Inside the Silicon Valley Money Machine
KLEINER PERKINS FUNDED AOL, AMAZON, SUN, AND NETSCAPE. HERE'S HOW TECH'S MOST POWERFUL FINANCIERS WORK, PLUS THE SECRETS THEY DON'T WANT YOU TO KNOW.

By Melanie Warner Reporter Associate Jane Hodges
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(FORTUNE Magazine) – For more than three years, Scott Kauffman fended off phone calls from recruiters. This was in the mid-1990s, when Kauffman was known as one of the few executives in the media business who could make sense of this new thing called the World Wide Web. Non-tech companies wanted him as their Internet guru. Media conglomerates wanted him to help figure out how the hell to turn old media into new media. Kauffman, the vice president of online services at CompuServe, wasn't interested.

Then one day came a different kind of call. Kauffman remembers it this way: "This guy on the phone sounded like a radio announcer, and it was like his voice was coming through the fog. He said he'd been hired by Kleiner Perkins to recruit me as CEO of one of their companies." Kauffman hung up, turned to his wife, and announced, "Honey, this is it. That was Kleiner Perkins."

For people looking to hit it big in the exploding world of high tech, the name Kleiner Perkins can have that effect. Kauffman quit his job, sold the house, packed up the family, and moved to Palo Alto to become chief of AdKnowledge, an Internet advertising startup funded by KP.

Silicon Valley is rich with top-tier venture capital firms like New Enterprise Associates, Sequoia, Mayfield, Institutional Venture Partners, and Accel. But none has the same let's-pull-up-stakes-and-head-for-California magnetism as KP. By the magic of its name, Kleiner Perkins gets to see many of the Valley's most promising companies before they seek funding from rival investors, a golden edge in a market where too much money is chasing too few deals. KP's name helps attract skilled executives to its ventures in Silicon Valley, where such talent is both desperately scarce and widely thought of as the No. 1 factor in determining whether a company sinks or swims. It figures that America's most famous VC firm would have the industry's only celebrity venture capitalist, John Doerr.

Founded in 1972, Kleiner Perkins Caufield & Byers got famous in a hurry by funding pioneering businesses
that today are familiar names--Genentech, which almost single-handedly launched the modern biotech industry; Sun Microsystems, which spearheaded the world's shift from mainframe to client-server computing; Compaq Computer, the PC maker that rose to unseat IBM; and Lotus, the king of the PC spreadsheet.

Only recently has KP hit jackpots that have given it cachet beyond any other VC firm. Beginning in 1994 with Netscape, KP has funded some of the most important and richly valued companies to have emerged from the Internet--Amazon.com, @Home, AOL, and Excite, to name a few. It's done so with a strategy almost perfectly suited to the Web boom: nurturing alliances and partnerships among the companies it creates, weaving a web of relationships so dense you need a map to find your way (which is why we've provided one on the opposite page). Other VCs talk of building "networks" or "families" of companies, but KP speaks of a keiretsu, a metaphor Doerr came up with in the 1980s, when everyone thought Japanese conglomerates would eat American tech companies for lunch.

Despite the buzz, few people not directly associated with Kleiner Perkins know much about how it works. Only after lots of digging, for example, will you uncover the extensive synergy and communication among companies in the KP keiretsu--far more than exists, say, among divisions at many large companies. Everyone in Silicon Valley can rattle off names of KP-funded triumphs, but few ever notice that many publicly traded KP companies aren't doing so spectacularly. And hardly anyone, for that matter, knows just how much money this firm makes.

According to Kleiner investors FORTUNE spoke with, the money is extraordinary. KP's returns regularly rank among the top 5% earned by VC firms. Its recent funds, invested heavily in Internet companies, have been some of the best in its history, returning more than 70% a year. By examining SEC filings from portfolio companies, FORTUNE estimates that over 1996 and 1997, Kleiner Perkins made at least $210 million (a conservative figure, given that it doesn't include money KP made when private companies were acquired). That $210 million represents the 30% slice of the profits KP's 12 general partners take from its funds. Known as a carry charge, KP's cut is larger than that of any other venture firm (others charge either 20% or 25%). Another $482 million or so of profit went to KP's limited partners, investors that put up most of the capital for the funds--mainly institutions, including university endowments like those of Harvard, Stanford, and MIT, and nonprofits like the Ford Foundation. As portfolio companies go public or are acquired, KP distributes returns to itself and its limited partners, usually in the form of stock (of course, it's up to the partners to then sell or hold the shares). Only when a fund closes, typically after ten years, is the original capital returned. KP's $210 million "carry," by the way, is pure profit, because a VC firm's expenses are covered by an annual management fee equal to 2% of its funds. In the case of KP's most recent fund, with $328 million in capital, that's $6.6 million annually kicked in by investors.

