



Oral History with Charles L. Lea, Jr.

NVCA Oral History Collection

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National Venture Capital Association
Venture Capital Oral History Project
Funded by
Charles W. Newhall III

Charles L. Lea, Jr.

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 2% of US GDP and was responsible for 10.4 million American jobs and 2.3 trillion in sales. These figures, while significant, greatly understate the collective accomplishments of the venture capital industry.

I'm pleased to have supported this project, which I believe will advance the understanding of the venture capital industry. This collection, along with Paul Bancroft's Bay Area oral history project at the Bancroft Library at the University of California, Berkeley, and Paul Holland's Silicon Valley project for the Western Association of Venture Capitalists, will add significantly to a growing body of venture capital memoirs available to the public sector.

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

Charles W. Newhall III

Fall 2009

VENTURE CAPITAL GREATS



A Conversation with Charles L. Lea Jr.

Charles Lea began his career as a financial statistician with W.R. Grace & Co in 1952. Within a year, he had joined Bessemer Securities as a security analyst. In 1961, Charlie became a partner at F. S. Smithers & Co where he focused on small cap stocks and private start-up ventures, which included Damon Engineering, an electronics manufacturing firm that became a large chain of medical laboratories listed on the NYSE.

Charlie joined New Court Securities Corp in 1969, an economic time he recalls as “dreary, at best, but a great time to make venture investments.” New Court’s investments included: Amgen, Cray Research, Federal Express, Monolithic Memories, Oximetrix and Tandem Computers. Of these, Charlie said, “Federal [Express] involved some pretty heavy lifting on my part. On the day it went public, I tendered my resignation. A five year struggle had come to a wonderful end.”

In 1973, Charlie was one of the co-founders and on the inaugural board of the National Venture Capital Association. He recalls: “The NVCA was formed to bring to the attention of Washington — the Congress and the regulators — that jobs are created by small growing companies.” He said, “it was a testament to how awful the times were, to get all those independent cats in one room to even consider the problems.”

In 1981, Charlie, and his friend John Birkelund, left New Court to start a new fund, Concord Partners. While organizing Concord, Nicholas Brady, Chairman of Dillon Read, asked Charlie and John to join forces with him in a senior capacity; John became president and Charlie became the managing director with responsibilities for Concord Partners. This relationship lasted until

1996, when Dillon Read was acquired by Swiss Bank Corp. Concord Partners I and II, with Concord Japan and Cord Capital, a European effort, represented just over \$170 million in paid capital.

Through the 1980s, Concord invested in a diversified list of technology and biotech companies: SanDisk, Tessera, and Gilead Sciences; energy companies: Vintage Petroleum (Occidental), Associate Natural Gas, and Meenan Oil; insurance: NAC-RE Insurance; and banks: Bowery Savings Bank and Team Bank Shares.

Retiring in 1997, to Maryland's Eastern Shore, Charlie has served as vice chairman of Shore Health Systems, a not-for-profit multi-hospital organization; director and chairman of the investment committee of the Midshore Community Foundation; governor emeritus of Washington College; and trustee-emeritus of the Chesapeake Bay Maritime Museum.

Now spending the winters in Florida, Charlie applies his characteristic optimism to his golf game, claiming "it is one thing you can still get better at, at this stage in life."

The following is an interview with Charles Lea taking place at his home on Waverly Island Road in Easton, Maryland. Today is October 10, 2008. My name is Carole Kolker.

THE EARLY YEARS

Carole Kolker: *OK. Let's get started. I want to thank you very much for setting aside this time for me. I'm looking forward to our chat this morning. For the record, let's start by looking back: When you were born, where you were born?*

Charles Lea:

Well, I was born on December 2, 1927, in Richmond, Virginia — one of two. I was a twin; my sister Sally was born five minutes after I was, and that gave me the only element of superiority over her during her entire life.

CK: *I know that you left Richmond and moved.*

CL: My father and my grandfather had kind of a cantankerous relationship; that is to say, my mother's father and my father, but they both worked for the same company.

CK: *What company were they working for?*

CL: It was called the Chamberlin Company of America. They were in home-improvements — weather-stripping, insulation — a variety of home products. In the Depression, people were improving where they lived as opposed to buying something new. If people had any money they would spend it on getting the roof insulated, saving the energy costs, putting in screens, weather-stripping the doors and so on. That's what this company did. Well,

my grandfather was in Baltimore, and my father was in Richmond. My grandfather died in 1933, and it was decided that my father should go up and take over and run the Baltimore operation. So off we went to Baltimore.

CK: *You're seven-years-old?*

CL: Actually, I guess when I got to Baltimore I hadn't been to school yet. I had no schooling at all in Richmond; there was nothing like kindergarten. You started in the first grade. That was the start of your school experience.

CK: *What were your parents' names?*

CL: My father's name was Charles and my mother's name was Dorothy. Sally was my twin sister. I had a younger sister, Cissie. Her name was Dorothy, but nobody ever called her Dorothy.

CK: *Who did you get along with best?*

CL: I got along with my sisters pretty well, I think because I was a twin. Sally and I got along very well. The two girls got along pretty well with each other. So I don't have any memory of any adversarial relationships there. They were pretty good companions.

CK: *There was not a lot of competition?*

CL: Sally was a better athlete than I was. I wasn't a bad athlete. I just wasn't a very big one. For a male I was pretty small, but she was a superb athlete. For example, in ice-skating, she could do spins and pirouettes and all that stuff, and when I got out on the ice my ankles were like that [shows wobbly ankles].(laughter). So I never learned to do much in the way of ice-skating. She could play tennis like crazy. My father also was an excellent player. I never played tennis; I played all the things that are nonsense for a smaller man. I played football. And ultimately, I came to my senses and took up lacrosse, and I played in prep school and in college, when I finally got there. That's what we did.

CK: *You were telling me about your home life in Baltimore during the Depression, which I found quite interesting — about what your mother was doing and your father..*

CL: Well, we wound up living for the longest period of time at 511 Edgevale Road, in the north area of town called Roland Park. This was a nice suburban house in a very nice community of suburban houses. I lived about a mile and change down the hill from the Roland Park Public School No. 233. When I first started this school, I was taken there and then very quickly learned to make my own way. In those days, the public schools were in great shape. They had wonderful teachers because it was the Depression, and it was a job that paid on a regular basis, and it was a desirable position to have. The teachers were all reasonably forceful. They put up with absolutely nothing, and you paid attention. The pupils in the class, because their parents were in tune with what was going

on, also paid attention. I must have had an early case of attention deficit disorder because I was not the world's greatest pupil. That is to say, I got by on — Sally would get A's and B's, and Cissie would get some A's and more B's, and I'd be more of a C student. But anyway I'd get through. Very much to the nervousness of my parents, I would somehow manage to leap over the hurdle of whatever great things that were expected of me, but it gave them some concerns that I wasn't going to do it.

CK: *So what were you interested in as a child?*

CL: I was fascinated by sports, and playing ball and cops and robbers with a group of neighborhood kids about my age, and we just had a great time. A gang of boys just figured out things to do. I remember we had a printing press and we ran a newspaper, and we cut peoples lawns, and we shined shoes, and we did all kinds of stuff just to gain a few bucks — pennies, here. I sang in the choir, for pay. I started when I was six at St. David's Episcopal Church. And one of the early things that happened was that — I think I was probably in the first grade, six or seven — I was very junior choir boy, and they sent me for two weeks to summer camp for free. That was terrific. So that part of life was pretty nice.

CK: *Would you characterize yourself as a leader among your friends?*

CL: I never characterized myself as a leader necessarily, but I was interested in how things were organized. For example, in this football, I was too small to be asked by others to

come play football, so I'd organize some football games. We'd have this group from the Gilman School, which was really close by, which is a very nice boys' private school. And then I'd get friends of mine in public school. And on Saturdays we'd put these two teams together and get them organized and get them playing. I'd never put myself in the game to start with, but whenever somebody got tired I'd generally jump in and take over. And that's how I got to play football.

CK: *It sounds like you were smart in creating an important role for yourself.*

CL: Well, if I was ever going to play football that was the only way.(laughter) I fortunately didn't get injured or didn't suffer any unusual problems.

CK: *Was someone sponsoring you?*

CL: No, we were just showing up with our pads and our football and our helmet and shoes, and so forth and so on. This is I guess when we got a little bit older, ten and twelve and fourteen, that kind of thing. The scores were just amazing; it would be 56-7 on one week, and the next week it'd be exactly the other way around.

CK: *Those are great memories. Were you a tinkerer? Did you like to take things apart and put them back together?*

CL: I liked to take them apart, but I was never very accomplished about putting them together. As a matter of fact, I had a class at the public school — a shop class — and

after I'd been through most of it, I remember working with these machines and so on and so forth. The man who ran it was a rather doer German, and I remember he wore this sort of tan smock all the time and never smiled. And he said, "Young man, I'd like your mother to come to see me." I said, "All right, we can arrange that," so I did. And mother went up to see him and long story short, the question was whether I was going to pass the class or not and he made it very clear to her that I was not very good at what I was doing. But he said, "I will pass your son on one condition." And she said, "What is that?" He said that you never allow him to come in a shop again.(laughter)

CK: *Were you a reader?*

CL: All the time—as soon as I learned to read. We had the public library practically across the street from the school, and I haunted the place. I read every book in the library. I was at it all the time.

CK: *Were your parents readers?*

CL: A good bit less. Both parents read, but this is the days before television, and my father was much more of a reader of magazines and newspapers and periodicals, but he knew German, and he had some Greek that he picked up in school. He was an interesting man; he was an orphan by the age of twelve, and he had four siblings, and all of them went through college, and he was determined that that would happen. I think he's the only one that did not have an advanced degree in something. He went to Carnegie Institute before

Mellon came along; he was a second lieutenant in the first war; and then he got out of the service and went to Ohio State. He became very interested in football. Here's a guy, 135 pounds, 5'6" — he doesn't play football, becomes the manager of the Ohio State football team. His roommate at college is one of the star halfbacks. And in that day, my father saw these guys all the way to the Rose Bowl. He had a business on the side — two businesses that I know about. After a football game was over, my father would hire this hall and hire a band and get refreshments going — and this is right after the first war — and he would get all these friends and students and alumni to this thing, and they'd have a hell of a party, and he'd charge admission. It was a very successful business. Then he was also a member of a Greek fraternity called Kappa Beta Phi, which was a drinking fraternity.(laughs) He owned a Chesterfield coat and a derby hat, and for fifty dollars he would go around to various universities in the middle west and open up other chapters of Kappa Beta Phi.(laughs) So some way or another he kept all this business going until he could go work for the U.S. Gypsum Company after he left college.

CK: *He had quite an entrepreneurial spirit.*

CL: He always tried to have some fun along the way; let's put it that way.

CK: *And did you pick up much from him?*

CL: For most of my life, where I was subservient to him—he was one man I'd never want to work for, and I never did, because he was to a degree somewhat autocratic in so far as his

son is concerned. I think he took pride in a lot of the things I did, if I was successful at them, but I think his main concern was I was going to fail at something, which I seemed to have — in the early days. I seemed to give them the idea that I wasn't going to be very good at what I was doing. Of course, this is the Depression now; this is a serious world we're all living in, and there's hope that we will reach some golden cloud somewhere on this earth, but there were no guarantees.

CK: *So the Depression years affected you in a very powerful way.*

CL: Well they did in that the society that I lived in was a poor one, but for the most part we didn't know it. The fact that I didn't have a lot of dollars in my pocket meant really nothing to me. There was no past history of that. So we managed to get our way along without having to have very much, and for the most part I earned. Nobody gave me anything; I got a tiny allowance, if you will, but I was singing in the church and this was a regular thing. I was paid something like ten cents for a practice and fifteen cents for a service, and it escalated once I got to be a regular. My next-door neighbor, Mac Symmington, and I had this lawn-cutting business, and we were doing all kinds of stuff, generally generating enough cash to keep us up to going to the movies on Saturday afternoon and seeing the cowboys and all those things, and I guess I occasionally bought a book. I mean that was one of the things I kind of liked to do.

CK: *Did you remember any of the books that you were reading at that time or anything that you'd say was a favorite?*

CL: There were a number. The man that I liked the best became the governor-general of Canada. He was an Englishman [John Buchan]; he wrote *The Thirty-nine Steps*, and he wrote a lot about hunting in Scotland and things of that character, and that was fascinating to me.

CK: *Were you in the Scouts?*

CL: I was briefly in the Scouts, but it wasn't a passion of mine. I have a good friend in Easton here who served in the Scouts with me and he got to be an Eagle Scout. Well, he had a passion for it and I didn't, but I liked the uniform.(laugh) We had these Smokey Bear hats and long socks and jodhpur pants and a neckerchief; we were really quite fitted out.

CK: *Did you have any teachers that were really special to you during these early years?*

CL: Well there was Mrs. Brennan in Roland Park 233, and she taught history, and I think she also taught Latin. She'd really get mad at me, and I think she probably got more out of me than most, so I remember her. And I told her later that I had a great deal of affection for her because she'd sort of made me feel that I'd made an effort and that maybe there was a future.

CK: *That sounds like you know what you might have been looking for. Where did you go to high school?*

CL: Well I first started out in a public high school in what they call City College, which is a large high school, and I lasted there for about six weeks, and I got into an argument with somebody over something — there was a bit of fisticuffs, and we were summoned into the principal’s office and summarily expelled. So I went from that event over to a small private school called St. Paul’s School for Boys, and St. Paul’s was affiliated with St. Paul’s Church; it basically started out as a choir school. I remember walking two miles from my house up Rogers Avenue and seeing this one building, and I went in and asked if I could see Mr. George S. Hamilton who was the headmaster. They said, His office is just right down the hall and you can find him there. And I walked in, and there was a fellow on a ladder in a pair of khaki pants and a sweatshirt painting the ceiling. He was painting his office. He looked at me with a big smile and he said, “And what can I do for you, fella?” So he came down, and we sat at his desk and I explained to him my predicament at City College. And he said, “Do you want to come here to St. Paul’s.” I said well that was kind of what was on my mind. And he said, “Look, we’d be glad to have you.”

CK: *Were you doing this on your own volition? Were your parents behind this? What was your parents’ reaction when you were expelled from City College?*

CL: Here we go again.(laugh) They were not with me when I went to St. Paul's. They said, You go find yourself another place to go to school. At that time, when I'd left Roland Park, I was in the ninth grade; I was now about fifteen or thereabouts. This is 1943. It was pretty much—They said, you go figure it out. I think St. Paul's was something we probably discussed around the dinner table — go over to see George S. Hamilton, see if he'll take you. In those days the tuition was not very high, and, point of fact, St. Paul's was almost bankrupt when I went there; I didn't know that. They were happy to see any cash customers come in the door. The school was an interesting place. We had eighty boys in the high school department of the school, and we had forms. I started out in the tenth form, eleventh, and twelfth form was when I left. I guess there were twelve to fourteen fellows in my class — that was it. Do you know these twelve to fourteen fellows in my class and the parts from classes — they were Maryland State lacrosse champions for seven years running. They were Maryland State basketball champions for three years running. In 1944, we were almost the Maryland State Football Champion except by the fact that our star quarterback had appendicitis and he couldn't play, and we lost by a touchdown. This was quite a place.

CK: *And where did you fit in, in these activities?*

CL: Well, I fitted in largely as a kind of a wannabe. I wished I was bigger, could play in all these games — I was not a bad athlete, and I played intramural ball in all these sports — hated basketball. I liked lacrosse and football. I didn't play varsity football; I played

what they called B-squad; I was cannon fodder. And I didn't play varsity lacrosse because the fellas that were already there — they had already put that team together and I didn't fit into that. I played enough lacrosse to play pretty well in college, but it was quite an experience. The culture of the place was “don't be afraid to go and hit somebody.” I loved contact sports.

THE WAR YEARS (1945-1947)

CK: *Was it a big difference, moving from your grammar school to St Paul's, in terms of how well you did in school, or being in a small class?*

CL: The masters were a little bit more demanding, and I had to work at it. I think I put in a somewhat better performance, but I was no great student at all. At the end of the day, I think there was some question would I ever get my diploma because I had to retake my physics exam. That's something that happened, but I somehow managed to slide through. In those days, as I was going through St. Paul's, you knew what you were going to be doing; there was a war on and the focus — I could tell you everything in *Time* magazine front-to-back. I knew where everything was going on and what was happening, and I was trying to figure out whether I was going to go to the Pacific or I was going to Europe. Well, I was on draft notice. Once I left St. Paul's, I volunteered for immediate induction, was taken into the Army and sent to Fort Bliss, Texas, for infantry training. It was a long train ride, I'll tell you that.

I'm getting on this troop train in Baltimore, and they have these bunks all set up in the train, and they had actually white-coated guys to see you to your bunk and so on. For some reason my father wasn't available to see me down there, but I had an uncle and a close friend of his— My Uncle George was a lieutenant commander in the Navy, and his friend, Carl, and I don't remember his last name, was a major in the Marine Corps. So I had these two field-grade officers taking me, this private, putting me on this troop train, and I'm getting all settled in and they got off. And it's one of these big steam locomotives that are coal fired, and it starts taking us across the country, and everybody's got the windows down and air coming in and the soot is flying in, and all these white sheets and everything we were looking at turned black practically before our eyes. We had three days of riding the rails until we finally get to Fort Bliss, Texas, and we were very happy to get off that train.

CK: *How were you feeling about what you were getting into? There's a war going on.*

CL: I was kind of excited about it. I wasn't enthusiastic necessarily, but here we were — we're going through a totally different experience, and I think the thing that I'd learned at St. Paul's, in terms of the disciplines of playing sports and all that kind of business, gave me the feeling you can take a few knocks and still survive it. I wasn't in the fetal position in all this; I was sort of curious about what the heck was going on. And we get to Fort Bliss, Texas, and they feel us out, and they move us up into the side of this mountain called Logan Heights. We're living in tarpaper shacks, and there's a small squad, about

six or eight guys in each of these tarpaper shacks, and they're heated by these little gas heaters. We started doing some pretty rigorous things, but it wasn't anything there that I didn't feel that I couldn't do. I remember drinking about four gallons of water, or whatever that was in these big lister bags, and at the end of the day you were really totally shot. They really put you through your paces — you're physical every minute.

That went on for eight weeks. Then suddenly it's over and you find yourself going home. Three other guys and I somehow got a hold of a car and some gas coupons and we drove the car, non-stop, all the way back to Washington from Fort Bliss, Texas. And then I got on a train from Washington to Baltimore and found my way home. I guess I had the better part of ten days at home and getting ready for the big trip to the Pacific, because my orders said report to Camp Stoneman, California, on such-and-such a date, and Camp Stoneman is an hour-and-a-half bus ride out of San Francisco. In this case, my parents blew me to an airplane ride and I flew from Baltimore/ Washington to San Francisco, and then I got off there and I went into a hotel in San Francisco, spent the night, then the next day I found a bus and went up to Camp Stoneman. I remember it's very foggy there. I get there, and I'm hauling my bag around — you're just an individual looking for a place — and I find out where I'm supposed to be, and I check in, and I may have pulled KP or something like that in the process. You're there for about a week, I'd guess, and they come in and they sit us all down and they have this set of orders, and they said, All right you're going to Guam.

Guam was an island that, by that time, we'd almost taken from the Japanese. So we get on this ship and it's really interesting. They take all of us down in a great mob and put us in this enclosed area — there's barbed wire everywhere — and it's black as the inside of your hat; it's four o'clock in the morning. You've got on this overcoat, you've got this pack that you have — a shelter half and all this stuff rolled up in a kind of a harness. I think we may have had helmets, but I know we didn't have any weapons, thank God. We were huddled in these formations on this hillside looking out over the bay, and they're going to put us on a ferryboat and take us down to San Francisco, put us on this troop ship and out we go. I remember as dawn rises you begin to see everything, and the thing that struck me most was — it was not the barbed wire, but every twenty yards or so there's an MP with a Tommy gun. And guess what? We're the guys they've got their eyes on; they're afraid we're going to make a break or do something. Well, we didn't.

So we get on this ferryboat, and we go down to San Francisco, and we file up onto this Victory ship. They're about 2,000 of us in this group — the Eufaula Victory is not a big huge ship, but it's fairly good sized and it's gray — and I'm pushed way forward into the hold. It's filled with bunks six up, and there's just room for a body, and you put your duffel bag down on the lower deck, and you can climb up and get into this bunk, and the bow of the ship is right there. You can imagine all of this going on. We're getting ready, and they finally cast the ship off, and we go out under the Golden Gate Bridge out to the Pacific Ocean. At that particular point, we hit the Pacific swells and 2,000 guys throw

up.(laugh) I don't. I've never been seasick in my life, but needless to say, the first several days I spent on deck sleeping on the cargo hatch. I remember just thinking about it — fortunately, everybody got better as the time went on.

We were on this ship, I think, twenty-eight days before we got to Guam. We never really got off the ship in Guam; it stayed there for a couple of days and they said we don't need you. The 77th Infantry Division and the Marine Corps had taken the thing, and you could still hear the firing off in the distance, but it's not very frantic and it's just mopping up operations. So, the ship turns around, and four days later we're in Manila. We get off the ship in Manila, and all I remember about Manila and that part is they put us on trucks. I'm sort of carved out with a relatively small group of a hundred guys, and they put us on trucks and take us up to Fort Stotsenbery-Clark Airfield. We were put into tents, and basically, we're issued weapons and said, We want you to guard this place. We're put on basically guard duty patrolling the perimeter of this pretty big area about the size, I guess, of BWI [Baltimore-Washington International Thurgood Marshall Airport]. It's a big airfield in a kind of a hilly area. There's scrub growth all over and there are valleys and so on — it's actually a rather pretty country, but we still have the occasional Japanese straggler and so on; we're occasionally sniped and that sort of thing, but I'm not there that long, perhaps for several weeks. The war is over. They said, Look your unit is going to Korea. So back on trucks, back on an LST, and after some pretty roly days and nights we wind up in Inchon Harbor in Korea. The thing about that was that the tide runs

twenty-eight feet per tidal change. We're anchored, and the water's going by so fast it looks like we're going full-speed ahead. So they had to bring in these LCIs, these landing craft infantry — these big sort of flat-boated things, open boats — and we clamber down cargo nets and drop into the bottom of the boat. We're taken into Inchon, and all I can see is these steep mountains all around us, these Korean guys carrying these weapons with bayonets attached, and I said, "This looks like a pretty serious place to me." And it was. Before we actually unloaded in Inchon, we had this small boat come out to our anchorage. And this guy clambered on board — absolutely the filthiest looking individual I had ever seen in my life. He was cold. He had on this parka and it was just soaked in diesel and crud and everything. And he had a heavy beard. And I said, "What's this like?" And he said, "Mac, this is the disease bowl of the world."(laughs)

So, we got off and were trucked to a replacement depot at a place called Yongdong Po and then took this train and then finally trucks, and finally after we were reassigned — I was in the Sixth Infantry Division — we wind up in Kunsan, which is south of Seoul and on the Yellow Sea. There began a year's experience with the Sixth Infantry and with Kunsan and Korea. I was there a relatively short period of time when I got to be pretty friendly with the top sergeant, and I got to know the company commander, and for some reason or other I was very happy with my companions in those days. The fellas I got to know in that unit were all about my age and interests — we had the guy from Brooklyn, and the guy from Texas, and the trapper from Minnesota, and all that sort of thing. A

total cast of characters. But by and large it fit together pretty well. We had some interesting experiences from a military point of view. There was no serious combat going on, but there was a lot of unrest with the Russians in the north and us in the south, and the Communists had people all over the place. Asia was starving to death in those years. I think the United States saved Japan and Korea in the first two years during and after the Second World War by shipping food — and rice was at a premium. It had gone free market to start with, after the Japanese left, and then it just went totally out of control when thieves and the black market moved in. So the American military government just said, No more, we're taking it all over. So we went and commandeered rice so it could be redistributed, because what was happening was that it was being shipped to China for big bucks, and that meant that a lot of the Koreans would starve to death if we hadn't grabbed it.

