



Oral History with Thomas F. Stephenson

NVCA-Venture Forward Oral History Collection

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National Venture Capital Association
Venture Capital Oral History Project

THOMAS F. STEPHENSON

Interview Conducted by
Carole Kolker, PhD
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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 US companies.

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

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

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

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

Charles W. Newhall II

2013

VENTURE CAPITAL GREATS



A Conversation with Thomas F. Stephenson

Tom Stephenson joined Sequoia Capital in 1988, where he has focused on information technology and health care companies. He served as the U.S. Ambassador to the Portugal from 2007 to 2009. Prior to joining Sequoia he spent twenty-two years at Fidelity Investments in Boston where, in 1969, he helped found Fidelity Ventures and later ran that very successful operation for many years.

Tom has been active in the affairs of Harvard University over the years, currently serving as a member of the Board of Overseers and its Executive Committee. He has also been a member of the Executive Committee of the Board of Overseers of the Hoover Institution, the Board of Advisors of the Stanford Institute for Economic Policy Research, the board of Precourt Energy Institute at Stanford and the MIT Energy Initiative. He's active on the board of directors of Conservation International, as a way "to address the environmental security piece of the energy puzzle." In addition, Tom has served on the Board of Overseers of the Wilson Center Council, and as a corporate fund vice chairman of the Kennedy Center. While living in Boston, he served for many years on boards and committees of the Tufts New England Medical Center.

Mr. Stephenson received his AB in Economics from Harvard College in 1964, his MBA from Harvard Business School in 1966, and JD from Boston College Law School in 1969.

The following is an interview with Ambassador Thomas Stephenson, taking place at his office in Menlo Park, California. Today's date is March 20, 2013. My name is Carole Kolker. This interview was conducted for the Venture Capital Oral History Project of Harvard Business School and the National Venture Capital Association.

THE EARLY YEARS

Carole Kolker: *And just to jump right in here, we're going to start with your early years. You were born in Wilmington, Delaware? What was the date?*

Thomas Stephenson: 2.11.42. My dad was with the DuPont company in Wilmington, Delaware. Later ran the public affairs department. And so I spent my childhood in Wilmington and then a lot of summers in North Carolina, where my roots are. Where my father had grown up and where my grandparents lived on a family plantation that had been in the family since the Civil War. So in many respects I'm as much a Southerner as I am a middle Atlantic product.

CK: *And your father's name?*

TS: Thomas W. Stephenson. Same first name, different middle name. And he just passed away a couple years ago. He lived to be ninety-four. And when I buried him in the family plot in Pendleton, North Carolina, there were four generations of Stephensons. The average age at death: ninety-one. And this goes back to the Civil War, where my great-great-grandfather

had ridden in the Confederate cavalry. So there's a fair amount of longevity on the Stephenson side. So I might, as I tell my wife, she may have to put up with me for a little while longer, if I don't do anything crazy.

CK: *And what was your mother doing?*

TS: My mother was from Philadelphia. And she and my dad had met at a wedding of mutual friends. And she was the proverbial housewife in those days. Heavily involved with the Junior League and led a major initiative at the Winterthur Museum outside of Wilmington to have the Junior League take over a lot of the guiding out there. And busy in garden clubs and that kind of thing. But for that day and age, the proverbial whirling dervish as a mother and housewife.

CK: *And do you have any siblings?*

TS: I had two sisters. One passed away from Lou Gehrig's Disease some years ago. And my younger sister actually lives today in Winston-Salem, which is where my dad had grown up. She's gone back to, in some respects, back to the roots of North Carolina.

CK: *Where do you fall in this?*

TS: I'm the oldest. And went to Friends School in Wilmington, Delaware. And as I said in my questionnaire, I was all wrapped up in sports in those days and played football, baseball, basketball. Did the same thing when I went to college. I played a lot of basketball. I didn't

play varsity basketball. But I was still wrapped up heavily in sports while I was in college.

CK: *So if I asked you were a reader or a tinkerer —*

TS: A reader or a tinkerer?

CK: *Yeah. Did you like to tinker with things as a kid, or was it just all sports?*

TS: No, I don't think of myself as a tinkerer. Probably in those days a lot of what I read was sports. But, no, I'm not really—

CK: *Not the Erector Set?*

TS: No. I'm not much of that. I was totally wrapped up in sports. Happened to be at Friends School at a time when we had a number of good athletes. Played on a lot of good teams. And same thing when I was at Harvard. We had some very good teams as well. So I had a very fortunate athletic career. I actually stayed and coached football at Harvard for five years while I was in graduate school. So I was involved in the football program a long time there and still am close to the program today.

CK: *Oh. So when you say you were involved in sports, you were passionate about your sports.*

TS: I was. And I think it helped determine a lot of who I am.

CK: *In what way?*

TS: Oh, I think it taught me a lot of incredibly valuable lessons in terms of teamwork and hard

work and discipline and participation and probably some leadership aspects as well. It's a wonderfully informative experience to play athletics – try and play them at a high level and be able to participate in some outstanding teams over the years.

CK: *And then coaching, did that give you a different perspective?*

TS: Yeah. I happened to come along at a point in time when the rules changed from one-platoon to two-platoon football. When I was playing, you played both ways. There wasn't free substitution. And so as I was graduating from college, the rules changed, and the Ivy League wouldn't give the football programs another full-time coach, so that you had five assistants and a head coach. And so the solution was to hire me, pay me as a graduate assistant, but make me the sixth assistant coach. So it really was unusual – most graduate assistants coach the freshmen, help coach the freshmen or the JV. And I was given an opportunity to be essentially a full-time varsity assistant at a point in time when that transition was going on. So, yes, football and sports were certainly important in my formative years.

CK: *Kind of like the military.*

TS: Well, I was never in the military. All three of my roommates from college served in Vietnam, but I went directly to business school. I had an educational deferment to go to business school. And as I came out of business school, I had had surgery on both knees from football injuries. And so I took my physical for the draft, they didn't 4-F me, which

eliminates you from service, but they gave me something called a 1-Y classification, meaning basically, "We can come back and call you later on." So I went on to law school and never heard from the draft board again. And that was it. Vietnam really had a huge impact — negative impact — on two of my roommates when they were in the Marines. I just went to see one of the roommates hours before he passed away from leukemia that had really come from, they believe, Agent Orange exposure in Vietnam. Actually I've lost two of my four roommates in the last six weeks to cancer. So I guess I'm getting to an age where that's likely to happen, but it does make you a little more reflective on what's transpired and how fortunate one has been.

CK: *I think that's really true. (laughs) The values in your home towards education or towards success or even, say, a work ethic. What was the message in your home?*

TS: The message, I think, was very clear. "Get the best education you can and you can qualify for, and we will very happily and enthusiastically support it financially." And my dad had a good job, and so none of us were ever scholarship candidates. And all three of us went to good colleges. And my sister did some graduate work. She got a PhD in Islamic art eventually, and a master's — I forget what her master's — I guess it was probably in the fine arts as well. And I went on to business school and law school. My father had gone to Harvard College as well, had both a bachelor and a master's from Harvard. My grandfather had gone to Wake Forest College in Winston-Salem, North Carolina, and then had gone to Harvard Law School. So there's a long Harvard tradition in the family. And on my mother's side as well, where I guess three of her brothers — no, I guess all four of her

brothers went to Harvard. And a lot of the subsequent generations have gone as well, on both sides. On my father's and my mother's side there's been a long-term tradition of heavy focus on education and needing that to go do whatever you're going to try and do in the world.

CK: *Growing up, before you went off to Harvard, did you have any favorite subjects? Did you lean one way or another?*

TS: The only thing I would say is that I was never interested in the sciences.

CK: *(laughs) Oh, really?*

TS: I mean, I enjoyed math. But I always enjoyed languages. But to be perfectly candid, school was something that was expected of me. And to be able to participate in athletics, I needed to do well in school. And the discipline of playing sports made me very focused on getting my work done and making sure I had it done expeditiously, and then moving on, enabling myself to have the time to concentrate on sports, which was what my passion was at the time.

CK: *Were there any early role models during these grammar school years at Friends? Or anyone that really —*

TS: No, I don't really think of role models in those days. I'd say the other thing growing up, my family also — and both my mother and dad had as children — believed in traveling. That

travel was an important part of education. So we'd be off to Europe, or took a trip out west one summer. But it was always believed in the family, as it had with their parents, that travel was an important element of the whole process of education. So I was very fortunate.

CK: *And you did it as a family.*

TS: We did it as a family. And sometimes three generations. We would take my father's parents and we occasionally met up with my mother's parents. But they all traveled well into their eighties, as long as they were healthy. And it's just always been an important piece of the family fabric.

