high and I had to go back in to operations. I took over sales and I went through and reorganized a lot of the company at that point. We were obviously going through a transition point and that was a really big thing. I probably was on the road 80 percent of the time then. But we did it; we got some good guys in. And then we were off and running again. In 1991 we went public. We had three quarters of profitability behind us, which you had to have then. We were able to raise more cash.

Grad: Did you sell any of your stock, at that point in time, or did you hold?

Hoffman: I sold a little bit, not very much.

Grad: Had you been getting a reasonable salary from the company during this period?

Hoffman: Certainly during the end part of it.

Grad: I was talking about up to the 1991 period. Were you getting reasonably well paid?

Hoffman: Toward the end of 1989 when we were sure to go to market.

Grad: Had you moved out to that area?

Hoffman: Yes, I moved out in 1985 to Moraga. By 1995 the revenues were just a little under a billion dollars.

Grad: That is an incredible growth rate over that period of time, isn't it?

Hoffman: Yes, it was huge.

Grad: And were you profitable in 1995?

Hoffman: Yes.

Grad: Kind of margins were you getting? It's public information, obviously.

Hoffman: We had about an 18 percent margin.

Grad: Were you investing in a lot of new stuff?

Hoffman: We were still investing heavily in R&D.

Grad: And you still were getting 18 percent?

Hoffman: Yes. I'm trying to think what our investment in R&D was. It was pretty high at that point.

Grad: And your toughest competitor?

Hoffman: Oracle, definitely. At that point, we were still saying, "The Microsoft deal was a disruptive thing, to go after the low end of the market." We tried to do this deal with DEC. We tried with SAP because we just felt that that would've been super disruptive to Oracle if we could do it. But we couldn't do it. I think if we had been able to, it would have significantly impacted the industry.

Grad: What happened then? I gather you left in 1995.

Acquiring Powersoft

Hoffman: I left in 1995. We had done a merger with Powersoft. They had a couple guys from the board of Powersoft on our board. We were having trouble integrating.

Grad: How big was Powersoft at the time; about the same size as you?

Hoffman: No, they were smaller.

Grad: And their main product was PowerBuilder?

Hoffman: PowerBuilder.

Grad: They were an East Coast firm, though, weren't they?

Hoffman: They were in Boston.

Grad: What was their motivation to do that acquisition?

Hoffman: We had a common vision that an application development tool tied to the database was a powerful solution.

Grad: They had done well. It was a very well respected product.

Hoffman: Yes. They had a great President/VP Engineering, Dave Litwack; he did a great job.

Grad: So you were trying to merge two firms, one on the West Coast and one on the East Coast.

Hoffman: Two firms. And the industry was starting to slow down.

Grad: What you pay for PowerBuilder?

Hoffman: We paid a little under a billion dollars.

Grad: Where did that money come from? Did you give them stock?

Hoffman: Stock for stock.

Grad: So at that point, again, your percentages keep getting smaller but of a bigger company for sure.

Hoffman: Exactly. We had pretty good valuations.

Grad: You don't sound very financially aggressive.

Hoffman: What do you mean?

Grad: Many of the entrepreneurs I've talked to always talked to the numbers. They are very reluctant to give up their percentages. They are very reluctant to give away any parts of the business ownership. They wanted all the money. I'm exaggerating a bit, but that's what I hear.

Hoffman: I had a really good guy named John Johnston. I don't know if you know him at all. He was a venture capitalist at Hambrecht & Quist at the time. He was on my board and a young guy. And John always, I thought, had great advice. Because we were worried about dilution at first he said, "Stop worrying about dilution. Did the price go up in the last round?" I said, "Yes." He said, "Okay. "All you should care about is that you drive up the price and make sure you have the right resources to make the rest of the stuff happen." And the more I thought about that I thought he was absolutely right, particularly in a business where we were behind and where everybody else was bigger than we were at first.

Grad: Many people measure themselves in terms of this dollar value. I just don't hear that from you. Maybe it's there. You're just not saying it. "I'm now worth \$500 million," "I'm worth \$50 million," I don't hear those kinds of comments from you.

Hoffman: No. That might be a fault, by the way.

Grad: Not your fault. We were talking personality.

Hoffman: It's not a driver for me.

Grad: If you were listening to Larry Ellison, I have a feeling that his valuation number would be mentioned within the first three minutes of the conversation and repeated regularly. How was Bob [Epstein] getting on? How did he feel about the acquisition, about the nature of the business and so forth, during this period of time?