CK: *This is really interesting and I'm happy to hear this. You didn't write this down in your questionnaire. I'm wondering how your service life affected you — from the kid at St. Paul's, who came back?*

CL: I'll tell you how it all started, to give you sort of a cap. I'm down in a hole digging a trench. I've forgotten what the trench was for, it was either for pipes or a latrine or some sort of protection. In any event, I'm shoveling away and this guy comes up and says, "Hey Charlie, you're posted on the bulletin board. You've been promoted to corporal." I said, "I don't believe you." And he said, "It's there." I said, "In that case, you come down

here and take a hold of this shovel, and I'm going to go up there and check it out." Well I went in and checked it out and there it was. I had completely jumped over private first-class to corporal. Now a corporal in the United States Army Infantry outfit at that time of my life was a pretty serious business — with two stripes and you're sort of a cock of the walk. It was the first time I had been asked to take responsibility for others, and I was scared but thrilled by the opportunity.

CK: *That's a big change for you.*

CL: This all came about because the Army began shipping people home as rapidly as ships became available at the end of the war. My problem was, I had not been overseas long enough to earn many "points" toward discharge compared to the older more experienced soldiers. As our ranks gradually thinned out, everyone who could read, write, and was familiar and reasonably expert with our weapons was in demand for promotion. So I spent the better part of a year as a squad leader, then section leader, then as a temporary platoon sergeant responsible for upwards of thirty people. It wasn't always pretty, but I survived.

In the latter part of 1946, the Army decided to deactivate the Sixth Infantry Division and to reassign all personnel to other units. In due course, I found myself and perhaps forty other from M Company on our way to the outskirts of the Kimpo Airbase where we were to set up an entirely new company described in our orders as the 94th Engineering

Maintenance Company. So we went through that process: no more 81mm mortars, recoilless rifles, or machine guns. We are now in the repair and maintenance business of heavy construction equipment. We have no drivers, no mechanics, and no enthusiasm for this new assignment. The feeling of cohesion and pride we had felt for M Company would be hard to maintain. But it turns out that our new quarters are an improvement over what we are used to. They are actually buildings with running water and big 55-gallon drums converted to oil fired stoves compared to tents and small Japanese shacks. At least we won't freeze to death.

The 94th is described as a major subordinate command. That means that its commanding officer is a major, and he reports directly to the corps commander. I hope this means we will not have layers of higher authority to report to and thus some freedom from bureaucracy. We are met at our new site by a young second lieutenant fresh from West Point. He is temporarily in command until our assigned CO arrives. He wishes us well but informs us that there is not much for us to do until some of our heavy tooling arrives. In the meantime, he has taken the liberty of putting us all on the local guard roster as we are infantry and should be better at this than other units in the neighborhood that don't have our training. This of course goes over like a lead balloon. Pulling guard duty two hours on, four hour off, in all weather, is not an appetizing idea to men who have already done a lot of that and are looking toward something more mentally stimulating.

After a few days, the Army begins delivering equipment and supplies in great quantity. There is much to do and not and not much clarity as to how to do it. We have a barracks area and across a road a motor pool area of a couple acres surrounded by barbed wire and enclosing some unheated metal sheds standing on a concrete platform. The parameters of available space begins to dictate where we place this equipment., Common sense suggests that we put machine tools inside and out of the weather and leave as much else outside until we have a plan of how we intend to operate. It is amazing to me how a disparate group of men can supply common sense and a little prior knowledge and make things happen.

As my role in this enterprise appeared to be acting supply sergeant, I was confounded when trucks began to arrive and deposit thousands of small packages on neat wooden pallets outdoors of our sheds. These were the standard inventory of spare parts and supplies that your off the shelf engineering maintenance company keeps on hand. About this time, the CO shows up and turns out to be a pretty cool dude. He looks around and says, "I think we have work to do." He asks a bunch of questions. He doesn't get mad, but he doesn't smile either. A few days later, we have our first one on one meeting. Right out of the box he says, "I want you to figure out how to bring those parts inside, clean them up, indentify them, so we can store them and find them again." All I can think to say is, "Yes sir." The work goes on: We have Korean carpenters come in and build a vast number of storage bins out of wood. Their work is beautiful. We build a small office

with a small coal stove included. The walls are lined with shelves of parts catalogs from every manufacturer. The big problem I find is, each part has an OEM number, and the War Department insists on a military number as well. I can't reliably find the military number but can find the manufacturers number invariably on the part itself.

So we go with the civilians and set aside multiple bins to house parts from a single source. We try to display on the bins the sequence of parts numbers that will be found there. Of course, we must have a record system that consistently tells what is in the bins and what is not. It turns out my CO, the major, has signed out on all this stuff and is personally on the fork for \$4 million of stuff sitting out in the open air – and that is in 1946 dollars – so he is keenly interested that we get this right. I find that I can get someone released from guard duty if they will report for duty and work in my parts sheds. So I have plenty of manpower to bring the packages inside, strip them down, record serial numbers, fill out the necessary paper work and then store the parts in the appropriate bin. I sweat bullets over the details of this as the job seemed without end. The major was quite calm about the occasional screw up, and he gave me a third stripe before the end of the year. As a Christmas present, I also got a ten day R&R leave to the Eighth Army Rest Center at Kyoto, Japan.

On my return to Korea and the 94th, I was put on notice that sometime in the next ninety days I could expect orders to report to Yong Dong Po for transportation by ship to the

United States. In the mean time, it was back to work. But the days dragged. Time seemed to stand still. All I could really think about was a ship and home. For a long while in Korea, thoughts of home were like thoughts of another planet. Being so far away in a different life in another culture, home was a dimly remembered dream world from long ago.

COLLEGE YEARS: KENYON AND CORNELL (1948-1952)

CK: *We were talking about your war experience and wondering in what way you came out of the war different than you went in. Who was Charles Lea when he came home?*

CL: I came out in 1947. I'm about to be 20-years-old, and I've been through a relatively hard time; the army I was in didn't give medals. Nevertheless, I had been through a period of time that was difficult for all of us involved. And I came out okay, I mean, in my own opinion of myself. And I felt now confident enough to go on and perhaps tackle college. I had this next-door neighbor in Baltimore who was a surgeon and a very good friend of our family, and he was one of those fellas that always was asking you questions and making you think. When I got home, I saw him again — his name was Dr. Erasmus Kloman — and we had dinner together, and I said, "Well doc, I'm getting ready to now go to college." He looked at me with this quizzical look on his face. He said, "Why would you want to do that?" I had to invent a good reason for him why I should go to college. He wasn't satisfied with me for a while until I finally gave him a good reason.

CK: *Okay, so what was your reason?*

CL: He basically was telling me that it wasn't what other people expected me to do — that I should not go to college because other people expected me to go, but rather that I thought I should go and was committed to the idea of going to college and getting an education. And what he's telling me — he didn't think being a C student was acceptable, and that I had been in nobody's lexicon a really terrific student, and I would find that, what with colleges then loaded with returning GIs — how in the hell did I expect to get in? I said, "That's something I will have to deal with." And I proceeded to deal with that, and he was perfectly right; it wasn't easy.

CK: *How did you feel about this challenge that he placed before you?*

CL: Like most things, he was always challenging me on one thing or another; it was just another one in a line of things, and I enjoyed this man tremendously. He was a widower and lonely, and somehow or another I would go over to his house and have dinner with him, and served by his manservant, and we'd talk about almost anything.

CK: *So you had a long-term relationship with this neighbor?*

CL: Absolutely. It was different than my parents, you know, it was almost eye-level to eye-level. It was a good thing for me in that I felt that I was talking — he never treated me as somebody vastly junior to him. He wanted real answers to real questions, and I enjoyed that greatly. So I got in the process of getting myself into college, and because my uncle

had gone there, I decided that I want to go to Amherst College. So, I went up to Amherst and presented myself, and they said to me, Mr. Lea, we don't have any room for you. It was really true; they were building Quonset huts — facilities to put returning GIs in — and they just didn't have the room. So I had to go to a number of other places. And I tried the University of Virginia, and I was accepted there as a student for some reason. But I decided with my two sisters going to college in Virginia I felt that I would try something else. To make a long story short, my father's family came originally from Ohio, and one of my uncles had something to do with Kenyon College in Gambier, Ohio. So I found my way out to Gambier and went in to see the admissions director, and he's a fellow that I immediately liked. There was some chemistry between us where he and I sort of were able to hit it off. After the first introductions he said I would like to see a copy of your transcript of your grades, which I dutifully handed over to him, and he pulled them out and read them for a while. I remember him taking his glasses and putting them up on his forehead, leaning back in his chair and sort of semi-smiling at me. He said, "And Mr. Lea, why do you think we'd want you?" I said, "Well those are the grades of an 18-year-old from another century, and maybe I'm something different now, and I think you should give me some consideration." He said, "Well we have all these applications, and we have very little room, and we would like to have somebody that we felt could be really a serious student here." I said, "I will make a bet with you that if you take me on I'll be on the dean's list by the end of the first semester." He looked at me and he said, "You know, that's a pretty sporting proposition. Why don't we do that?" So we did.

CK: *You put yourself on probation.*

CL: Right away.

CK: *Let me ask you a question before we go on. What were your parent's expectations, that you heard growing up, about your future, about school? What were their expectations about how you were to perform in your life?*

CL: There were three children. I had two lovely sisters and there was me, and I think their focus was on the daughters. Not completely by any means, and I didn't feel neglected in any sense, but I felt that they had hopes for me, but I don't know how high their expectations were.

CK: *Were you expected to go to college?*

CL: Yes, I think so. I think I was expected to go to college — and those were the days — to find a job in a corporation and become a salesman or whatever, and to earn a decent income, and hopefully raise a family, and retire at an appropriate age, and behave myself, and to live my life.

CK: *To be average?*

CL: They didn't put any high hurdles out there for me to jump over. My father was pretty demanding of me; I mean, he got plenty mad at me when I was not doing well in whatever I was doing. When he found this fellow coming back from the service with

three stripes on his arm that he earned himself, he didn't quite know what to make of that.

He thought it was promising, but I think he wanted to see what the next inning was.

CK: *And you mentioned earlier about suspecting that maybe you were ADD—*

CL: Well, I discovered that by myself, years later, when I thought back on all the distractions I was dealing with as a child and as a teenager — like any normal kid, I'm not a monk.

CK: *You were easily distracted?*

CL: Yeah, I just didn't have focus. I think in the back of my mind was, with the war on everything else seemed to be kind of irrelevant except for that, in terms of what my future might be.

CK: *Did you always have this exuberance for life that I'm seeing in you, certainly in the way you talk about the things you were interested in. Has that always been a characteristic of your personality?*

CL: I was really interested in books, and I thought of myself a little bit of a bookworm, but by the same token I loved to be outside playing with the guys or whatever. I don't know that I had any great focus on what I was. I just had curiosity about a lot of things.

CK: *But not in the sense of a kind of mania or obsession?*

CL: No, I wasn't like today a tennis nut or a golf nut or any of those things. I liked to sail boats, but it wasn't something that I thought about noon and night.

CK: *So you are at Kenyon College on probation, more or less. How did that go?*

CL: Well I did not make the dean's list by the end of the first semester, but they didn't throw me out. But I kept at it, and I was on the dean's list by the second semester. From that time on, at Kenyon, I'd say I was in the top quartile or whatever. I was a pretty good student; I was getting pretty good grades, and I was doing, for the first time in my life, serious academic work.

CK: *Did you feel any different about yourself?*

CL: I don't think so. I think I enjoyed the getting down to it. I look back on those years of spending time in the stacks in the library and getting focused and getting something completed. Kenyon in those days was an interesting place; you'd have a long list of things to read from your professor and the freshmen were all taught by the heads of the department. That was their first assignment. So we're dealing with some pretty top fellows there. I had an English professor by the name Dr. Timberlake, and he would give me a list of books to read, and I'd read those books, and then he would ask me, at some point or other, would I please comment on thus and so. And I can remember him saying, "Mr. Lea, I don't think you read that book very closely, and would you please give me

250 words on this subject by Wednesday.” Well, in that first semester I collected a lot of assignments like that. So I worked my butt off doing the work, and I took immense satisfaction from it. I felt like suddenly I had a capability, academically, that I hadn’t really felt that I had. So, that began to blossom. I think if I’d stayed at Kenyon, I think I would’ve been Phi Beta Kappa.

CK: *Do you remember who your mentors were at Kenyon? Was there anyone who really stands out?*

CL: Well, all of those. It was such a small school. It was under 500, and the classes were six, ten, twelve. In our English class we might have had 15, but a lot of the classes were pretty small.

CK: *Did you ever declare a major?*

CL: No.

CK: *Did you have an idea of what you wanted to do?*

CL: I didn’t really. I thought I’d probably wind up in sales of some kind. That’s my expectations, but I was very informed in terms of what I would be able to provide to somebody else.

CK: *Why did you transfer to Cornell?*

CL: Well, a couple of reasons. One, we were out here in the woods of the rural part of Gambier, Ohio. I'd been in boarding school from 1943 through whatever, and I'd gotten out of the service in 1947, and here it's now 1948-9, and I'd been in a fairly cloistered male environment for a long time. That's sort of was something I was interested in — it's called girls.(laughs) And two, I played lacrosse for Kenyon and I was injured in a game, and I had to sit one out at Cornell University. And I happened to pay a call on my fraternity brothers at Cornell, Psi U, and they couldn't have been nicer. I couldn't play in that game that day, but those guys were all pretty good to me. And I got back from this trip, and Kenyon had had a terrible fire the year before and Old Kenyon, the oldest building on the campus, had burned to the ground — I mean it was a big stone thing. What happened was: the mortar between the stones had turned to powder, and in the interior that was particularly true; many rooms had fireplaces. Somebody lit a fire and the building went up like a powder keg; it didn't blow up, but flames crept everywhere, and there were quite a few people killed. I remember we had thirty-six people in the hospital after it was all over. I think eight or nine people were dead and thirty-six injured, and it just cast a pall on the whole thing. The next year I felt kind of depressed by that. I was doing okay academically, and suddenly I found out I could go anywhere I want. So I applied to Cornell, and almost by return mail: "We'll see you in the fall." So I got in my car in September, and I drove up from Baltimore to York, Pennsylvania, where the Pennsylvania Turnpike is. I had a choice of going west, back to Kenyon, or

north to Cornell, and I took the north course. I'm happy I did; it was a totally different experience. I went from under 500 students to 10,000 and a huge campus — not a better school, but a broader school, and I enjoyed that. It was fun being there at that particular time.

CK: *What kind of a student were you at Cornell?*

CL: Not as good as at Kenyon but pretty close. I had good grades at Cornell. I had one problem. Interestingly, the Korean War happened after I'd been there for a year, and I was in the Army Reserves, and I was pretty sure I was going to be called up, having spent eighteen months in Korea. So I immediately applied and was accepted in the advanced ROTC class. I did that. And I was about to be commissioned in my senior year as a second lieutenant in the regular army, which is a pretty unusual thing. Most people in ROTC go in the reserve — the AUS — the Army United States, which is a reserve officer. I would be a regular officer, because I was classified as a distinguished military student. So that was now what my plan was. But suddenly I had to graduate. And to get all this, I had to pass French — a French examination.

Well at Kenyon I'd had A's through French; I could read it well. At Cornell they wanted you not only to read it, they wanted you to understand the spoken word. I had problems with that. So I sat my last semester at Cornell with a pair of earphones on my head trying to be able to understand the spoken word. Well, I got better at it as anyone does. But we

got to the final examination and it was divided into two parts. The first part was the Stanford B & A series, where you go through the grammar and the language and you read this and you check off that and so on and so forth; not a problem, zipped right through that. The second part was, you had to listen to a skit of teachers out on a stage — they go through a series of little events, and then you have to describe on your replies what they're talking about — respond to patterns that you see. I listened to that for a while, and believe me there's nothing going off between my ears; I didn't really understand what they were saying until — suddenly, I realized that about six weeks previously I'd been in New York, and I had a date with this lady, and she and I had gone to Puccini's *Madame Butterfly*. I thought, I think I'm seeing *Madame Butterfly*. So I looked at the true and false, and was there a *Madame Butterfly* pattern; and I thought there might well be, so I zipped through that; I checked them all off, and I turned it in. This is not the computer age, so it took about a week or so for the results to come out, and of course I haunted that bulletin board. I got a ninety-seven.(laugh).

So, here we go, back to Korea, right? Well, just about in the final weeks, the ROTC asks me to come and see them. They have three or four other guys, all of whom I know well — former veterans who are in the same category as I am. We're called contract officers, and we're signed up for five years exposure to military, to duty; we can be called at any time for five years, and obviously, with a war on we'll be called right away. They want us to extend from five to eight years. I said, "What happens if we don't do that?" They

said, Oh, in that case you will revert to your original draft status. Well, to make a long story short, we all looked at each other and said, Original draft status — we've all been in the service! They said, Yes. We all said, We're free, we don't have to go in the service. They said, If that's a choice you make, you're correct. We marched off in a group to a place called Zink's, which is a local bar, and got drunk. It was terrific.(laughter)

CK: *So now you finished Cornell*

CL: I finished Cornell.

CK: *You were playing lacrosse at Cornell?*

CL: I had played, but I'd been injured, remember, before I got there. It turned out that what had happened was somebody had cleated me on my back heel, and I had split the Achilles tendon behind my left ankle, and it's a very slow healer. What I found out was that I could run okay straight ahead, but I couldn't cut. Every time I tried to cut, I'd fall flat on my face; it would just give out with any serious pressure on it, so my lacrosse days were over.

CK: *Any other campus activities or fraternity?*

CL: Well, there was the fraternity, and I remember going in after I'd arrived at Cornell, and I went to the chapter and I said to them, "Look I'm here on campus. I saw you from Kenyon, but I don't want you to feel obligated to take me. But enough of you know me,

so why don't you just put my name in the hat, and if it comes out I'll come in and be a regular brother, and if it doesn't come out, that's okay, I'll do something else." I wasn't living in the house at that time. So I called up this fella that was the president, a guy by the name of John Ehret, who's from Chicago, who when I first got there on my second visit, when I became a student there — he had a lot going on then. They were sort of looking for new freshmen, and the house was just starting up for the year. He had a lot going on in life, and I was sort of an additional extra that I don't think he really needed, so we didn't really get along that well. And I say that from memory of some forty-odd years or whatever it is. I called him up, I guess a couple of days later, and I said, "Well how did it all come out?" He said, "Well Charlie, we'd love to have you as a brother here but you'll have to come as a recording secretary." I said, "John that sounds okay to me." So I moved into the house and became the recording secretary, which is something I guess I could handle at that time.

CK: *Was there any other activities that interested you at school or were you busy?*

CL: Well look, particularly in my senior I was taking 21 hours.

CK: *What was your major?*

CL: I had a major in economics. And while I was there, I took a class in Chinese history from a professor by the name of Knight Biggerstaff. Knight Biggerstaff had a tremendous impact on me from an intellectual point-of-view in that he was so interested in Chinese

history. I mean, he painted in such broad colors — the dynasties, the rise and the fall, the Chinese culture and the various religions that had passed through it. And I listened to all this, and I felt very excited about that, and I began to take courses from him. I guess I got pretty good grades in Chinese history. In my senior year we had a couple of fellas who were athletes who were having a hard time getting through the class. And the final was coming up, and Biggerstaff came to me and he said, “Would you sit with these guys and sort of see if you can’t prep them for our examination, because I think we’d like to get them through.” So I did; it wasn’t a big number, it was four or five guys, at most. And I sat with them for a week or ten days, and we’d sit for an hour or so, and I’d go over the syllabus of the course and what Biggerstaff was driving at and what sort of was his hot buttons, and we sort of assembled our idea of what a good exam might look like. They all got a higher mark than I did.(laugh) I think Biggerstaff was marking me pretty hard in those days.

CK: *Were these exciting years?*

CL: Yeah. I mean they were fraught with the uncertainty of what the future was going to be and what we were going to be doing. I didn’t have a clue.

CK: *And economics, why did you pick that?*

CL: Because I thought it might be sellable. There was an interest there. When I thought about sociology, I thought, I had a course in sociology that I thought was so ridiculous. I went

to a couple of classes then I forgot to go for almost a month. Then I realized I'd better correct that — I got terrible grades on a six-week's examination. I realized they had questions on both sides, and I only marked up one. I said, I'm not going to do well here, so I had to go back and concentrate on that. But economics was something that seemed more real to me.

STARTING IN BUSINESS: W.R. GRACE & Co.(1952) - BESSEMER (1953-1961)

CK: *What happened when you graduated from Cornell?*

CL: What happened was that at Cornell you'd have all these interviewers from various major companies come and interview you, and you try to sort of see if you'd be interested in joining them in their training program or whatever. Well, there were a couple — Proctor & Gamble, I was very interested in; they were not very interested in me. I listened to this fella from W.R. Grace & Company come and talk. They said, We have all these corporate entities, you might find something really interesting if you came to work for us, and would you consider that? And I gave it some thought, and I finally decided that, well, it's in New York City — I thought New York would be an attractive place to live — and it did have a variety of things, and maybe in a period of time I would find something that I was really good at and interested in. So I agreed to go to W.R. Grace. I had a couple of other opportunities but they were not in New York. There was a girl in New York I was interested in at the time, and all of those things seemed to come together. So I didn't wait for commencement — I just got on a train and went to New

York. I guess I went home to Baltimore first, and then I went up to New York and started out at W.R. Grace in the mailroom, which is where everybody started.

CK: *And what year was that?*

CL: 1952 now.

