

GAZILLIONAIRES GIVE BACK

by Bronwyn Fryer

Silicon Valley's wealthiest progeny could spend the rest of their lives polishing their racing sloops or sipping martinis on Tahitian beaches. But many prefer to do something more rewarding.

It's 8:30 a.m. at Buck's Restaurant in Woodside, and the cell-phoned and silk-suited twenty-and-thirty somethings jostle in the entryway to get on the restaurant's waiting list. In this not-so-secret watering hole for Silicon Valley's dealmakers, VCs and entrepreneurs meet over coffee cake and breakfast burritos. A fellow boasts to his buddy that he's nailed down \$1 million in seed capital. A sleek woman in black congratulates a silver-haired, khaki-dressed man on his "generous contribution"—not in seed capital to her startup company, but to "the Foundation."

Don't look now, but generosity is becoming quasi-fashionable in Silicon Valley, like monster houses and BMW Z3s. According to research conducted by the philanthropic organization, Community Foundation Silicon Valley (CFSV), giving is at an all-time high. In the 1999 calendar year, CFSV received \$146 million in cash and stock gifts, compared to \$105 million in 1998.

Gradually, such gifts are grinding away at the Valley's long-standing reputation for selfishness. Despite the legacy of big donors such as William Hewlett, David Packard, and Intel's Gordon Moore, Silicon Valley remains widely seen as a haven for technolibertarian narcissists. Santa Cruz writer Paulina Borsook, author of the upcoming book *Cyberselfish: a Critical Romp Through the Terribly Libertarian Culture of High Tech* (Public Affairs Publishing, May 2000), argues that the Valley's gold-diggers are chronically blind to the world's woes.

"Their view is, 'I've got mine, so why can't you get yours?'" She says. "They think if you've made money you're supposed to

sit on boards and give databases or Web sites to schools. You can't throw a Pentium at a problem and expect to solve it; a lot of things need plain old compassion and money." A 10-minute drive down Palo Alto's University Avenue bears her out: On the side west of Highway 101, everything is green, quiet, manicured; the east-side world is one big chain-link fence surrounded by broken bottles, barred windows, and graffiti.

Nevertheless, many who've made gazillions in technology are indeed offering plain old compassion and money, ranging from the wonderful to the wacky, from the professional to the personal. Instead of exiting with their bags of gold and spending the rest of their lives at Pebble Beach, many wealthy Valley stars are spending their time and money nourishing philanthropic causes.

Peter Hero, president of CFSV, observes that Silicon Valley's new breed of philanthropists are comparatively young. According to CFSV surveys, 91 percent of those who donate fall between the ages of 35 and 44, compared to the national average of age 55 and older. "They're no longer waiting until they age or even until their companies go public," says Hero. "They tend to be idealistic. They want to start giving earlier."

For these donors, philanthropy is also business oriented. "They aren't so much inheriting philanthropic thinking from church or their parents, as they are absorbing it from their peers—getting on the 'net, talking to their friends over breakfast," Hero notes. "And they're interested in getting a return on community investment in terms of measurable results." That a lot of them are engineers may have some-

Illustration by Hugh D'Andrade

thing to do with the desire to assess nonprofit performance in this way, he speculates.

Notable among Silicon Valley's givers are Infoseek founder and serial entrepreneur Steve Kirsch, Mayfield Fund's Gib Myers, Cisco Systems co-founder Sandy Lerner, Network General's Harry Saal, and PeopleSoft Chairman David Duffield. These people are unusual—not merely because they are willing to talk about their giving, unlike many who prefer to remain anonymous—but because they view their philanthropic work in much the same way that they might treat any of their successful businesses.

Today's donors also tend to depart somewhat from the grand tradition of William Hewlett (Stanford University, among other causes), David Packard (Stanford Hospital, Monterey Bay Aquarium) and Intel's Gordon Moore (Conservation International, among others). Unlike the icons of their fathers' and grandfathers' eras, who supported a broad spectrum of causes, today's do-gooders tend to focus theirs on niche interests. Lerner and Duffield, for example, prefer to focus on helping animals. Gib Myers prefers to work in the area he knows best, venture capital; networking pioneer Harry Saal likes to support causes that involve routers and hubs, like Net Day. And for all his expansiveness, Steve Kirsch takes an interest in things that affect him personally or at least pique his curiosity.