CK: *Did you ever work in the summer while you were growing up? Did you ever have any after-school jobs or summer jobs?*

TS: In high school, we were either traveling or I was in North Carolina. I used to work in the fields on the farm. There was a role model and someone else who was very important to me, who was the person that my grandfather brought in to manage our farming operations right after World War II. His brother had been the manager for a while. And when this fellow, Billy Fisher, came back from the Army, he started and in essence was a surrogate father to me in the summers. And I just used to do everything with him. We had fairly extensive farming operations. Multiple locations. And I'd spend most of my summer driving around with him, going to the farms. But he'd put me to work in the fields, picking cotton or putting silage into the silo. That was the worst job. Being up in the silo and walking the tube around that spread the silage as it was chopped and shot up there. And

sometimes to my mother's, my grandmother's dismay, I would show up just an absolute mess. My hands ripped up from picking cotton, or the sweat and residue of moving the silage around. And Billy — I just went down last spring. He passed away at the age of ninety-two. And I went back to the little church in Pendleton, North Carolina, and spoke at his funeral and paid tribute to an incredible person. So, yes. He is somebody that—

CK: *Sounds like he was important.*

TS: I don't know that it's a role model— I don't know quite how to characterize him.

CK: *I think he was influential.*

TS: But he was certainly influential from a values standpoint and from a work ethic standpoint of, you know, a really good Christian person. When we liquidated the family farming operations many years ago, Billy and Foy, his wife, took the old family home. And they had built another house on the principal place. And when my grandparents passed away and it was clear we weren't going to keep the operation, we basically did a liquidation in which we sold all the timber lands. This was one of the first deals I ever did. I was at business school at the time. And we sold all the timber land to the Camp Paper Company, which is a company in Franklin, Virginia, that had been close to the family. And Billy took his interest — my grandfather had had the good sense to give him a one-third interest in the place over the years. And then my father and I had a third interest and my uncle had a third interest. So Billy took his interest in the land and the farming equipment and then moved

into the old house and renovated it. It had begun to run down a bit. It's a home my great-grandfather had built. And so we'd continue to go back and sleep in the same beds and bedrooms that we had when I was growing up down there. So a very close relationship.

CK: *Oh, well, he, as they say, was part of the family.*

TS: Yes. Exactly. Exactly.

HARVARD UNIVERSITY 1960 - 1964

CK: *So then you were off to Harvard in — what were your years at Harvard?*

TS: I was class of '64. So fall of 1960 I went to Cambridge and didn't leave Boston until the mid-eighties.

CK: *Well, I don't have to ask you why you chose Harvard.*

TS: Well, I only applied to Harvard and Yale. I was fortunate enough to have grades that would get me in. And I came very close to going to Yale. But at the end of the day, I think it was Cambridge rather than New Haven, or Boston rather than New Haven that probably made

—

CK: *Not the family tradition?*

TS: Well, I don't know, honestly, how much that influenced me. The guys I had known or been exposed to who had gone to Harvard, growing up in Wilmington, were more intellectual nerd types.

CK: *They weren't from the football field.*

TS: They weren't from the football field. And I had a couple of good friends — one a couple years ahead of me at Friends and one who was at my archrival, Tower Hill — who were at Yale. And I went up and spent some time with them and came very, very close to going there, but ultimately decided on Harvard. And never have ever regretted the decision.

CK: *And your major was economics?*

TS: Well, I ended up in economics. I started off in either history or government. Tried the other for a while and then ended up in economics. But the courses I took were primarily in those three fields: economics, history, and government.

CK: *So how did you see this as fitting into some future for you? Where were you headed?*

Where did you think you were?

TS: No idea, really.

CK: *Okay. Fair enough.*

TS: Some thoughts of trying to play professional athletics, had some discussions about doing that my senior year. Probably if I had been offered a more substantial bonus to play baseball, I would have tried it, except the issue was there of being drafted into the military if I didn't accept the— I'd applied to Harvard Business School and been accepted there. To be perfectly candid, I didn't think the chances were high that I was going to succeed at the

next level in either football or baseball, probably had a better chance in baseball than football. But part of me would love to have tried. And part of me always regrets that I wasn't able to give it a try. But even then I had enough sense to know that I was going to be much better off, in all likelihood, going on to business school. One of my close friends on the baseball team who was a very good pitcher got a nice contract for those days from the Yankees. He got married as we graduated, so he didn't have a draft issue. He went and played that summer and the following year in the Yankees farm system and used the money that he got from the bonus to go to Harvard Business School a year later. But he needed the financial ability to go to school. And I was fortunate enough to have a family who was delighted to provide me as much education as I wanted.

CK: *You certainly were. And that those were their values. During your undergraduate years, were there any mentors? Any subjects that were exciting to you? Any professors that—*

TS: Oh, there were a couple of professors that— I certainly remember Otto Eckstein, that name may ring a bell. He was Kennedy's chairman of the Council of Economic Advisers. And John Finley, who was the master of Eliot House and taught a wonderful course in English history. They were probably the two that I remember the most. My biggest regret was I didn't take Kissinger's introductory government course. I've had this conversation with Henry, who subsequently has become a friend. But I didn't. And as I recall, part of it was scheduling and part of it was probably fear that it may have been too tough a course. Frankly, my attitude while I was in college was as it had been in high school: I needed to do the work and do the best I can and do it expeditiously so that I could continue to focus

on sports. So I mean, look, with the benefit of hindsight, I could have taken a much greater advantage of my undergraduate years academically than I did. But that was me at the time.

CK: *I think a lot of us feel that way. And as you said—*

TS: You asked me earlier about working. So by the time I got to college, I was working. In the summers I was working construction. I'd go home to Wilmington. I would work construction during the day and I'd play semi-pro baseball in the evenings. And so I never really had any kind of intellectually challenging job until after I graduated from college. But, yeah, I always worked. By the time I got to college, and the summer I graduated from high school, I started working construction and worked for the next four years. And as I said, played baseball at night and worked construction during the day.

CK: *You were trying to build yourself— is this the whole idea?*

TS: Well, no, part of it was my family believing that it was important to have a job and to have some responsibility and to help contribute. I didn't make a ton of money, but what money I made— I never spent a lot of money. I guess I've always been very parsimonious and never really worried a lot about that. I didn't have many— I was busy, I didn't have time to spend money on anything anyway.

HARVARD BUSINESS SCHOOL 1964-1966 MBA

CK: *Other than your cleats or whatever. So you went to Harvard Business School and got an*

MBA. Was there anything notable about those years?

TS: Well, I had a lot of fun. Met a lot of great people at business school. Believe it or not, I continued to be wrapped up in sports. I actually played rugby, which was a sport I'd never even seen before. And I played basketball on a semi-pro team called the Harvard Inceptors, which was a bunch of guys who had played college basketball and were in Harvard graduate schools, with the exception of me. I used to play a lot of basketball while I was at Harvard, including working out with the team, but I never played. Everybody else on this team had played, and some at a very high level. A couple of guys had been — had a cup of coffee in the NBA. But we played a bunch of teams all over the Northeast. And so in many respects it was, for me, more of the same. Now the summer between years at the business school, when most people go off to Wall Street or whatever, I went off to be the assistant general manager of the Miami Marlins in Miami, Florida, which was a farm team of the Philadelphia Phillies. One of my best friends growing up, who had gone to Yale, was a guy named Ruly Carpenter, and his dad owned the Phillies. Ruly later owned the Phillies. Once I decided not to try and play professional athletics, I wanted to see if the business side of professional athletics would have appeal. And so I went to Mr. Carpenter. Another friend of mine, who was a classmate of Ruly's and who I'd grown up playing sports with and against, had done the same thing, and he went on and later became the general manager of both the Philadelphia 76ers and the Miami — no, the Orlando Magic. And so I went to Mr. Carpenter and said, "Look, I'd love to have the opportunity that Pat did." He had gone and spent a summer as the assistant general manager of the same team. Mr. Carpenter packed me off to Miami. I ended up living on an estate in Coral Gables or Coconut Grove,

owned by the obstetrician who brought me into the world, who retired down there. And so when I wasn't at the ballpark— And in one of the other little cottages on his place, his daughter and son-in-law lived. And his son-in-law was a big fisherman. And so when I wasn't— I was out deep sea fishing. And I'd work out. If I didn't go with the team on the road, and some guys would be left behind with injuries or whatever, then I'd go out and work out with them and throw batting practice and take batting practice and so forth. But I learned enough to see that it wasn't something that I really wanted to do.

CK: *What did you want to do?*

TS: I didn't have a clue.