CK: *What happened at W.R. Grace?*

CL: Well, I was in the mailroom, and what you did is: you'd sort the mail out by department, and then you'd carry the mail and distribute it to the various departments. This is sort of a pretty open environment; your desks and large rooms are not all crowded up in small offices and they had a chance to see you. You'd go and see the head of the department and say, Here's your mail for the day, and I'm Charlie Lea, and I'm new, and you'll have to put up with me for the next weeks or whatever. I was there, I guess, not a heck of a long time, and the head of the financial statistical department said, "Look, sit down, I want to talk to you for a bit." I'd had statistics at Cornell, and I'd had economics, and I'd had corporate finance and all that sort of thing, so I at least knew the vocabulary. He said his name was Chuck Earhart and he graduated from Yale a couple of years previous to that. He was a good fella; I mean, I liked Chuck a lot. "Why don't you join my happy band here and help us out." So I agreed to do that. And I went to work for Chuck Earhart at W.R. Grace in the statistics department; we were supplying financial statistics for Peter Grace, who was running the firm, and also for the board. And we were really the guys

that put together the board package for all the board meetings. And we assembled all the stuff, and we had column after column after columns of statistics that we'd run on a comparative basis — W.R. Grace and this and this and this — and it was purely a financial statistics program, just mountains of figures.

Well, I started out being a little more than a clerk with this stuff. Then I got kind of fascinated by it because I figured out I could tell what the chief financial officer was having for breakfast if I'd just put enough figures together; I mean, I could really get a picture. They had one company that Grace owned in South America that was in a candy business, and they were having all kinds of trouble. So I ransacked the files to find out what kind of equipment they had, and I lined these pieces of equipment up on paper to see what their capacities were, and I finally came to the conclusion that they had that all out of kilter. I was really fascinated by what you could do if you just got into the inner workings of this — it wasn't just accounting, it was just numbers, and you could get these numbers to sort of talk to you and give you a dimensional feeling for what was going on there. It's hard to see how excited I was about the total it gave me so I could talk to people about what was going on. Earhart and I, I think we thought we were smarter than we really were, but anyway, we had a good time doing this, and we worked ungodly hours. I remember one week we put in 110 hours and we'd stay up—We got there on Monday, and I don't even think we left the office by Wednesday morning. We'd still

been working all through the night when we were seeing people arriving for work on Wednesday morning, so we stayed there until the end of the day.

CK: *Was this on your own volition? Were you under pressure?*

CL: There's work to do and we had to get it done for various reasons, for board meetings or whatever, and Peter Grace was one of these guys who — just unbelievable work ethic. I remember once — what we'd do was: we'd create these figures, fill out all these forms with figures and try to prove something, and we had to have them typed up for the board. So what would happen is: you'd get it all done and give it to the typist, she'd type it up — and we had multiple shifts of typists coming in. And I remember something like three o'clock in the morning, I had given a lot of work for this typist to do and she said, "It's going to take me a couple of hours." Well that sort of left me with — three or four o'clock in the morning, what the hell are you going to do. I went into the boardroom, climbed up on the board table, which had this green/beige cover over it, and went to sleep. Well, next thing I know I kind of wake up and there's this guy in stocking feet and an open shirt, smoking a cigar. He said, "Hey kid, why don't you do something useful like going out and getting some of us working guys a cup of coffee and a sandwich." It's Peter Grace. So I get up, "Yes sir. Be happy to." And he says, "I'll take you down in the executive elevator." So we get in the elevator and he shuts the light off and he said, "You see, at the bottom of every floor you can see the light coming from the floor, so you turn that handle and see if you can hit the first floor." Well, down we go; it's only seven

floors, and I hit it absolutely perfectly. Opened the door, there we are, and he lets me out of the — we're now in the bank building. I mean, this is where the Grace National Bank building is. And he walks across this marble floor and he lets me out and he says, "Down the street and two blocks left and you'll find a deli, and we'll see you when you get back." So I do all that and he said, "Oh, by the way, I guess if we don't have anything else for you to do at Grace, we can always find you a job as an elevator operator." I said, "Thank you very much, Mr. Grace, that's nice to know." And off I went.

CK: *I'm waiting for a better ending.*

CL: I'll tell you what happened. I didn't last at W.R. Grace. I was there for only a little over six months, and suddenly, after all the work the statistical groups did, they came to the conclusion there are too damn many of us, and they had to cut back on their New York house expenses, as they described it. So I was given a pink slip along with a hundred other guys in various departments. So, nothing personal. But before I left, Earhart sits me down and said, "Listen, why don't you go up and see the people at the Phipps Guest Agency." I said, "What the hell is that?" I decided I wanted to become a drug salesman for Schering Drug, for example, and a detail man for Shering Drugs. So I got my focus on that, and I went out and interviewed there, and so on and so forth, and as always, something of a promise. Anyway, I went up to see the people at the Phipps Guest Agency; I thought it sounded like a hotel to me. It was the family office of the Phipps family, and where the 'Guest' comes is that Amy Phipps is married to Winston Guest,

and that's how the Phipps Guest Agency got involved, and that was the name of their insurance agency.

Well, I wasn't up there to talk about insurance; I was up there to talk about investments in theory. I met a man by the name of John Kingsley, who I put down as one of the principal guys I've met in my life, and he was a very pleasant, courteous man. He was also very curious about the other fellas that I'd been working with because he'd interviewed several others of my little group that had all been fired. The Phipps' and the Graces were related. I'm trying to reconnect in my mind the family tree at the minute. I guess John S. Phipps married Margarita Grace, and the two were interconnected in that regard. A couple of the Phipps' were on the Grace board, and that resulted from back in the twenties when W.R. Grace got into an inventory crisis — suddenly they had inventory they couldn't sell and the banks wouldn't lend them money. The Phipps family stepped up and did a deal with them and saved their bacon, and they wound up with a lot of stock in Grace. As a consequence, two of the Phipps' had seats on the board. So that was kind of interesting to Kingsley, who's the general investment officer of this crowd—We're talking back in the early fifties; this is now \$200 million or better that we're talking about. This is a big deal back in those days, and he really didn't have very many people. This is Sutton Place, 465 East 57th Street; this is a really nice address, and I liked the guy. I thought he was terrific, and I was less enthusiastic about taking my eye off the drug

detail ball and going back into the finance business where I'd gotten myself canned after six months. I wondered if this was really a career.

But make a long story short, he knew I was from Baltimore, and he asked me, "Do you by any chance know Francis Symington from Baltimore?" I said, "Yes, Mr. Kingsley, I do. He's my next door neighbor." His son, Mac Symington, was almost identical to my age and we sort of grew up together. Francis Symington and John Kingsley had been classmates at Yale and very close friends. As a matter of fact, I guess they'd been in each other's weddings and so forth and so on. Anyway, I didn't know this. He didn't tell me that he knew him right away, because I think before he told me I think he called him to find out what my bona fides were. When he did know he called me up and said, "Come and have lunch." In those days I was living on about sixty cents a day, and "lunch" meant going to the River Club and having a really very handsome lunch at no cost to me, and that sounded like a great deal. So I went up and had lunch with him — we did this a couple of times — and finally he said, "Well I'd like you to come work for me." I said, "Well, what do you have in mind?" In a dollar amount, we were talking about. And he said, "What do you want?" I made the dumbest financial mistake of my life; I told him \$100 a month more than I was making. At that time I was making \$250 a month at W.R. Grace and getting overtime, and the overtime was what was making it all. And of course, I didn't ask for the overtime; I said \$350 a month, and he said, "That will be just fine."

CK: *It probably sounded like a lot to you.*

CL: Yeah it did. I was living in the Village in a small apartment on the fifth floor of a house owned by a fella by the name of Conning, and his daughter, Ann Conning, was a classmate of mine at Cornell. I just met her on the street one day and I said, “I’m looking for a place to live.” She said, “How about trying out the top floor of my old man’s house?” And I said, “That sounds like a good idea.” It was right off 10th Avenue and it was an easy subway ride from Grace, so that worked.

CK: *What was it about John Kingsley that impressed you?*

CL: One, he was a gentleman, very courteous, never raised his voice, always curious and interested in me. We had now Francis Symington in common, but we rarely talked about him. His phone was going off every thirty seconds; he was talking to all the brokers and buying and selling stocks. I’d sit in his office and listen to him talk to these brokers by the hour. Then we’d discuss what he was talking about. The objective was that maybe I could take some part of that off of his shoulders. Of course, I didn’t know beans. He never ever asked me to do any assignment. He always told me, “What do you think about this?” Or, “What do you think about that?” “What do you think we should do?” And I couldn’t say, “I don’t know.” All I’d do is, “I’ll take a look at it, and I’ll talk to you about it as soon as I can.” So I had my evenings committed for umptiumth years in that process. And we’d get back together, and I’d get it in, in the morning, and make sure I had all the documents that we were looking at — the companies, the portfolios, et

cetera, et cetera. Along about ten o'clock the telephone would ring: "Come on up to my office." So I'd go up and sit in this very handsome paneled office and listen to John Kingsley talk on the telephone to his broker friends, and gradually I began to get the feel for what was going on.

CK: *What was happening with the stock market during the early fifties. Do you remember?*

CL: I do. By and large it was going up until 1957 when it dropped off. But by and large we were dealing in investments that were pretty long-term; we weren't trading stocks. But by and large the portfolios were appreciating in value fairly significantly during that period of time. I was there at a very good time to be there. There wasn't a big staff. Kingsley had been doing a lot of this stuff on his own. Shortly after I was there, he was made president of Bessemer Securities Corporation and given overall powers to manage the office. So I just went along with the parade; I sort of became the assistant to the president. And boy there was always plenty to do, and I generally got it done.

CK: *You had said earlier that you were fascinated with the numbers. Were you excited about this work as much?*

CL: Oh yeah. I began to employ some of that stuff in what we were looking at. And deals would come in to look at, and you'd go through the deals and read them, and I'd go through the numbers and sometimes they'd parse and sometimes they didn't. I began to get a feel, after a while, what I thought the risks were in terms of what we were doing;

from my limited experience I could see that some things didn't make any sense at all and some of them, relatively few, looked like they were pretty exciting opportunities.

CK: *What was the most exciting deal that you did while you were at Bessemer?*

CL: Oh, God, there are so many. You're talking about eight or nine years of my life. I guess the most exciting was the Farrington Manufacturing Company. This was a deal that I had relatively little to do to start with; I did not sit there and say this is a deal you got to do; it was done by Kingsley and the board with a firm in Boston — and this is a company that resided in Needham Heights, Massachusetts. They were a multiple factory manufacturing operation, and they made — you probably remember the metal Charga-Plate that people used to have — well, they had a patent on that. They also made metal boxes surrounded by material and they snap up and close — jewelry would typically come in these metal boxes. They also had a subsidiary making printed circuit boards for various electronic companies in the area. It was a highly cyclical business; the jewelry business is Christmas-oriented, and after Easter there's not much going on until you get to about November, October.

Anyway, month after month after month the figures kept coming in with these big red numbers, and I said, "These guys aren't going anywhere; we better think about this." So Kingsley finally said to me, "Charlie, why don't you go up there and meet these guys and see what's going on." So I paid my thirteen dollars to get on the Boston shuttle, which is what it was in those days. And I flew up, and I was met at the Boston airport by Don

Farrington and his Aston Martin and driven out to Needham Heights, and we went in this magnificent new plant that our money had largely gone to support. We went into his offices, and he brought out his senior staff — the chief financial officer and so forth and so on. And we spent a good part of the rest of the day looking at all the numbers. And I looked at them, and they were trying to justify all of them and telling me about the seasonality of the business and so on and so forth. I said, “Look this is great, why don’t we take a look at the manufacturing floor just while I’m here.” They seemed to be slightly resistant to that idea, but they agreed. Paul Hately, the chief financial officer, said, “I’ll walk you down, Charlie.” So he did. And I went down on the manufacturing floor — this is a big 350,000 square-foot plant. I looked at that floor, there’s nothing going on, on the floor — just a little group here and a little group there. Goddamn Sam, we have got some problems. I could just see there wasn’t enough business to justify this fabulous plant.

So I go back to New York and see Kingsley and other associates there, and he took it in to Ben Phipps, who was one of the senior Phipps’, and he looked at me and they said: Charlie, go fix it. In effect, they didn’t use those words, but I got the impression that this is part of my assignment; I should go figure out what we should do with this thing. So I scheduled myself back there, and it was one of many trips. This is a public company; we own senior preferred stock, and this company does occasionally trade over the counter. I

don't know, I think the stock was selling at twelve or fourteen — it didn't stay at twelve and fourteen very long; it was down much south of that.

But I began to go up there on a regular basis, and I got to know not just the top guys but the second-level guys. I got to know them all on a first name basis. So I got to know them as people I liked or didn't like or whatever, but I listened to them. And after a while all these guys were very focused on their business, and I finally understood that they were telling me things that the guys upstairs weren't necessarily listening to. I brought all that stuff together, and then I hired a retired general, Bill Borden, who had been head of ordinance of the U.S. Army during the Second World War and finally talked MacArthur into taking enough artillery for the Pacific. He was a guy about my size, peppery and full of beans, and he didn't know a lot about finance, but he knew a hell of a lot about manufacturing, and he knew a lot about organization. He could teach manufacturing at Harvard Business School with one arm tied behind his back. He had a brother-in-law who was a widower, a doctor, living very close to the plant. So Bill Borden and I would go camp out with [Dr.] F. Dennett "Dennie" Adams, and the three of us would hang out incessantly at this doc's house, and we'd just hash it all out. And finally we figured out what we wanted to do, and we started to do it. We basically cut a lot of the operations back, and I could see where the Charga-Plate business — without the patent we were going to lose that business. So we got into the plastic credit card business, and we went through the process of having to develop embossing machines where we got all those

raised letters and numbers on those plastic cards and so that we could do that with our eyes closed. The characters involved with that was another company. But we got all of that really organized, and we began to get the oil companies to take these plastic credit cards with these embossed type in them. And they were buying our printers, and that business started to really get going.

Then I met some fellows that were working with Farrington who were scientists. They'd gotten in the optical character recognition business. That is to say they could look at a printed document, and if it was printed in a certain type of print they could scan it and reproduce it just like that, by just using pattern recognition of the code electronically.

Well, at any event, to make a long story short, one of the stockholders — a major stockholder of OCR, which is what the name of the company was — was a fella by the name of Huntington Harris. Huntington lived in Leesburg, Virginia, and he and I became very good friends. He loved martinis at lunch; he's a great big guy and very thin, former OSS operator; he'd been in North Africa, then he became the unofficial ambassador to the Vatican. This guy was a very special guy. A good bit older than I, but we became good friends. I remember going to the University Club in Washington with him and having two martinis.

CK: *So you're telling me you can't handle a two martini lunch. (laughter)*

CL: So we descend into the basement and get in the pool, and I almost drowned, but in the steam room I finally came out of my stupor and I was all right. Again a long story: I convinced Hunt and David Shepard, who was the principal owner and developer of this original optical character recognition equipment company, to sell out to Farrington. So we bought OCR. Farrington Manufacturing bought OCR, a private company, and they wound up with a handsome block of Farrington stock. And my assignment was to sell the Farrington board on their acquisition of this profitless scientific company called OCR, telling them that: basically, OCR's patented situation gave reality to our plastic credit card business that looked like it had great promise, and it gave us something that we could really sell to the oil companies, which was very sophisticated electronic equipment along with our cards and our embossing machine and so on.

Well this is kind of interesting because the next thing I know I'm getting calls from guys I know — Bill Elfers from American Research and Development, Tommy Kempner from Loeb Bros and Company and others, What about this Farrington Manufacturing Company, Charlie? I said, "Well, I think it's going to be interesting, we'll see." I met tons of people from all over the place just on Farrington alone. It was just amazing to me, the stock went from 12 to 400 or something — it just went crazy. A lot of stock was acquired by a man by the name of Grandison Hoyt who was U.S. born but then a Canadian citizen and very, very, very wealthy, and he fell in love with Farrington as a

company. He just bought a ton of stock, and he wanted to be on the board and so on. And Grandy was, in my opinion, a good man; I really liked him. I thought he was an egomaniac, and ultimately what happened was that at one time the stock was so high I said, "Grandy, why are you hanging around with this?" He said, "Charlie, I have neither chick nor child, this is what I live for." I said, "Well thank you very much." I then went back to Bessemer and I said, "Guys, do you want to be industrialists; do you want to build this company into a vast thing or what do you want to do?" They all agreed that it was probably time to get out. So this is now a fairly thinly traded thing; it's selling at a huge premium over what we paid for it. I think we had warrants and all, which we exercised. But how do you sell it? It just so happens, Phipps' office had sent me down to work a summer at M.A. Shapiro & Co., which is a bank stock firm. Morris Shapiro was a force, and he was a force in the bank business. And while I was working that summer for Morris on behalf of Bessemer, he put together the Chase Bank and the Bank of Manhattan Company. A young fella by the name Chandler Robbins, Charles Lea, and Morris Shapiro did all the spreadsheets on this deal, and we got that done. The way this worked out for Bessemer is that they became, through Morris, a big shareholder of the Bank of Manhattan Company, and we're buying the stock at like thirty cents on the book dollar. Of course, when the Bank of Manhattan and the Chase Bank merged the thing went to a premium, so it was a very handsome thing for us and for Morris and for Chandler Robbins.

Morris had such good experience—I called him up when I had all this Farrington stock, I said, “Morris you’re past master at trading stocks, how do I sell 400,000 shares of Farrington at \$400 apiece or whatever it was?” He said, “Let me go to work on it.” He called me up two days later and he said, “Charlie, I bought 25,000 shares.” I said, “Morris, you’re not supposed to be buying it, you’re supposed to be selling it.” He said, “No, you don’t understand, I’m getting the game honest. If I showed up and they understood I was representing you and I had a big block to sell, that stock would tank.” So Morris got in the business of trading Farrington, and week by week he’d lose 50,000, 100,000 shares, and gradually over a period of some weeks or months all of our stock was gone. And he just knew how to make those trades — and he didn’t move the stock very much either way. It taught me that that can be done. It just shows you that in today’s market, where these money managers throw these stocks at the market and have them descend twenty, thirty points — that’s just not professional work. I’ve seen good professional work and I recognize it. When you can sell a big block of shares and not move the market very much, that’s done by masters.

CK: *It sounds like you had an incredible eight years at Bessemer — an education.*

CL: It was an education and a half, that’s for sure.

CK: *Overall, what would you say was your lesson from those eight years?*

CL: The lesson was that I became familiar with the financial markets and small companies. One of my first jobs after I'd been there for about a year was to take all the various small holdings in the office and sort of begin to oversee them. And typically, these were holdings that were acquired by various members of the Phipps family — on the golf course, or the tennis court, or at the race track, or whatever; they bought stocks from friends and they were just thrown in the box, and nobody paid any attention to them. I took all these things, and most of them were nonsense, and we wrote them off and got rid of them, but a few of them turned out to have value. I was sitting one day with the retired chairman, John S. Phipps, again at the River Club, and he was telling me about the old days of Bessemer and how they were International Paper, and how they saved that company, and Ingersoll Rand, and how they did this with that, and I was fascinated. He said, "But what are you up to?" And I said, "Well, I'm taking all these things that your relatives gather and I'm trying to make milkshakes out of whatever." He looked at me for a while and he said, "You know Charlie, big house, big attic."(laugh)

CK: *You left after eight years.*

CL: I left in 1961. And the reason I left was that Kingsley was getting toward retirement; he didn't retire for a number of years thereafter. His successor was going to be a lawyer by the name of Tom Kesse — without a doubt was one of the truly nice men I've ever met, but he didn't know beans about investments. He was a trust lawyer type of fellow, and

what he thought was substance to me was form. I could just see that it wasn't going to be a match, and it was going to be an unhappy match, and maybe I ought to consider doing something else. But more importantly, we also had a member of the family, Esmond Martin, the Martin side of the family, who sued the estate for large sums for reason that he didn't feel that the income of his particular trust met what was a standard that it should have; in fact, this was the days before the total return approach — that you take capital gain and income, and you consider both when you figure out what the outcomes are. In those days, they could just see that they were getting two percent on their investment, and they didn't think that was enough, and they didn't have any regard for the appreciation that we were focused on. That thing went on and on and on and on, and I just could see that this thing was gradually turning into a fiduciary—And with Tom coming in to run it, I could just see — I was going to wind up as a clerk in a bank. So I decided to try my luck on Wall Street. So I was offered a partnership in a small but prestigious firm, F.S. Smithers. And I told Mr. Kingsley I was terribly sorry, and that I'm just going to go down to Wall Street to work.

CK: *It sounds like you really had a kind of growth spurt, intellectually and professionally, during that period of time, would you say?*

CL: Well they squeezed a pretty fair amount of work out of me, that's for sure.(laugh) I guess I always had a knack for putting myself in the vise and then trying to figure out how to get out of it, and so far so good.

F.S. SMITHERS & CO.(1961-1969)

CK: *So you move on to Smithers in 1961?*

CL: Yes, in June of 1961, I went down to F.S. Smithers and became a partner. This was in the days when if you became a named partner of a firm like Smithers, there was a formality to it; it became a formal public event announced to the public at large with perhaps an announcement in the paper. They made a pretty big deal about it. The senior partner of F.S. Smithers was a man by the name of Arthur Lawrence, and he took me personally to the offices of each one of the major New York banks that we were doing business with and introduced me personally, and said, “Mr. Rockefeller, this is Mr. Lea, and he is my new partner, and he will sign F.S. Smithers.” And that meant I could commit the firm for anything they cared to. They wanted it to be a person to person kind of thing and see who I was. And so I guess I went around to see six or seven of these guys, and it was a fifteen minute discussion, very friendly, very formal, and on to the next one. I was not dressed in a morning coat, and so on, but it was pretty heady stuff.

CK: *You’re not mentioning this, but you’re only thirty-four years old.*

CL: This was the time that Donaldson, Lufkin and Jenrette were starting, and they were all my contemporaries. Guys my age were doing things; I might be even a little late to the parade, so here we go.

CK: *The sixties were certainly unusual times in this country; we thought we could do anything. I'm wondering how the climate on Wall Street in the sixties contrasted with that of the fifties.*

CL: What had happened was that institutions — that is to say pension funds, banks, insurance companies — began to invest in smaller cap stocks. They began to take a real interest in what was going on in little companies that had some substance to them. For the most part, they had largely been bond buyers, and equities were just beginning to become of some interest to them; and they had bought the IBMs, and the GEs, and the Upjohns, and so on. But then they began to get interested in all the small companies that nobody had ever heard of that were doing really, extremely well economically.

DAMON CORPORATION

CK: *What was the most exciting or challenging project that you were involve in while at Smithers?*

CL: I started a couple of companies. I started Damon Engineering, which became Damon Corporation, and then it became a New York Stock Exchange company. I started it with a group of guys in Boston, they were scientists and they were in the electronic business: crystals, filters oscillators and Signal Corp kind of stuff. I met a fellow by the name of David Kosowsky. His cousin, David Margolis had worked for a fella by the name Harold Geneen. I don't know if you'll remember Harold Geneen, but he was the chairman of ITT for a good part of his career. Harold was a great acquirer of companies.

While I was still at Bessemer, I'd bought, through a leveraged buyout arrangement, a company called Acme Visible Records. Acme had been a great success, and Harold Geneen had been involved in that purchase. Remember he just joined ITT, and I called him up and I said, "Harold, we're closing this deal up and we appreciate all you've done for us; do you have \$25,000?" He said, "Yeah, I guess I can find \$25,000." And I said, "Well, you're in it for \$25,000, in this deal in founders stock." He figured out later he made more money on that one deal than he ever made out of ITT the entire time he was there. Margolis was his chief young lieutenant.