All these folks have taken up the charitable cudgel and are leading the charge for their peers and successors. The following profiles offer a glimpse of their various philanthropic styles and philosophies.

PHILANTHROPIST: Steve Kirsch, Founder, Infoseek

PHILANTHROPIC STYLE: Pissed off

CASHED OUT WITH: \$200 million

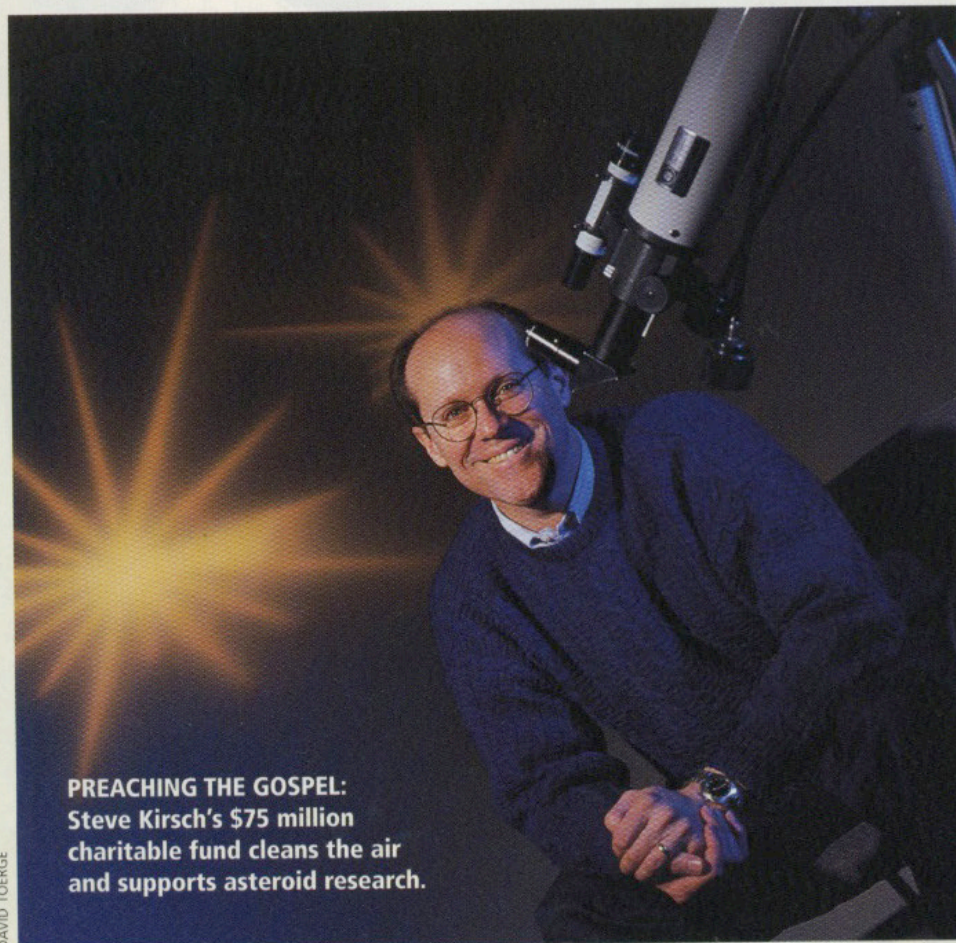
FAVORITE CAUSES: Community Foundation Silicon Valley (community development), Targesome (medical research), University of Arizona Spacewatch Project (steering clear of asteroids)

At 42, Infoseek founder Steve Kirsch is the Jesse Jackson of high-tech philanthropy, preaching giving with all the fervor of a born-again Baptist. His Web site (stevekirsch.com) offers a chapter-and-verse explanation of his do-good doings in exhaustive detail. Talking to him about philanthropy is exhausting, too. Ask him why he and his wife, Michele, maintain a \$75 million charitable fund through CFSV, and he launches into breathless rant about all the things that “piss me off”: narrow-minded politicians, bureaucratic bangles, his neighbor's cancer, his mother's eye problems, smog, deep-space detritus, and other people's excuses for not giving.

A sizzingly smart, frequently funny MIT graduate, Kirsch is also an inventor (the optical mouse), serial entrepreneur (Mouse Systems, Frame Technology, Infoseek—acquired last year by Disney—and his newest startup, Propel Software), and owner of (count'em) three electric cars. Worth an estimated \$200 million, he's made repeated appearances on lists of high tech's wealthiest, despite the fact that he insists on giving \$5 million a year to causes he believes in.