BOSTON COLLEGE LAW SCHOOL JD 1969

FIDELITY VENTURE ASSOCIATES 1966 - 1986

CK: *Still didn't.*

TS: Didn't have a clue. And part of the reason I went to law school was I really didn't know what I wanted to do, and I concluded that law school would only be a benefit. And I was enjoying coaching football. And the summer I graduated from business school I worked — I was given a job at Fidelity. A fellow who was president of Fidelity at the time was a big Harvard football fan, and he knew of me. And a friend of my dad's had suggested to this guy, George Sullivan, that maybe I was interested in going to work at Fidelity. By then I wanted to see if the financial business held any interest for me. And so I called George

Sullivan and said, "I'd love to come talk to you." And he said, "You've got a job." And so I started working that summer at Fidelity as an analyst and spent that summer and the two summers while I was in law school working at Fidelity. And very fortuitously, as I was graduating from law school, a fellow that I mentioned in here, Harry Hoagland — I don't know if that name rings a bell, but Harry's one of the real early guys in the business. I assume you're familiar with Doriot and American Research and Development.

Harry was one of Doriot's key first lieutenants. He and another guy named Bill Elfers — I would assume that's a name that's come up — were Doriot's lieutenants. And Bill left to form Greylock, and Harry left and came to Fidelity at the invitation of Mr. Johnson, Sr., Ned Johnson's father. And Fidelity had been fooling around a little bit in the venture business. And Mr. Johnson wanted to kind of reconstitute and do something seriously in that area, and so he brought Harry in. I really didn't know a lot about what the venture business was, frankly, but I knew enough to know that I was more interested in what made companies tick and work than I was in buying and selling pieces of paper. And so I asked if I could talk to Harry about that. Never had met him. And we were introduced. We spent a little time together. And Harry, for whatever reason, was willing to take me under his wing, and he also brought a fellow named Sam Bodman, who was a graduate of Cornell and then had his PhD at MIT. He was teaching chemical engineering at MIT and he was working on kind of a part-time basis at American Research and Development. So Harry brought Sam over as his first, his key aide, and agreed to take me on as the third member of the founding team of Fidelity Ventures. And so it was just an absolute case of right place at the right

time, knowing almost nothing about what venture capital was about. I had not taken Doriot's course. He taught manufacturing at the business school. And again, I'm not sure whether it was conflict or concern about the —

CK: *I can understand. The word gets around.*

TS: —that it was a challenging course. But I got to know Doriot a little bit through Harry then over the years.

CK: *What was he like?*

TS: A very reserved— And he's French, Parisian, if you understand the distinction between French and Parisian. And a tiny, little, very sharp, erect bearing about him. And he was General Doriot. He was in the Quartermaster General's area for the United States during World War II, and started ARD right after. And was a very sharp and insightful, way ahead of his time, and really is the person I think who started active venture capital, in terms of believing that you really had to get into management and work with management. He put Harry on the board of Digital Equipment, which was one of the early, probably the biggest success in the venture capital business at that point in time. And I think Elfers may have been on that board as well for a while. but Harry was, and Doriot was on the board. But Harry did a lot of the work. And so Harry — I don't know, Harry was probably late fifties at this point in time, this is 1969 — so Harry really, for whatever reason, took an interest in me and was my mentor, was my teacher of what the venture business was all about, would

sit me down in his office and really brought me along. And encouraged me, encouraged me to go be our West Coast person, and that was an extraordinary experience. And together with a fellow named Charlie Waite— Does that name ring a bell?

Charlie's a wonderful — somebody you ought to spend some time with, if you haven't. Charlie lives up in the city. But Charlie was Greylock's West Coast guy. And we used to sit on a bunch of boards together and commute back and forth to California together. We went through divorces at about the same time and remarried at similar times and became very good friends. Charlie's well into his eighties today. But had also been at ARD. And he left with Elfers to form Greylock. And then a third guy named Dan Gregory joined then. Dan had been, I think, with one of the banks. But those three. And then my section mate, Henry McCance — close friend — went to Greylock— He went to work for McNamara for a while at the Defense Department. And I think he went to Greylock about a year before I graduated from law school and went back to help start Fidelity Ventures.

CK: *So it was really, it seems like, on-the-job training. What do you think you needed, what do you think you had that made you well suited for venture capital?*

TS: I don't know. I think partly a logical mind. Having been an analyst for three years, I think had some understanding of business. I had some appreciation. I'd been able to go spend time with a lot of guys who ran important companies. I've had an interesting reconnection with a guy named Barron Hilton. I assume that name will ring a bell. Barron was running Hilton Hotels. I followed the airlines and the hotel companies.

CK: *As an analyst?*

TS: As an analyst. And I used to go into Barron's office in Beverly Hills — you know, here's a twenty-something-year-old analyst, and Barron's running the company his father has started. And Barron would sit there and he'd have all the books, and we'd talk about the individual hotel properties. And then we'd spend a lot of time talking about football, because he owned the San Diego Chargers. And I was very close to the Patriots, because one of my roommate's father had been an original owner of the Patriots. This is the Boston, now New England Patriots. So sports keeps coming back here. And George Sargent was one of the original owners, along with a guy named Billy Sullivan. Billy Sullivan had been a good friend of my dad's when my dad was working in the sports office at Harvard, and so I had gotten to know Billy over the years. But I went to the first Patriots ever played, with Lee. And Lee's father died when we were sophomores. And his mother — I became very close to his mother, who took over the ownership position, and to this day I'm still a Patriots fan. And I don't know Robert Kraft well, but I've gotten to know him a little bit over the years. And it's a great organization. So once again, sports keeps creeping into what I'm—

CK: *I see. But served you well, in a way.*

TS: Well, it did. It taught me—

CK: *In an interesting way.*

TS: Well, it exposed me to a lot of people. And the summer I spent in Miami was very

illuminating. And it did tell me that there weren't enough real opportunities. I got to know John Quinn, who was one of the real old pros at the time, who was the general manager of the Phillies. And I spent some time with him. After I came back from Miami, I went up and spent some time with him in Philadelphia. But I've been very fortunate to be exposed to some very bright and in many respects very caring people. But Hoagland certainly — Harry Hoagland is certainly someone to whom I owe a lot.

CK: *What else do you need to be good venture capitalist?*

TS: Well, I think you need people skills. And I think, frankly, the skills that I learned and honed as a venture capitalist served me well when I became a diplomat. You've got to be able to work with people and get things done. Ronald Reagan used to have a wonderful sign sitting on his desk which said, "It's amazing what you can accomplish when you don't worry about who gets credit." That's not exact, but that's the essence of it. And I think it's a lesson that I learned, although George Shultz is the one that I've heard a lot about Reagan from. But I figured out early on that to get things done, you don't want to worry about who's going to get credit for it. You're much better off getting someone to believe that your ideas are their ideas. I enjoyed the process of being a board member. I'm not a technologist. Don't have a lot of interest in technology. Served on the board of a number of technology companies. But it was really much more interesting how you get things done. How you make management teams work. How you get chief executives to do what you think they ought to do, and how you move those companies along. And probably the reason that I drifted away from the business starting eight or ten years ago was that I got

tired of doing that and I wanted some different challenges. And I developed some different interests.

CK: *So you were at Fidelity for twenty-one years. And I'm wondering what you were learning about yourself. Because as you said, you went in there not really knowing what you wanted to do. And all of a sudden you're becoming a venture capitalist.*

TS: Well, and I think in some respects it's happenstance. In some respects, well, it's being in the right place at the right time. Being exposed, I mean, I liked Fidelity as a company. When I joined the company, it was a relatively small company. It had some really classy people. A guy named Bill Burns, who was president of the company at the time, was a guy I really related well to and continued a relationship with. I'm not sure whether Bill's still living. I haven't seen him in a long time now. But it was an up-and-coming organization. My relationship was with Ned's father. He used to include me in a lot of lunches that exposed me to people. I got to meet Alan Greenspan, for instance. Alan was a consultant to Fidelity. And he'd come in for lunch with Mr. Johnson. Ken Olson, who ran DEC, would come in. So I have had a lot of people who've been gracious enough to provide me exposure to a lot of bright and able people. I've been able to sit and listen and learn a lot from listening. But I think that process of trying to make companies work — not because I had brilliant insight either into the technology or necessarily into the markets — I was always very much a people investor.

CK: *So would you say you were more and more aware of what your skills were in some way as you're going through this?*

TS: I don't know that I thought of it in that way. It seemed to me the way to get things — that the basic objective was to make companies work. We were not investing in start-ups at Fidelity in those days. Nor was Greylock. We did a lot of co-investing. And you didn't really need to. When we started in '69, there weren't a whole lot of folks in the business. When I got on an airplane and sat down next to somebody and they asked me what I did for a living, I never hesitated between telling them I was a venture capitalist and then going on to explain to them what that meant. This was well before Art Rock was on the cover of *Time* magazine, which is about the time the venture capital business really became something that other than those in it were aware of. I started coming out here in '69. And Sequoia didn't exist.