Can you personally get in on all this profit? You could have, if you'd bought shares in companies like Amazon and Excite and gotten out before the recent market drop. But if you'd bought other KP companies like Corsair, Prism Solutions, Digital Generation Systems, or CellNet Data Systems, you'd be deep in the hole--these companies' shares have rarely traded above their IPO price. Between 1990 and 1997, KP took public 79 infotech and life sciences companies that have not been acquired since. If you'd bought each of those stocks immediately after the first day of trading, you would have lost money on 55 of them. That's right, a loser rate of 70%. If you'd invested $100 in each of the 79 companies, you'd now have $11,716; if you'd invested that $7,900 in a fund tracking the NASDAQ index, you'd have $15,718.

Perhaps you're wondering how this can be, given that KP's funds produce such spectacular returns. The dirty little secret of the venture business is that VCs can be enormously successful even though most of their portfolio companies may tank in the public markets. This stems from the fact that VCs make money on almost any company that gets to an IPO, because as early private-stage investors, they've likely bought the stock at a price three or four times lower than the public-offering price. All a fund needs to ensure fabulous over-all performance is a collection of these modest 3X or 4X returns and a few home runs (20X or more). For instance, KP hasn't distributed all its Amazon.com stock yet, but as of now its return from that investment covers more than the entire $328 million of capital committed for that fund.

Such talk of money and returns is not the image the general partners of KP want to present. Like all VC firms, KP is a private limited partnership and is thus not required to report investment activities to the SEC or release much of anything to anybody except its investors. Which is perhaps why, when FORTUNE set out to do this story, KP was reluctant to cooperate. "To be perfectly frank, we don't like articles focusing on the partnership," said Brook Byers, Kleiner's longest-tenured partner. Echoed Russ Siegelman, the newest partner: "We're here to serve entrepreneurs. We're adjunct to what really gets done." The firm eventually
agreed to cooperate, but the partners would pose for a photo only if it showed them flanked by a large group of KP-funded CEOs.

All this is because the partners prefer to be seen not as financiers, a term they disdain, but as company builders who work closely with the entrepreneurs they fund. Even though KP has raised some $650 million in capital in the past four years and clocked annual returns well in excess of anything most Wall Street money managers could sustain, the partners insist that making money is not the essence of what they do. Partner Vinod Khosla sums up: "We're really in the venture-assistance business, helping entrepreneurs and management teams build great companies. If I was driven by money, I wouldn't be doing this." That is, actually, believable. Like many bright lights in Silicon Valley, most KP partners are wealthy enough to retire this instant; if there weren't some higher cause, they probably wouldn't be turning up every day on Sand Hill Road.

Kleiner Perkins is no place for freshly minted MBAs on the make. Not a single partner has a financial background--instead, each is required to have operating experience, either in running a company or in working near the top at a large company. Doerr worked in sales at Intel and co-founded a chip company that he sold for $125 million. Khosla was the first CEO of Sun Microsystems. Siegelman worked for seven years at Microsoft. Ted Schlein ran networking and client-server technology at Symantec. None started with the goal of becoming a VC. "I wake up most mornings thinking I want to run a company," says Kevin Compton, who came to KP as an "entrepreneur in residence" after a KP company acquired his Kansas City computer-store chain. He intended to stay a year or two and then launch another company. That was eight years ago.

Talking to KP partners, you get the sense that their desire to be seen as company builders comes partly from entrepreneurial urges they know they probably can't ever fully satisfy. "Off and on, a lot of us yearn to go out and start something or run a company. But when we're honest with ourselves, it's probably not the thing we're best at," says Doug Mackenzie, who co-founded Eczel, a reseller of microcomputer products, before joining Kleiner in 1989. Such yearnings are why Doerr, for instance, considered taking the job of CEO of Netscape before Jim Barksdale signed on, and why he took a six-month leave in 1989 to work at Sun on a workstation project that never flew, and why partner Will Hearst was sad when it was time to step down as acting CEO of @Home.

Without the Internet, KP's keiretsu approach might have gone the way of some of its beleaguered namesakes in Japan. The firm tried building networks of startups in at least three other markets, starting in the late 1980s—pen computing, interactive entertainment (Anyone remember 3DO?), and wireless communication. All failed to produce any real returns.