Peter Hero fondly retells the story about when Kirsch converted to charity in 1990 at the age of 32. After selling his second startup, Frame Technology, to Adobe Systems, Kirsch found himself attending the board meeting of a mental health agency. Prodded to make a donation, as well as serve on the board, Kirsch was uncomfortable with the notion of surrendering his hard-earned money to strangers. “The man next to him—a great philanthropist named Leonard Ely—turned to him and said, ‘It's fine if you don't want to give your money away; you can just sit on it, and when you're dead, it can go to the government. Otherwise, you can reap a lot of satisfaction from giving it away now,’” Hero recalls. “That was a profound moment for Steve. If he hadn't had that conversation with Leonard, it would have taken him a lot longer to get involved.” Kirsch now sits on six nonprofit boards.

Today, Kirsch's list of causes is endless. To help clean up the air, he donates money to solar vehicle research; he also pushed hard to get California's AB71—the bill to allow electric vehicles to use carpool lanes—passed. To fight cancer and diabetes, the Kirsches invested \$2 million in a start-up cancer—research company called Targesome. To save the world from going up in a bang, Kirsch is fighting to get those



PREACHING THE GOSPEL:
Steve Kirsch's \$75 million
charitable fund cleans the air
and supports asteroid research.

DAVID TOERGE

who support the Comprehensive Test Ban Treaty elected (he calls its rejection by the Senate "a national embarrassment"). He's helping astronomers locate as-yet-undetected space rocks that could smash into the earth. There are other causes, too: reforming education, banning handguns, supporting community nonprofits, putting the lid on e-mail spam, and finding a cure for hair-loss (including his). "We've left some of the really tough and important causes, like eliminating daytime talk shows and bad Web site design, to those with more time," he quips on his garrulous Web site.

Ironically, Kirsch's motive stems less from pure altruism than from a healthy sense of self-preservation. "Giving is just a tax-preferred way to contribute to a cause that affects you, me, and us," he says. Of a neighbor recently diagnosed with throat cancer, Kirsch makes his case: "He's younger than I am. It could have been me. If I'm diagnosed with it in five years, I'll regret not having donated money to the research. My mom's suffering from macular degeneration. If I give now, the cure could be available when my eyesight starts to go." For him, the number of examples is infinite. And for all of them, Kirsch believes, "It's just smarter to give now than later. You can't get a tax advantage after you're dead."

A businessman to his marrow, Kirsch even runs cost/benefit analyses to defend his causes—including the ones that seem a little off the wall. He's given \$100,000 to the University of Arizona's Spacewatch Project, which is scouring the skies for big asteroids that could hurtle into the earth. "Does it make good business sense for me to give to asteroid research? Ninety percent of the asteroids that could devastate Earth if they crashed

into us have not been identified. Let's assume a human life is worth \$1 million. If you invest a million a year, you could save billions of lives in ten years. Statistically speaking, a million a year to literally save the earth is pretty cheap collision insurance."

Kirsch is also passionate about reforming stuck-in-the-mud politics, but he's too much the impatient entrepreneur to run for office himself. "I'd find politics demoralizing and frustrating," he says. He chafes, too, against "reactive" types who make excuses for not contributing. "They're like people in big companies who complain and wait for someone else to do something," he says. "An entrepreneur says, 'I'm doing this myself.'"

Will he ever take time off to play golf? Forget it—he's too pissed off. "Besides," he says, "retirement would be too boring."