And so David Margolis and I, through the Acme Physical Record deal, got to be very friendly, and he introduced me to Dave Kosowsky, his first cousin. So I go up and I meet Kosowsky who graduated number one in his class at CCNY in 1951. That's an achievement. He's now a PhD from MIT, and he is another force. He's forceful, and he's cocky as he can be, smart as a whip, and funny. He and I get to be pretty good friends. I sit on his back porch in the summer of 1961, and we invent this company that's going to be in this crystal filter business. So we do. And I have to raise \$750,000. So here I am this junior partner of Smithers on the back porch of this Jewish guy, who I'm very friendly with in Needham, Massachusetts. And Needham, as you may by now know, is one of my backyards, given that Farrington is right around the corner. So I go and raise the \$750,000; and Dave raises parts from his little community; and I tap a couple of venture capital friends; and we get this company going; and I sat on its board for over

thirty years. And I watch it grow from a peanut to a New York Stock Exchange company to being an acquisition by a firm back in the late-eighties. We all did pretty well on that. That kept me very busy at Smithers, along with a couple of other things.

CK: *How much did you invest emotionally in Damon Corp?*

CL: I'd get really entangled with these guys; they're like brothers. I want to know what their doing, and after a while my phone rings and: "I got a problem." It's a personnel problem or whatever, and I'm into all of them, and it's back and forth all the time. You get totally involved with these guys.

CK: *And meanwhile you've gotten married, you have two daughters.*

CL: Yeah.

CK: *That's a lot to balance in a life.*

CL: Oh yeah, it's unbelievable. It's hello, goodbye. I made a terrible mistake, I think, looking back on it — my first marriage. I married a very intelligent woman, and we lived in New York for about six or seven years, and I thought I needed to get some space so we moved to Greenwich, Connecticut. We bought this small farmhouse out in the back country, and I left her there with two small children, and I roamed the world — not around the world, but I was just away a lot and that was probably a terrible mistake.

CK: *It was interesting that you refer to these entrepreneurs — David Kosowsky and others at Damon — like brothers, not like children.*

CL: No. They're not children; here's a guy who graduated first in his class at CCNY. Are you kidding? He doesn't suffer fools for thirty seconds.

CK: *Is the company like a child that you're trying to raise?*

CL: Yeah, that's a good analogy. We're trying to coax this thing into being. I remember at Damon, the first product coming off our production line, I painted. Our paint shop was an IBM box for a Selectric typewriter that we'd purchased. And we'd set this box up so it was three-sided, and I sat there with a spray paint can going "Zap!"(laugh) The first products.(laugh) You've got to be prepared for the primitive and the hilarious and also almost doomsday. You run into all these problems and you got to keep going.

CK: *Did you find this exciting?*

CL: Yeah, I found it very exciting. It was the thing that made me work.

CK: *What happened to David[Kosowsky] and Damon Corp?*

CL: They wound up being bought out by a leveraged buyout — Who was the junk bond king? — Michael Milkin. This is a business back in the late-eighties where you're using junk

bonds to buy companies. He financed a partnership that acquired Damon and paid us a very handsome price for our stock.

CK: *Did you see this period, or what you were doing, as being risky — that you were taking exceptional risks with money?*

CL: I felt that we were taking measured risks. Anybody that goes in the venture capital business and puts all of his money into venture capital ought to have his head examined. But if you're going to sort of slice and dice your resources and put a small amount in venture capital that makes imminent good sense, particularly if you do that over a period of years where you have an opportunity to have an exposure to a pretty wide series of events. Not all of them are going to fail, none of them are going to be nothing; some of them are going to do pretty well. And it turned out that the stuff we were investing in over a period of years you couldn't honestly say which one was going to be spectacular, so you would work at them all. Then there'd be the inevitable write-offs and write-downs and so on that you had, but every once in a while you got one that really did well. A hundred to one on your money is pretty good. But the worst you can lose is one on your one money.

CK: *At that time, did you know what was driving you? In looking back, what would drive you to have these experiences?*

CL: It never was seriously money, because I didn't have a lot of experience with having money, personally. I sort of convinced myself that we could get something done; that we

could do it; that here was a dream of a group of fellas that saw an opportunity and we felt that it was doable. Being in the investment business you've seen a lot of things fail and not work; you'd been at Grace or whatever; you'd already had plenty of experience of that; you know that there were real hob and gobbins out there, but here was something you thought, with a little enterprise and effort, you might get done, and that's what drove you on — that ability to have something really good happen.

CK: *This is what I was asking you before — a sense of exuberance about something, a passion that you said you didn't have when you were younger?*

CL: Yeah, I guess. I just felt it was like being in the game, you know, you could win it. That was kind of my feeling about it.

CK: *You were with Smithers for eight years. Had Wall Street changed during that period?*

CL: It was going to change; I mean, it was going to change a lot and we're now up to let's say 1968, 1969. My older partners were going to retire out of Smithers, and I was going to miss them — a new crop coming in. I'd increasingly gotten involved with the administration of the firm; I was now in quotes "a senior partner," and my other partners were looking at me to sort of keep things organized. And so I was dealing with a lot of the day-to-day operations of the firm and keeping happy the big producers, the commission makers and all that, and being kind of a wet nurse to these guys; and finding that if a guy's bringing in a couple of million dollars a year of income he's going to have

some issues about how much he gets and how much you get, and you got to be on your mark and ready for all of that stuff and stay in everybody's reasonable graces, or else he's going to go someplace else. You've got to deal with all that on a routine basis. I found that pretty difficult, because I always felt I had other fish to fry. I wanted to be able to be productive in my own mind, myself. I wanted to make those little venture investments and see them prosper and grow and that took away my focus on Smithers, a business I was increasingly dissatisfied with.

CK: *You liked the hands-on involvement?*

CL: Yeah I did, I really liked that.

CK: *The people or the project or what?*

CL: I guess the people side of it always appealed to me. I felt that what I brought to manufacturing or any other kind of a company, I brought a knowledge. I knew something about the financial markets and financial community that they really didn't know. In small enterprise, money is always an issue; you never can really get enough of it. You're always looking for the next tranche. At Damon, that was never particularly a problem, because it was always pretty profitable almost from the beginning. In a ways it was a problem in that we had to learn how to hide it. We had these government contracts and they were more profitable than the contracting officer really suspected, and so we

had to keep making sure that we didn't show too much gain or else we'd lose the contracts.

CK: *You said you were leaving Smithers because it was changing.*

CL: The world was changing, and one of the things that was happening was that the SEC had determined that they'd eliminate fixed commissions on New York Stock Exchange transactions — on security transactions. Beforehand, it didn't make any difference who you were, the commission on a transaction or a sale or purchase was the same in terms of dollars. But Manny Cohen, the head of the SEC, determined that that was not appropriate and that Wall Street was getting super rich off of this burgeoning growth in the shares every day. Yeah, I can remember when the New York Stock Exchange traded less than a million shares in a day. The fixed commissions worked okay in that world. But when it got to be 100 million or above, then they thought they were throwing a golden whatever at the Street and the Street didn't deserve it.

CK: *How would eliminating the fixed commissions affect both sides?*

CL: Well in the case of the brokers, they would lose 500 million dollars a year across the Street. That would be a huge reduction in revenue for them. On the other hand, it would probably be a saving in terms of the institution client that placed the buy or sell order. But what it did was — unintended consequences — it eliminated all the analysts and all

the people who were following these smaller companies, and as a consequence, these stocks dropped like a stone over the next three or four or five years.

CK: *This is in the seventies?*

CL: Yes. I mean we just saw a collapse of the market for small companies. But fellas that used to earn their income by following these small companies were paid by give-up commissions to them for their research; they'd provide the research to the institutions. But when that revenue dropped off, they had no product. It didn't pay them to cover these small companies any longer. They went and started pumping gas or waiting at stores or whatever they could find after that. The Street lost a lot of brainpower. A lot of really smart people left the Street. At that time, they didn't recover for ten or twelve years; I mean, it took a long time. I kind of saw that this was going to happen, and I got very much more interested in venture capital. My friend John Birkelund and I were contemporaries. He said, "Listen I'm going to do this fund, why don't you come over and manage it?"

CK: *How did you know John?*

CL: There was a man there by the name of Robert Russo, who was assistant secretary to the treasury, and a lunch was given for him. I remember being invited to this lunch to hear this very brilliant undersecretary of the treasury speak. I was invited by some brokerage firm downtown, and I'd go. And this is not an unusual thing to occur. When I was down

there, this other young guy shows up from Amsterdam Overseas Corporation by the name of John Birkelund, and I guess we sat next to one and other. And I said, “I work for the Phipps.” And he said, “I work for the Rothschilds and let’s stay in touch.” And we did — and this is 1956. Now it’s 1969. John bought into Damon, and he bought into Chemcut and a couple of other things in a small way, and I sort of followed his career. He was dealing with the chairman of Amsterdam Overseas, Peter Fleck, who was, if you’ll pardon the expression, at one time a total bastard. I didn’t realize that some years later I’d be working for him.

Peter and John were just like a collision. I kept looking for jobs for John to get him out of Amsterdam Overseas. I thought I had him hooked up with the people upstairs, at 45 Wall Street, from Smithers, called G.H.Walker & Co. — George Bush’s firm. That did not work. And John worked matters out with Peter and the rest is history. I worked for New Court Securities, which was an outgrowth of Amsterdam Overseas, after Smithers. Peter was chairman, John was president, I was executive vice president, or whatever, and Peter acted like my grandfather. He couldn’t have been nicer. The only one thing he ever did that annoyed me was, he read my outgoing mail.(laugh). I said, “You’re not going to read my outgoing mail any longer.” And he said, “All right, I’m fine with that, I won’t.” Now this is a Dutchman, and he’s working for a large and respected Jewish firm, and he just had a certain old-school way about him, but he thought anything that I wrote on the letterhead of the firm should be not only my concern but his.(laugh)

CK: *This relationship with John Birkelund was quite special.*

CL: Well he was the best man at my wedding. And when things went the wrong way at New Court, John and I sat down and had dinner and we decided, Well, we don't know how much worth we are, but we're probably worth more together than we are apart. So we decided to do it together.

NEW COURT SECURITIES CORP. (1969-1981)

CK: *I want to hear about New Court.*

CL: Well, as I said, back in 1969 I decided to resign from F.S. Smithers and leave F.S. Smithers. So I gave notice and went into see my senior partner and said, "Arthur, I've decided to leave. I'm going totally into the venture capital business, and I agreed to take on twenty million with John Birkelund." And they seem to be very sorry to see me go, but Arthur and all the rest of the older partners were retiring also. The thing that struck me most forcefully was that we had decided to move our lease from 45 Wall Street to One Battery Park Place. I always used to call Smithers the Robert Hall of the investment banking business because we worked out of one great big room — a trading floor, which is no offices, just desks on the side. If you're a partner, you got a desk by the window; not if you were a peon, you sat in the middle of the trading floor. I fortunately had an office also on the 28th floor right under Lazard Freres, which is totally another story. We had a group of the partners that was going to stay go over and get this Battery Park place put together. So one day I went over to inspect it; I'd never seen anything like it before.

They had two floors connected by a stairwell in between the two floors that was illuminated by this chandelier that went completely down the stairwell; and they had these floating floors that had all these computer cables underneath it; and of course, they had a look of the harbor and all that. I forgot what the rate was. I just said, “I am out of here; this is something we can’t afford; I don’t want to be involved with it; the world we were going to live in is not going to support this.” So that’s what drove the nail in the coffin as far as Smithers was concerned, and I felt the sooner I could get out of there the better. I sort of had it with all this administrative stuff I’d taken on, and suddenly I’ll be burdened with these expensive leases. I just said, Birkelund’s idea sounds more appealing all the time, so I did it.

CK: *What was the risk in doing this? Moving on to something new?*

CL: There’s always risk. I left in 1969 from Smithers and I took a trip. Before I left, I went to see John and we all agreed I knew where my office was, and so on and so forth, and who my secretary would be et cetera, et cetera. I took my wife off, and we went to Spain and North Africa and France and England for a matter of some six weeks. I took a real kind of sunny sabbatical. I remember having a couple of glasses of wine in Seville at the noon hour and was taking a nap in the afternoon and the telephone rings. It’s one of my new partners, Harold Tanner. Harold was relatively new at New Court as was I. He said, “Charles, that little firm that you and John have cooked up of \$20 million — well, as you know, we have Kuhn & Loeb managing our offering of that private placement of these

partnership interests. We're over \$20 million; we're closer to \$50 million." I said, "Holy smokes, Harold, how are we going to invest \$50 million?" Given the background experience I had — well, the Phipps was one thing, but \$50 million in venture capital is something else. I immediately came to my senses, and as soon as I could we flew first to London and stayed there a day or two, and then I flew home because this was a horse of a whole different size that I was going to ride that I hadn't expected. I had felt that we had to have \$20 million as a minimum, but \$50 million, that made us one of the largest venture capital activities in the country. There's one larger, Heizer Corp, which is maybe \$80 million, but I didn't have the same view of myself that Ned [Heizer] had of himself.

CK: *How does a venture business differ from investment banking or portfolio management?*

CL: Well, Carole, I have always thought of venture capital as a contact sport compared to portfolio management or investment banking. Of course, all of these practices are undergoing significant change. When I first started in business investment management with its buy and hold strategy, it seemed a bit like playing bridge between nine and five. Today it is more like casino poker with aces wild, particularly when I see how a trading mentality has crept into it. In venture capital and portfolio management, you are involved in principal transactions. If you do something, you own the outcome. If you are an investment banker and are acting as a principal, you are probably moving to get out as fast as possible. On the other hand, you may be acting as an advisor. In this case, there are two kinds of investment banker: there is the relationship banker and then the

transactional banker. The relationship banker is someone who lives with a group of clients over along time; he knows them personally well; he knows their business extremely well; he advises them on timely market opportunities as to when to raise capital, and he will advise on strategic acquisitions or divestitures as the case may be.

Then there is the transactional investment banker who comes to you almost de novo and says, I think you ought to buy thus and so because I am convinced it is a great strategic opportunity for your company; we would recommend that you structure the deal in the following way; this could be a lifetime chance to enhance your business, but we can assure you this chance will vanish quickly if you don't use us to make it happen.

The relationship banker had become somewhat obsolete in the boom years. Major companies in today's world have very proficient chief financial officers in terms of what they do, and they may not feel the need for a relationship any longer. Given the devastation of investment banks in the last twelve months, I would expect the need for good investment bankers of all stripes will vastly exceed the supply for some time to come. It may take several murky years before this need is recognized.

Dillon Read was the quintessential relationship banker. It existed solely for the benefit of its clients. In addition to a rabbits' warren of small offices housing some really super bright young financial analysts, it also provided handsome quarters for senior partners and staff and most comfortable meeting and dining rooms. When John Birkelund and I

first presented ourselves, after our New Court exit, it was like going to a private club or library. If you were a Dillon Read client, you could expect not only a world class discussion of your business and financial strategies but great hospitality as well. If you like to play golf, where would you like to play? Pine Valley? Bind Brook? Perhaps on the West Coast at perhaps Cyprus Point, or San Francisco? If that is your pleasure, we can arrange that. A box seat at the Kentucky Derby? No problem! Long term clients of Dillon Read in Fortune Five Hundred companies looked forward to coming to 46 William Street. And of course they paid well for the privilege.

CK: *Did you and John start New Court Securities? How did that come about?*

CL: John started New Court Securities as part of Amsterdam Overseas, which was a Rothschild owned company. John managed all the American portfolios of the Rothschild families, particularly the French in New York, and he felt that that could be a self-sustaining business. So he formed New Court Securities and put it into a separate company that he became president of, and Peter Fleck became chairman of. It consisted largely of just a portfolio management business, a largely private thing. We gradually built that up with other people's portfolios, and the portfolio business became a very good business for New Court.

CK: *Then you're talking about starting a venture capital firm—*

CL: It was called New Court Private Equity Fund, and that was something I came in to raise the money for and to manage.

CK: *This is where you had this offering?*

CL: \$50 million. This was already a work in progress when I took off on my vacation. New Court already had a semi-public venture capital fund of European money called Arrow Capital, which became part of our venture assets, which was probably worth \$15 million or thereabouts. So our \$65 million, all toll, put us pretty close to the top in terms of available capital in one slot for venture capital in the US. I came in in the last part of 1969 and began to manage these assets.

CK: *Tell me how you get involved in a new investment, a company, or an idea. What's the process?*

CL: By and large you start with meeting the people. First of all, there typically is an agent involved — somebody brings you a prospectus or an idea or something, and he's paid a fee for a transaction that evolves from it. Knowing the productive agents who act a little bit as your own screen for these things — you know the guys are bringing you deals, you know the ones that have more good ones than bad ones or vice versa. That's an important thing to be part of. Similarly, obviously, I had a fair amount of experience in that. But then there's a private placement perspective, and that's, generally speaking, if you know

how to read them, that'll give you a pretty good idea. After you've read it, and you've heard the story over the phone of what's going to happen, you decide whether or not it's worth somebody's time to come and see you, or you go see them, as the case may be. Once you've heard the story, you've met the people, and perhaps you've visited their facilities, you begin to get a feel for what is doable and what's not — whether this can happen; are you enthusiastic about the idea. A lot of this is analysis, but a fair amount of it is intuition as well.

CK: *About the product or the people?*

CL: All. It is just intuitive sense that you take in through your ears, your eyes, your nose. You get a sense that there's something vital here, there's something here that might happen if you do it right. So there's an excitement that comes with a doable idea that you think you'd like to be involved with. It's slow. Sometimes it's instantaneous, but most of the time, for thoughtful people, it's a process that takes a while; and you have to recognize what's going on and bring the focus to it, and you have to really be in love with it.

CK: *Let me ask you how you handle this. You keep putting yourself out, putting out funds that you're responsible for: How do you handle the fact that you're taking a risk on an idea that excites you.*

CL: I'm being paid to do this. I've put myself into harm's way because I like the game I'm in. I'm not paid to not do investments; I'm paid to do investments.

CK: *You have to live with the risk.*

CL: That's something I've somehow cranked into the psyche; I've convinced myself that more often than not I've got a chance if everything falls into place. I've got enough experience, enough education, enough whatever it is that I'll know a good idea if I see one, and I'll know if it's going to be doable or not.

CK: *Would you say that the risk is part of the excitement?*

CL: I don't think there's any doubt about that. If it was a slam dunk, it wouldn't need me. It got so that at New Court — I found out that Birkelund, talking to all our buddies, our pals, our law partners and friends and so on and so forth — I'd have everybody and his brother in there just because they said I thought it was a pretty good idea. And they didn't know a damn thing about it; they just knew that our batting average was better than somebody else's.

CK: *Who were you working with at New Court?*

CL: Well, we hired two fellows, principals. One was Frank Driscoll, who had been a project manager in a variety of aerospace, military operational companies; that is to say, he'd seen a lot of government work and seen a lot of big projects underway and successfully completed. Frank was a unique guy; his nose for new product technology was just superb. He had a great grasp of technology and his feeling for new products and people involved with it; he'd seen it all. There were no stars in his eyes, but he was like me, he

could become excited about a project when he saw the capacity of the fellas and what the product could do.

The other man was George Dineen who was a real interesting guy. Both are now deceased. George was an FBI agent; he'd left the FBI, I guess in the fifties, and I guess he became a bank vice-president. There were two guys who were financial partners who owned this bank, and then he became president of it. George was pretty successful in running this thing for them. And he finally went to them one day and said, "Listen you guys, I've really enjoyed this, but I want to do something on my own. I would really like to be the owner of this bank." And these two guys looked at each other and looked at George and said, No you don't. This is a terrible business for you to be in. We think you're wonderful, George, and we want to work with you. What we want you to do now is: We want to own a Ford Motor agency. So they steered him to a Ford Motor agency in like Teaneck, New Jersey. They put him in, and he owned that thing, and it was a raging success. I mean, he made a fortune out of the damn thing. George was a very giving guy, and he went to Holy Cross, and he began to send them an annual check, and they kept getting larger and larger and larger. Finally, one day, he got this call from Father Swords, who was the head man at Holy Cross, who said, "George, you've been very, very generous to us, but what we'd like you to do is to come up here and run our alumni giving operation; we want Holy Cross to really get out there with Princeton and Dartmouth and the other alumni, because we know it can be done. So George thought

about this for a while and he said, “You know, why not.” So he sold his Ford agency and went up and went to work for Father Swords at Holy Cross, and he developed the alumni program at Holy Cross, which for many years was right up there at the top rank. I don’t know what it is today because I haven’t looked. After a while he got tired of that and he, talking to one of my friends in the venture business one day, he said, “What do you think I can do?” This fella knew that I was looking for somebody to help me at New Court, so I got this call from him and he said, “I’ve got this great friend — he’d also been to Holy Cross — I’ve got this great friend, George Dineen, and you ought to see him, he’s really quite special.”

George came in and became part of our little team. Evaluating a project is also, as I said, evaluating people, and George had this great sense. He’d look at a guy’s resume, and I’d know within two days — he could call all of his buddies at the FBI, and there’s a small phone book of them; and they all know one another; and they know where the files are, and they can even actually read them. George would have resumes on every one of these guys. He was just amazing — and they go as far as the CIA. I just found him just terrific.

CK: *And are you using computers at this point?*

CL: Oh yeah. At this time we are. There’s a company called Computer Terminals Corporation down in Texas that I invested in; it almost went belly up, and we got in some new people

to run it, and it's now called Datapoint Corporation. This is the beginning of the many computer businesses is what I'm saying. George was the guy that really found the fellows to run that thing, and I think George sat on the board of Datapoint, and he made the thing go. Frank, he met Seymour Cray. I don't know if you know who Seymour Cray is. Seymour Cray was the genius that developed the supercomputer in this country. I went out to Chippewa Falls, Wisconsin and met Seymour, and he's sitting in an office with a big thing of apples on this plain table. Here's a guy that's invented the supercomputer. He and Frank are talking about computing, and they're talking about stuff — it's a whole language I don't really understand. I finally said, "Wait a minute guys. What are you all talking about? I don't understand what you're saying." Seymour, who's a former infantry soldier and a very solid, quiet-spoken guy, said: "Charlie, basically, what he's telling you is I'm a pretty good air-conditioning engineer." What he meant by that was — what they were able to do was: using super cold they could improve the speeds at which these devices could work, one to the another, by chilling it down to almost absolute zero, and it sped up the whole operation. Doing that takes some real engineering talent, and Seymour had that. He built two pretty successful companies in the process — three almost. We had a founder's share in Cray Research and that worked out pretty well.

CK: *Do you have a memory of your most challenging or most exciting deal at New Court?*

CL: Oh yeah, that had to be Federal Express. There have been four pretty good books on that subject now, but that was a five-year effort of pretty close to total dedication on my part.