Hoffman: Bob was definitely frustrated, too. Around this time, the object database project was not going well. The merger was difficult and the growth of the company, for a variety of reasons, one of which was the database industry, was just flattening out. It wasn't going to grow at 50 or 100 percent per year any longer; it was going down. All of that was very difficult. We also had to layoff people, which is another hard thing. We were planning on this growth, and it just wasn't going to be there.

Grad: The numbers you gave me for 1995 set you at 18 percent margin.

Hoffman: We were still profitable. But this other effect was going on, where we were building for this growth and it wasn't going to occur. We were building ahead of that growth.

Grad: But, you had to layoff people. It wasn't a matter of flattening. You actually had to lay off people to drop down some.

Hoffman: Because we were building for growth that we expected to go up later.

Grad: So you were still in control from a management standpoint?

Hoffman: Yes, definitely; I was still all those things.

Leaving Sybase

Grad: Now, at the end of 1995, what happened next?

Hoffman: The board is not happy with the status. Mitchell Kertzman was there for Powersoft. There was a conflict going on. He had control of board members so the board decided to move me to chairman and put Mitchell in as CEO. This happened in 1995.

Grad: And what happened with Bob at that point?

Hoffman: He was still there.

Grad: As CTO?

Hoffman: We might even have had another CTO then. He was more like a chief scientist.

Grad: But he didn't want to manage a lot of people, have a lot of people working for him. That was not the role he liked to play.

Hoffman: That's not the role that he did best either. He could add so much to so many different areas that to tie him into one pocket is not the best solution.

Grad: One of the most difficult things for extremely creative visionary people is when people challenge them to be the head of something. They end up sometimes doing it but it's not where they contribute the most. Yet it's hard to give the recognition and position for that kind of work. Now, you were chairman. You were obviously not ecstatic about that change. What happened next?

Hoffman: I was there for roughly six months, I stayed in the company as kind of an executive chairman. I was still doing work for them, flying around the world mostly talking at events, talking to customers and things like that.

Grad: You were still being well compensated?

Hoffman: Yes, still being well compensated. And then, after that six-month period, I just stayed on the board and I spent about six months there. But once you've influenced all this stuff but now you're just watching stuff happening that you don't necessarily agree with, it's not comfortable. I decided it would be better off for me to just go and so I did that.

Grad: Did you have a lot of options at that point that you were able to hold on to? Did you just have your stock? You weren't throwing away things by leaving at that point in time?

Hoffman: No. I certainly had some options, but they weren't significant

Grad: Kertzman was not unhappy to see you go kind of thing?

Hoffman: No, I don't think so. We actually worked okay together during the six-month period.

Grad: Still, there had to be people who felt strong loyalties to you and strong relationships with you and less with Kertzman, I'm sure.

Hoffman: Yes, definitely.

Intraware

Grad: So then what did you decide to do and how did you decide to do it?

Hoffman: Well, I was already doing some looking around at that point in time. I was working with a guy by name of Peter Jackson to do a company called Intraware. I put some of the founding money in. There were three of us.

Grad: Your personal net worth, at this time, was pretty substantial?

Hoffman: It was good; it wasn't huge.

Grad: We're talking...?

Hoffman: Tens of millions but not hundreds of millions.

Grad: So enough to put some money in but not enough to fund anything major.

Hoffman: Yes, exactly. And then Intraware got started. It really dealt with electronic software distribution over the internet instead of shipping boxes of software. If there was a new software update, it would get shipped out to your server automatically, so you were always current. It's still here today, and they're a public company.

And then I worked with a friend in Switzerland to start a company over there. It was called The Fantastic Corp. Great name! Peter Ohnemus had worked for me, as a distributor, at Sybase and he had really done a great job. I bought his distribution company at one point and then he ran the northern part of Europe for me, at Sybase, for a couple of years. He went off and started this other company. That was all happening at the same time as Intraware and I worked with him to start that company. It was doing data broadcasting. How do you take a signal and blast it out to many different sites? It could be video, it could be any information, that was a pretty neat company.

Grad: What was your next big one?

Commerce One

Hoffman: Then I did Commerce One.

Grad: What is that? Who did you start that with, or did you start it on your own?

Hoffman: I got approached by a venture capital friend, who said they were sticking money into this company that was a tiny company. He said they didn't know what they were doing, didn't have exactly the right play in the market. They were doing very nice looking catalogs on CDs and they had this nice front end. Somebody would buy the service and Commerce One would create a catalog for him. The vender would ship these catalogs out so people could load them on their PCs and look at them instead of paper catalogues. This was business to business; it wasn't consumer.

Grad: Like a Thomas Register kind of thing?

Hoffman: Except it would just be for a single corporation. We would contract with the corporation and produced a catalog that listed all the stuff that they offered. As they updated their offerings, we'd create a new CD and send it out to them.