PHILANTHROPIST: Gib Myers, Jr.,

Former General Partner, Mayfield Fund

PHILANTHROPIC STYLE: Venture philanthropist

CASHED OUT WITH: Refused to reveal

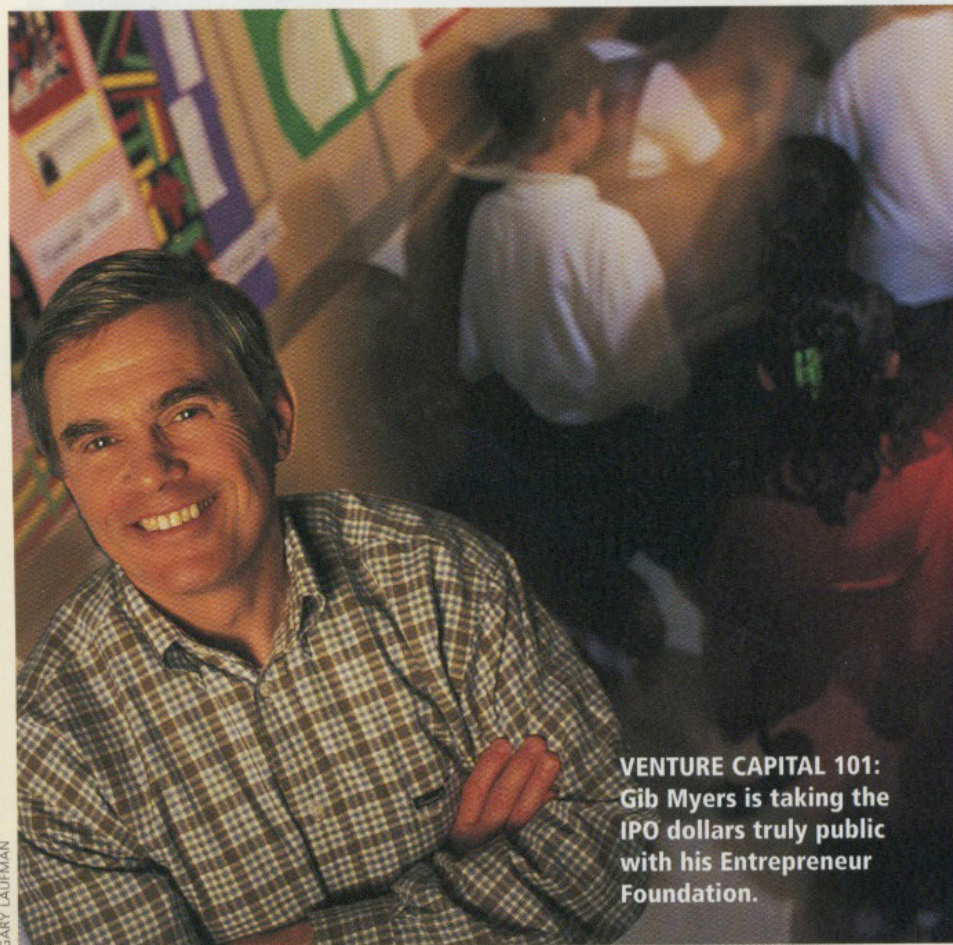
FAVORITE CAUSES: Entrepreneur's Foundation (venture funding for nonprofits)

Gib Myers, 57, has made a lot of people—himself included—very, very wealthy. As a founding partner of the VC powerhouse Mayfield Fund, Myers has invested in and grown dozens of companies from startup to stardom, including 3Com. But in 1998, after 30 years of building wealth for companies, he wanted to do something else. "And I wanted to do something other than donating computers to my kids' schools," he says.

Today, this Emeritus VC is pioneering an unusual concept he calls "Venture Philanthropy." His Entrepreneurs' Foundation (the-ef.org)—an organization he runs from Mayfield's sleek offices on Sand Hill Road—is an ingenious marriage of what he calls "Venture Capital 101" with the nonprofit world.

Here's how it works: Each of the 55 companies that EF has so far signed donate roughly \$100,000 worth of startup equity to the Foundation, which puts the stock into a fund. When these companies get acquired or go public, the stock gains in value and so does the fund: to date, the fund is worth more than \$7 million.

EF also acts as a kind of philanthropic outsourcing service for techno-startups whose employees barely have time to eat and sleep, let alone organize a Toys-for-Tots drive. EF organizes weekend activities—say, cleaning up riverbeds, painting houses for Habitat for Humanity—in which employees and their families can participate together. "Establishing a reputation early on as a good company to work for pays off in spades," says Patty Burke,



VENTURE CAPITAL 101: Gib Myers is taking the IPO dollars truly public with his Entrepreneur Foundation.

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vice president of marketing for Internet-access device manufacturer Ramp Networks. "Having EF on your promotional materials is a fabulous recruiting tool," she notes. "People want to work for a company that cares, and our involvement with EF is proof that we care."

Meanwhile, EF carefully selects nonprofit organizations doing cutting-edge work in education and youth development. EF provides them with three-to-five-year funding and management assistance—just as if they were a hot new dot-com. The long-term goal is to work with 500 startup companies, and generate \$200 million worth of stock appreciation. The investments in select 15 nonprofits will free these organizations from the endless search for money and allow them to concentrate more on making a difference, Myers says.