CK: *Mayfield was—*

TS: I'd call on Tommy and Wally Davis. And I'd call on Bill Draper and Paul Wythes at Sutter Hill. Pitch Johnson was asset management. Gene Kleiner, he and Tom Perkins were just starting. I never really developed a relationship with Tom, but I got to know Gene pretty well. And they were some really good guys. But that was just about it.

CK: *So you said when you would partner with people, who would Fidelity partner with?*

TS: Well, we did a lot of partnering with Greylock. And Charlie and I sat on a bunch of boards together. I think we had some co-investments with Sutter Hill, but I don't remember ever

...serving on a board with Bill or Paul, or Kleiner Perkins. Part of it was because we weren't always taking board seats, because many of the companies— Rohm, for instance, which was an early telecom company, was a very successful investment, but we actually took out a Saudi investor early on. And I used to spend time, but wasn't on the board. Burt McMurtry was on the board. This was in '73 or '74. Burt's still a good friend. I got to know all those guys. When Sequoia started, I started partnering with them. In fact, I ended up here because I'd been on several boards with Don Valentine and a board with Gordon Russell. And we'd gotten to know each other. And at the point in time when I left Fidelity, I thought I was going to start my own firm out here, and ran into Don at the twenty-fifth anniversary party for Sutter Hill. And Don heard I was leaving and asked if I had any interest in thinking about joining him here. And so...

CK: *Why were you leaving Fidelity?*

TS: Ned Johnson had never really liked— Harry had retired. Sam had gone off to run Cabot Corp. And Ned had used the market downturn as an excuse to change the way the deal and the way the venture operation at Fidelity was going to be conducted. And so we basically agreed that that was always his prerogative. We had a partnership, but it was not a partnership with a bunch of outside investors. We had simply a single limited partner who, when Mr. Johnson had died, became Ned, in essence the parent company. And Ned had never really been involved in the arrangement that Harry set up with Mr. Johnson, Sr., never was entirely comfortable, wanted to do things his way. We always understood that was his

prerogative and that if that were the case then he should go do that.

CK: *So the one thing I was wondering about your law school training, did that help in any way with what you were doing?*

TS: Yes. Yes. In many respects, I would say the course content of law school in many respects was more helpful to me in venture capital than the course content from business school. Now by the time I got to law school, I had a different attitude. In the sense that I knew enough to know what I didn't know and had some purpose. And so I took courses — SEC regulation, tax law, business law, and so forth — and I was working by then in the business world at Fidelity. And so I saw what in law school would be of value to me and I focused on that and frankly got a lot more out of the course content. And so, yes. Law school wasn't terribly difficult for me, because the most difficult transition for most people is to learn how to operate under the case method of study. And Harvard Business School was totally taught on the case method when I was there, so I already understood what the case method was all about and didn't have to go through that battle in law school. And so I never became a part of Boston College Law School. I lived in Alston with a guy I'd gone to Harvard Business School with, who was working in the investment business. And I was coaching football, and I was working at Fidelity in the summers and showing up at Fidelity occasionally during the year. So I was really a part-time law student. Never became engaged in the campus and the activities at all, but was very interested in taking the courses I wanted to take, and had a lot more purpose in them, and they served me well. And in the business world — and I had anticipated this — you can't get away from legal issues. And

one of the greatest virtues of my law school background was that the lawyers figured out pretty quickly they couldn't BS me, that I understood what was going on and would get to the heart of the matters and know how to proceed. So it was very valuable. I never regret it. I did take and pass the bar exam in Massachusetts when I graduated, just because if I was ever going to do it, you never know. It was kind of an insurance policy, if I wanted to go back and practice law. But I never really intended to practice law and never did.

CK: *So during the time at Fidelity, it sounds like you were building up a network of contacts that might be helpful to you as you. I could assume that.*

TS: Well, I became very friendly with the early guys in the venture business. I became an honorary member of WAVC, the Western Venture Capital Association, and used to attend a lot of the meetings. And to this day a lot of those guys are — Bill Draper, Paul Wythes, who just passed away. Pitch Johnson's a good friend. Burt McMurtry's a good friend. I never really got to know Art Rock at all. He's kind of a different sort of character. But Dick Kramlich, who was at NEA. Had Dick been at Alex.Brown? Frank Bonsal was the guy who I really knew well. And I think Newhall, because Bonsal was involved in starting NEA. But I can't remember whether either of them would have been at Alex Brown. But I think so.

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CK: *They were Alex.Brown. You're right. That's true. But you haven't said — oh, you said why you were leaving Fidelity and then joining Sequoia.*

TS: Well, part of it, Don and I had gotten to know each other pretty well on the board of Atari, which was a really fascinating company and unusual set of characters.

CK: *In what way?*

TS: Oh, Nolan Bushnell is kind of a legend in the valley in terms of being an interesting character and he started the— That was the first video game, Atari video game, and really has led to a lot of what transpired in the valley. But a really different sort of character. And Don and I found we had common perspective on how to manage Nolan and the cast of characters at Atari. But Don and I got along well. And apparently I must have impressed him in some way, because he went out of his way to come see if I had an interest in joining him. And I said earlier that most of the investing that we did at Fidelity was later stage. And Greylock was doing exactly the same thing. There wasn't a lot of need to take the early-stage risk at that point in time because there was no—

CK: *Not much going on in the garages. (laughs)*

TS: There wasn't a lot of competition. And you could make a lot of very attractive investments in companies that were already off the ground and developed their product or service and demonstrated some ability to sell their product or service, generated some revenue, and in many instances already demonstrated some ability to be profitable. And so Don and the

guys here — Gordon Russell and Pierre Lamond — had decided to start a later-stage venture capital fund in '85 or '86. And they were struggling a bit with it. And Don thought that it would be something that my background at Fidelity would lend itself well to. So I really came on board and took principal responsibility for trying to put that fund in shape and make it successful.

CK: *Okay. If we could just stop and if you could just tell me a memorable story of an investment that you were involved in, whether it was successful or not, but a challenge that demonstrates the process of venture capital. Two of the companies that come up are Medicode and TheraSense. I don't know if those are the two that would come to your mind in terms of something you were involved in that might have kept you up at night. (laughs)*

TS: Well, Medicode was a really interesting. Medicode was a very interesting company.

CK: *So I could help you by saying, what are you looking for when you vet a company? Before you decide to make that investment.*

TS: Well I would say that, particularly at Fidelity, a lot of what we were looking for were companies that had gotten off the ground in some more innovative area, where they demonstrated some initial ability to do it successfully. But then people — I've always been a people investor. I would say one of the things that I became more appreciative of when I came here was the extent to which markets are important, particularly in earlier-stage investing. And Don was very much a markets guy. Not that I had avoided or ignored markets. But it probably caused me to pay more attention earlier on in the stage of

researching a company or analyzing a company to make sure we understood what the market opportunities were. And in many instances, those were very difficult. If you go back to when Sequoia invested in Cisco, who the hell knew what a router was? Here you had a couple of crazy characters from Stanford. And this was an investment made before I came here. But when we got to Yahoo!, we didn't have any idea what the hell Yahoo! was all about. And it was kind of a leap of faith. By the time we got to Google, obviously one of our better-known, we had enough— Having been through Yahoo! we had a much better sense of what Google was and might become. I can't tell you we saw what — anymore than we did in Yahoo! — what it was really going to become. But you have to try and figure out where those market opportunities are. But Medicode was interesting in part because of the character who ran it, or who we brought in to run it. When I got there, the guy who was running the company was a lot more scatterbrained than I had realized. And we did a search, and we brought in a guy named Gene Cattarina, who was a tough kid from Brooklyn. I don't remember where he was at the time. But ultimately I made the decision to hire him.

CK: *So you had to fire the former —*

TS: Yeah. I don't remember all the ins and outs of that. And frankly I don't remember who all else was on the board. There were a couple other venture capitalists on the board. But I was kind of the lead, or became — inserted myself as the lead investor to make some of the decisions. And Gene was a guy who had demonstrated some ability in his prior jobs as an operating guy. He wasn't a strategist or a theoretician at all. But he was a guy who

demonstrated in his tough Brooklyn way the ability to get things done, and we became a very good team at Medicode. He did a terrific job. We sold it to United Healthcare, made a lot of money, and backed him in two additional companies.

CK: *How did you find him?*

TS: Through a search firm. And I don't remember the details now. And Gene still surfaces every now and then. He briefly got involved in a company a couple of years ago. And I hadn't kept in touch with him in a while. And one of the partners here at Sequoia got interested in something he was interested in, and so I intervened to see if we couldn't get a piece of it. And just as we were about to do that, the company got sold. So it was a little late. But Gene keeps bouncing around. But we were talking about Atari earlier. Somebody who had just recently interviewed Don for something was telling me that he had recalled this story when he was doing an interview or a book or something, of showing up one day at Atari for a meeting with Nolan and a guy named Joe — what was his last name? Joe Keenan or something like that, who was the president. Kind of a character, but a little more disciplined than Nolan. And I walk in, and there are the four senior officers of Atari, stark naked in a hot tub, having a meeting. (laughs) And so we sat around the outside and had the meeting. I showed up probably in an East Coast suit.