CK: *How did that venture come to you?*

CL: It came to me through White, Weld & Company, which is now part of the firm that Bank of America just acquired, Merrill Lynch — “We, the People.” The guy there, by the name of George Montgomery, called me up; he was part of the deal side of the business. And just take a back step so you know it’s somewhat related: When Damon Corporation went public, being a significant equity owner of the firm, F.S. Smithers needed another partner to price the deal. So we went to our friends at White, Weld & Company when the deal was going to go public, and we let them be the handler of the books. They appeared on the right side and we appeared on the left side; that meant they were running the deal. In the morning, I went over to George Montgomery’s office and we priced the deal, and the thing went off. Anyway, I get into the office and there’s George with these papers all over the floor the desk and everywhere, where he’s run all these comparative studies. And he very severely tells me: “Charlie, we can’t pay any more than 30 times earnings for this company!” This is a hot 1960s product that we got here, they’re going to make a ton of money on this offering, and he’s telling me that they’re not going to pay any more than 15 for the price. He said, “I will not go a penny over 15, and when we get on the phone to your friend Kosowsky you and I have to have an agreement.” I thought thirty

seconds about that, and I said, “Okay George, let’s do it.” So we call up Kosowsky, and I said, “David, I’ve got George here and we’re both agreed the highest we can pay is 15 for the underwriting.” There’s these moments of silence on the other end of the phone — Kosowsky, as I’ve told you, is a bit of a force — and he said, “Okay guys, it’ll be 15, but I want to know that it’s 30 bid in the temple!”(laugh) We offered at 15, it opened at 30.(laugh) It went to 45 before the day was out.

CK: *That has got to be an incredible kind of a day, when you take something public.*

CL: Yes, it is. It is really. I’ll talk a little bit about that when we get to Federal Express. But that didn’t affect my relationship with Kosowsky. The fact that we’re public had no particular meaning. I was still a director and stockholder et cetera, et cetera. When we get to Federal Express, it’s a whole other story. And that was a happy story, you know, we were happy about that.

THE FEDERAL EXPRESS STORY

CK: *Okay, let’s hear the story of Federal Express.*

CL: So we now get to Federal Express; Kathleen [Mrs. Lea] played an important role in that. Well, Montgomery sent me this memo, called me up and said, “Charlie we got a deal down here at White Weld and it has to do with airplanes — this young man, who is out of the Marine Corps, and he’s invested a lot of personal wealth into a business that has to do with airplanes delivering small packages on a closed-loop kind of a system.” I remember

hearing this and I said, “George, I know just enough about airplanes to be dangerous, send it up.” George is — you probably got the image of a guy who’s a little bit like my friend Crist; he’s a little conservative. So anyway, up comes this deal and I read it, and I’m kind of interested. It’s a little bit off the wall in that he plans to do a whole new business that doesn’t exist. The problem is that he proposes to do this by acquiring 33 Falcon Jet aircraft at \$2 million apiece. This is 1973 now. We’re talking about \$60 some odd million plus all the paraphernalia that go with it — ground facilities, et cetera, et cetera; a big hub that will automatically rotate these packages and sort them out and deliver them to airplanes landing at god awful hours of the day and night in Memphis, Tennessee, which turns out to be not far from the epicenter of the commercial traffic of the U.S. I read all this stuff and I said, “Well, you know, this is pretty wild, but I think I’d like to meet Fred Smith.”

So within a matter of a week or ten days I do. George brings him up along with a couple of other guys from White Weld, and we sit around and I talk to Fred, and we spend an hour or two together and say: This guy’s got a lot of charisma; he’s got a lot of get up and go. He’d been a captain in a Marine company in Vietnam, a lot of heavy combat; and he’d also been a pilot for a tour flying an OV-10, which is an artillery observer, over the front, and he’s spotting artillery fire for us. Anyway, I listen to all this and I said: “Look, I think this is kind of interesting, why don’t we go have a look?” So I line up one of our young associates, his name was Rick Stowe. Rick Stowe and I do, of course, fly down to

Memphis and we had a look at this operation, and we meet the other people. They're pretty plausible guys — I mean, they're pretty wound up and ready to go; these are guys that are not just right out of college. They'd had some serious business experience; they think this is going to work, and they're all pretty smart. They're ex-Marines, most of all, and that gets my attention. So we watch the first sort — the first time the airplanes got into the air and actually bring back packages and sort them out and fly out again. We decide that they're too many questions in terms of a time frame that we're being offered, so we can't really deal with this within the time allowances that the deal requires; there's an expiring option on these Falcons with Pan-Am; Pan-Am is going to go someplace else, and we just can't buy these airplanes and then do all of our work afterward. I mean, it's too much risk. So we say, "no," reluctantly because there's a lot of really good stuff here.

Well, what happens is that the Chicago partner at White Weld, Brick Meers, takes Fred to see Colonel Henry Crown in Chicago. The Crown family is very wealthy; they are major owners of General Dynamics. And, Henry Crown likes Fred. Henry Crown is the guy that picks up the phone to the First of Chicago and says: "George, there's a young man over here who would like to buy about twenty airplanes, I want you to lend him the money." So a deal between Henry Crown and Fred Smith and Federal Express kind of happens all on paper, instantly. Henry Crown's idea is that he'll buy the airplanes and then merge Federal Express with General Dynamics, and the whole thing will work out well. Well,

Fred gets a stay of execution, if you will. He's going down the chute pretty quickly. I can't help him. Henry Crown saves his bacon, but the deal has to be done between Fred and General Dynamics.

The chairman of General Dynamics is David Lewis, and he loves the deal. He really likes Fred; he can see this thing very well. So he puts a platoon of guys working on this deal. They work at it for 30 some odd days, and they study it every six ways from Sunday; damn report is that thick. They do all the things I would like to do, but I can't because I don't have the time, and I don't have the resources; General Dynamics does. Mr. Lewis and Colonel Crown take this to the General Dynamics board and make a proposal that General Dynamics take this thing over. Henry Crown thinks this is a pretty well a fait accompli. Well, he also has a great friend in Cummings, who's a very substantial individual, who's also on the General Dynamics board, who looks at this deal and says: "You guys are crazy. We can't do this. We've got all these problems here and problems there." So on and so forth. "We can't do it. We can put some money into it, but we can't acquire it." I'd looked at the thing in April of 1973, and here it is mid-summer, July. And suddenly George calls again; he's got this big tome under his arm, he's also got the chief financial officer of General Dynamics, and they want to come see me. So they do. They come and they say, Look, here's our study, we think it's quite positive, and we'll also put \$5 million in this thing in equity just to start. Not only that, we'll insure that the Prudential Insurance Company will put, on the lending side of this thing, another

\$5 million or \$10 million — I forgot what the number is. I say, “Okay, I think this is a doable deal.” So Fred comes to town, and I take him to the New York Yacht Club, and we have dinner with Roger Frock and say, I think we can do this. So I take this back to my partners and I say: “This is something we should do. And we should lead it. New Court will be the leading financial guy on this thing and I’ll go on the board.” I didn’t say, “I’ll go on the board.” I ask my partners, John Birkelund and Harold Tanner, those two basically, and I said, “Who should go on the board?” Harold looked at John and John looked at Harold and said, “Charlie, you’re it.” So I went on the board to lead this adventure, and it took five hard years to do it.

And one thing after another happened. It is perfectly true that any investment you ever make in a situation, as soon as you’ve made your investment, it’s totally different from anything you expected. First of all we had the Arab-Israeli war of 1973 and the oil embargo. We couldn’t get any fuel to operate the airplanes. The loan agreement between the banks and the company was 90 pages long, and nobody had ever read it. The banks didn’t understand it, and they refused to lend us all the money they’d obligated themselves to because they thought that we’d presumably, naturally, had broken one of the covenants. And it went on and on and on and on. But every problem that came up, we’d somehow find a way to do it. For example, on the fuel thing my brother-in-law Scoop Tiedeman was a senior guy at Exxon. He had a neighbor and friend, also at Exxon, by the name of Arnold Cochran. Arnold had been a P-51 pilot in the Second World War,

and he and I used to play golf together. So I called Scoop up and I said: “Call up Uncle Arnold and say I’m going to have to talk to him; we’ve got a problem.” Because he’s in charge of all general aviation sales at Exxon for all the fuel they sell.” I don’t know whether Arnold Cochran solved our problem or not, but I do know that it got solved. I talked to Arnold, I said, “Listen Uncle Arnold, you’ve been taking my money playing golf, and how are you going to help bail me out?” He loved the story of Federal Express and these airplanes; he just thought it was terrific. I’m sure he was a major player in whatever transpired, but we solved that. Somehow or another we got the First of Chicago to come in and take over as lead bank for our loan agreements. The banker running the Federal account at Chase, the lead bank, went up to fix something on the side of his house on a ladder and fell off and broke his leg or something — he was out — and the assistant that came after him didn’t know anything. So we finally got the First of Chicago to become the lead player. They had an investment in Federal Express through their small business investment thing.

You just had to keep working the plans. We had impossible problems. I’m sitting having dinner one night, and I get a call from the company that said, Fred’s in trouble. I said, “What’s happening?” He said, “He’s hit somebody with a car and killed ‘em, and he’s now been arrested for hit-and-run.” I said, “Where is he?” “He’s at home.” Okay. Next thing I know I’m on an airplane, it’s probably Friday night and I’m going down to Memphis to find out what’s happened. It turns out Fred had been at a bar with a friend

celebrating his birthday or whatever — I knew the friend slightly, because Fred had introduced me at some time to him — he’s not a heavy drinker to start with. He went out and it was at night, and he drove home down this very crowded part of Memphis, and this guy who was drunk walked into his car; he never even heard it. And he just kept on going, and somebody spotted his car and called in his license number, and a trooper came after him. And Fred said, “I haven’t got a clue.” It was in the papers, but it was never on television; the story just died a natural death, but it scared me to death. Then Fred and his sisters got into it, and he was criminally indicted for fraud by their lawyer by reasons of his half-sisters claiming he stole their estate and put money into Federal Express, and so on. And there was a trial and so forth and so on. It was basically a question of character. He had this black guy, who had served with him in the Marine Corps, come up in uniform and say this is somebody I think is really terrific. This jury found there’s no intent to defraud, so, case dismissed.

CK: *This really is like living through your child’s problems.*

CL: It is really one thing after another, and this kept going on and on and on. The best thing that I ever did at Federal Express, after I got in it, was to get a fella by the name of Peter Willmott. Peter Willmott had gone to Williams with a friend of mine, Jim Stevens, who became a partner of mine at Dillon Read. Stevens told me about Willmott. Then I had lunch with him one day, and it turns out Willmott was working in the Continental Baking division of ITT, and he was the chief financial officer of the baking operation, and of

course they're running trucks all over the place. He's a Harvard Business School guy and worked at American Airlines, and he's a great basketball player, and he's just a general all-around guy. He said, "I need a challenge." I said, "I got this operation thing in Memphis; this is a challenge. Why don't you go and take a look?" Well, to make a long story short, he became the chief financial officer of Federal Express and literally, psychologically anyway, he saved my bacon in that Peter knew how to make the figures work. So that suddenly I could make sense of the operation, and I had somebody that I could rely on to give me my idea of what the truth is so that we could plan our activities, so that we knew what our worries were and what our concerns were and how to combat them. One way or another, through three financings and force feeding the banks, we were able to keep the company financed long enough to get it to a cash-flow positive. Once we got that done, we were on our way.

CK: *How long did it take for you to take this public?*

CL: Well, we put the money in, in late 1973, and we went public in April of 1978.

CK: *That's five years, like you said. What was that day like?*

CL: Under the rules of the game, New Court could not be a public underwriter if I continued to be director. I was not only director, I was chairman of the executive committee; there was no CEO. The committee — of which there were only three, and I was the chairman of it; and I didn't hold any meetings, we were the CEO. And I ran that company for that

period of time. Now Fred was on the phone every day, maybe a couple of times a day, and Art Bass, this wonderful man who was the president of it, had a terrific grasp of things. I'll tell you, one day I was down there seeing all these guys, and the board and the management were a little at odds for a while. The board fired Fred after the first tranche. We didn't fire him, but we gave him a new job, and he became president but not CEO.

We brought a former Air Force Major General in temporarily as the CEO; he's a chairman and CEO. You can imagine the feelings going on between the management, all Fred's guys, and the board guys. We're at sixes and sevens, totally. I go in this smoke-filled room — people smoked in those days — and I say, "I'm looking for the general," kind of laughing, because I knew damn well he'd never be in a smoke-filled room with this cast of characters. There must have been five or six guys in there. And they are seated on the floor. And there, unbeknownst to me, was a fella by the name of Tucker Taylor. Tucker Taylor and I have known each other forever. His father was the rector of the church where I was singing choir for all those years; and he used to be in the choir when I got too old to sing and I was an acolyte. So Tucker and I have known each other — our parents are very close friends. So I say, "What the hell is a nice young guy like you doing with a bunch of rogues like this?" He said, "What the hell are you talking about?" Tucker had grown up. He'd gone to Yale, been a Navy fighter pilot — had more carrier landings than any other guy in the Navy. And incidentally, he's a great buddy of John McCain's. And Tucker and Fred are just like this tight. So I got Tucker out of the

meeting, and we sat in a room and talked for a while and he said, “Okay, I’ll take the management side, you take the board side, and we’ll get all this stuff put together.” And we did. From that day forward, everybody was on the same page. Of course, we had to reshuffle the ownership, because Fred had gotten wiped out in all the financings; he had no stock. The value of stock was zero when we had the last financing. So we had to bring him back into the ownership; so we had to do a lot of nasty things and get re-capitalized and reshuffled internally. That was as hairy as anything else I’d been through at FedEx.

We had one SBIC. For example, we needed 100 percent resolution of all the subordinated note holders, and we had to get this one SBIC that we didn’t know very much about. It was run by a single guy, and we had to get his signature on this paper in order to make all this stuff happen on a timely basis. Anyway, I had to spend it. First Chicago— it was part of their equity investment group that had an investment in FedEx — was just as anxious as I was about this re-capitalization plan. One of the First Chicago people knew this SBIC owner, and he knew this guy had a retreat in the woods. What he did was: He calls up the State Police barracks closest to him and said, “We’ve got an emergency, go get this guy and bring him to this phone on the highway,” — that was not that far away. Somehow he managed to get this guy engineered out of this cabin in the woods and into a car down to this payphone on the highway, and he agrees to this thing, and we get his signature on the

thing, we close the deal and we're off and running.(laughter) A lot of things held up on just little things like that.

CK: *It seems that every time you got one thing settled it was something else.*

CL: You got it; that's the story. But we finally come to the odyssey where Civil Aeronautics Board is the overall agency related to the airline industry, and we're not a regulated member of that industry, but we're part of it. We're flying under rules that are Civil Aeronautics, and we're subject to the FAA and all that, and they have decreed that if there is underwriting that no airline can have a board of director who is also an investment banker. I'm a senior member of one of the principal investment banks in this thing. So, if we're going to be part of that deal, I'm going to resign. So, I do. The company stock is sold in April of 1978; it's just an outrageous success — and I'm no longer part of it. It's a very happy day for me on one respect and a very unhappy day on the other; because I'm so invested in this business emotionally, I can't quite let it go. I mean mentally I do, but emotionally I just feel like we're still flying the machine. That's the way you feel. I'm saying this, giving you the point that whenever you get involved with one of these things there's that some point in time you always — there's a departure date, particularly if it's very successful, and you have this wonderful feeling on the one hand of having accomplished a lot for many people. On the other hand, you hate to take your hands off the wheel. But in this case, everything has worked out.

CK: *It's just such a dynamic story to say the least—*

CL: Well, you asked me.

FOUNDING OF THE NATIONAL VENTURE CAPITAL ASSOCIATION

CK: *I know. I'm saying that because I want to follow up with a question that I was really saving for the end, I just think it's most appropriate now. I want to ask if you see venture capitalism as romantic quest — that there was something of a “romantic quest” in what you were doing with FedEx? And at the same time, you were contributing to a venture that was going to make a difference?*

CL: Well we haven't talked about — at the same time we started Federal Express, we also started the National Venture Capital Association. I think there is probably the answer to the question you ask about whether or not we thought we were doing something useful.

CK: *This is 1973?*

CL: That's 1973. We formed that thing. And as Kathleen [Lea] said earlier, three of us sat on a rainy day in Chicago writing the preamble to this thing and then put the association together. And at our first annual meeting at the Plaza Hotel in New York, there were seventy-seven individuals and wives and whatever; it was a dinner. At that particular point we created a dues structure. We now had something that was economically viable, and we determined that we were going to try to convince Washington, the Congress, and the regulatory agencies that small business was the principle provider of employment in

the country, and we were doing constructive work and we needed some help. The capital markets in the U.S. at that time were very like they are today; they were very much in a down mode; the seventies and today are very similar, except that today they put three more zeros at the end of the equation. So we decided that we as a group — we exempted no one — we all had to go to Washington, and as a common front talk to our congressman, talk to the House of Representative members and the Senate and try to open their eyes as to what we were providing, and what the opportunity for the country was; and how we had real serious material and evidence from a disinterested third party — MIT and IEEE — that it was small enterprise that really provided the thrust of new employment opportunities in the country, and that that effort needed some real work and help on their part from a legislative and regulatory way to enable us to do things that we were finding extremely hard to do.

We started out, one at a time, going in, talking to the disinterested professional, and gradually getting to the guy in their office and sitting down and showing what we had and what we're up to. Not all the times were we successful, but many times it was like turning a light on in a barn. These guys would say, What, I don't believe this. This is fantastic. Where have you guys been?(laugh) So we started a process, and they began to see what we're talking about. Then that laid the way for us to do a number of things. First of all, the capital gains tax is 49 percent, and we were able to put a bill through Congress to roll back the cap gains tax. That was done in the way any tax matter is

handled is through the House Ways and Means Committee, and they have 37 members. Now you could get 18 guys to agree to anything, but it's number 19 that you really need. This is a black guy in Memphis, Tennessee, by the name of Harold Ford — Harold Ford, Jr. was, until recently, the Democratic Congressman from Tennessee. His father was, at that time thirty years ago, a relatively young guy in the Congress. We had gotten a fellow by the name of Bill Steiger to put together a program; he was a congressman, and he was very much on our side. So we introduced this bill, and we marched it through the House Ways and Means Committee and we got eighteen, but we couldn't get number nineteen until we came and ran into Harold Ford. By figuring out where he came from, what he did — I think Fred Smith may have had played a role in just describing [it] to him — god bless him, he became number nineteen. We had a majority; we had a bill passed; we got the capital gains tax rolled back. It was just amazing. That was just for openers.

Then we had this thing called ERISA — Employment Retired Income Security Act. Eddie Glassmeyer's partner, Stu Greenfield, was the key guy, in my opinion, in organizing the NVCA and others around ERISA, and he had the patience and the intestinal fortitude and everything else to get something done with ERISA that had not allowed the pension funds and various institutional members to take risk in small amounts as part of their program. That is what opened the doors to alternative investment in the U.S. — the changing of the rules of ERISA — I'd say in 1979 when that happened. That opened the doors for the growth in venture capital and other things. In my opinion,

I give Stewart Greenfield an awful lot of credit for that. I guess Stu is retired now, but I'm certain that Eddie Glassmeyer will echo my feelings there. I'm sure Eddie played a real role in Stu's efforts.

CK: *Do you have a short list of the greatest venture capitalist practitioners that you admire?*

CL: (pause) I think it's such a game of luck in some respects. Tom Perkins, who I know, who has the largest sailing yacht in the world and has had fantastic success with Genentech and a number of things, is someone who comes to mind as being somebody who would declare, probably himself, that he's a venture capitalist. I think Tom is a little bit like General Doriot in the sense — I don't mean this in a deprecating way, but he had a \$15 million firm, and he made five or six investments and most of them turned out to be spectacularly good. So you have to put him on a list of really successful venture backers. I think Reid Dennis is a good example. But there are so many I feel that have made serious contributions; there's not a short list that I can really comment on.

The following is a continuation of an interview with Charles Lea taking place at his home in Easton, Maryland. Today's date is October 11, 2008. My name is Carole Kolker.

CK: *When we talked yesterday, you told me about the beginnings of the National Venture Capital Association in Chicago, in 1973. You said that there were three of you when the association began, and I didn't ask who your colleagues were at this time.*

CL: Besides myself there was Peter Bancroft, who we've talked about. Peter was president of Bessemer Securities Corporation; just oddly enough, one of my former employers. And then there was Ned Heizer. Ned had formed a venture capital limited partnership, oddly enough called Heizer Corp, and it was about \$80 some odd million, and it was the biggest venture capital fund, dedicated totally to venture capital, in the country. There I was representing \$65 million, \$75 million of dedicated venture capital as well. We're three fellas — we didn't want to necessarily be there; this was not something we felt that we were trying to benefit ourselves. It was just because we felt at a loss to how were we going to fix the economy and the capital markets for smaller companies — for smaller businesses where our future lay — if we didn't do something, or try to do something in the regulatory and legislative world. So we decided to bring together a group of people in our business, who were also involved, and see how many of them we could get. As I gather from what Kathleen remembers, at the first annual meeting we had seventy-seven people there, and of that seventy-seven, seventeen or eighteen agreed to serve on a board that would meet quarterly or bi-annually in order to discuss all the issues and come up

with a program as to how do we approach this. We had those meetings, and we decided that all of the board had to go to Washington and talk to their individual congressmen and senators.

CK: *What companies were at this first meeting in New York? How did the list get put together?*

CL: It really started out of our head. We called up everybody we could think of who was in the business. We had a pretty long list of individuals; I would be hard-pressed to tell you all of them today. As you may recall, we've discussed how the business was then; it was, in large measure, collegial. And to do transactions you had to know a lot of other people who had available capital to get things done, so you had a pretty wide range of people that you got to know in that process of selling anything. The fact that you were interested in investing in something was only the first step; you couldn't put all the money together. If you couldn't put all the money together, the deal didn't happen; it's as simple as that. So we got all these people who had been players in the past, and we got, apparently, seventy-seven in the first tranche of participants. Out of that seventy-seven, we had about eighteen who agreed to serve on the board. And we got together, and we determined that the way to try to solve the problems we saw was to just go to Washington and see the congressmen, and we had to do it ourselves. It wasn't something we could delegate to somebody else, and we were all busy people; we don't have a lot of time to do stuff, but

this is important enough for quite a few of us to go down there and start to make these calls. And we began trudging from congressman's to congressman's office and talking about venture capital. Most particularly we talked to them about regulation and how it was affecting us. We talked about what venture capital did — which it was to initiate and to expand smaller businesses. And guess what, those were the agents for employment in the country, and we had disinterested parties on the East Coast, West Coast. They'd both done studies of what smaller companies were doing for expanding employment in the United States. It was amazing that the steel companies, the oil companies — large manufacturing companies — the employment, over a period of time, was descending at a fairly significant rate. They're getting more efficient, more productive, and guess what, they're not hiring as many people, and their employment roles are dropping. On the other hand, employment is growing overall, and it's the small companies that are making the thing grow. And we could prove it by: here's the clear-cut, independent, objective evidence. Well, you'd walk into these guys' offices and they've got so many things to look at. We said, Listen, are you worried about employment in your community? "Yes." Well what are you doing about making funds available to the small business guys? "Why should I be worried about that?" Because MIT says that these are the guys that are creating the employment, that's why you should be. Many times it was like turning a light on in a big barn. Suddenly, we'd tell them something they got quite excited about.

