

## **Star Gazer Ron Conway – Founding partner of Angel Investors**

Ron is a founding partner of Angel Investors and a prominent Silicon Valley name since he co-founded Altos Computer nearly 20 years ago. He focuses on very early stage investments especially in the wireless, infrastructure and communications space. His homerun investments include Ask Jeeves, BroadVision, and Garage.com.

[start box] “I think for sure Silicon Valley will continue to dominate in innovation in high technology of all kinds: in medical technology, biotechnology, the internet, software, and it’s because Silicon Valley has a built-in infrastructure to support start ups that’s unparalleled to any other. We have the accountants, the lawyers, the mentors, the Board of Director members, all at the disposal in one 50-mile square radius to serve entrepreneurs. And there’s no other place like that in the world where the infrastructure is so deep and so sophisticated in all areas to support start up companies.

With the advent of the internet and search technologies we’re gonna be moving the \$50 billion advertising market from TV and radio - that’s gonna move to the internet and that’s gonna produce billions and billions of dollars of growth for Silicon Valley just in the internet search advertising market. So, yeah, I couldn’t be more optimistic about the next 20 years. You know, stem cell research, medical research is also located right here in Silicon Valley, with Stanford and UCSF.

By way of background, Angel Investors, LP, my venture capital fund, invested in Ask Jeeves in the 1996 time frame, and with my experience at Ask Jeeves, I learned a lot about the search market and the potential of the search market. Ask Jeeves was a very successful investment for us. But right on the heels of Ask Jeeves going public, Google was founded. As soon as I heard, through one of our investors, who was a Stanford, that Google was - at the time called Backrub - was developing a search engine based on relevancy. That word, relevancy, really resonated with me such that we sought out Google, had a meeting with them and immediately saw that they’re search results were far superior to anything on the markets. At the time Google was talking to John Doerr, of Kleiner Perkins. And they wanted to use Connie Parker to get to AOL to make an AOL deal happen, which ultimately happened. AOL still uses Google as their search platform. And Larry and Serge smartly wanted to have a VC who had contacts at Yahoo, because they wanted Yahoo! to adopt the Google search platform as well. They wanted a meeting with Mike Moritz at Sequoia, and I was the only one at the time who had connections in to Mike Moritz. We had done many deals together.

So I introduced Larry and Serge to Moritz and everyone got along great. Mike Moritz got it right away that this would be a great investment for Sequoia. At that same time, KP figured out that it would be a great investment for KP as well. So it ended up that both VC’s wanted to really take the whole deal for themselves. So it was a month-long negotiation back in May of ’99 probably where we went back and forth trying to get KP and Sequoia to invest together.

After three weeks of negotiating, the frustration became high enough that Larry and Serge said, hey, Ron, maybe rather than trying to get KP and Sequoia to get along maybe you just go get some real high pedigree Angels to come in and invest with Angel Investors and you do the whole round. That was like on a Friday. At that point I could tell I was getting to know Larry and Serge pretty well and I could tell they were dead serious about this, so we actually went to KP and Sequoia, Ram Shriram, who’s still a Google Board member, went to KP and I went to Sequoia, and we both told them, hey, by next Monday, both of you could be out of this deal if you don’t agree to work together and you ought to take it seriously because Larry and Serge actually have a backup plan and they’re very serious about it.

By Saturday morning, mid-morning, they - Sequoia and KP - agreed that they would come in together \$12.5 million each for a \$25 million round. And, you know, the rest is history. Angel Investors got a bite-size piece of that financing as well for being the matchmaker in the KP/Sequoia financing.

We paid about fifty cents a share – the same price that KP and Sequoia invested at.

Looking ahead I think there’ll be tons of great investments in the search space. I think search is in its infancy. If Google and Yahoo today have revenues of \$6 or \$7 billion, that’s gonna go up 5x in the next five years, because of the transformation of the market and the migration of ad dollars from TV and radio over to the internet and advertisers can pay for performance.

So the other area that’s blossoming is user-generated content in the consumer internet space. User-generated content and user-rated content. The advent of Wikipedia and all of the ratings services where

people share their inputs on the web and make content on the web more relevant to other users. It's gonna be a huge, huge area of growth. So user-generated and user-rated content is gonna be a huge area that causes consumer internet to really blossom.

From 30,000 feet, the fact that search, and the quality of search, is gonna get much better. There will be a ton of M&A in the search area. The area of mobile technology and searching from your cell phone is gonna undergo a complete transformation as well." [end box]