

# How Ron Conway became the valley's most influential start-up investor

By Chris O'Brien  
Mercury News Columnist  
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While venture capitalists are usually judged by the money they've made and the IPOs they've launched, the best way to measure the unrivaled influence of Ron Conway is by the people he knows.

More than a thousand of tech's elite squeezed into the Herbst Theatre in San Francisco earlier this year for the Crunchies, the startup industry's version of the Oscars. Conway was on stage to receive an award when the moderator, TechCrunch CEO Heather Harde, stopped the proceedings with an unusual request.

"I'd love to show Ron the impact he's had," she said, so she asked those whose startups had received money from Conway or who did business with one of his companies to stand up.

In a flash, well over half the audience came to their feet and gave him a round of rousing applause.

This spontaneous tribute reinforced what anyone in the Web 2.0 crowd will tell you: Conway is the most important angel investor in Silicon Valley today. Period. If you've heard of a major Web company, chances are that Conway is an investor or adviser. Google. PayPal. Facebook. Twitter.

Yet his admirers speak not of his deep pockets and timely investments but instead about his generosity with his time, his constellation of connections, and the Tasmanian-devil-like energy he brings to networking.

That he has reached this rarefied position is even more amazing considering how far he fell after the dot-com bust left his investments and reputation in tatters. How he came back, and how his investment strategies changed, says a lot about how starting an Internet company has been transformed since the bust.

## ***'Ron is the Internet'***

I caught up with Conway, 59, earlier this month at the Twitter developers conference in San Francisco. Well, not so much caught up as chased after.

He emerged from the backstage of the auditorium into the lobby of the Palace of Fine Arts escorting his friend, rapper will.i.am of the Black Eyed Peas. There wasn't an odder pair in the room, the hefty Conway with his mop of white hair and glasses guiding the stylish African-American rapper by the elbow.

When I told will.i.am I was writing about Conway, the singer became animated.

"Wait, wait, I've got to show you something," he said, pulling out his mobile phone and showing me the address book entry for Conway, which simply read: "Ron Conway (the coolest)."

"Ron is the Internet," will.i.am said. "The Internet connects people. Facebook connects people. Google connects people. Ron connects people."

As if on cue, Conway pulled will.i.am away. The rapper has a startup, Dipdive, a music social networking site, and there was a long list of people at the conference Conway wanted him to meet.

After making a few introductions, Conway slipped away and scanned the room. What looked like a swarm of bodies to me was really a vast matrix of connections to Conway. Upon seeing someone, Conway has an uncanny ability to remember not just their name, but also their conversations, what they're working on, and whom he'd like them to meet.

"Hang on, I'll be right back," Conway said as he spotted someone.

Mike McGinley, who was working at Napster when he met Conway, was standing nearby and started laughing.

"It'll take him an hour to get across that room," McGinley said.

### ***Taking the plunge***

This is Conway's moment. But not so long ago, it seemed he had fallen out of the valley's firmament for good.

Conway, of San Francisco, plunged into startup investing 15 years ago, just in time for the dot-com boom. Before then, he had held marketing positions at National Semiconductor, the giant chip-equipment maker, in the 1970s, and cofounded Altos Computer Systems, which sold UNIX-based computers and went public in 1982. After serving as CEO of another startup in the early 1990s, Conway moved into angel investing.

"Angels" are wealthy individuals who invest their own money. There's no set

definition, but an angel investment can range from \$20,000 to \$400,000. They're usually among the first investors in a company, before a venture capital fund would come in with more money and bigger demands for control.

Conway gained a reputation as one of the most prolific angel investors in the 1990s. But in 1998, he put a twist on the angel investment model by creating two funds: Angel-I raised \$30 million in 1998 and Angel-II raised \$150 million in 1999. While many angels might back a handful of companies, Conway was betting that systematically backing a broad array of early stage companies could pay big dividends.

But by 2001, an unusually high percentage of companies he'd backed had shut down, leaving the two funds staring at big losses, something almost unthinkable in the venture business. It was especially humiliating given the fortunes raked in by traditional venture firms during this period.

Conway found himself in a kind of purgatory over the next three years as he sweated to sell off or liquidate pieces of the funds to mitigate the losses. He describes it now as doing "triage" and recalls the time as "painful."

Two IPOs turned things around: PayPal in 2002 and Google in 2004. Conway had invested early in both, and as a result, the funds bounced back from their losses.

But just as important, he felt these IPOs vindicated his strategy of focusing on the earliest stages of companies, which requires less money but is more risky given that these startups often don't even have a product or service.

With his bank account replenished, Conway resumed angel investing, with a difference.

Conway initially had less competition for deals, given the sour feelings of investors about anything dot-com related. Still, he became much pickier, investing at about half as many companies that came his way as he did during the bubble.

And this time around, angels like Conway can play a much bigger role because the amount of money needed for Internet startups has fallen dramatically. Whereas a catastrophe like Pets.com burned through \$175 million in less than two years, Facebook and Twitter launched and ran for a year or more on less than \$1 million.

## ***Starting SV Angels***

Conway quickly became one of the largest backers of the emerging Web 2.0 generation of startups: StumbleUpon, Rock You, Ning, Yammer and Bit.ly. His timing was superb; 32 of the companies he's backed have been acquired. These include Mint.com (by Intuit), AdMob (pending by Google) and Zappos (by Amazon).

One of his investments was a podcasting startup called Odeo run by Ev Williams. Odeo failed, and Williams took the unusual step of returning his investors' money.

"I thought that was a magnanimous gesture," Conway said. "I decided to set that money aside and invest in whatever Ev did next."

Which turned out to be Twitter.

"He has jumped into everything from helping us find office space to making key introductions in the industry," Twitter co-founder Biz Stone wrote in an e-mail. "He just seems wired to help."

Conway seems so universally loved, it's a stretch to find anyone who will say a bad word about him. One criticism is that Conway takes a splatter gun approach, investing small amounts in everything 500 companies over 15 years.

"It's extremely, extremely irritating to hear people say that," Conway said. "Yes, it's the stereotype. But we are extremely selective." Conway invests in about one of every 30 deals that come his way.

To help do that, Conway has created a small firm. Called SV Angels, the group, which includes his son Topher, just closed its first fund of more than \$15 million this month, including a substantial amount from Conway (who would describe himself only as a "millionaire"). That gives him the ammunition to invest in 40 or more companies over the next two years.

The insatiable drive to pursue those possibilities continued to propel Conway around the Twitter conference. By now, Harjeet Taggar, an entrepreneur who works at Y Combinator, an early stage venture fund, had become equally mesmerized watching Conway.

After a few minutes, Taggar turned to me and said what we both were thinking: "He is Silicon Valley."

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**RON CONWAY**

Age: 59

Birthplace: San Francisco

Position: Angel investor, special partner, SV Angels

Previous jobs: Marketing, National Semiconductor, 1973-79; co-founder and CEO, Altos Computer Systems, 1979-90; CEO, Personal Training Systems, 1991-95; angel investor, 1995-current

Education: Bachelor's degree, San Jose State

Family: Married to Gayle Conway, with three sons, Ronny, Danny and Topher

Residence: San Francisco