

TimesTribune

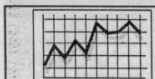
PENINSULA INC.

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Monday, September 4, 1989

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CORNER MARKET



NATION

■ UNEMPLOYMENT STEADY

The nation's unemployment rate remained at 5.2 percent in August as the re-surgent economy created more than 200,000 jobs, the government reported.

The Labor Department's official figure for non-farm payroll expansion last month was 110,000 jobs. But strikes reduced the job totals by about 108,000 — meaning that without the walkouts the new job total would have been some 215,000.

STATE

■ WINERIES WORRIED

The worries of domestic wine makers are mounting, along with disagreements over how to respond. Shipments of domestic wines, which declined 4.9 percent last year after falling 1 percent in 1987, have dropped 7 percent in the first six months of this year, the industry reported.

PEOPLE

■ ATHENA NAMES VP

Paulette E. Setler was named vice president of development for Athena Neurosciences Inc., South San Francisco.

Samuel Ezekiel was named vice president and general manager of Amdahl Corp.'s Communications Products Group.

Judith Briles, Palo Alto, was elected to the board of directors of the National Speakers Association.

Helen Bulwack was named a principal of Regent Pacific Management Corp. in Cupertino. Regent recently merged with Seagate International Inc., of which Bulwack was president.

David Yoffie has been elected to the board of directors of Intel Corp., Sunnyvale. Yoffie has been on the faculty at Harvard Business School since 1981 and became an associate professor in 1985.

LEDGER

■ BANKRUPTCY FILING

Alcott & Andrews, the upscale chain of women's clothing stores, has filed for bankruptcy protection. The chain, which caters to working women, was founded by Michael Jefferies, who in the early 1980's developed the concept of large specialty stores aimed at the burgeoning market of well-paid women working in offices.

Alcott & Andrews has an outlet at Stanford Shopping Center.

Lincoln N.C. Realty Fund Inc., Palo Alto, announced that the Bank of New York had approved refinancing of the existing loan to the company in the amount of \$8.3 million, and the extension of an additional \$1 million loan for a total new loan of \$9.3 million. The loan will be secured by a pledge of the note and mortgage on the Lincoln Rancho Bernardo Apartment project. Lincoln is a real estate investment trust.

Elxsi Corp., San Jose, parent holding company of the Elxsi computer company, announced an agreement for the sale of a 20 percent interest in the company for \$3 million to Milley & Co. and The Airline Group L.P. of Greenwich, Conn.

BUSINESS FACT



Compiled from staff and wire reports, the Corner Market appears Monday through Saturday.

20 years on the hill

Venture capital's capitol enters its third decade

RUTHANN RICHTER / STAFF
MENLO PARK

Much of Silicon Valley was sown on a lush, serene Menlo Park hill, where the environment is soothed by abundant pines, flowering cherry trees and the quiet, reassuring hum of nearby Interstate 280.

That tranquil spot at 3000 Sand Hill Road is home to a quartet of modest, 2-story wood buildings that belie the intensity of what transpires within. It's here that the valley's lifeblood — venture capital — flows.

By now, the Sand Hill address has become almost legendary, at times referred to as the "Wall Street of Western Venture Capital." The campus of tree-lined walkways and covered corridors houses the largest collection of venture capitalists in the world, who together manage as much as \$4 billion in resources, or roughly 15 percent of the independent venture capital money in the United States.

That money helped give birth to many of the valley's stars — Apple Computer, Seagate Technology, Raim, Businessland, Sun Microsystems and Ross Stores Inc. — and it continues to give rise to new enterprises daily.

"It really is the venture 'Capitol' of the world," said DuBose Montgomery, general partner of Menlo Ventures, one of the early and largest firms to locate there. "You do find it attracts entrepreneurs. If they've read anything about venture capital, they know this is the place to come."

This month, as 3000 Sand Hill celebrates its 20th birthday, it stands as testimony to the patience, perseverance and business savvy of its founder, developer Tom Ford.

A former Ohio attorney and land manager for Stanford University, Ford imagined a lush future for the weed-covered patch of dirt, considered in 1969 a highly remote location for any business and a risky venture at best.

Financed in a last-minute scramble with \$6 million in borrowed funds, the 180,000-square-foot complex today is estimated by commercial real estate agents to be worth at least \$40 million.

Over the years, it's seen Ford's design to recruit venture capital firms, whose long-term thinking, spirit and small size made them appealing tenants.

It's been Ford's goal to promote synergy among his venture tenants, who often collaborate on deals and meet both formally and informally in the conference rooms and corridors or at Sundeck restaurant at the complex.

"We have, I'm sure, done some investments and deals as a result of being here," said Wally Hawley, a founding partner of InterWest Partners, which manages about \$250 million in capital. "What happens here is you're talking to a particular venture capitalist and they might say, 'we're looking at this company. What do you think of it?' Otherwise, they might not have thought of us. There has been a lot of co-investing. It's very easy when



Venture capitalists DuBose Montgomery (left) and Reid Dennis chat in front of the clock tower at 3000 Sand Hill Road.

you can just walk down the hill and get an immediate reaction from someone as to whether they're interested."

Hawley recalled, for instance, that two years ago he was approached by colleagues at Mohr Davidow Ventures across the way about a new Sunnyvale medical products company, Selstar Inc. Mohr Davidow had funded the company, which was looking for more money.

InterWest signed up on the deal, contributing \$1 million in several rounds of financing.

"That deal well could not have happened if we had not located here," said Hawley, whose firm moved in in 1985

after being heavily recruited by Ford. Entrepreneurs seeking funds trod a regular path through 3000 Sand Hill, sometimes randomly dropping business plans into promising-looking mailboxes.

"I think the big advantage of having so many of us in one place is not so much an advantage for us as an advantage for the entrepreneur," said Reid Dennis, general partner of Institutional Venture Partners, which has \$275 million under management. "They can save wear and tear by just circulating around campus."

But the venture capitalists caution that they rarely fund an idea that has

landed anonymously in their mailbox. Most deals come their way through referrals, they say.

"It's deceiving that the uninitiated entrepreneur thinks he's grazing in the most luscious pasture in the whole world," said Ward Paine of Occo Ventures, which moved into the complex in 1975. "But putting a business plan in every box that says venture capital on it is not a formula for success. The analogy is if you go duck hunting, if you shoot at the flock, you don't get a bird."

The venture capital world wasn't all that different in 1971.

A LOOK BACK



Aerial photo of the site circa 1967, before construction was under way. Interstate 280 is on the upper right, with 36 acres for the future venture capital's capitol in the foreground.

Richard Magnuson (left) of Menlo Ventures and developer Tom Ford.

This was the original layout of the project. The first two buildings were complete by 1971.