CK: *I was going say, this is a good answer to the question, "What's the difference between the East Coast and West Coast culture?" (laughs)*

TS: Well, we eventually sold the company to Time Warner. And it was the first time I think I'd ever been on a private jet. The guy who was running Warner sent his jet out and so Valentine and I and Nolan and Joe, whatever his last name was— They had a lot of Chateau Lafite Rothschild red wine on board. And they'd ordered up some pizza for us. And so the four of us flew across the country drinking Chateau Lafite Rothschild wine, eating pizza, and playing bridge. And Don and I had never played bridge together before. I don't think we've ever played bridge together since. But we played then, and we ended up winning — I don't remember what the stakes were — but trouncing them by playing very conservative, defensive bridge, while they, as they increasingly imbibed the wine, got more and more aggressive. They had all the cards and we had no cards, but played tough defensive, conservative bridge, and ended up winning. And it ended up being a very successful investment. Warner paid us a nice price for it.

CK: *So at Sequoia, what is the structure here? Like, when you came in, what's the structure or philosophy of Sequoia? How does it function as a partner?*

TS: Well, Don founded the firm in '74, I think. Did not put his name, intentionally did not put his name on the door. He came out of the semiconductor industry, brought a couple of guys who'd been with him at Fairchild and National, Gordon Russell and Pierre Lamond. And early on there was one other younger fellow named Walter Baumgartner, who was here, who left not long after I joined the firm. And a young fellow named Mike Moritz had just joined. Don had brought him in from *Time Magazine*, where he was a writer. And they had just begun discussions with another young guy who I had offered a job at Fidelity named

Doug Leone. I'd offered him a summer internship at Fidelity and I thought he had accepted it, and then he changed his mind and went somewhere else. Not here at that point, but he was talking to Sequoia. And I think he was a little worried that I might blackball him when I came on, having not appreciated the way he'd dealt with the interview or the situation at Fidelity, but not the case. So it was— And there were maybe a half a dozen other people of various capacities as associates or— Basically I don't think we even had any other associates. Mike was an associate, and Doug came in as an associate. And there were three or four ladies that were admins. The back office was run by Capital Group, which had raised the initial fund for Don. Sequoia Capital I was a \$5 million fund that Capital raised from some of its clients. So by the time I got here, I guess we were— Don was on Sequoia Capital II, just transitioning to III, and had raised this growth fund.

CK: *And did you come in as a partner?*

TS: I came in as a partner. Yeah.

CK: *And was it just all equal partnerships?*

TS: No, it wasn't equal. But Don deserves an enormous amount of credit for the fact that Sequoia has been perpetuated in an incredibly successful fashion, where a lot of the other earlier firms, particularly out here, have struggled.

CK: *Is there a particular philosophy at Sequoia? What is it?*

TS: Well, it's a culture where those that are really doing the work need to have the interest. And so Don, unlike some other firms, very willingly gave away significant participation in the carried interest to others. And that has continued to be done over the years. The culture here was never one of friendship, or social interaction. Very little social interaction outside the office among the partners. It was work hard, be aggressive, be competitive, and focus on getting the job done. And it's worked. There's been transition. I'm basically ten years younger than Don and Gordon and Pierre. The guys running the firm today are basically ten years younger than me. And so I in some respects was an interim solution for management of the firm while Don and Gordon and Pierre were starting to think about winding down, and while Mike and Doug were coming along. But there's always been a very smooth transition and continuity of ownership, and the willingness to pass along the carried interest. And it's been very much run as a partnership and never managed as Valentine and Associates or the Kleiner Perkins Caufield & Byers, Mayfield. Never the same kind of association with the individuals that some of the other firms have had.

CK: *Do you have weekly meetings?*

TS: There's a partners' meeting every Monday morning. I haven't been to a partners' meeting in years. And Don's no longer a California resident. But he keeps an office here. When he's here, he goes to the partners' meeting and probably has stayed more engaged over the years. But Don's eighty-two or so now. He's playing a lot of golf and enjoying life. I'm here, I think, because it's a great platform for me to do the things I'm doing today. And I think Sequoia — the guys running the firm today see some benefit in continued association with

me, because of the network of relationships and involvements that I have today. But I haven't really been involved since well before I left to join the State Department in what's going on today. And I had gotten to the point where I'd done it and was more interested in doing other things.

CK: *So this structure that was set up, has anything changed in Sequoia in terms of from the time you came in?*

TS: Oh, dramatic change. When I joined the firm, first of all there were eight or ten people in the firm, and now there are probably a hundred in this office. But we were primarily an early-stage West Coast venture capitalist. The growth fund that I spent a lot of my time on was a change. But in those days, we used to invest primarily in contiguous zip codes and area codes. And so when we talked about "back East," kind of laughingly, that meant the East Bay. Not the Midwest or the East Coast. So this was very much a West Coast-focused firm. And with the growth fund I started — and my background — I spent time investing in companies, or encouraging us to invest in companies in other parts of the country. And we did that. But even to this day, a large portion, the great majority of our early-stage U.S. investments are on the West Coast. And an awful lot of them still in Silicon Valley and the greater Bay Area, so that's certainly not a change. But today, when you think about where this firm is involved today, we've got offices — we've got an Israeli fund that we started when I was still actively involved. But since I've wound down, we're now in India, we're in China, we're doing some things in South America. We've got major offices in Beijing and

Mumbai, and Tel Aviv. It's now a worldwide organization. We've got a fund of funds that is kind of a product for family offices and small foundations that invests in a cross-section of asset classes. We've got what amounts to a hedge fund that was started internally and has a few outside investors now. So the guys running the firm today decided that if Sequoia was going to continue to be an important player in the world of private investment, that we had to have a broader agenda than what we had when Don started and what we'd operated in for many years while I was actively engaged. So very different firm today.

CK: *So has the basic philosophy changed in any way? Or the structure, as you've expanded?*

TS: Well, the structure has changed, depending on how you want to define "structure." But with offices now around the world, we've got an incredible proliferation of funds, but we've got management teams in other parts of the world that have to have a lot of autonomy and authority and responsibility. Now in each case of these offices elsewhere, one of the senior operating partners today has that as a principal responsibility for him. And so somebody's back and forth, one of the senior guys to Mumbai or Beijing with significant frequency. When I was in Beijing a couple years ago, I spent time with a few of the folks there. But it's not easy. It's been some trial and error. There have been some missteps and having to restart, move to some different players in some of these positions. So it's an entirely different management and investment set of challenges today.

CK: *Is there more tension?*

TS: I'm not in a position to know, frankly. I'm really not engaged in the decision-making

process today, or with the investment program and activities. I think it's certainly more of a challenge. But I can't really speak to the tension issues.

CK: *And in terms of your earlier years here, Sequoia went outside to partner with other VC firms. Are there certain firms— You had said at Fidelity you would partner with Greylock. Is there a little network?*

TS: Well, some things changed. And one of the things that changed over that period of twenty or twenty-five years was that everybody had a lot more money to invest. In the '70s and into the early '80s, but particularly the '70s, most of us didn't have a lot of money. And so we were much more cooperative than we were competitive, in many respects. And so if one of us found an interesting investment, we would frequently go to one of our close investment friends. At Fidelity that was almost always Greylock, and vice versa. And it's very helpful to have a good partner in things, and Fidelity and Greylock had a long history going back to the ARD days. And close relationships. And so I served on a bunch of boards with Charlie Waite, I served on some boards with Henry McCance, I served on a board with Howard Cox, who came to Greylock not too long after Henry and I joined Greylock and Fidelity, respectively. So I don't think I've ever— I know I never did, and certainly never will, experience the same kind of closeness to a firm that I did with Greylock.

CK: *So you didn't have that at Sequoia in the '80s?*

TS: No.

CK: *By the '80s it was—*

TS: By then, you know, it was more because we both got to something and the firm wanted more, or in some instances there was more money than we wanted to invest. But with everybody having a lot more pressure to put more money to work, most of the partnerships ended up, not because really you wanted or needed a partner to fill out a deal, but because somebody else had discovered the company as well and the company wanted the other firm as well as us. That may be a little overstated. But by and large, what changed was the amount of money under management and the great proliferation. Heck, in the early '70s, there weren't more than a dozen— I mean, I could give you the names of the dozen firms around the country, most of them in Boston — well, in addition to the ones in Boston, most of which came out of ARD. You had Venrock and Bessemer and J.H. Whitney in New York. You had Davis & Rock and the predecessor to Sutter Hill to out here. And you had — What's the guy's name from Chicago? Senior moment.