Myers and the CEOs of EF's member companies sit on the nonprofit boards, injecting some much needed business savvy into charitable organizations. "The nonprofit culture and the business culture are dramatically different in terms of their agendas," says Myers. "We want to help good nonprofits build stronger [read: better run, better funded] organizations."

In November 1999, the Foundation made its first community investment in the amount of \$325,000 to its first nonprofit "niche," Partners in School Innovation, a San Francisco-based nonprofit that helps improve student performance at schools in eight low-income Bay Area communities. The money will be used to hire more full-time teachers to work with AmeriCorps volunteers in continuing literacy programs at selected schools.

Are such niches too narrow? Even Peter Hero—who supports Myers' efforts and sits on EF's board—asks himself this question, citing a statement by David Packard's daughter, Susan Packard Orr: "Susan said, 'Well, these venture models are interesting, but Dad knew people needed to be fed. If people are hungry and the food bank is doing a good job of feeding them, why not give money to the food bank?'"

Despite the gentle criticism, Myers feels that he can contribute the most by doing what he does best—working in venture capital. "I'm still in the milieu of entrepreneurship, venture capital and all that, but I wanted to bridge these things with helping the community," he says.

Ironically, he's finding himself walking the same tightrope as many of the CEOs he's ever worked with. "I feel just like they do," he says. "This is my startup. I work 60 hours a week. I work on weekends. I worry." Myers doesn't think things will ease up any time soon. "I'm looking for a CEO, so that I can spend more time acting like a chairman," he laughs.

What about a long vacation in Fiji? "That sounds good. I want my relax time, but right now, EF is an idea that needs to get done, and I'm going to do it."



PET PROJECT: 70 percent of Sandy Lerner's money is in a charitable trust serving man's furry friends.

PHILANTHROPIST: Sandy Lerner, Co-Founder, Cisco Systems

PHILANTHROPIC STYLE: Radical Fringe

CASHED OUT WITH: \$85 million

FAVORITE CAUSES: PetNet (helping animals), Chawton House (Jane Austen's house)

On a soggy February day, Sandy Lerner is busy shutting down her pied-a-terre in Palo Alto, where the Valley's speed and greed has become anathema to her. She's packing up the last remnants of her life here, leaving the world she helped engender in 1984, when she and her then-husband Len Bosack built the first network router.

Celebrated for her Lady Godiva hair, short blue nails and biker-chick attitude, 44-year-old Lerner has no patience for conference-table convention. Lerner and Bosack were unceremoniously shown the door by Cisco's buttoned-down, post-IPO management in 1990, taking \$170 million with them (when they divorced, she got half). Ever since, Lerner has lived happily ever elsewhere. Her permanent residence is Ayrshire Farms, her beloved 800-acre spread in Virginia inhabited by horses, cows, and chickens. And her soul also hovers over Chawton House, the English mansion once inhabited by Jane Austen.

Bosack and Lerner, who are still good friends, put 70 percent of their money into a charitable trust that funds a wide spectrum of research and nonprofit organizations. Like Steven Kirsch, they prefer to donate their money or funding "hands-on"—and in their case, literally, pet—causes. PetNet (petnet.net), for example, helps network animal shelters so that people can find lost pets. "We donate spay and neuter clinics,

organizations that bring pets to prisoners—quality-of-life things,” Lerner says. “There’s no pie-in-the-sky.”

But there may be other things in the sky; through the fund, Lerner has also contributed to searches for extraterrestrial life. She’s also founder of Urban Decay, a Goth-style cosmetic firm that sells lipstick with names like Gash and Asphyxia. And Lerner is still geek enough to revel in deep-digital experiments, particularly those dedicated to improving the clarity of digital recordings.

Lerner has also become something of heroine in literary circles, where she’s known as “the darling of the Jane Austen world.” Her love for Austen’s work led her to restore Chawton House, an 18th-century English manor where the novelist lived, and wrote her last three novels, *Mansfield Park*, *Emma*, and *Persuasion*. Lerner intends the house to be used by literary scholars who want to experience the life Austen did—including sleeping under quilts, writing by candlelight, and using chamber pots. As a feminist who conquered a male-dominated field, Lerner identifies with Austen, who hid her writing under a blotter pad because fiction was a—you guessed it—male-dominated field in her day.