CK: *Now were you a part of this group?*

CL: Absolutely. This is my point; you could not tell somebody else to do it, you had to go do it yourself.

CK: *Do you remember who was on the board; I'm sure this is on the record—*

CL: Well Heizer and Bancroft and Lea and Lionel Pincus and Peter Brooke, Stu Greenfield, Bill Hambrecht, George Quist, Dan Gregory, Reid Dennis, Tom Perkins and Eddie Glassmeyer were there. It was just a considerable list. We just started this process.

CK: *Did you just walk the halls. Did you make appointments?*

CL: We had a methodology of getting appointments. We'd call up the office manager or whatever and say, We'd like to see the senator or the congressman, and we'd like to talk to him about the following. And I think we may have had a letter and then follow up telephone calls. After we'd been at this for a while, we hired someone to open an office for us. Then we got kind of formalized with that and organized with that, and then we got lists of people we'd seen and those that we hadn't and who was going to cover whom and what subject, so we really started doing this thing on a regular and business-like basis.

CK: *So the association opened an office in Washington?*

CL: Yeah.

CK: *And was this in 1973 also?*

CL: It probably happened in 1974, possibly 1975. We certainly had our first full members' meeting — annual meeting, if you will — in New York. I think from then on we met pretty regularly, for as long as my terms were, in Washington. We typically stay at and have these meetings at the L'Enfant Plaza, which in those days was a pretty good place. I remember I stayed, during those years, at the Hay Adams and also at the Madison; those were the names that I can best remember. It was an interesting time. We'd go out and make our meetings and come back and consult. And some would say, Gee, I didn't have much luck there, but this guy seems really quite interested. Well, let's keep him on our mailing list and we'll keep going. Pretty soon we had a little buzz started, and it started to make some hay. We also, at the same time, I remember Peter and I went for the first time, separately, but we wound up at the SEC, and we wanted to talk to some of the commissioners about the regulations affecting securities. There was this paragraph 144 in the Securities Exchange Commission regulation that says that if you buy a stock privately you can't sell it for at least two years and all that sort of business, and they're all little quirks in the law that made it very difficult for us to sell things when we thought we should. But after a two-year period, your private stock could become a public stock. It turned out, at that time, if you owned a private stock and the company went public, and you bought any of it, your public stock became private. Well unfortunately, there's maybe as much as a 25 to 40 percent difference in its value if you can't sell it at that particular time. So stuff like that was just not very good for our business.

CK: *As it would deter people from investing if the return is too slow?*

CL: Yeah, well clearly — liquidity is everything in the securities market, and if venture capitalists accept ill-liquidity in their investment in order to have the opportunity to make that investment, and presumably two years later, after certain events take place, there's a public offering, or there's a filing of a prospectus and all that sort of thing, and you can be public. These rules make it very difficult for the average guy to buy stock in a private company. In 1974, almost out of nowhere, came the Employee Retirement Income Act of 1974; everybody calls it ERISA, and it set the rules and regulations for pension funds and so on, as to whether they can invest in private securities and alternative investments. The rules were pretty draconian. Once the fiduciary legal fraternity began to read these rules as promulgated by the Congress, they began to say to their clients, You can't invest in venture capital. There were cases where people had put investments and were committed to put investments into venture capital that had to pull back and couldn't complete the transactions.

CK: *Who brought forth the ERISA bill, and how did that come about?*

CL: That came almost out of nowhere in the Congress. I frankly don't know the answer to that. Stu Greenfield or Eddie [Glassmeyer] will probably be able to tell you that. At that time, it was our conclusion that a lot of this ERISA had been written primarily to prevent the Teamsters from going off the deep end. It was really to put a corral around the Teamsters Union who, as you probably know, were using the pension funds of the

Teamsters Union for some of the private benefits of some of the beneficiaries — investing in casinos, et cetera, et cetera. Anyway, that’s speculation on my part, and the Labor Department may have been a major factor in the writing of ERISA in order to just put a corral around the Teamsters. Suddenly this bill appeared and was passed by Congress, and we found our livelihoods being threatened by it. It took us until 1979 to get that legislation reworked.

CK: *That’s five years.*

CL: Yeah, nothing happens down there very quickly. And it took a lot of patient work and a lot of effort to get a rewrite of some of those rules. But when it happened, it opened Pandora’s Box; suddenly the capital markets just soared after that.

CK: *Were there any senators or congressmen who really “go it” and responded to your lobbying efforts and possibly helped you?*

CL: Well I’m sure we developed many, but my memory isn’t broad enough and I wasn’t directly involved with each one of them. I do know that Lloyd Benson, for example, who I spent a lot of time with, and he was very onboard, and he was very helpful during this period of time on not just ERISA but a whole host of things. I had gotten to know him a little bit accidentally, just going through a thing up in Vermont, a shooting school with him and his wife. During that week, we probably had dinner with him a couple of times, and then I saw him later. At least we were more than just another dude passing by. He

was helpful, and I'd known his brother very slightly, and they were involved with a major company way out of my Smithers past. But you take full advantage of those connections when you can.

CK: *Absolutely. Did you target certain Democrats or Republicans, or were there certain states that this would affect more than others?*

CL: Believe me it was very bi-partisan. I think we were focused on the national impact of what we were trying to do. Everybody was a prospect. I remember Peter and I going to the SEC this time, and I remember taking the train down from New York, and I was to meet him at the SEC. I'd never been to the SEC. And so I got out with my briefcase, and I got out in front of the train station there and I got in a taxi, and I said, "Could you take me to the SEC?" This black man looked at me and he said, "Absolutely." I got in the back, sat down, he went off the ramp, did a U-turn and stopped; it was right across the street. He said that'll be \$2 please.(laugh)

CK: So it's thirty-five years later. How has NVCA changed over those years, or has the mission changed?

CL: As I understand it, the mission hasn't changed very much. As a matter of fact, here we are in 2008, and I'm listening to the new chairman of the NVCA, Dixon Doll is his name; he gives a little speech about how our objectives today are to refocus on the legislative efforts, and we have to have meetings throughout our community, which now is much

larger than it was ever before, and determine where we go from here so we can resurrect Wall Street and the initial public offering, which nobody's seen any for months. It's just like a speech I gave thirty-five years ago.(laugh) I said, "You gave my speech." It's the same thing all over again. So I was fascinated by that. But the NVCA, ERISA, the roll back of the capital gains tax, and the treatment of the regulatory things for the SEC really just brought a whole terrific new dimension to the capital markets. After Federal Express's offering, for a period of years it was "Katie bar the door." It was quite exciting.

DILLON READ & CO. (1981-1997)

This is my New Court days, and as I read in my notes, I said, Here we are after Federal Express had been sold — we owned 18% of the company and the stock just went up twenty-fold, I think, and the person that had the lowest cost stock of anybody I ever knew was [the] lady right behind you. [Kathleen Lea] Because some of the younger guys in the office thought they could use a write-off, and Kathleen would go buy their stock for 50 cents or a dollar a share. So she wound up with all this basically no-cost stock; her stock cost her less than did Fred Smith's.(laugh) Not that she has a ton of it, but she's got enough to buy a new car maybe.

CK: *But you left New Court.*

CL: Well what happened was that the Europeans owned sixty percent of New Court, and Birkelund and I and our management group owned forty percent.

CK: *How did that come about?*

CL: You may recall that New Court was a spinout from Amsterdam Overseas, which was owned largely by the various connected Rothschild family members: The Bank Rothschild, which is in Paris; Pierson Heldring and Pierson, which was an affiliated company in the Netherlands; Edmond de Rothschild had a bank in Switzerland; and then there were the English Rothschilds, and they all were interconnected through what they called the “Five Arrows.” The Five Arrows, with I’d say the French probably predominating, owned control of New Court Securities. When Federal Express went out, it was an initial public offering — very few had happened up until that time in the capital markets of the seventies. After that happened, gradually in the next year or two, quite a few took place as the market gradually improved. And we unmasked our portfolio via public offering. That is, a lot of our private securities that we’d acquired went public, and they generally did at some multiples of what we were carrying them at. So suddenly the New Court Private Equity Fund and the Arrow Capital looked like we were doing well. The Europeans watched this because they were significant owners; they watched this with great interest. They felt that we were providing ourselves opportunities that they were not seeing in all the cases. David de Rothschild, for example, and Guy, David’s father, and so on, had all been very big supporters of Federal Express in the early start-up days and that was very helpful to me. But many of the Rothschild group of companies did not pay attention to our problems and our opportunities.

CK: *Can I just ask, were you traveling a lot during this period?*

CL: (laughter) Kathleen, was I traveling a lot during this period? Boy I'll say.

CK: *Were you traveling to Europe?*

CL: Sure, that was part of my job. I had to go over there; I remember I had to spend three or four days in Paris at the Rothschild Bank; and I'd go over to London, and I'd hole up for two days just to get my thoughts together and write a report on all the stuff we'd been doing; then I'd fly to Paris, and then it gets pretty social when you get there. We'd go to the Bank Rothschild, which was quite a grand place, and we'd have these meetings and we'd run projectors, and I'd often have an outsider with me — Fred Smith came once, and Jim Treybig from Tandem Computer Company came, and we'd have a presentation to the organization and the senior Rothschild family members. I tell you, I drank a lot of red wine at lunch (laugh), and I remember trying to stay awake afterwards, and I once decided I was going to run a quick Mickey Mouse film through the projector just to wake everybody up so they had to watch. (laugh) I was quelled. (laugh)

CK: *We talked about the tension of the five years — I had asked you about being a good sleeper earlier — Were you sleeping well during these times*

CL: In Europe, I had a little bit harder time.

CK: *I'm getting to the point of how this tension affected you; the risk of venture capital.*

CL: I will tell you what happened here; here Birkelund and I have created — this thing is growing and prosperous and the New Court Securities Corp, New Court Private Equity Fund — and we thought we had the world by the oyster; I mean, the oyster by the tail or whatever. We thought we'd done pretty well. Suddenly — the Europeans had been these quiet shareholders and partners of ours. Francois Mitterand was elected President of France, and he starts to nationalize the whole financial system, and the French government takes over Bank Rothschild. Well, to make a long story short, the various member of the Rothschild family moved to New York. And guess where they expect to find their offices? And guess what they want us to do? They're impressed with what we've done, but they want a seat at the table, and they want a commanding seat at the table, and they want a reorganization of the way the place is run.

Well to make a long story short, 60 percent will beat 40 percent any day of the week and twice on Sundays; they outvoted us, and if we didn't like what they were planning to do we were invited to resign. So we did. Under the careful and watchful eye of Joe Flom — Joe Flom happens to be an outstanding lawyer — he's a litigating lawyer, and we were well-represented by other prominent attorneys, but we had no case. We were outvoted; it was their company and we were being paid — in the court's eyes — a satisfactory amount for our interests. And at the age of fifty-four I was out on the street, unemployed.

CK: *Can I ask how you were feeling about this; You had put a lot into this.*

CL: I wasn't sure how I felt about it; I said, I'm too young to quit, I have to do something. I remember going up to see Eddie Glassmeyer and Stu Greenfield up in Connecticut. They had an office along the water, and I think we walked up and down the docks for a while. When they were putting their funds together, they used to come to see me at New Court, and we'd sit around and talk about how things might be and what to do next and so on and so forth. So I had a very close relationship with those guys. So I said, "Okay guys, what do I do now?" And they said, "Get back on the horse."(laugh) That's what they said to do. So John Birkelund and I sat down and said, we've got a future here somewhere, we're going to do this together.

CK: *What were you thinking that you wanted to do at this point? You're fifty-four — financially were you able to retire?*

CL: No, I was separated from my wife and in a process of a divorce, and I had two kids in college or in school, and it was going to be a squeak.

CK: *So it wasn't just a choice of whether you retire and let this go. You had to find something.*

CL: I had to find something. Both John and I were in our fifties — I'm two years older than he is. So we sat down and said, Well look, I think we'll have to start another venture capital fund. So okay, let's do that. So one of the first things that happened was that Bill Donaldson, who was a friend of both of ours, who was the founder of Donaldson, Lufkin

& Jenrette, had split off from that firm and had his own firm with offices in the Pan Am building in New York — that's practically over Grand Central Station. He was on a very high floor, and he said: "Look, I've got some office space, why don't you guys just come on in with me and you can figure out what you want to do from here."

CK: *Had you thought of joining another VC firm that you'd admired?*

CL: That's hard to do particularly if one is in place and running, what's the starting point? They're not going to give you a position in things that are incubating because they've gone through a period of time; you need to almost start a new fund from a point in time. So what we did was we got together with Bill Donaldson; and John and I, for several months, until we made a decision, we cooked up a new fund to be called Concord Partners.

CK: *Where do you get the name Concord Partners?*

CL: We fought over that. That's probably the only real argument we had. I wanted it to be called Yorktown Partners. The thing was decided by a vote of four to two: Birkelund had four daughters and I had two, and so the Birkelund daughters won, so it was Concord Partners, the opening battle of the Revolution. Now we had a name, we had an office, and we had a list of prospective clients that we'd all been serving for a period of time. We did a couple of things: We decided to go see all these people who had been our limited partners, pension funds and so on, in New Court Private Equity Fund, and just tell

them what was going on, and that we thought that they had a good portfolio and that would be okay, but we were going to start this new thing, and if they had interest in that we'd be very happy to see them.

CK: *Let me ask you a question about this name: You wanted Yorktown and Concord won. What were you thinking by going back to the Revolution? What was your feeling about what you're starting?*

CL: John just had this feeling that Concord was the first battle in the Revolution, and I said, "Why do we start with a first, why don't we start with the last one that was successful."(laugh) Actually later, at Dillon Read, we not only had Concord, we had Saratoga and we had Yorktown; of the three of them, Yorktown has been by far the most successful. And these all became just names that we thought were appropriate for the funds that we wanted to be involved with.

CK: *He was ready for battle.*

CL: Well he always has been ready for battle. We got started at 200 Park Avenue, which is the Pan Am Building, and began to write a prospectus and, as they say, weave our web and try to figure out who might join this. Bill Donaldson would poke his head in the door periodically and he was always helpful. We saw a lot of people; he offered us the facilities to see a lot of people who wanted to see us. For some months we went on our way. I had an offer from Alex Brown in Baltimore — Don Hebb, who I knew pretty well,

and I knew most of the partners down there. And they said, Well, could we figure out something where you could include us? Then I had some friends at Morgan Stanley who said: Well how can we fit into this thing? So I began to think in terms of three-cornered stool — Morgan Stanley, Alex Brown and ourselves, and we'd have the advantage of having a focus on smaller companies through Alex Brown and through important capital raising responsibilities at Morgan Stanley, and this thing began to look very interesting.

CK: *Actually people are coming to you. The word's out.*

CL: Yeah. The word's out, and we'd had some success, and I think we had many friends, and I think people not only, obviously, had business selfish motives involved, but they're also trying to do for friends the way they'd hope we'd do one day. So we were being welled up by good feelings generally all around.

CK: *And were you going to specialize in any industry?*

CL: Business is so opportunistic, and we'd had so many different kinds of opportunities over the years; we weren't going to pursue a specialization. We knew something about investing in the oil and gas business, and we knew something about the banking business, the insurance business, but we were basically — I'd always been more of a technological investor. Technology, while I'm not a scientist, I have a lot of friends who are very good scientists or technology people, and it's not hard to pick up the phone and get the top guy in a particular field and get his feeling about something. Given that capability, I felt

pretty comfortable in technology. We had that as all part of our kit bag, if you will. We had no real question about areas to go; it was just a question that business was getting more competitive than it had been, and there are a lot more people now into venture capital and getting deals, and getting a share of a good deal was getting a little harder.

CK: *This is the early eighties?*

CL: Yeah, this is 1981, 1982 — 1981. This three-cornered stool was going along fairly well, and suddenly the whole three-cornered stool got upset by Nick Brady. John kept saying to me, “When we get this fund together, what should I be doing?” I said, “John, you do what I do, we’re partners. There’ll be any number of companies that we’ll agree on that we can invest in, and you’ll have so many under your wing and I’ll have so many under my wing, and we’ll have other people taking care of this stuff, and it’ll be great.” Well Nick [Nicholas] Brady suddenly enters the scene. He calls John up one day and said, “I’d like to see you.” I’ve known Nick since we were in our late-20s. Nick Brady is Chairman of Dillon Read & Company. Dillon Read is a fine old investment banking firm, and I’ve known about it for years and years and years. Actually, when I was at F.S. Smithers we used to basically execute all their stock trades through our floor partner, and we handled a lot of small business transactions for Dillon Read, who were not set up as brokers the way we were set up. These are people we knew pretty well; I’d known Nick since he practically got out of the Harvard Business School. Not well. He had become chairman, at a pretty young age, of this major investment banking firm. During the seventies it had

not prospered. Morgan Stanley had gone from a hundred to literally thousands. Dillon Read had sort of gone along and kept to their own self, and they were pretty much the same size I remembered them ten, fifteen years ago.

Nick is a guy that multitasks all the time; he has about five different jobs. First of all, he's very wealthy; his family has huge real estate holdings in New Jersey, major portfolio securities to say grace over, at the time I'm talking about. He's also the chairman of Purolator Corporation, which is a New York Stock Exchange company; believe it or not it's in oil filter for your car, and they also run a package delivery business. I, at one time, had gone to Nick to see if Purolator was interested in buying Federal Express. He talked with his friends — believe it or not the Phipps's and the Bradys are close — and he and his friend, Denny Phipps, at one time made a decision not to invest in Federal Express through Bessemer, and they had no interest in Purolator acquiring it, so that meant they'd sort of turned down a really quite exciting possibility. It's kind of funny looking back on it, to me. Anyway, Nick had this friend, Tom McKean, who is the governor of the state of New Jersey. McKean has a U.S. senator by the name of Harrison Williams who's been indicted and found guilty and is now subject to a prison sentence, so he's going to lose half of his representation in the U.S. Senate; he wants Nick to fill out the term. Nick wants to fill out the term. In the meantime, Dillon Read has had a couple of financial accidents and some major underwritings, and things aren't really that happy there. Also his chief operating officer, a guy by the name of Bud Treman, who really was the

administrative glue that kept Dillon Read together through these years I've described, had a nervous breakdown and he's no longer there. So Nick is anxious to get somebody in there to sort of pull this together while he can take off and be senator for a couple of years. He knows Birkelund and he wants Birkelund; that was his decision. So suddenly I'm faced with — Nick wants John to come and be the chief operating officer of Dillon Read while he goes into the Senate; I said, "Well, okay." John said, "I'm not going to do that, not unless you come with me." We'd sort of agreed that was going to be. Suddenly, instead of my three-cornered stool that I'm working on, it's to join Dillon Read in a senior capacity. Nick's deal is Birkelund will become president and he will manage the firm, and I should come along and start a new venture capital fund called Concord Partners. Dillon Read will help in that regard, and together we will be put in a senior position — compensation-wise — and they think they can do pretty well.

Dillon Read is really a very fine investment banking firm, been around since the early 19th century, and has a long list of very distinguished clients and names that it's done business for. It's very much a relationship investment bank, but it hasn't in the last few years done terribly well. Birkelund and I looked at it as maybe an initial bauble on the Christmas tree; we can have our venture capital firm, we agree to give up half the carried interest in the venture capital firm to Dillon Read, and we'd keep the other half and distribute it out to people we attract to that.

In 1981 we joined forces with Dillon Read and we went down to 46 Williams Street. I remember my first trip down there with John. We arrive at 46 Williams Street and you walk into the doorway of 46 Williams Street — it's really a small room — there's a liveried doorman there, and there's just one elevator, and he opens the elevator and you go up a number of floors and suddenly you open out onto this anti-room leading into this large room where there are these partnership desks, and it's very quiet. Then you have these offices around, all of them paneled — there's a boardroom, and a very handsome dining room, and you go into the dining room and there are these pictures of Clarence Dillon on one side and Jim Forrestal on the other, and it's like something out of Charles Dickens. But then you start meeting the guys — partners come in and you meet the John Haskells and all these other fellas; they're very courteous, friendly and very bright and very professional. This is a good bunch of people and there are some real opportunities here. They had trouble with their trading. You have an investment bank doing advisory work for corporations, and then you have a trading floor — they're buying and selling offerings almost every day. Dillon Read specialized primarily, very much as Smithers did, in large bond offerings of Fortune Five Hundred client companies. They have a syndicate department, and they will underwrite other offerings as well of our Street friends. That had been a little hard to manage, and they'd gotten little bit sixes and sevens, and they'd had some fairly major losses on some of these transactions. At one time, they didn't get near bankruptcy, but they certainly got uncomfortable for a brief while.

What had happened is that the Dillon family, some years before we got there, had sold Dillon Read to the Bechtel Corporation in San Francisco. That didn't make a lot of difference to the partners of Dillon Read because they were not major shareholders in one sense; their compensation came through splitting the melon of the earnings of the firm at the end of each year, and they got — it was a very high percentage of that, and the ownership got very little of it. There are a couple of things wrong with that: one is they never built up the firm capital, and these guys had all gotten pretty wealthy doing that. So the incentives were all in the wrong places at Dillon Read when John and I arrived. Nick doesn't disappear immediately, but he has a lot of things on his plate. And so John and I used to ride down from our apartments in Manhattan with the books of Dillon Read on our knees in the back of the taxi. John really didn't know a lot about New York Stock Exchange companies and the capital ratios and how this worked and that worked; I'd been through all that at Smithers, so we were trading this back and forth looking at these books as we rode down in the taxi.(laugh) We'd get there with these books under our arms, and then we'd deal with the guy that was the treasurer of Dillon Read. Well the guy that we had there at that time was a relatively young guy who had been something of a basketball star at whatever college he went to, which was Princeton or whatever, but he didn't know a hell of a lot about what the books said. He was so nervous you couldn't really talk to him — so nervous that he couldn't really get it out.

My assignment now was to start this Concord Partners thing; John's job was to figure out what was going on at Dillon Read. So I started to do stuff I knew, and he started to work on something that he was very good at. He's got a very powerful intellect, and he's very determined, and within I'd say a couple of months, he had his hands around a lot of Dillon Read financials. We'd have these meetings at night, and we'd go up to the place called the Links Club, which was not far from where Kathleen and I lived. We'd start out about six and quit about midnight with increasingly larger number of guys from Dillon Read. We brought them up into this project, and we began to get the thing reorganized. So at least from command headquarters, that is to say Birkelund, he knew what the hell was going on and we had a plan.