CK: *Heizer?*

TS: Yeah. Ned Heizer. And David Morgenthaler in Cleveland, and actually I've spent quite a bit of time with David in the last year or so. In fact, I've gotten him involved at Hoover.

CK: *He's out here now, isn't he?*

TS: Yeah. He's living down Sand Hill Road at what they call the V, which is the Hyatt residency program. David's very interested in being reflective. In fact, I just saw him at a meeting, I guess it was something at Hoover the other day. And he wanted to have lunch again to talk about the old days. He's doing some reflecting and maybe a little written work on his life in the venture world. In fact, you're welcome to tell him I suggested you talk to him. But David has got plenty of time on his hands and would love to have you come over and meet with him at the V and talk about the old days.

CK: *When you were involved in these early start-ups, how emotionally involved did you get? How involved did you get with the entrepreneur?*

TS: Well, rarely intimately. I'm a fairly reserved person, and I tend to keep relationships at sort of arm's length, rather than get involved in a lot of personal kinds of issues and discussions. So a guy like Gene Cattarina, who I was involved with in multiple companies, I got to know him fairly well. And something about his family and so forth. But, no, I tend to operate with people in—

CK: *But these companies — Did you worry about the company? Did it keep you up at night?*

TS: No.

CK: *No? You didn't get any middle-of-the-night calls that —*

TS: Oh, yeah, sure. That happens occasionally. But, no.

CK: *Especially because you've also done health care, where maybe there's a trial—*

TS: I've done a little bit of everything. I frequently have described myself as a jack of all trades and a master of absolutely none. But the other thing I said to you earlier is that my interest has always been in the process, how you build companies. It hasn't been as much in what they do. And I'm not a technology person. I don't have a great grasp or, frankly, interest in technology for technology's sake. I was interested in how you turned whatever was there, with good people, into something that was successful.

CK: *So you're looking at management.*

TS: Yeah.

CK: *What's more important: the management or the technology?*

TS: Well, I'd say one of the things I learned — I said this earlier — from Don, frankly, was the extent to which ability to figure out the market opportunity was important. Now, if the market opportunity is sufficiently large or likely to become sufficiently large, then you've got to make sure that the technology can succeed and compete effectively in that marketplace. So there are really three pieces of success in any puzzle. One's the people, two's the market, and three's the product or service, which may be technology, may be concept. A lot of that comes to implementation.

CK: *So how do you foresee this? How do you look around the corner and see that this is going to be something that's needed, that there's a market for it in the future?*

TS: Well, with difficulty. And you talk to a broad cross-section of people who have some perspective and expertise. We try and do— Both at Fidelity and here we've always tried to do a lot of due diligence. To go talk to a bunch of folks and see what you can learn. And then if all that sorts out— I mean, frequently I would try and kill something, prove to myself that it isn't going to work. Look at the negatives first. And if you can get by the negatives, it suggests that maybe you've got something there that's really worth investigating. Now, that's not probably an approach universally followed.

CK: *Where do you think that comes from, that kind of perspective? Is this something that you learned in—*

TS: I don't know. It just kind of conceptually emerged. If you look at something and figure out what the greatest hurdle is that it may face, and you can see how it can get over that hurdle, then that gives you a lot more confidence that there may be a real opportunity to make some money.

CK: *What do you think is giving you your confidence, just in doing this work?*

TS: I don't know. I guess I am a person with self-confidence. And I think probably a lot of that goes back to my days in athletics, where I was fortunate enough to have some ability and was successful, by and large, in the things I did. And I was very fortunate to be successful enough academically to have a reasonable record. So I've never suffered from a lack of confidence in my ability to try and figure things out and understand them. Doesn't mean I

haven't failed plenty of times. But it wasn't because I didn't believe that I had the ability to go try and figure something out.

CK: *One thing you have mentioned several times, about being on boards. And I'm curious to know how much time board membership takes. Especially when you're ramping up or you're just getting involved. I know I'm asking you to look back.*

TS: A lot. And I think the most boards I was ever on at the same time was seven or eight, maybe nine, very briefly. But there would usually be two or three boards that would consume the bulk of your time. And I really loved the process of working as a board member and trying to get, in most instances, highly egotistical entrepreneurs to conclude that my ideas were their ideas, so they'd do what I wanted them to do.

CK: *So you'd say that 50 percent of your time was taken up with board work?*

TS: Yeah. Yeah.

CK: *Is that underestimating or is that about right?*

TS: I mean, I'm sure it went up and down, but that's probably relatively equal division of time between working on the companies you're already involved with and working on new prospective investments. And sometimes you're responsive— Sometimes I'd get engaged with companies even if I wasn't on the board of them, if there was a way that I could be helpful or I saw something that might provide an opportunity for the company. But the bulk of your time is spent on the companies where you're on the board, particularly those

where you're the lead investor and kind of are the person responsible for managing the CEO of the company. And it usually ends up that somebody, regardless of what the respective interest may be, there's usually somebody that ends up as being the principal person responsible for the CEO. And that's really what you're doing, is trying to either manage them or bring them along. As I became more experienced in the business, I probably transitioned from just trying to cope with them, to trying to help bring them along as senior executives. It's a real challenge. And that was part of the fun, was the challenge.

CK: *Can you give me an example? Is there anything that comes to mind that just kind of emphasizes this?*

TS: Well, really bright people who lack self-confidence and ability are unlikely to start companies. And even if they do, they're unlikely to get through the screen where good venture capitalists are going to want to invest in them. So you spend a lot of time trying to deal with these egos and personalities. I remember I was up in Canada on the board of a dotcom company during the boom. And a young guy who had run successfully a portfolio company of ours, who was Canadian, had sold the company, and he was hanging out here as an entrepreneur-in-residence. And we put him on the board with me. And the guy who ran this company had a huge ego and his way of doing things. And I remember we were riding to the board meeting at the company — we'd flown up together. And maybe it was when we were coming — it was either going to or coming from. But he was commenting about how diplomatic I was in terms of dealing with a guy who had a big ego and had his

own way of doing things and who I was trying to create some behavior modification in what we were going to do. There were some other big egos involved as investors in this company that were an interesting challenge. But I'll never forget Bob saying, "You know, that was a remarkable demonstration of diplomacy in the way you handled Larry on this particular subject." And he said, "I never would have been able to do that. I would have been much more direct, and probably we would have had a big blow-up over it." Well, it wasn't something I did consciously, it was just a style that had developed over the years from how you interact effectively with people. As I said, I looked back on some of this when I ended up with the State Department, that it really did provide a foundation for me that I used, probably consciously and subconsciously, in the time I spent as a diplomat.

CK: *That's interesting. I want to get to your ambassadorship, but I wanted to know, how did things fare with Sequoia? How did you handle this boom? This bubble and burst?*

TS: Well, we didn't handle it well. I mean, we made a lot of mistakes, and I made my share of mistakes. I became upset with myself, because I grasped early on that there was a lack of substance in a lot of what was happening in the dotcom world. And I kind of got over—I let myself be overwhelmed by the enthusiasm. So I made my share of mistakes, and Sequoia made their share of mistakes. We paid a big price for it in a couple of funds, and I'm proud of the way Sequoia has worked its way back and made the investors whole. And one of the reasons that raising money for us is an allocation process, rather than a fundraising process is because we have made sure we delivered for our investors. And we have recovered — no investor's ever lost money at Sequoia. Every investor has made

money in every fund we've ever raised, including the funds that suffered the most from the dotcom days. And that's something that I think we all take pride in. And it took some hard work. And it took some accommodating on our part to make sure we put some later-stage good things into this fund — these funds, there were a couple of them — to make sure that our investors came out whole. And I think if you talk to the investor community that we've been involved, which is primarily foundations and endowments, that one of the reasons they continue to be dying to put as much money into our funds as we'll let them is because we have stuck to making sure they were well served.

CK: *So did you adapt any new strategy in subsequent years, reflecting on that area?*

TS: Oh, I think we've reminded ourselves we got carried away here or there before, and tried to make sure that we didn't let it happen again. I mean, it will certainly happen, we're going to continue to make some mistakes. But the record of this firm has been as good or better than anybody in the business, if you look at the last twenty years. And I'm not taking credit for particularly the last ten years. The transition as we've gone in and done other things well in addition to our historical operations. And I give Don a lot of the credit for laying the foundation for transition. And this firm has transitioned far better than any other firm that I'm aware of. And that is largely a function of how the founder decides to conduct himself and treat things.

REFLECTIONS

CK: *Thank you. It's important to hear that. What makes a company a venerable company and not one that's not going to be here in ten years. So do you see venture capital — I just want to reflect a little bit on venture capital — as a romantic quest in any way? Or was there some romance in the industry?*

TS: My guess is for some. That was not me. But certainly for some, the ability to do new things. I think probably some of those who have done more biotech investing had important motivation to make medical discoveries and improve the state of the world, better health care and so forth. But that wasn't something that ever motivated me and I don't think any of the folks here that I've worked with or the folks that I was fortunate enough to work with at Fidelity. I've been very fortunate to work with and for two great organizations over the years and been fortunate to have both seen and participated in and benefited from an incredible period in the venture business.