It wasn't until KP funded Netscape and made it the sun around which a host of other Internet companies could orbit that the concept worked. In 1994, Silicon Graphics founder Jim Clark called Doerr to tell him about a little piece of software called a browser, written by this 23-year-old kid from the University of Illinois named Marc Andreessen. Four years later, the call still ranks as the most significant thing to happen to Kleiner Perkins in a decade. And perhaps the luckiest.

Funding Netscape wasn't an easy decision. Clark had formed a company around Andreessen's software and would welcome investors only at a steep, nonnegotiable price--$5 million for a 25% stake. Silicon Graphics' backers, Mayfield and NEA, told him "no thanks" because at the time $20 million was a ridiculous value to put on a company that didn't have a business plan or even a name yet.

Netscape's price didn't seem all that outrageous to Doerr; he'd been on the lookout for something like this. Every year he and his close friend Bill Joy, a Sun co-founder, sequester themselves in Aspen to talk about what new technologies the next ten years will bring. At one of these brainstorming sessions before Clark surfaced with Netscape, Joy really did predict the future. Recalls Doerr: "Bill looked me in the eye and said, 'John, someday you're going to back a 20-year-old kid who writes some software that will change the world,' and I said, 'Right.' We thought it would be some kind of consumer game software. Well, in fact, the kid was 23, his name was Andreessen, and the product was a Web browser." Doerr persuaded his partners to vote unanimously for the deal.

Not even Joy could have predicted the hysteria that greeted Netscape's IPO. In the first day of trading, the stock started at $28 a share and closed at $58; eventually the investment produced a return of $400 million for KP.
At KP, Netscape inspired a surge of enthusiasm for the Web. This was particularly true of Doerr, who was quoted in the press repeating mantras like "The Internet is underhyped" and "The Internet has become the answer to everything." In late 1994, KP launched a major Internet initiative. It found Internet infrastructure companies like Concentric, a provider of Net services to small and midsized businesses, and created @Home, a company using cable-TV wires to offer superfast access to the Net. KP found consumer Web applications like online travel agency Preview Travel, sports Website Sportsline, search-engine company Excite, Web bookseller Amazon.com, and online auction site Onsale. Each returned at least 12 times the capital KP invested.

The trick KP has mastered is to foster an incubator environment in which portfolio companies want to work together. Sometimes this involves moving executives from one to another, as when Doerr plucked Mike Homer from GO, a failed pen-computing company KP backed, and installed him as Netscape's vice president of marketing, or when Doerr helped Bill Campbell, another GO alumnus, get the CEO job at Intuit. Other times it involves the CEO of one KP company sitting on the board of another, as when Intuit's Scott Cook joined the board of Amazon and Jim Barksdale joined the board of @Home, both at Doerr's suggestion.

Most important, portfolio companies often engage in crucial partnerships. Early in their development, @Home, Excite, and Verisign, a provider of security for online transactions, forged deals with Netscape that helped lend them credibility. This was particularly true for @Home, whose CEO, Tom Jermoluk, was persuaded to leave the presidency of Silicon Graphics because Netscape was investing in and supporting @Home. KP put money into AOL back in 1987, and the relationship still pays dividends. Both invested in Preview Travel in 1995, and in the past few years AOL has made deals with seven other KP companies, two of which involved multimillion-dollar investments.

Alliances in the Kleiner keiretsu tend to be mutually beneficial, boosting Website traffic, revenues, and even the stock prices of both partners. Take the deal Netscape and Excite announced last May. Excite paid Netscape $70 million to become the primary provider of Web searches on Netscape's Netcenter home page, an arrangement that guarantees Excite millions of additional page views a day. The boost in traffic bumped Excite ahead of Infoseek into the No. 2 slot in the bitter wars to dominate Internet search-site traffic. It now trails only Yahoo.

Infoseek, not a keiretsu member, had a shot at the deal until a member of the KP family nudged Excite to step up its offer. "John [Doerr] went and told [Excite], 'Hey, guys, you're going to lose this, and I don't think it's a good thing,' " recalls Jim Clark. Doerr says it wasn't him. Soon after the push, however, Excite offered more money and a license to its directory and search technology. Excite board member Khosla, CEO George Bell, and COO Brett Bullington hammered out a deal with Netscape's Homer before Infoseek even realized it was being elbowed out. "I would never have selected somebody who didn't best meet our needs," says Homer. "But when John [Doerr] sits down with me as a board member and tells me, 'I think Excite ought to work hard for this deal because it makes a ton of sense for us and for them,' then I go in hoping Excite's going to make it easy for me." Excite's cash will boost Netscape's revenue by $10 million a quarter for the next several quarters, and the deal did wonders to convince Wall Street analysts that Netcenter is a credible portal for Web consumers.