Lerner, who belonged to a 4-H Club as a child, is passionate about social responsibility. “My uncle could barely walk and he still delivered Meals on Wheels. His generation belonged to the Kiwanis and the Soroptomists. For me it was 4-H. There was an implicit understanding that things needed doing.” She feels her drive to give not just as a desire or a compunction, but also as a “privilege”: “We have a debt to pay to society, to take care of homeless people, sick people, drug addicts, prisoners, animals. We have to try to live quiet lives, doing good things.”

PHILANTHROPIST: Dr. Harry Saal, Founder, Network General Corp.

PHILANTHROPIC STYLE: “Why Me? Why Now?”

CASHED OUT WITH: \$92 million

FAVORITE CAUSES: Smart Valley (wiring schools), Stanford Medical School, San Jose Museum of Art

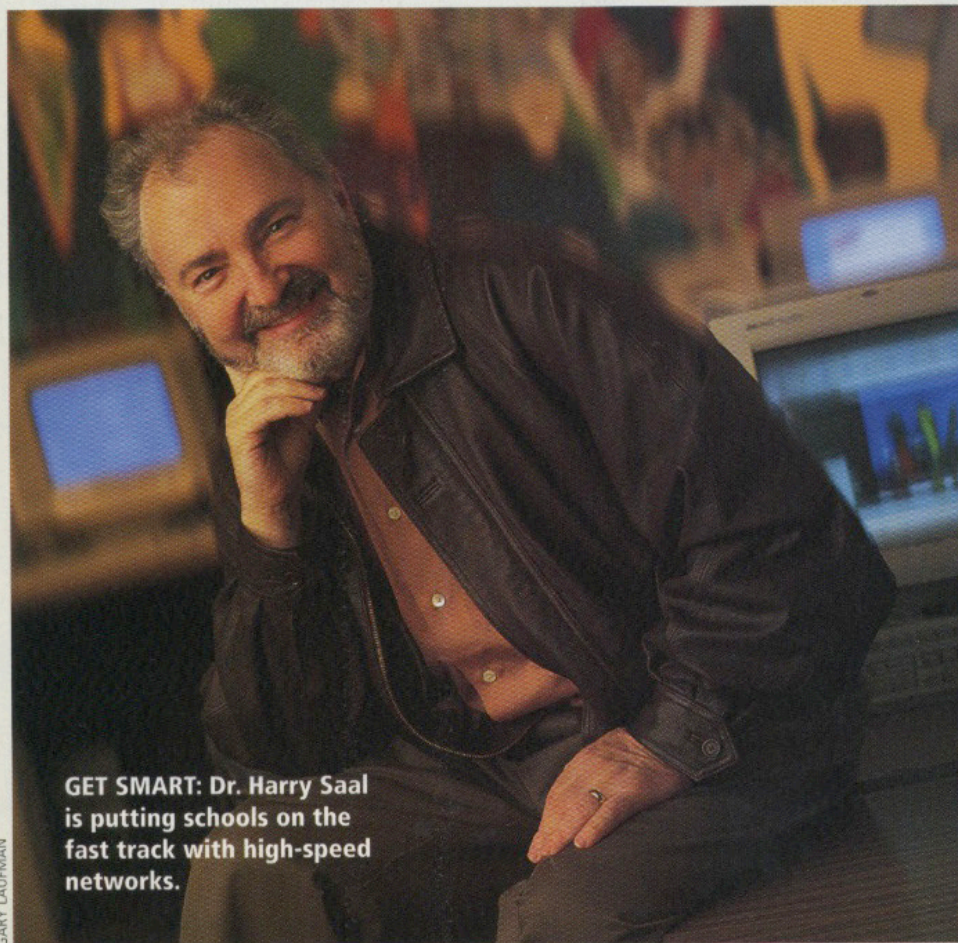
As a Ph.D. candidate in high-energy physics at Columbia University, the young Harry Saal never expected megawealth to come his way. “I saw myself as a research professor dressed in tatters and living in a cold-water apartment in New York,” he says, his Brooklyn accent still edged with awe.