CK: *Did you ever stop and think you'd enjoy something else or been successful in some other area?*

TS: I didn't really think a lot about it. But as I became — bored may be the wrong word, but I had gotten to the point where not having the fascination with technology or the businesses itself, I basically had kind of been there and done that in terms of the process of working with companies and trying to build management teams and create a program for success within the company. So when I started to get interested in politics and policy, it was a new

arena for me and one that, again, I happened to be in the right place at the right time.

U.S.AMBASSADOR PORTUGAL 2007-2009

CK: *So tell me about that. You were appointed ambassador to Portuguese Republic in 2007?*

TS: Yeah. But what really had happened was that I had had the good fortune to meet W in 1998 or 1999. George W. Bush. Bush-43. One of his best friends is one of my best friends, and so I had gotten to know him through this fellow who was a classmate of mine at Harvard Business School, who has gone on to be very successful in the investment business as well. But he stepped in to play a very, very major role in the initial Bush campaign and particularly the fundraising and pulled me into it. And so I got to know W. He came and spent the night with us. He and Brad came and spend the night with us in, I don't know, 1999, maybe. And it was kind of an evening we'll never forget. My wife had to scramble. Brad had called and said, "Look, can I bring W to spend the night?" And the guest room was a mess. And so she had about three weeks to transition it to something that was fit for a president-to-be and she did a remarkable job. And our son was, I don't know, five or six years old at the time. And he will never forget it. But we had a wonderful time with him. And just somebody that I immediately warmed up to. And I remember the first time I ever met him. He looked at the tie I had on, which was some sort of Harvard tie, and he said, "You know, I went to Harvard." I said, "Oh, I didn't know that." He said, "I went to Harvard Business School."

But I went down and spent some time with him in Austin. And I got to know the whole cast

of characters. And right after he was elected in 2000, one of the guys I'd worked with here in California on the campaign and I were asked by Karl Rove — I assume that name rings a bell — on behalf of W to go get involved in trying to fix the Republican Party in California. And basically Karl and W had concluded that we either had to fix the Republican Party in California or we had to just forget about it. And so the decision was made to try and fix it, and that was the assignment for Gerry Parsky and me. And we went off, took control of the board, and actually made some very substantial headway. Got the thing turned around, reduced the registration deficit from about 13 percent to 8 percent, put a rag in the mouth of the far right of the Republican Party, who had controlled the party. And we kind of took it over. And it was an interesting learning experience. Laid the groundwork for a guy named Duf Sundheim to come in later on and be the chairman of the party. And we did that up until the reelection. Once we got him reelected, then Gerry and I retired from that, but that got me heavily engaged.

I was the finance chairman of the party, Gerry was chairman of the executive committee. But it really engaged us in the process in California. And Sam Bodman, my long-time friend and partner, was brought in by Don Evans, who was Bush's great buddy from Midland, when Don became head of the Commerce Department. He and Sam had gotten to know each other from the oil and gas business in Texas. He brought Sam in to run the Commerce Department as the deputy, because he knew his job was going to be not to run the Commerce Department, but to do whatever his buddy the president needed him to do in terms of running around the world and helping implement his relationships and policies. So

I got to see something of the Commerce Department, used to spend time with Sam. Sam then went over to the Treasury Department as the deputy after three years. So I got to...and John Taylor from Hoover was the undersecretary for international. And so I became involved in what was going on, got some insight as to what was going on at Treasury, spent some time there. I had gotten engaged with Hoover in the — I don't know, sometime in the mid-to-late '90s — so I was already interested in policy. I'd also gotten to know Shultz early on.

CK: *How did you meet him?*

TS: Well, we had met a couple of times through some political events. But we really got to know each other as the exploratory committee was being formed for W in '99. George and Condi Rice, who I had gotten to know through Hoover, were both on the exploratory committee, and I was asked to fly them down to Austin for the exploratory committee meeting and exercises. And unfortunately my wife got violently sick the night before, but George and Charlotte, his wife, and Condi and I flew down together. And it was an illuminating day. And the first thing Condi said to George, "Well, we were each supposed to talk for five minutes." George said, "Well, no, I didn't know that." So he said, "Give me a minute." He went back to the restroom, came back in typical Shultz fashion, and proceeded to give five minutes or ten minutes of brilliant ground-laying. And so then when we came back, and it was actually the first time I really spent any time with Charlotte. We went and had lunch at the governor's mansion, and then Condi and George went off with the

group. And Charlotte and I kind of ended up together for the day and got to know each other a lot better. And on the way back, George and Condi decided they were going to go around the world and figure out what W's foreign policy positions should be going into the campaign. And unfortunately I didn't take notes, but it was the most fascinating world political history and policy exposé I'd ever been privileged to listen to.

And so that was really where it started. And then Shultz and I discovered a couple years later — it was during the Gray Davis regime — that we both had an interest in energy, and so he invited me over to lunch to talk about it. And this was when the California electricity crisis occurred and so George and I ended up getting a guy named Jim Sweeney to write a book on it, who was a Stanford and Hoover guy. My wife and I helped fund that action. And then George and I just became more and more engaged in energy together. Condi at this point had gone off to Washington to be the national security advisor. But Barbara and I had set up a chair for her at Hoover some years before. And we'd been good friends with her for a long time. And so I had incredible access to the Bush administration in the early years. And then (laughs) the path to diplomacy was kind of an interesting story. We were — the Shultzes and the Stephensons had all been invited to a surprise birthday party for Condi at the British Embassy residence in Washington. Condi had become good friends with the British ambassador, so he became the focal point for a surprise fiftieth birthday party. And it was, as you can imagine, quite a show. Oscar de la Renta, the designer guy— Condi didn't know until she walked in. She thought she was coming for a quick drink with her buddy, the ambassador, and going on to a dinner with a couple of friends. And so there

we all are on the stairs. I don't know, there were probably 100 or 150 of us, with "surprise."

And so they had Oscar, what is his name?

CK: *Oscar de la Renta.*

TS: De la Renta had designed a special dress for Condi. And somebody had shown up with appropriate jewelry. And so she was whisked away for the dressing and coiffing and whatever women do when they're getting prepared for a major event in their honor. And we went off to start the social hour. Well, and I got visiting with W. And he'd just been reelected, and so all the transitions are starting to take place. And I chose to lobby him aggressively to choose Sam as his secretary of energy. Perfect background and experience and so forth. So anyhow, to fast forward, we're coming back, the Shultzes are flying back with us. And George turns to me and he says, "Tom, have you ever thought about public service?" And I said, "George, you know, I really haven't." He said, "Well, why don't you go be the secretary of energy?" And I said, "Well, George, first of all, I'm not sure what my credentials are to be secretary of energy, other than a great interest in it and a lot of time and effort with you on it from a policy standpoint. But a lot more importantly, I just got through aggressively campaigning last night with the president to choose somebody who really is qualified." He said, "Well, then what about being an ambassador?" And I said, "Well, George, I've always had this perception that there are two classes of ambassadors, the pros and the amateurs, and that nobody listens to the amateurs." Meaning the political appointees. He said, "Well, you're absolutely wrong about that." He said, "Some of the

ambassadors that I relied most heavily on when I was secretary of state were the political appointees, for two reasons. One, most of them had been very successful in the business world, or certainly had been successful in whatever they had done, or they wouldn't have been involved in the fashion that they were with the president." And he said, "Secondly, they have a close relationship with the president, and so they are much more able to be effective as representatives of the president. The host government's going to know that when the ambassador speaks, he does speak for the president because he's got a close working relationship with him." And that, frankly, changed my whole perspective.

Well, by this point, I didn't realize a lot of people campaign aggressively for the ambassadorships and think if they raised a lot of money for the successful president that that entitles them to be an ambassador. We had worked hard and raised a lot of money and given a lot of money, but for one simple reason: We really liked him and thought he'd be a great president. Never occurred to us that there was prospectively a quid pro quo if you pushed for it. But by that time most of the campaigning had been done. But I thought about it. Barbara and I talked about it for a while, and I called Condi. I'd also learned that weekend that Colin was stepping down. I talked to Powell at the party, and it was clear he was stepping down. And Condi, who had told me that four years was enough, and she was coming back. I had a brief conversation with her at a party Sunday for her, given by a good friend, and it was clear that the president had talked to her about being secretary of state and that it was going to be a tough thing for her to turn down. So I called her sometime later and said, "Look, Condi, I know things have probably already pretty much been accounted

for, but if an opportunity were to come along down the road, Barbara and I would be interested in thinking about it." And so a couple of the— Karl Rove is usually the emissary of the president to do the talking about it. And Karl had called with a couple of opportunities that we just really weren't interested in. And then finally calls one day and he said, "Tom, I've got just one word. Portugal." And I said, "Well, Karl, let me talk to Barbara and call you back." And so first thing I did was call my predecessor, who I'd known a little bit from the campaigning days, to ask him about— He was coming home for some family reasons and so I talked to him a little bit about Portugal and the opportunity. Barbara and I had been in Portugal for five or six days in the mid eighties, and I really didn't know diddly about Portugal. But it clearly became apparent that it was a really attractive opportunity. And so I called Karl back and said, "We're ready to go." And off we went to charm school.