CK: *How exciting was this for you?*

CL: It rates right up there. It was interesting. In the meantime, George Schultz was a director of Dillon Read at that time. I remember sitting in these meetings with these fellas, and he asked me: "How is our venture capital project going?" And I'd say, "Well, we're looking at this and that and the other thing, and George looked at me and said, "Charlie, I don't understand all these elliptical phrases that you're using." Frankly, I *didn't* know. When you've got a project out there of raising money and you have to go through a bunch of committees and a final determination of things, you don't know which way or other it's going to go. So if I could give him a positive answer I would have. But it's all in the lap of the gods once you've given them the pitch and they've said, Yeah we're interested and

so on and so forth, but it's going through committee—You wake up one day and somebody says “yes,” and you wake up another and somebody says “no,” but that's how you get things sold. So I couldn't totally satisfy George. Well, shortly thereafter, Ronald Reagan called him up and asked him to be Secretary of the Treasury, and goodbye George.(laugh) And he had been a representative of the Bechtel family. So we begin to deal with them more or less directly. They're a very good group of people, very good group of people.

CK: *So it sounds like it's more than you had anticipated.*

CL: Oh yeah, I mean this is going from the Rothschilds, which was a whole other thing, into a whole other milieu. I think I've come to the conclusion that if I'd been thirty-three or thirty-four-years-old I would never have done this Dillon Read deal.

CK: *What would you have done?*

CL: I would have made a venture capital focus and left all the bells and whistles out of it. Because as we went through this period, there was so much going on at Dillon Read; Dillon Read went from the Bechtels — the partners of the firm bought the firm from the Bechtels. The Bechtels had purchased Dillon Read to act as sort of an operating entity; they owned about 80 percent of it. After a few years, Dillon Read, as an operating entity, had served its purpose and was no longer of great value to the Bechtel's business interest.

CK: *I'm sorry for the interruption. Let's get back to our conversation.*

CL: We were talking about Bechtel and Dillon Read and how when John Birkelund and I joined Dillon Read; we hadn't anticipated quite the number of changes that were to occur at the time we joined. I mentioned that Bechtel was the principal owner of Dillon Read, but the economic owners were the partners of Dillon Read. The ownership of the firm was just incidentally Bechtel; we played no significant role in their day-to-day, worldwide engineering business. We did not think that we would be involved with financing large Bechtel projects. Development wasn't ever our particular cup of tea, but we had a very cordial, friendly relationship with them. I believe a year or so after we'd been at Dillon Read, Bechtel invited us to re-acquire Dillon Read, and we were able to do that by help from a few of our banks and by no other outside investors. The managing directors of Dillon Read became the proud owners of Dillon Read, and we now became a totally independent and controlled company.

CK: *How were you feeling about the direction in which you were going?*

CL: It was something that I think we thought might be a possibility, but we hadn't expected it to occur quite as quickly and as fortuitously as it did and on such pleasant terms. They didn't ask for any great big premium over what they had paid for it or a premium over what we could afford. It was because we had such great relations with these people this transaction worked out very well to the benefit of all the now managing directors, partners of Dillon Read.

That first year or so we got the first venture capital fund started with \$80 million; Bechtel, through Sequoia, their venture capital arm, was an important investor in it; we had the Brady family come in for some; the Dillon family came in for some, and a lot of Dillon Read's old clients participated as well as quite a number of our New Court limited partners, pension funds and so on.

CK: *When you have a new firm that you're developing, a new opportunity, how do you go about putting all these people together as a group of investors?*

CL: One, you write a private placement prospectus, it is a pretty complete business plan as to how you expect to proceed. It includes, among other things, the record of performance you have as an investor-manager in this deal. So it's all as transparent as it can be. Then you start making calls. They'd start out with just a telephone call to let you know that this might be in the wings and if they'd be interested in seeing a prospectus or meeting us that would be very nice. One of our people, Dan Starr, was very good as our booking agent, and he would get on the phone morning noon and night, and he would just call a long list of prospects that we have and just set up times for us to send them a prospectus and set up times when we could come to see them and discuss the matter.

CK: *And on the other side of this, how did you find new ventures or the entrepreneurs?*

CL: Oh well, now that's a whole other story. That comes from just knowing a heck of a lot of people in different walks of life. You have to first of all let them know we're now in that

business; you don't advertise, but you do by word of mouth, and we let everybody know. We let all our venture capital funds know that we now have a fund and we're anxious to work with them and do business with them and new projects, so we see some considerable ideas from that source. We mine all the partners of Dillon Read and those active fellas, and we try to tell them a little bit about what they're doing. The whole thing at Dillon Read, what we found, is the core of their whole existence was to advise their clients, and the core of that was, avoid risk. They weren't in the risk-taking business. When clients came to them, Should we do this, should we do that? If it means taking unusual risk, don't do it. Our job was to find out what the risk elements were, and if the client didn't understand the risk he was about to get into, we wanted him to make sure that he didn't make a mistake. We had a long history of keeping people from making dumb mistakes, and so they kept coming back to us.

CK: *So how would you find someone like David Kosowsky?*

CL: Well David Kosowsky — his first cousin was a fella by the name of David Margolis who wound up being president of Colt Industries. But I knew them both. I'd done a deal with David Margolis's boss, Harold Geneen, and I got to know David Margolis pretty well in that process. I bumped into him on let's say Fifth Avenue, walking down the street. We were having a friendly conversation, and then I said something like, "Anything new?" And he said, "Yeah, there's a fellow that I think you ought to meet; he's my first cousin,

he lives in Boston. He's going to start a company, and I think you ought to go talk to him."

CK: *So that's 1961—*

CL: Right.

CK: *And so here we are 20 years later. Has the situation changed in terms of the entrepreneur — how you find the entrepreneur or find opportunities like FedEx?*

CL: Yes, it's changed in that the sizes of the transactions we're looking at are much larger. A start-up company in the sixties — you could do it for under a million dollars. In the eighties, probably you needed maybe two, maybe three, maybe five million dollars.

CK: *So would someone come up and tell you, you need to talk to my cousin, he's got this great idea?*

CL: Yeah. It's still the same profitable accident waiting to happen, if you will, and you have to be alive to those opportunities. Your instincts are all the same. It's still tennis; you still have to hit the serve into the court and score the point, except you're older and there's a lot more money involved. You have to have your antenna out everywhere and sort of listen to all the ideas and try to focus on bringing those ideas to the table in an understandable way. If you can explain the idea to your partner and he doesn't think you're crazy, it's probably an idea you ought to pursue or at least take a next step. If

everybody says you're crazy, well then maybe you ought to consider they might, on rare occasions, be right.

CK: *Are you going out looking for the entrepreneur or is he coming to you?*

CL: It works both ways. Some people do it by making cold telephone calls; just see a name in a magazine and they call up the CFO and say: I'm in the fund business, and I have money to invest, and I'd like to come see you, or something like that; people do it, and you create opportunities doing that. There are some people that do it by cold calls, as I've said, and there are others that come just by investment banking or business relationships. The CEOs of companies that you have sponsored in the past or you served on the boards of always have ideas. There's a fountain of ideas. You can get yourself mired down in them. You've just got to chase a lot of will-o'-the-wisps through a lot of revolving doors until you finally find one that really has legs and can grow.

CK: *Did you remain a generalist at Concord?*

CL: Well, we remained generalists — if I'm working on banking transactions and I get pretty interested in banking, and I've had some past experience with banking and I know something about banks, you can pretty quickly hone up on those obvious gaps in your experience. But then somebody comes in with an oil and gas deal, an off-shore drilling company—At New Court in the seventies, I was on the board of and very active in a company called Temple Drilling, and they were drilling deep off-shore wells all over the

world and building our rigs in Norway. I'm going to Norway and watching these rigs being built and then seeing that they could go out and basically anchor these enormous structures and drill these super deep wells; it was really quite an exciting business. I did a fair amount of that, and of course at that time I got to be quite conversant about the drilling business. Then I get into the airplane business with Fred Smith. Some years later at Dillon Read, we've got a company called SanDisk, and that's a technology company. We started out in our office in Palo Alto —he's a genius, this fella by the name of Eli Harari, who's got more energy than I do, and he's got this idea about flash memory devices, and he has got some patents on it. We started that company in the Dillon Read-Concord Partners' offices in Palo Alto, and it's now a multi-billion dollar enterprise. I guess it's listed on the New York Stock Exchange; if it isn't, it should be. It's those kinds of things — it depends on the focus at the time.

CK: *How many of these ventures are you handling at the same time?*

CL: Well, quite a few. In the first early years at Dillon Read, I could not hire people at Dillon Read to do this. The reason is that I couldn't afford to pay them what they were being paid. See, the way venture capitalists get paid is they get paid a living wage and then their profit comes in form of a carried interest on a share of the profits — the capital gains, if any, at some time in the future. If you're going to begin to see some real profit from your activity, it's going to take several years for that to happen. In the investment

banking business, if you're working on a project, it generally takes you about ninety days to go from start-up to finish it, and you do a multiple of those every year. If you do that successfully, you've earned a lot of income and you got a nice bonus at the end of the year; it can be multiples of your salary. In the venture capital business it doesn't work that way. You get a pretty reasonable income, but the profit may come three to five years down the road. Let's say you have a Harvard Business School degree and you're three or four years out of school, and you had four years working experience, and you have a wife and small child, which deal are you going to take? Well, the current income in the investment banking world is a hell of a lot better. The ultimate profit in venture capital possibly will be better long run, but when you're thirty who's got a long run attitude, I mean, in terms of putting the meat and potatoes on the table. So that was my dilemma at Dillon Read. I couldn't compete for help from the junior partners, associates, whatever, because I couldn't afford to pay them. So I had to go out and hire a whole other crowd who weren't interested in investment banking and who had the longer view and had realized that it was quite a different business.

CK: *So are these older people?*

CL: For the first years it was a struggle, and I had to practically turn over and get rid of most of the younger fellas that I took on in the early years; they all, for one reason or another — they had great backgrounds, they're attractive people, but one of them thought he'd arrived and gone to heaven and that he could sit in his office and sort of answer the

telephone and so on and so forth. Another one was a brilliant fella who had an electrical engineering degree from Texas, and he'd gone through MIT, he had been a partner at McKenzie & Company, but the problem was: he could write the most beautiful memoranda, but he could not write the bottom line; he couldn't write the conclusion.

CK: *So what does it take to be a venture capitalist?*

CL: Well, probably you have to have a screw loose somewhere.(laugh) You have to be a little eccentric and maybe a little sure of yourself. You have to like people, and I think all of us who have been successful in venture capital are basically people-oriented. I was just thinking about this: the relationships you have with people are — when you have a venture investment and you're going through the emotional traumas that it takes to make the thing a success, you get to know these people extremely well. You're foxhole buddies; you're both at risk, and coming out on the positive side is a pretty thrilling experience. It's different than investment banking; doing deals is great fun but it's pretty dry stuff; when you get down to venture capital — there's where you're really dealing with people and their successes and their failures. You have to emotionally slice and dice that equation up quite a good bit if you're going to really enjoy the game.

CK: *We're going to talk about success at Dillon Read, but then I want to get back to what you said yesterday: that everything wasn't a success. These are great success stories. Is there something at Dillon Read that stands out; you were at Dillon Read for sixteen years.*

CL: I would say from 1981 until 1988, really, I was what they called the trigger puller. I was the guy that made the final decision on all these things. I was the fella who, if we decided on something, they had to have my approval before it happened. That's not any place I promoted myself into; it just happened by chance that I was the managing general partner of the Concord Partners, and if Concord Partners was going to write a check, generally speaking, I had to know about it and generally approve it. At Dillon Read, because of the international affairs — the Japanese and the Europeans — of course, we had ultimately two major funds, domestic U.S. funds. As a consequence, I may have said earlier in our talk, is that I did a heck of a lot of going to meetings all over the world — and just preparing for those meetings, and getting the documents together and presenting them, and then spend the day or two it took to get everybody to understand. This is multilingual; I'm sitting there with phones on my head — the Japanese are interpreting my remarks, and their remarks are interpreted back to me in English. I'm trying to keep all those interested parties kind of in the game and interested. In Japan, we had thirteen major Japanese companies/investors in our little Concord Partners/Japan project; they all had people who wanted, at least on an annual basis, to hear all about this in person. Well, you can imagine what it's like when you have all these things to do, and then you have a portfolio of maybe thirty to forty companies that you're saying grace over and keeping track of, all of that, and so on. It's kind of funny: I went through a divorce, and I got married, and I had to see about the growth of my two daughters; it was just really incessant. Frankly, I just plain got tired.

CK: *How did you handle the stress? It sounds like it was a constant.*

CL: Well, one of the stresses I had was that my first wife was an alcoholic and that was a whole other part of the program. I went to a lot of AA meetings, but you don't handle stress by going to AA meetings. You just do.

CK: *Did you have a release, or did you have a kind of strategy?*

CL: My strategy, I guess, was just to keep moving; just make sure you know where you're supposed to be on Monday.

CK: *What did you do when you weren't working?*

CL: Well, I did a lot of reading. But that's something you do in the interstices of your time. We really had no time. Golf, but I didn't play enough golf to get any good at it, and I didn't sail enough to be any good at it, but I did do that and I enjoyed that tremendously. Sailboat racing is a very exciting sport, in my opinion. I'm sure many people say sailing boats is like watching grass grow,(laugh) but I didn't; I thought that was very exciting. When I first got on a starting line, or when they first started popping spinnakers and we had these great big huge chutes go out there and things really start to happen, that is fun. It's like having your parachute open — and I've been there too.

CK: *You were with Concord for a long time. Can you just zero in on a deal that was really exciting?*

CL: Well I think SanDisk is a great example of a very successful enterprise, and we started it with Eli Harari. Here's this guy who's well above my pay grade in terms of intellect, and he's got a sense of humor every bit as good as mine, and we just hit it off well. It was just a nice experience and it worked out.

CK: *How long were you working on SanDisk?*

CL: I was not the guy working on SanDisk; that was Irwin Federman, one of my partners in California. I generally worked through other people, and that's what was, in part, the problem I had at Dillon Read; I became once removed from the action. I was a level above and that was new for me, and I didn't really care for it that much. I don't know if I'm getting my point across, but it is different. When you're a hands-on man-to-man kind of fella and you suddenly find yourself being an administrator and you've got to work through other people, it's different.

CK: *It wasn't like FedEx?*

CL: No. I've convinced myself nobody could have done what I did at FedEx. Nobody except me.

CK: *Why do you feel that way?*

CL: Because there were so many variables — there were so many accidents that happened that made it happen, if you will, that I seemed to be able to preside over. The Arnold Cochran story that I told you about — my brother-in-law's partner at Exxon, who was the general aviation field guy; that was an accident. If we hadn't been able to fix that problem, we wouldn't be anywhere. But I wasn't just the guy creating the accidents; Fred and the other fellas down there were creating them as well, and nobody in that little community of Federal Express — nobody was immune to just a sense of loss. At one time or another, as individuals, we all sort of gave up, but we never gave up this group; there was always somebody who said, Wait a minute, I've got another idea. We'll get this done. It just kept going that way. I just don't think that there's anybody I know in the venture capital business that could have gone through that five years and come out quite the same way.

CK: *I was going to ask you about your skills. You went from Kenyon to Cornell and Grace — you certainly didn't have the skills to handle a FedEx, or at least you wouldn't have said you did. So something clearly happened along the way.*

CL: Well there is always a common thread, in my own opinion. We'll go back to my days in the Army. I was thrown with a bunch of people I've never seen before, and we just had nothing personally — no record of school or companionship or whatever — we were all strangers. I seemed to have an idea where I could get to know these people pretty

quickly, and I sort of paid attention to them; I could listen to them and sort of understand them and they sort of had a feeling that I was a non-threatening person. We could describe together whatever we had to do, and we could sort of work it out. We could say, Hey, George, you do this, and Bill, you do that, and I'll do this; and maybe at the other side of the fence or the field or hill we'll all meet and we will have accomplished something. It's just amazing what the skill sets are of just a miscellaneous, motley group that comes off the truck. I've been there when there's a D6 Caterpillar tractor sitting there, and we have to get this road fixed, and one guy says, "Well you know, I've driven a D4, but I've never driven a D6."(laugh) And I said, "Get up there and start it; let's go." It was stuff like that. You learn that one way or another, if you just use your reasonable intelligence and your instincts, you're going to be okay — if you've got people who have a community of interest of what you're going to do. One way or another, you take a very disparate group and put them together — that's the very American way. A disparate group can get a lot more done than anybody looking at it from afar can think. It's amazing.

CK: *That's an interesting point. What's more important in your field — is it the technology or is it the management?*

CL: It's a combination of both, but I'd say, by far, it's much more important for the management, because you pretty quickly understand that if something doesn't work, if you have the management, they will figure out the next best thing; and if those guys can

make an organization work, the 'next best thing' you'll be okay. But if the management is dysfunctional, I don't care how good the technology is, it ain't going anywhere.

CK: *Okay. So naturally we need to kind of touch on some of the low points: any deals that disappointed you or perhaps entrepreneurs that disappointed you.*

CL: Well, there are a lot of those, but as I said, I ascended to the heights of management — I'm talking now about Dillon Read. There's one thing, I can go back to New Court days just briefly. John Birkelund's roommate at Princeton was a fella by the name of Bruce Atwater. He lived in Minneapolis, and he became chairman of General Mills. He did extremely well, but at one point we had a project whereby Bruce and I — through John, I met Bruce — Bruce had this idea for marketing a grocery product through the telephone. It was almost like an idea of the housewife being able to pick up the telephone and order what she wanted, and it would be picked and sorted out put in a truck along with a host of other things, delivered to her door.

CK: *And this is in the seventies?*

CL: Yeah, this is in the seventies. Bruce worked on this thing part-time while working for General Mills, and he and wife, Martha, personally spent a lot of time on this idea in developing it and seeing it sort of come as something that he thought would really work on a nationwide basis. We went back and forth and back and forth over that. And finally, Bruce put some money aside and put some time aside and we did it at New Court; and we

put some money into this effort, and Bruce had all of his friends in Minneapolis and Wayzata put some money in this thing, and they worked like dogs to make this thing work, and it didn't. The reason it didn't is simple: Housewives, if they are busy and preoccupied, probably will do something like this, but, as a matter of culture, housewives believe that they want to do the shopping; they want to go look at the product before they buy it and put that in the market basket; they want to select the meat, and they want to select the groceries; and they don't want somebody else, an intermediary — however modestly priced he is — doing it for them. They think it's culturally their responsibility to do that. In a society like Minneapolis, which is on balance a conservative society — it's also one of the most forgiving and one of the most delightful societies I know — this project just didn't want to go. And we worked at it, and we worked at it, and we worked at it, and we had really good people involved; I thought they were totally top-drawer, but the idea just didn't work. So, we quietly buried it (laugh).

CK: *Did they ever attempt to execute it in any way?*

CL: Oh yeah, we established a company; we had the trucks, we had the warehouse, we had the people, we did all of these things; we had the people making the calls, and we had the system all set up and organized and showed signs that it might do this and do that. But at the end of the day, it didn't.

CK: *Certainly too soon.*

CL: Some combination of that idea, one day, may have some relevance, particularly as our society changes and we're able to communicate better than over just a telephone. If somebody can sort of sit there and have a wide-screen look at a lot of things, and it's largely packaged goods material, and you need it and you want to press a button and have it delivered in a few hours, that's not all bad. Something like that could happen one day. We expected that if we had a good result in Minneapolis we could transfer it to other places. We did not have a good result in Minneapolis so we didn't transfer it.(laugh)

CK: *You were with Concord until when?*

CL: I was there as a managing director until 1988. Then I retired as a managing director of Dillon Read and became a senior advisor. A senior advisor isn't expected to keep everyday hours; he sort of comes and goes at his own pace and he doesn't participate. I no longer went to Dillon Read board meetings. I occasionally went to the Concord Partners meetings, just to stay current on what was going on, and when asked I would give my advice. But as things went along that was increasingly less frequent, and I found out that asserting myself in any way wasn't always thought a great idea by some.

CK: *So then really Concord was inseparable from Dillon Read.*

CL: Yeah, Dillon Read basically owned Concord Partners, except for the carried interests, the limited partners. The general partner was split up among all Dillon Read managing

directors, but the managing directors had half of it and the management of the Concord Partners had the other half, which there were relatively few, compared to the number of managing directors — there might have been twenty-five managing directors — there were only four or five of the fellas who were actually running the fund operation.

CK: *Then what did you do in 1989? I mean you stayed on as an advisor, but it sounds as if your association — or, emotionally you're tapering off or pulling away.*

CL: Yeah that's right. In 1988 I started the process of pulling away and doing other things.

CK: *What were you doing? What did you move on to?*

CL: I began to read more, and I saw more of my friends, and I began to get into an exercise program, and I remember three or four days a week I'd be in the gym. We started this project down here on the Eastern shore, and I'd obviously been married very recently and began to take a look at what life's all about. So I got out of the rat race and began to relax and enjoy myself.

CK: *You missed the bubble.*

CL: Yeah, I missed the bubble — you mean the one in the late-nineties? I should have stayed on; my own personal feeling is that, from a purely financial sense, I should have spent another eight or nine years as a managing director of Dillon Read. I would have been well-rewarded, because in 1986, before I left, we sold our interest in Dillon Read to the

Travelers Insurance Company. It was a very handsome transaction for all of us, and that was fine, and they brought major new capital into the picture and so forth and so on. So my 1987 departure was basically from being an employee of Travelers Insurance Company. So that was sort of: What do I need to do?

What happened was that about three or four years later, Travelers was acquired by Citicorp, and Travelers suddenly says, We don't need Dillon Read any longer. So Birkelund figured out a way to sell it to Barings, this investment bank in London. So they execute that agreement, and Travelers sells Dillon Read to Barings; John Birkelund goes on the board of Barings. In the meantime, I'm out in the weeds; my pension is being paid by Barings, I guess. Then what happened is that Barings has this rogue trader in the Far East that suddenly over-commits the firm, and suddenly they wind up one morning bankrupt. So Barings goes under, and there's Dillon Read sitting there, and there are certain provisions in the sale agreement. What happened basically is that the Dillon Read partners bought it back again. Actually, they had bought it back, and Barings had been a big help to them. Then the whole thing got kind of screwed up; with Barings going under, the partners now own Dillon Read back again. We then had an agreement a couple of years later, in 1997, whereby Dillon Read is acquired by the Swiss Bank Corporation. So Birkelund goes again and sells Dillon Read to the Swiss Bank Corporation. Now Dillon Read is owned by Swiss Bank, and then Swiss Bank acquires UBS, which is one of two Swiss banks — Swiss Bank is stronger than UBS, but UBS has got a bigger

imprint in the U.S.; it's better known, so they changed the name from Swiss Bank to UBS, and that's how I became a client of UBS.(laugh)

CK: *You're sounding as if you regret missing the excitement of the bubble, also the profitability of the bubble.*

CL: Well, you know, you're old too soon, smart too late, all that. I think we would have avoided the bubble in that what they were doing in the bubble I would never have done.