But once the entrepreneurial bug bit him in October 1978, Dr. Saal and wealth were like two trains hurtling toward each other. He founded Nestar Systems, Incorporated, a pioneer in local area networks. In 1986, he started Network General Corporation (now Network Associates), famed for network diagnostics. “When Network General went public in 1989, I remember looking at the paper the following day and seeing the price we closed at,” he recalls. “I thought, ‘Oh my god, that’s so much more money than I could ever need or use. Why me? Why now?’”

He ran Network General until 1993, and played the role of chairman until the merger with McAfee Associates in 1997. Meanwhile, he searched his soul. “I thought, ‘What am I going back to the office for? Out of loyalty to my teammates? To make an even bigger splash?’” He resolved to spend the rest of his life helping others. “The money was more than enough to keep me happy the rest of my life, but I felt an obligation to return that blessing back to the community, to enrich other entrepreneurs and people.”

To Saal, wealth was as much a problem to be managed as it was a blessing. “Obviously, one can’t support everything,” he says. As an academic, he gravitated toward education: to that end, he founded Smart Valley, Inc. (svi.org), a nonprofit organization known for linking schools to high-speed networks (the 1997 Net Day project, which linked 350 schools in San Mateo and Santa Clara counties to high-speed networks, was Smart Valley’s offspring). “I remember the shock I felt when I wrote [the check for] my first million-dollar grant to a university,” he says. “It was scary, and a bit bizarre. I thought, ‘Am I making a mistake? Will I need this if the stock market crashes? Should I have done more research?’ Then I remembered my net worth was doubling every year.”

While other donors prefer to give anonymously, Saal, like Kirsch, likes to be out there. “When *Newsweek* asked for an interview for a story on philanthropy in Silicon Valley, I decided to take the risk of being hounded by people asking for money. I got 100 letters from people saying how great it



GET SMART: Dr. Harry Saal is putting schools on the fast track with high-speed networks.

GARY LAUFMAN

was that I was doing what I was doing. One asked for money." The 'atta-boy feeling was great. "I don't mind being patted on the back," he says. And like Kirsch, he believes that going public is important for other reasons. "Bill Gates' willingness to donate in a highly visible way is his biggest gift," says Saal. "His willingness to say, 'I get involved in philanthropy' gives more freedom to do likewise from hundreds of thousands of others who respect him."

PHILANTHROPIST: David Duffield, Chairman and former CEO, PeopleSoft, Inc.
PHILANTHROPIC STYLE: Man's best friend
CASHED OUT WITH: \$1.89 billion
FAVORITE CAUSE: Maddie's Fund (animal shelters)

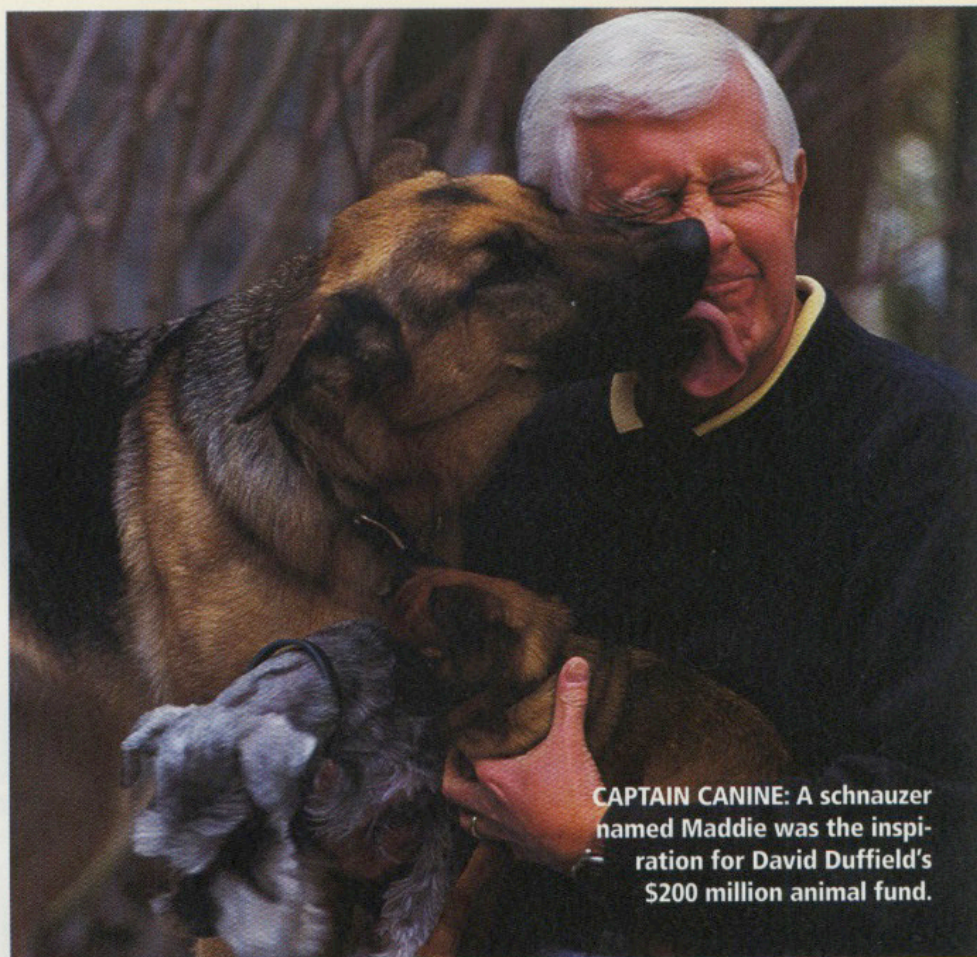
In the early 1990's David Duffield was one of high tech's brightest stars. His company, PeopleSoft, was the leader in enterprise resource processing. Founded in 1987, the company went public in 1992 and by December 1996 traded at \$90 per share. PeopleSoft's technology was close to becoming an industry standard for manufacturing, payroll, and order-fulfillment processing, with clients like AT&T, Boeing, and Toyota in their client roster.