Sometimes a KP company goes public on the strength of its keiretsu partnerships. Take Preview Travel, which completed a successful IPO last November. Founded in 1985, the San Francisco tour packager was repositioned by CEO Ken Orton in 1994 as an E-commerce travel site on the Web. Kleiner Perkins and AOL invested in early 1995. A year later, with no involvement from KP, Orton struck a simple test-the-waters deal with Excite. But when he wanted to expand the deal and make Preview Excite's exclusive online travel agency, Orton asked for Kleiner's help. "We took full advantage of the keiretsu. We did not want another travel company to be in a KP family site," says Orton, who recalls that Excite was also talking to Microsoft's Expedia and Sabre's Travelocity. Excite board member Khosla championed Preview with Excite CEO George Bell and Will Hearst, who was on Preview's board. Lo and behold, within a month Preview scored a five-year exclusive deal that included co-branded travel content, revenue sharing from sales of airline tickets and vacation packages, and the guarantee of a steady stream of online visitors. In return, Excite gets $24 million over five years.

Preview and KP weren't finished. Orton had another deal that he wanted to expand, with AOL. So KP partner Doug Mackenzie talked with Ted Leonsis, head of AOL Studios. A five-year exclusive deal with AOL was in the bag before last fall's IPO. The arrangement cost Preview $32 million, but the payoff was huge. "One question you have to answer in the IPO process is, How are you going to get traffic to your site?" says Orton.
"We were able to answer that question because of these agreements."

The most tightly woven of the alliances between KP companies is the one that links Excite and Intuit. The pair started working together in 1996, when Intuit CEO Scott Cook called Brett Bullington to brainstorm about how Excite could help Intuit establish itself on the Net. "I already knew Scott Cook," says Bullington, "but with Intuit being a Kleiner company, it was easy for him to say, 'We're a Kleiner company. You're a Kleiner company. Let's get together.'"

Eventually the two companies struck a truly unique deal. For seven years, Excite will feature and promote an Intuit finance and small-business area on its Website. The companies will share ad and promotional revenue; Excite will be featured as a search engine in Intuit's Quicken products.

That's the simple part. More interesting are the financial arrangements that have accompanied the pairing. Neither side "paid" the other, but Intuit made a $40 million investment in Excite--nice, given that Excite was losing $8 million a quarter and needed cash. A year later, Excite wanted to do its $70 million deal with Netscape but had just $9 million in cash. Who came to the rescue? The good people at Intuit, which scraped together a short-term, low-interest loan for $50 million, money that Excite promptly handed over to Netscape.

Which is, of course, a Kleiner company.

Given all this intermingling, you'd be tempted to assume that KP somehow pressures its companies to work together. But it's nothing so obvious; there's no arm-twisting, no quid pro quo. What ultimately makes this all happen is what drives almost all business in the microcosm of Silicon Valley--personal relationships. Few people in the Valley have as many high-octane ones as KP partners.

Nurturing those ties is key to KP's success. Mostly it's a day-in, day-out kind of thing, a matter of E-mails and phone calls, of breakfasts at Buck's in Woodside and dinners at Il Fornaio in Palo Alto. But once a year, all the caretaking comes together at the mother of all schmoozefests. For four days in June, some 30 KP portfolio company CEOs and other friends of the firm, like Eric Schmidt of Novell and Naomi Seligman, who runs the Research Board, a secretive organization for FORTUNE 500 CIOs, gather with the Kleiner partners in Aspen. The event manages to be both well-organized and informal, and seems to dazzle even the most jaded conference-goers. "It was amazing. The quality of the people there was like no other," says Roger Siboni, CEO of Epiphany, a Kleiner company.

This June, attendees gathered in the mornings to hear Netscape's Barksdale reflect on what it's like to keep employees at bay when their beloved stock options are rendered worthless by stock drops, and Naomi Seligman discuss the future of enterprise computing. Afternoons and evenings were spent socializing. There were cooking schools for spouses (almost exclusively wives) and activities for kids. Since most of the CEOs in attendance can't resist handing out company paraphernalia, there was even a shipping service so no one was burdened with excess baggage on the way home.