Grad: So the purchasing agent, people like that, would use that as a source.

Hoffman: Yes. I came in as "professional management" to get another round of venture capital funding. But what I saw was an ability to build a marketplace where the transactions would actually be processed. We did get the next round but we were really looking to take it in a different direction.

Grad: So instead of "sending out the information, that's the end of it," they would look at it and then they could order directly from that catalog?

Hoffman: Yes. They could actually place an order from that catalog and we would process it directly back to the business. And that business would process it at their location; they could log on to the system, see what orders they got and then process them.

Grad: So would that be an electronic commerce model?

Hoffman: Yes, it was true business to business. And as we looked at this business, what we found out is this company wouldn't pay attention to their server. It could be that the server would be down, not taking any orders, and they wouldn't even know it; we'd have to tell them.

Grad: So you went to an application service provider role?

Hoffman: So we said, "Let's centralize the server." So we centralized the server. All we had to do then was connect to the suppliers and they could log in to the centralized site.

Grad: It was a true e-commerce operation.

Hoffman: Yes.

Grad: This was in the late 1990s. What was happening to the e-commerce world?

Hoffman: In 1998, 1999 we built a product that was a centralized server and we started to talk to people about using it as a marketplace. We were talking to General Motors; General Motors was interested in a marketplace for auto suppliers. There's a great story about that if you want to hear it.

Grad: If you can do it in three minutes, do it.

Hoffman: General Motors is pretty demanding. They called us up one day and they said, "We want you up here tomorrow. We've heard some good things about you from Anderson. We want you up here tomorrow. And you, Mark Hoffman, have to be up here yourself or don't bother to come." So we had to rent a plane. We flew up there. We talked to them. They told us they wanted to build this marketplace, and they said, "And to do this, we want you to build it for free and we want ten percent of your company. We want you to give us ten percent of your company." And they were asking for more stuff, too. So we walked out of there. Our heads were spinning, and we just went, "No way." All the way back home, we were thinking "No way." And that night, as we landed, I said to Chuck Donchess, my VP of Marketing, "Get a meeting together. Decide how to tell GM that we just don't want to do this." I went home, went to sleep, got up in the morning. As I was taking a shower, I was thinking about this thing. I realized in a GM, Detroit kind of way, what they were asking us to do was to build a marketplace that had a potential to be the biggest marketplace in the world and they wanted us to invest in it. So I got out of the shower and I called Chuck. He was in the middle of a phone call to all the other Commerce One people saying, "Hey, we are going to kill this thing." And I said, "Chuck, here's what I think they're asking us to do. And if you think of it this way, then it makes sense." And so we did that.

Grad: What were they selling?

Hoffman: They wanted to run all their suppliers through that marketplace.

Grad: I was working with one of the companies who dealt with all the suppliers. They were up in the Detroit area. The low end suppliers were coming in through them.

Hoffman: GM wanted to do that. We did that deal, eventually, with General Motors. And just as we signed that, they said, "We want to bring Ford into this, and we want to bring DaimlerChrysler into it." And they did that. We then did a telecom marketplace with British Telecom. We did one in Singapore. We did an oil and gas marketplace. We did a South America one with a Mexican Bank. We built that company. We were on another billion-dollar run.

Grad: You said, "\$800 mil in 2001." Was it profitable?

Hoffman: \$800 million on an annualized basis. It never was profitable.

Grad: What happened in 2001? This company went public, also?

Hoffman: Yes.

Grad: And, again, I assume you had some stock in it so you picked up another bit of change.

Hoffman: Yes.

Grad: So then what happened in 2001? It doesn't tank?

Hoffman: It does tank. What happened was that 9/11 happened. After that, business basically just started to go away. The marketplaces require an aggressive approach; they take a lot of capital to build and to get to that point. Marketplaces were our main business since the catalog business had gone away. We were selling big deal marketplaces and all of a sudden, people are afraid. People are afraid of the marketplace and the investments they require. I have never seen anything like that. The business just went bust.

Grad: So what happened?

Hoffman: We were trying to sell the business. We were talking to SAP. We actually built a detailed business plan with them. It made sense but then they went quiet. Hasso Platner (Chairman), who I have always gotten along with, now isn't talking. I flew over to meet Kogerman (CEO) in Germany. After meeting with him, as I walked out of there, I just got this feeling in the pit in my stomach. He didn't say anything directly, but I didn't think they're going to do this deal. My gut told me they're not going to do the deal. I called my managers and told them we need to make other plans....now!

Grad: So the company went bankrupt; it closed down?