On the inside, PeopleSoft was the Nordstrom of computer service companies, going to the nth degree to make customers, and employees, happy. PeopleSoft's corporate culture was based on egalitarianism, kindness, and handling one's own phone calls. (Duffield even formed a house band, the RavingDaves, for which he played the front-line guitarist.)

But by 1998, a slowly building backlash against the expensive experiment of the "client/server revolution" put companies based on that computing model out of fashion. PeopleSoft's revenues fell off, Wall Street analysts downgraded the stock, and Duffield's bloom faded. "The industry was struggling, and I'm a dreamer," he concedes. "We were doing the right things, but not quickly enough." Duffield retired from PeopleSoft in May 1999, passing the CEO baton to "... a more operationally excellent executive," Craig Conway, and booting himself upstairs to the position of chairman of the board.

But the PeopleSoft crisis was not Duffield's first dark night of the soul. A shrinking violet among Valley philanthropists, Duffield's giving is focused on the memory of a dead dog. Maddie was his canine companion in the late 1980s when Duffield underwent the *Sturm und Drang* of unhappy days at Duffield's pre-PeopleSoft endeavor, Integral Systems. "My wife and I were relatively poor," he recalls. "We were struggling with personality issues at Integral. There were technical conflicts. We didn't know what to do."

Duffield poured out his troubles to "... a little friend who didn't talk back," the couple's schnauzer, Maddie. "I promised Maddie



CAPTAIN CANINE: A schnauzer named Maddie was the inspiration for David Duffield's \$200 million animal fund.

ERIC JARVIS

that if we had money we would give it back to her kind," he says, recalling the support and companionship the dog provided. Years later, the wife of a PeopleSoft board member recalled the promise to Maddie. So in 1994 Duffield set up a \$200 million foundation, Maddie's Fund (www.maddie.org) "... to build a No-Kill Nation." Duffield's hope: that in the future—healthy but homeless American animals are kept out of death chambers. (The Foundation is overseen by Richard Avenzino, former head of the no-kill San Francisco SPCA.)

Duffield's fund grants money to selected collaborative, community-wide projects, including animal shelters, animal control agencies, veterinarians, and rescue groups. With the money, Duffield hopes, these agencies can come up with "out of the box" adoption and spay/neuter programs—say, putting up adoption fairs in church parking lots, or displaying cats and dogs in downtown department stores.

Why so much money to keep a promise to a Schnauzer? "I want to do for the country what the San Francisco SPCA does for the city," he explains. "People need to know how important dogs are, what kind of dimension they bring to life. I'm 59: I can't take the money with me and I want to do some good with the financial resources I have. So I wanted to do something very focused that I really believe in."

Duffield's endowment has provided him a few extra perks. "I've gotten to be friends with Tony La Russa, who set up an animal rescue foundation," he says. "It's been fun to meet folks like John Madden and Mark McGuire." ■

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