The days in Aspen aren't specifically meant to be a breeding ground for business deals, but, wouldn't ya know it, they just happen. "At an event like this, ten months worth of meetings can get done in a day," says Sandeep Johri, CEO of Oblix, which Kleiner backed with money from a special $100 million fund devoted exclusively to companies building software and products around the Java programming language. (We did mention that Sun, which invented Java, is a Kleiner company, didn't we?)

At this year's summit Siboni talked to Active Software's Jim Green about joining Active's board, and first raised the idea of a partnership between Epiphany and Pivitol. In 1997, Onsale's Jerry Kaplan went to Aspen and had conversations with George Bell that led to a distribution and revenue-sharing deal for Onsale with Excite. In 1996, when packs of VCs were swarming around Amazon.com, Doerr invited CEO Jeff Bezos to Aspen; a month later, Amazon closed an $8 million round of funding with KP as the lone VC investor. That fall, Bezos gushed to the Washington Post, "Kleiner and Doerr are the gravitational center of a huge piece of the Internet world. It's the equivalent of prime real estate."

To understand why something as obvious as everyday relationships is especially dear to venture capitalists, consider what's required of the KP partners if they're to do their job well. They have to check out hundreds of companies every year. The ones they like they have to investigate carefully. Those they fund will need help finding executives, board members, and additional funding. And they have to network like crazy, lest they miss some trend that could make or break their businesses in an Internet second. The inspiration to fund
Netscape, after all, came to Doerr not in some dream or on a spreadsheet, but from his relationship with Bill Joy.

Such friendship does not go unrewarded. To thank people like Joy for their help, Kleiner invites about 50 extremely well-connected people to invest in what's known as a side fund. Side funds mirror the investments of the larger institutional main funds and are a standard part of the venture business. One side-fund investor describes the list of his fellow investors as "the pecking order of the new world." In it are executives at successful KP companies, like Netscape's Barksdale and Homer, Sun's Scott McNealy and Joy, and AOL's Steve Case and Robert Pittman. Other movers and shakers not so commonly associated with KP, such as former Sony USA president Mickey Schulhof and Intel chairman Andy Grove, are also investors. "You could get a lot done just using that list and those phone numbers," says Homer.

Not all CEOs of KP companies are invited to invest. "Since we have about ten times [as many] request[s] as supply, we have to focus on people in our initiative areas," says Compton. Today that means the Internet, enterprise computing, and telecommunications infrastructure and equipment, in that order.

For the CEOs who do get to invest, the side funds are a great gig, because the quarterly investor statements read like a dispatch from the cutting edge. "It's a real insight into where things are going, and you're catching these companies at the formative stages. I'm aggressively pursuing some of these companies as customers," says Hank Nothhaft, CEO of Concentric. Besides, where else are the CEOs going to get 70% annual returns? "It really works out to a pretty synergistic kind of deal," muses Mackenzie.

Sometimes the investors in these side funds seem more important to KP than the considerably larger investors in its main funds. That certainly was the case when KP did what's known as an amendment of its KPCB VII fund. In late 1995, a networking technology known as gigabyte Ethernet was all the rage, and VCs were hovering around Sun co-founder Andy Bechtolsheim's entry into this hot market, Granite Systems. Bechtolsheim had promised KP it could invest when he was ready to do a financing round. Doerr was on Granite's board, and Khosla had spent nights working to develop the Granite business plan. But to underscore just how much KP cared about Bechtolsheim, it offered to let him invest additional money in KPCB VII at the original price—even though the $255 million fund had been closed for more than a year, and its value had already appreciated considerably. "They offered it to me," says Bechtolsheim. "In this business, you don't ask for these things." KP also offered the opportunity to Barksdale. Some institutional investors back East were not thrilled that guys who were already really rich could now piggyback on the institutions' initial assumption of risk, but KP insisted, and the pair bought in. Granite was later acquired by Cisco--KP never got to invest.

The center of all of this is one man. "John's like a bee that floats pollen from one company to another," says Jermoluk of @Home. Doerr's so well connected that he needs five phone numbers, a two-way alphanumeric pager, two cell phones, and two laptops, all of which he carries around in a chauffeured minivan stocked with several changes of clothing. (He acquiesced to hiring a driver a few years ago when friends convinced him he was reckless.) Doerr has even been known to slip a cell phone inside his ski helmet so he can talk while shredding the slopes of Aspen. "Hands free!" he says gleefully. An introduction by a beeping and buzzing guy like this is often enough to make two CEOs want to work together. "I don't think you can be consistently successful at venture capital without a strong network of relationships," says Doerr.