I don't think without Shultz's encouragement and that conversation that it would have ever occurred to us to do it. And it was an incredible privilege. To be able to represent your country in that kind of capacity; a wonderful country; great people. Our son was in high school at the time. It was not easy for him to pull out in tenth grade and spend two years in Portugal. He was playing basketball in high school, but he had an incredible experience playing for one of the major club teams in Portugal. That was really his entre. He went to the American International School, which was a small school with very little athletic programs. They had a basketball team, but he was so much better than anybody on the

team or anybody they played against. But I was able to figure out the club situation. And he ended up playing on multiple teams. He was sixteen at the time. He played mostly for the eighteen-year-olds and the twenty-one-year-olds. But they played all over Portugal. In fact, I was told that I've been in towns and villages in Portugal that no other U.S. ambassador has ever seen, much less visited, because I'd go and see his team play.

But the point was, it was an extraordinary family adventure. My wife — it's really a two-person job — she did an extraordinary job as what they call *embaixatriz* in Portugal. And I've continued to be involved. My successor has been very gracious in seeking my participation and counsel on a bunch of issues. I just came back from Portugal a month or so ago, where I spent a week with a group, trying to help my successor deal with issues that relate to Lajes Air Force Base in the Azores and some of the economic challenges that Portugal has today. And I've tried to keep abreast of what's going on there. And when asked, to provide whatever help I can. But it was really was an extraordinary experience.

CK: *It sounds like it. Did it change your worldview, your perspective, or even your perspective on venture capital in any way?*

TS: Well, I spent a lot of time while in Portugal trying to use my perspective from the years in venture capital to figure out how to encourage entrepreneurship and risk-taking in Portugal. And it was very discouraging that there just isn't a culture of entrepreneurship and risk-taking. Although when I was just there a month ago, I was encouraged to see that that has changed a bit over time. My successor has tried as well to encourage that. Because what

Portugal really needs is a growth engine. They will live up as best they can to the terms of the austerity program that has been partly imposed on them by the Troika, the various entities responsible for the Euro problems today and the sovereign debt issues that Portugal and a lot of the rest of southern Europe has. But it's a classic case of a socialistic economy and state that's made so much of Europe uncompetitive today and in the kind of straits that they're in. And Portugal needs to adopt more— They've done some of the labor restructuring that's required. And I'm not buying a lot of Portuguese bonds, but I'm cautiously optimistic that they're at least on the right path and hopeful for them, and whenever I'm given an opportunity to try and help, I continue to try and do so.

BEYOND VENTURE CAPITAL

CK: *Okay. So, Tom, when you're not doing all of this, you're not so involved in venture capital, you take time off, what do you like to do?*

TS: Oh, I'm an avid bird hunter, and so I do a lot of that in various places. I play golf. One of the things I learned on my priorities when I was in Portugal, I never played golf the whole time I was ambassador to Portugal. But I found ways to do some bird hunting in Portugal and elsewhere. So I am passionate about that. But I'm passionate about trying to make a difference from a policy standpoint today. And I spend a lot of time at Hoover, I spend a lot of time with Shultz, not only on this energy task force that we set up half a dozen years ago, but I've been pulled in to participate in national security and foreign policy stuff with him. A lot of his nuclear proliferation work I've gotten pulled into. I have great

relationships with a lot of the key economists at Hoover. I spend a lot of time with them, both having fun together, playing golf, and doing those kinds of things, but talking policy. And they've been gracious enough to include me. So I'm probably over at Stanford for one reason or another two or three times a week. And a lot of the traveling I do is related to the energy work that George and I are doing. And he's pulled me in. I'm on the advisory board for Stanford University on energy. I'm on an advisory board at MIT. George chairs both of those boards.

CK: *And I see for a long time you were involved with Harvard.*

TS: I was on the governing board. I've been heavily engaged at Harvard over the years and did a term on the Overseers, which was going on while I was in Portugal. The White House counsel wanted me off — and the State Department wanted me off of everything, and I got off the Conservation International board. I had to step off the Hoover board, I had to step off the SIEPR board. You name it. And when it came to the Harvard Overseers, which was an elected board, I said to Fred Fielding, the White House counsel, "Look, if you tell me I have to, I will. But I need to understand something." I said, "Why is it that when Jack Kennedy was president of the United States, he was allowed to stay on the Harvard Board of Overseers, and Al Gore, when he was vice president of the United States, was allowed to stay on the Harvard Board of Overseers, and here I'm simply a lowly ambassador and you're telling me I have to get off? I don't get that." Well, that stumped him. And so there was a compromise in which I got off of a couple of committees — let me stay on the executive committee — but I had to get off of anything to do with fundraising. I guess that

was basically the fundraising piece of it.

CK: *So you're keeping pretty busy.*

TS: My wife says, "Look, you're seventy-one years old. You're supposed to be retired." And I just am not interested in going and sitting on the beach and working on my golf game.

CK: *And you have four children.*

TS: I have four children, three from a previous marriage that are grown up.

CK: *And what are they doing?*

TS: They're basically being moms. I've got seven grandchildren. My middle daughter is passionate about making a difference in education. And she stayed away for a year and a half and then got right back. She was with Teach for America and then she's been heavily involved in starting a KIPP School over in the East Bay.

CK: *And her name is?*

TS: Cameron. She's better known as Peppie. She's the middle one. She went to Stanford. The oldest and the youngest daughters went to Harvard.

CK: *And their names are?*

TS: Tenley and Anne went to...Annie went to Harvard. And they're basically moms today, with

little ones.

CK: *And your son? His name is?*

TS: Alexander. He is going back to get his academic record in order. He had been down playing basketball at St. Edward's, a D-II school in Austin, Texas, and had too good a time and wasn't setting the world on fire academically. So he dropped out and went to work for the Romney campaign and worked there at the RNC headquarters in Washington. The RNC becomes part of the campaign when the candidate is apparent. So he worked there until Christmas and then is taking some courses at the local junior college now to get his academic record back. And then he'll be probably off to school in the fall.

CK: *Great experience.*

TS: Yeah, it was a great learning experience, and maturing experience for him. In some respects, he's grown up as an only child and he's basically lived in an adult world, and in many respects was much more adept at interacting with adults, including George Bush or Condi Rice or George Shultz or Bill Frist or whomever. He's had some incredible exposure to people in high places in the political and policy world. And yet he really hasn't had a normal childhood in terms of growing up and interacting with your peers. He got moved around. He had his senior year back at St. Francis, and he had his freshman year before two years in Portugal. In many respects, boys mature slower than girls, both academically and socially. And that was certainly true with him.

CK: *As you said, you didn't know what you wanted to do. You just had a different lifestyle.*

TS: He really enjoyed the— He worked in the research area for the campaign, and I was his chief research assistant. I'll never forget the morning he called up after the Obamacare decision came down and said, "Dad, what the heck happened now? Why did John Roberts do what he did?" And the thought that I would be giving my son a tutorial in constitutional law and the commerce clause was not something that I had readily anticipated.

CK: *Well, it certainly sounds like you've had an interesting journey.*

TS: Well, I've been very fortunate. I've been very fortunate to have been in a lot of the right places at the right time. And timing can be everything.

CK: *It's part of it. You have to be prepared to take advantage of that.*

TS: Yeah. But there's no question that I've had a lot of good fortune.

CK: *Yeah. And not be afraid to walk through that open door. Well, thank you. Thank you very much. I really enjoyed this time.*

TS: I hope you achieved what you've set out to.

CK: *Yeah. I just wanted to hear your story.*

TS: Well, my guess is you've heard a different story. I'm not near as totally dedicated and wrapped up and involved in the venture process as no doubt some that you have talked to.

CK: *Well, everybody has a different path. I think that your experience was indeed interesting and instructive as to the variety of ways to be a venture capitalist. You don't have to be up all night worrying. And there are a variety of things that you can be doing afterwards.*

TS: Well, I have no regrets on the paths that have opened for me. And I feel very fortunate.

CK: *You were in venture capital a long time — forty-some years.*

TS: Yeah.

CK: *So, again, thank you for your time. It was nice meeting you. And thank you for Harvard.*

TS: You're welcome.