Hoffman: We ran it for quite a while after that. We actually invested in building a new product that was an extension of the marketplace that sat between all these different processes, and coordinated an SOA environment. It was a phenomenal product, but we were running out of money. When this started down, I had \$250 million in real estate obligations to deal with. As buildings emptied out, I couldn't get out of those leases.

Grad: The business had that kind of obligations? Why did you need that many people?

Hoffman: Well, we were at 5,000 people at that point or just a little bit under 5,000.

Grad: What were they doing – entering all this data?

Hoffman: No, Professional Services, sales, marketing, international operations all over the world and more. We were building the new product and strategy.

Grad: So you had built quite a complex business.

Hoffman: We had a global business. We were in Europe, Japan, Hong Kong, India Singapore and more

Grad: So with the revenues dropping, you just were overcommitted on everything?

Hoffman: On everything--people, buildings...

Grad: So what was the end result?

Hoffman: The end result was that we did an investment from this hedge fund to raise some more capital because we couldn't get it through more traditional channels. We needed to raise money after that but we just couldn't do it. They wouldn't do any more and we were boxed

in. So we sold off the technology to another company. We went out and auctioned the IP, all the trademarks, everything else we had. We got \$16-\$18 million for it which was peanuts but still good.

Grad: So the value of your stock, other than whatever you had sold before, wasn't worth a hell of a lot.

Hoffman: It was worth nothing. But I did make some money along the way.

Grad: Did the company actually go bankrupt?

Hoffman: We took it into bankruptcy after selling off the assets, because we still had so many obligations.

Everdream

Grad: We've run out of time, unfortunately. You're currently involved in a new thing called Everdream. And you're chairman, CEO and president. You started another thing. You've become a serial entrepreneur, haven't you?

Hoffman: I tried to retire, but it wasn't in my DNA I guess.

Grad: When was Everdream founded?

Hoffman: Everdream was founded in 1998 in a different area.

Grad: Were you involved in it when it was founded?

Hoffman: No, I came in, in 2005, to change its positioning and to grow the business.

Grad: Were you brought in through VCs again?

Hoffman: Through a VC. The company does software as a service. They do desktop management software as a service. We manage about 150,000 desktops today. We are building a new infrastructure to get that to tens of millions of PCs. We work with IBM and Dell to resell our managed services.

Grad: It's a interesting story, I'm sure, in its own right. But, again, my focus is on you, not particularly on the business thing. Let's close up in terms of your own personal experiences, the other things that you're now involved in, the other things that you now do.

The Althea Foundation

Hoffman: Well, I am full-time at Everdream; that's my biggest involvement. Also, my wife and I started a foundation called Althea. It is involved in several different things but it is focused around difficult subject areas that other foundations don't want to deal with such as death notification, suicides, depression in adolescents, mental issues and others. For example, we are worked with some of the people who are trying to get a rail built for the Golden Gate Bridge because there are so many suicides there per year. Every two weeks, somebody commits suicide off that bridge. We built a death notification protocol. We have tackled some difficult subjects, including death notifications working with the U.S. Army. If somebody is killed in Iraq, how does that message get delivered? We worked with some doctors at UCSF to build the protocols and get that out for military or public access. We also do that same thing around death notification with the Metropolitan Police in London. They have grabbed this program, protocols, that we've done and have really built it into a super program. I think they get about 20 calls a day from people just wanting to know how to tell somebody of a death.

Grad: What was your reason for doing it?

Hoffman: Well, it got started around the death notification piece. It was because I was in the military and was a death notifier myself at one time and I felt it wasn't done very well. My wife had had multiple deaths in her family and also felt that it wasn't done very well. We knew some very good doctors at UCSF who wanted to work with us in doing this, so we built from that.

Grad: That was the trigger and the motivation to get into this.

Hoffman: Yes.

Grad: Does your wife spend quite a bit of time on this?

Hoffman: She spends a fair amount of time on this. She's also on the European board of Autism Speaks which is run out of London. So she's back and forth there.

Grad: Does she know Dame Stephanie Shirley?

Hoffman: Oh, yes. She's the board chairperson.

Grad: She's a close friend of mine.

Hoffman: Oh, no kidding.

Grad: I just had dinner with her about three, four weeks ago. She and I worked together for 20 some years.

Hoffman: She knows my wife very well. She is a good friend.

Grad: I didn't even know that. What is your wife's name?

Hoffman: It's Alexis DeRaadt-Saint James and she's a fantastic lady.

Grad: That's very interesting. That's quite a contribution you're making in all those specialized areas. I appreciate what you've done. There's always so much more to talk about in these things. And you are very easy to talk to, very helpful. Thank you very much for your time.

Hoffman: Great. Thank you.