CK: *Why do you say that?*

CL: Because what happened was the investment banking world suddenly went crazy and were selling venture capital deals to the general public. They were selling technological ideas that had no business basis, in many times, to the public with the idea that it was going to go to a zillion dollars. I've only spent about thirty-five or forty years determining just what works and what doesn't work, and we never would have done that. There are still some basic things like balance sheets, positive cash flows, organizational capability, and all that, that is just essential for success in any kind of enterprise. What the Street did to the general public in the late-nineties was just absolutely sinful; I used to watch this happen, and I just said, Over my dead body.

CK: *You didn't invest in any of these?*

CL: None, I thought that was all crazy.

CK: *Tulipmania?*

CL: Yeah, exactly. I may not have been successful, but I think I've been successful enough, and I don't think anybody at Dillon Read would be involved with that nonsense. I mean that was just crazy. Easy business, be a venture capitalist, write check.(laughter)

REFLECTIONS ON A CAREER IN VENTURE CAPITALISM

CK: *We're going to spend a little time now with some reflections. Some of these you've covered as you've talked about just your life over a 40-year period. What has given you your self-confidence, because I don't think you could have been successful without some strong sense of yourself.*

CL: I think that it's just the sense that over a long period of time — I've tried to paint a picture starting with my military experience, then going through college and on into my short stay at W.R. Grace; I still could be a pretty good elevator operator.(laughter) Then going through my experience at the Phipps Estate with my mentor John Kingsley — terrific guy. But in all that period of time, life seemed to add a little bit more on my plate, and I seemed to be able to carry it. I began to get comfortable in my own skin in terms of what I knew and what I thought I could do. The capital markets — the stock market, whatever, the private placement market, all of those — I got to kind of know that. That became my backyard, my playpen, and I knew a lot of the players; one thing I found that it's not hard to do was: if I'd had a question or I was concerned, there's always somebody I could pick up the phone — New York's a wonderful city in that regard. In the sixties, if you wanted

to talk to somebody that had some esoteric idea, you could call him up on the phone and he was probably on Wall Street someway; you could take an elevator, walk across the street, go up in another elevator and sit down with him. It was a pretty small world. It

gave you a sense of: Hey, you know, I can do this, we can get this done. And I love that. That sense of accomplishment is pay in itself.

CK: *Did you have certain values that guided you as you went through all this? Do you see something that you grew up with—*

CL: I always admired good conduct.(laugh) [John] Kingsley was a very conscientious man in that he was very cognizant of the interests that he was representing, but he also was very interested about the interests of the fellow sitting on the other side of the table. He had a view of how to balance those off in a fairness sense, and just because you had all the money doesn't necessarily mean you've got all of what's required. His ability to cut deals and not cut deals, that's a sort of mafia like thing; I mean, his sense of balance when dealing with other people I admired, and I tried to incorporate that. There are two people that I mentioned in this thing, he being one, the other's John Birkelund. He's a really good friend; he's terrible to deal with. Kathleen is sort of like that about John. Very few people enjoy the experience, but he's got heart, he's an interesting man, he's got a good intellect. He married a Catholic when he was not a Catholic, and he converted to Catholicism in the process. I'm a high Episcopalian; I've never understood Catholicism — they're almost

identical, but that's another step I can't make. He's just a very accomplished guy in so many ways that nobody knows anything about.

CK: *You list him as a mentor.*

CL: Well, I don't look at John so much as a mentor but as a partner and as a person who — when you get down to what they say in the South, the lick log, the bottom line, he's going to be there for you. I mean, he's the guy if you really get up he's there. He was the best man at my wedding,(laugh) so he must have some views on that himself, but he's a very dedicated father. He's just like a lot of the things I admire in somebody, but he doesn't suffer fools very easily, and he's made people terribly angry at him because he doesn't mask his feelings, because he's somebody that works very hard and thinks they should too.

CK: *And as you said, you admire that.*

CL: Yeah.

CK: *So do you ever look back and feel like you made a mistake somewhere?*

CL: Yeah I made a mistake, and you'll see in the language I sent you that I thought joining Dillon Read and the offer I accepted was a Faustian bargain, and I think that's the case.

CK: *Because?*

CL: Because it was too many moving parts. I didn't accomplish with Concord Partners what I wanted to accomplish.

CK: *Which was what?*

CL: Well, I thought I was pretty close to being with New Court Private Equity Fund — I thought we were about the best in the world. I didn't think we were the best in the world with Concord Partners. There are others that had a better record. I think it was that lack of being able to focus on that, and when I took my hands off of the product I was dealing with and tried to get others to do it, it was difficult for that to happen. Finally, in my last two years at Dillon Read, I got two people in on the West Coast [Irwin Federman and Phil Young], who had been people I knew very well, and they were just superb. When I left the management of it, they were as good as it gets. We had the best management in the business.

CK: *What's the difference between the East Coast venture capitalists and West Coast venture capitalists? Is there a difference? Is the culture different?*

CL: There is a bit of a culture difference. On the West Coast, you have this Stanford community — San Francisco, but basically a lot of it stems from Stanford, science and technology, where you have Google, as the most recent example. Genentech, the original biotech company. Tom Perkins [Kleiner Perkins Caufield and Byers] had a young fella

by the name of Bob Swanson, who they put at a desk and gave some money, and he started this biotech company, and it was a financial fountain for Tom Perkins and KPCB.

CK: *We were talking about the differences in the culture of venture capitalism and the West Coast—*

CL: East Coast and West Coast? Well, Reid Dennis is really one of the wonderful people in the venture capital world that I've known for many years; he's very successful. I was sitting in his house one day and I said, "Reid, you know, you've really been pretty successful. Have you looked at this deal or that deal, and you know we're doing something in Texas." And he said, "Charlie, I never do a deal with anything I can't see off my back porch in twenty minutes." And that's kind of Silicon Valley for you. Those guys get up on Rt. 101 or 280, up and down those highways between San Jose and San Francisco, and they can get anywhere in twenty minutes and look at a project and make a decision pretty quickly, because they've done it for many years, and it either it has it or it doesn't. It's all so integrated, they all sort of know one another; it's not a closed society, but you have to know them pretty well. I once spent a weekend with Reid and his pals Bill Edwards and the fella from Sequoia; I have a picture of these guys that I took and they all had their wives' fur coats on, and I thought it was funnier than hell.(laugh) It was a hoot.

CK: *Are they looser?*

CL: Oh yeah, they're just as funny as they can be. Of course, they've known each other for a long, long time, and they know exactly what's happening in the other's mind, and it's hard to break into that crowd. I sort of have, in a peripheral kind of a way, but I'm not one of the inner circle.

CK: *It sounds like it's a little different than the network you were talking about in New York. You have a network also, but it functions a little differently.*

CL: Well it does. There's the same kind of different crowd in Boston. You have to know the Peter Brookes and the Dan Gregorys and all those guys, and I knew all those guys even better. New York, surprisingly, it's got a bunch of venture capitalists in it, but I wouldn't put them at the top.

CK: *There's a semi-circle route in the Boston area—*

CL: Well, 128; Farrington was on Route 128. That was developed there by a fella named Jerry Blakely; he bought up all the real estate in close proximity to 128. He had a firm called Cabot Cabot & Forbes, and I knew Jerry. I watched him go from one plan after another; he planned all around 128.

CK: *It was what, the Golden semi-circle?*

CL: Oh yeah. Fabulous. I was there in the beginning and that was fun. I was at Silicon

Valley — practically camped out there — certainly during the sixties, seventies, and eighties, that was when there were still pear trees out there, apple orchards— We sort of saw all this excitement take place and played at least a small part in it. Of course, in some respects, my taking on Federal Express was a serious loss of opportunity.

CK: *In what way?*

CL: In that I spent so much time in Memphis; I didn't have time — I should have been an investor in Apple, but I missed Apple because I was in Memphis. I had a bunch of other things going on at the same time I had Federal Express. I had a company called Oximetrix and Monolithic Memories; Irwin Federman was running Monolithic Memories and Phil Young was running Oximetrix. They were two private companies, and I was on their boards. We had terrible problems with Monolithic Memories; we had this genius running it, a guy that got it started with help from me, and he almost turned crazy.

CK: *Were there other entrepreneurs who disappointed you that you had invested in emotionally?*

CL: This guy was a fella who was an Israeli, who came over to United States; he didn't speak any English. First thing he did, he camped out at Brooklyn Polytechnic and he learned English. He just started at A and he went to Z. He had a technical bent, and he had an idea for a semi-conductor memory company, and I get wind of it. His name was Ze'ev

Drori. I met him and we decided to put some fairly major money in it, and we did it, and the company [Monolithic Memories] went along pretty well for a while. It got up to about that \$10 million or \$12 million annual range, which in the seventies that wasn't bad — it wasn't great either, but it wasn't bad. Irwin Federman, from Brooklyn, who's an accountant, who's the chief financial officer, calls me one day and says Ze'ev's going back to Israel; it may have been the 1973 war; he went back to participate in that. He built this house in Mountainview. I knew him well enough; I rented his house once. But then Ze'ev just lost interest in the company. He'd sold some stock to somebody and made some money, and he kind of didn't start tending to business.

So one day I'm sitting in this little office — not in the company — with this lawyer by the name of Larry Sonsini, who's a pretty well-known West Coast attorney; he's got his own firm, Wilson & Sonsini, it's one of the best on the West Coast and very much the “in” Silicon Valley. Larry and I are looking at each other and saying, Hey look, we got to do something. This thing is going to be bankrupt in a matter of weeks, months at most. We'd better get Irwin over here. So we call up Irwin, and Irwin comes in and says, “Yeah, you're right, we got to do something. We need to have a new president.” And — “Irwin, would you step out for a minute, Larry and I have got to have a chat.” “Okay.” “We'll ask you to come back in, in a few minutes.” I said, “Larry, we haven't got any time; we got to get a new president.” “You think Irwin?” I said, “Yeah, I think he's our only choice.” So we call Irwin back in and say, “Irwin, guess what? You're now

president.” He said, “You can’t do that; that sends the worst message to the banks.” I said, “Irwin, where are we going to find a president.?” We had interviewed a couple of guys as a prospect, but, “you’re the president.” “Okay.” So out he goes, and of course I’m waiting with bated breath in New York to hear what’s going on. The first thing I hear is, “How are things going today?” “Well, they’re going all right; we’re going to have a balloon party out in the parking lot for all employees.” I said, “What do you mean a balloon party?” He said, “We have an actual hot-air balloon coming and it’s going to give a lot of them a ride up into the air.” And he said, “And then we’re going to have a beer bust after that.” I said, “For Christ sake, Irwin, we’ve hardly got enough money to pay the damn electricity bill and you’re having a—” And he said, “That’s all right. In about three weeks, please come out here again because we’re having a party at L’Etoile,” which at that time was in the Huntington Hotel; it was the best restaurant in town. And he said, “I’m having a chauffeured car for all the executives.” I said, “What’s going on?” He said, “We may not be much, but we are all we got, Charlie.”(laugh) So that party took place. What happened was very interesting. He just had his fingers on the magic; the morale of the place just soared — I mean it just soared. Suddenly he had an organization. All I can tell you is five years later we had about \$100 million bucks in the bank, and we sold the company out to AMD for a fortune. It was really quite a miraculous turnaround.

CK: *And what happened to Ze'ev?*

CL: I don't know. He married a beautiful woman, and I think he's living in Hollywood. He really literally disappeared from the face of my world anyway. After the AMD merger — by that time I was at Dillon Read. And I was a pallbearer in Irwin's first wife's funeral, and I'd lived through all of that with him, and when we were finally able to get Monolithic Memories into AMD at this very satisfactory price, I invited him to join Concord Partners at Dillon Read as a managing director. I have almost the same story to tell about Phil Young and Oximetrix. It was a company that had great products and I think great management and had gotten in a terrible row with the inventor and patentor of a number of the products — court cases, so on and so forth — but were smart enough to have worked out relationships with Abbott Laboratories and Baxter Travenol; and we sold the firm for a very handsome price to Abbott, and we were able to retire from the scene.

I remember the inventor was a guy by the name of Bob Shaw — he and I had been friends; we sort of fell apart on this one because he was strictly for Bob. He called me up and he's at the Carlisle Hotel, not bad quarters for New York. He says, "Come up and have a drink with me." So I did, and I was very polite, and we opened a bottle of champagne and had a glass or two, and he was sort of patting himself on the back, I think we got about \$70 million for the company and he got \$8 million or \$9 million, and he was patting himself on the back and saying, "Well, you know, I did okay on that one,"

didn't I?" I said, "Yeah Bob, but one thing — we missed. We should have gotten \$300 million for it if we just waited a few more years. Have a nice day, Bob."(laughs) But those are the things that happen.

CK: *Did you ever think of what you might have done had you not gone into venture capitalism and taken that route?*

CL: I thought about it, but I probably would have wound up somewhere in the investment management business. I started out at the Phipps Estate as basically being first a financial statistician looking at portfolios and seeing if I could make the numbers dance and so on; I was always kind of interested in what was going on in these companies, and I probably would have wound up managing peoples' money from a portfolio basis.

CK: *That seemed to be the point where you really found something that excited you.*

CL: It was, but I think I was very interested in seeing the companies and going out and talking to the managements and seeing where they were going, and when I thought they rang a bell, then I'd come back and buy some more stock in them. And I'm sure I could have turned that into a lifetime activity. But I don't think I would have had as much fun as having the front row seat.

CK: *When you talk about "your network" — Federal Express is really a good example — Chuck Newhall uses the expression of "band of brothers"—*

CL: I think that's good for him. I think that's exactly right. If you get involved with people pretty closely, you're like one of the brothers. You can't get closer to people that you're in trouble with — I mean, where you have a lot of money at stake.

CK: *They create seemingly long-term relationships; you've been through something together. Does it carry on after the project's completion?*

CL: It can if you have the time and energy to pursue it. After I was in the military, there was only one time I saw somebody that I'd been involved with, and it was by pure accident; it was on the street in front of a store in Ithaca, New York. I was walking down the street and there was a fella that I'd spent the night in a coal bin covered with blankets, and I'd known him at that time pretty well; we were both black as the inside of your hat, and we were both frozen to death, and we were always trying to stay warm on each other's body. And here is this guy - and the spontaneity wasn't there, if you know what I mean. We were very cordial: "Very nice to see you again," and so on and so forth, but I'm not going to go jump in this old blanket and hug him again. Well, it wasn't that cold.(laughs) I don't know, there was just something missing.

CK: *Too many years?*

CL: Yeah, too many years.

CK: *How about the new generation of venture capitals. Do you think they'll have this sense of a "band of brothers" in the way your generation of venture capitalists did?*

CL: I think we'll have to see. I think that the trauma of the last week or whatever has created an environment that's familiar to me — may be very unfamiliar to them. We'll just have to see out of the whatever wreckage that we see there - and I'm sure there's plenty—

CK: *Do you want to stop and talk a little bit about this historic time in the financial markets? To just go by it without having you address it would be cheating the listener.*

CL: Looking at what has happened, we've seen a decline in the market of some considerable proportions, particularly in the last months it's 30 to 40 percent. But don't forget, in 1987, in one day we had a collapse of almost 25 percent. We still haven't seen a 1987 one-day event. That was quickly over with because, among other things, the Japanese became major buyers of U.S. securities; maybe today the Chinese will pay us the same compliment, but I don't know that. It's been my experience that it takes a while to recover, but during this period of time the people that are able to create a "band of brothers," if you will, in their particular lines of endeavor, can somehow fashion together things that work whether it's partnerships or relationships or customers, suppliers or whatever; there will be people out there that suddenly have a feeling for one another that they'll want to help them, and they'll want to help fund them.

There is this community that suddenly will respond one to the other. I'm talking very generally now, and I don't quite have the vision to see precisely how all that works, but I

know that it's built on good will, friendship, self-interest, all the rest of it. It's been our society and the way it's functioned in difficult times, it's made the good times happen, and I think that will happen again. I'm fundamentally an optimist about our ability to find our way.

CK: *So in this same vein, how do you look at venture capitalism as making a contribution to our economy? We've touched on it through your work with NVCA. Just personally, do you feel that what you do, what you've done—*

CL: I think the venture capital over the space from the 1970s — certainly when we were going through the hard patch then, did a profound thing. When we took the rubber bands off the bankroll and said, Guys go get them, we took the tax strictures off, and we took the regulatory strictures off, and the legislative issues off, and said go get them. And then you've seen a growth in venture capital from — back then \$5 billion maybe was the total capital pool; it's now in the hundreds of billions of dollars today, and you have all those new investments just sort of cranking out in various stages of repair and disrepair. I think it will play a pretty profound role. I'm really concerned though that the financial engineers and the hedge funds and those things have kind of screwed up the public view of venture capital. Most people can't tell you the difference between a hedge fund and a venture capital fund; it's gotten all mixed up in the public view. I think that has to be kind of unscrambled, because venture capital funds are not hedge funds and they're not run by financial engineers.

We're not trying to piece together a leveraged package that rewards totally the bottom line disproportionately. We put money into companies, very often asking no fee, just the opportunity and the privilege to be stockholders. The other guys are doing it all for money, and once the package is done, they don't give a darn about what happens, they're on to the next one. That's a profound difference of point-of-view in my view, and it's one of the problems I had exiting Dillon Read: Where is this whole enterprise going? Are we going to be financial engineers or are we going to really take this venture capital business seriously? And I had serious doubts when I stepped down.

CK: *We're talking now about your retirement years, and you're telling me that you're sailing. What else are you doing? Do you miss the excitement?*

CL: All of the above. I have missed the excitement and the day-to-day repartee with friends and so on, but I also have enjoyed the peace of not having to do that stuff. It's like being a fireman in the firehouse; you get used to hearing the bell go off and you slide down the pole. I miss, to some degree, sliding down the pole, but when I think about it, maybe that's just as well. I'm getting too damn old to do this stuff. It's a punishing physical experience being in that business. I mean, you're working like a dog all the time; it doesn't come easy or come cheap.

CK: *What drives you to do something like that that?*

CL: Well the light at the end of the tunnel.(laugh) And you never know until the last minute whether it's a train or it's an opening.(laughter)

IN RETIREMENT

CK: And you're reading?

CL: Yeah, well I showed you the list. It's a page-and-a-half; it's about what thirty or forty books.

CK: *What do you call your gizmo?*

CL: My Kindle.

CK: *And I understand from your questionnaire that you're quite active on the Eastern Shore.*

CL: I have been. I went as a trustee, not on the Eastern Shore, but I was a trustee of St. Paul's [Brooklandville, MD] for five or six years and privileged to begin the regime of Tom Reid and his lovely bride [Ann], and I'm retired off of that. I was on the board of Washington College, which was sort of a small liberal arts college struggling here. I came on board just as John Toll, who is this wonderful physicist and a high energy guy, came on board. He was in his seventies, and we gave him a ten-year span; I stayed on for six. He revolutionized the college. He's now gone. We've got a great guy by the name of

Baird Tipson who's now running it, and I'm a trustee emeritus of that. It's doing very well. Then I got involved with the Chesapeake Bay Maritime Museum, and I held all the jobs an outsider can hold including vice-president and then president and then chairman. I saw it through a kind of interesting time of raising \$20 million and deploying that \$20 million into new buildings and fixing up the old and, most recently, changing the head guy. I think it's prospering; at least that's my sincere hope.

And then finally the hospital, Shore Health Systems. The hospital's been a big project of mine, and I'm the vice-chairman. The chairman is a fella by the name of John Dillon, who just is a terrific man. I'm the chairman of the investment committee, and I don't think I'd wish that on a dog these days, but we we're going to live through that. We're very diversified and well-positioned. We just merged, about six months ago, with the University of Maryland Medical Center. We're now owned by the University of Maryland, and I'm on the board of their investment committee for that medical center as well. That'll certainly keep my toe in the water, if you will, if nothing else.

CK: *It's wonderful that you've been able to apply your experience to these groups.*

CL: My ability is to, on the one hand comprehend problems, and on the other, to talk about them on a rational basis with other rational people and reach a common course. In all the cases I've been talking about, it's the same regardless. If you can reach an agreement among thinking intelligent people who are looking at the same set of facts you are, you

can probably get something done, and we've got great projects for the hospital. For example, we have the idea of building a new hospital, and this will be a 200-bed plus hospital. Do you know that a new hospital costs in the neighborhood of a million and a half plus per bed these days? So we're talking about a lot of money. That's one reason why we made this arrangement with the University of Maryland, because they won't supply the full cost. We've got to raise some of that money locally, and we'll have to figure out ways to earn some of that money. And whatever we do with our investment program, we'll hopefully supply some of it. In the next ten years, we may get something done — well beyond my span, but at least that's what we're thinking about.

CK: It sounds like you've found plenty of places to expend your energy.

CL: Too many, too many. I've been under strict instructions from headquarters that you've got to stop all this stuff.

CK: *And you're going to be headed south?*

CL: Yeah, and this is to Florida, and I'm not expecting to pick up any activities down there other than getting a little bit better at golf, and improving my backstroke, or whatever, and to get our house put together.

CK: *Well it sounds like you have certainly enjoyed a productive and a rewarding life and have given back a lot.*

CL: I hope I can convey that. I don't get the feeling of paying back so much as I get the feeling that I'm still getting a kick out of doing what I'm doing, but don't overdo it. I'd rather be around a little longer. I can't think of anything — golf for example — I can't think of a game that you can ever get involved with where you can improve at the age of eighty, but I'm hoping that that's one of them.(laugh)

CK: *Okay, well I'll check back with you and check on your progress. Thank you for graciously agreeing to this conversation and inviting me into your home.*

CL: A pleasure.

CK: *And my thanks to your wife, Kathleen, too.*

CL: She's been part of the picture here; she's seen most of the scene, and she's heard about it from me all the time, and she's put up with it. She knows most of the players, most of the characters that I've known. I will tell you that as far as the Dillon Read and the Concord Partners is concerned, all the fellas I've put in place — at the end of the following year they were all gone.

CK: *It sounds like that was a bit of a heartbreak for you. As you said, a Faustian deal—*

CL: Well it was not heartbreak but it was heartache. The only regret I have is that I wasn't a younger person and wasn't able to see this project through to the length of time that it would probably take, because it really is a truism that in venture capital the rewards come

very late; we're talking about SanDisk, for example. SanDisk is now just reaching kind of its peak, and here we started this about twenty years ago.

CK: *Again thank you, and a big thank you from Chuck Newhall.*

CL: I've known Chuck since he was at Alex Brown working for Bonnie White. We were involved with a company introduced to us by his firm. It wasn't working very well; it went down. I remember traveling with him, and he was just bright and new on the beat. I think we told him his life wasn't going to rise or fall on this particular deal — that other projects would work well for him over time. And indeed! They have!

CK: *Very good advice. You were talking about the fine life that you've lived, and I said you have values that have served you well, and you referred to your parents and their lives—*

CL: You particularly mentioned my father, and he died at the age of sixty-two — and that was really quite a long time ago — when he was still, by my terms, a pretty young man. I think if he'd been around today and we were looking now out at the view of the water — the Tred Avon River and Playtors Cove — from my little house in Easton — and if we looked at this wonderful view, I think he would say, “Yes, I think you've finally amounted to something.”(laugh)