Singling out Doerr is something he and his partners are desperate to avoid. Despite FORTUNE's numerous pleadings, Doerr refused to pose alone for a photo for this story. Such attention risks making the 12-man firm look like a one-man show. Which it isn't, really: All new investments require unanimous approval. The partners gather for a daylong meeting each week to talk about current investments and head to offsites every six months to plan long-range initiatives. Whatever discrepancies in personal style exist among them are hammered out behind closed doors, from which they emerge with locked arms, all for one and one for all.

But it's undeniable that Doerr personally accounts for many of KP's most significant recent successes. Had it not been for him, Clark, who's been known to call VCs velociraptors, might not have brought Netscape to KP. "By and large, it was John," says Clark. Similarly, when Amazon was choosing among VC suitors, Bezos made it a prerequisite that Doerr, not any of the other KP partners, join Amazon's board.

While all the partners recruit for their companies, Doerr seems to make the biggest impression. Mike Long recalls getting constant phone calls from Doerr last year, when KP was courting him to become CEO of...
Clark's Healtheon, a health-care information-services startup that KP is helping bankroll. "John's just tenacious," says Long. "He calls your wife and your kids and builds relationships with them. Then he's got these damn airplanes and shows up on a moment's notice." One Sunday, Long, who lives in Austin, Texas, told Doerr he was headed to a conference in Washington, D.C., and probably couldn't meet with him until late in the week. "When are you leaving?" Doerr asked. Doerr said he would hop on his chartered Citation jet, be in Austin within a couple of hours, and give Long a lift. "How can you say no?" asks Long.

Part of Doerr's sales genius is to cast whatever he's selling in a framework of something much, much larger. To lure Roger Siboni from his post as head of KPMG's $3.6-billion-a-year consulting operation to run enterprise-software startup Epiphany, Doerr explained that joining Epiphany wasn't merely about building software; it was about coming to Silicon Valley, where the world is being re-created. Doerr and Mackenzie, who aided in the recruiting, also discussed a long-term relationship between Siboni and KP. If for some reason Epiphany didn't work out, he'd be reincarnated in some other part of the Kleiner network. "They've backed me for my next career, not just Epiphany," says Siboni.

Doerr sells with passion and evangelical enthusiasm. He commits to memory how many new jobs companies like Sun and Compaq have created, and recites the numbers to anyone who'll listen. Since he's John Doerr, many do. It's a big reason KP is so effective at getting people to focus on the successes in its keiretsu and not on turkeys like Digital Generation Systems. The San Francisco startup went public in 1996 at $11 a share, sailed south, and now is scraping along at $3. It has a solid and slowly growing business building systems that feed digital commercials to radio and TV stations. But it has received no trumpeting by KP partners at conferences and has zero buzz within the keiretsu. None of the executives of other Kleiner companies FORTUNE polled had even heard of Digital Generation. CEO Hank Donaldson doesn't get to invest in the side funds; nor has he ever been invited to Aspen.

This attention deflection is part of the magic of KP. The partners are keenly aware of the power of their name and do, in fact, sit around and discuss it, probably at length. Internally, they talk about the "Kleiner mystique," as evidenced by an E-mail Doerr accidentally sent to The Red Herring, a Silicon Valley technology-business magazine. Several years ago a writer E-mailed KP to propose a story chronicling a day in Doerr's life. Doerr circulated the query to his partners under the heading: "Does this violate the Kleiner mystique?" Doerr doesn't remember sending such an E-mail.

Recently, however, Doerr gave FORTUNE a taste of a talent KP truly does value: thinking big. "@Home made a billion dollars," he told me over dinner at Il Fornaio. That may be true--you just have to understand it in a Silicon Valley kind of way. What he meant was not that the three-year-old startup has generated $1 billion in profits (there have been none) or even sales ($23 million to date is more like it). He meant that @Home has made $1 billion for KP and its investors. That would be $300 million for Doerr and his 11 partners, and $700 million for KP's investors.

What Doerr also left unsaid is, well, it's not exactly $1 billion yet. If you factor in the 6.8 million shares of @Home stock that KP has distributed to its investors and @Home's Internet-craze market cap of $5.8 billion, the gain he's referring to is more like $559 million. But those are messy details. A billion makes the point much better.

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