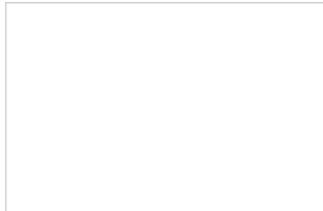


Google Ventures and The Lesson of V-Vehicle

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Google Ventures & The Lesson of V-Vehicle

[Katie Fehrenbacher](#) May 4, 2010



Google's venture capital arm, Google Ventures, which now counts 10 companies in its publicly announced portfolio, has been operating for about a year now, but it wasn't until Monday that the company [invited reporters down to Mountain View for a progress report](#). During the event Google Ventures execs reportedly emphasized that the fund plans to invest at least [\\$100 million per year into startups across various industries](#), will be [shooting for better than average venture capital returns](#) (more than 1 in 10 investments would make money), and also that the fund is for-profit, meaning Google Venture's investments won't be just for the sake of acquisition. (See GigaOM senior writer Liz's [What Entrepreneurs Should Know About Raising Money From Google Ventures](#)) But because Google Ventures is going out of its way to operate as a VC fund, and notably has been investing significantly outside of its core web competency, it — like other VCs — will have to brace itself for those other 9 startups that merely break even or lose money. In particular its investment into V-Vehicle, a startup working on high-efficiency cars, is the classic case in point of how far Google Ventures can miss the mark.

Last year [Google Ventures joined](#) a \$66.26 million round raised by V-Vehicle, a then-stealthy company looking to make low-cost gas cars with higher-than-average efficiency and a plastic shell. David Drummond, Google's Senior Vice President, Corporate Development and Chief Legal Officer, is listed as on V-Vehicle's SEC filing.

Other investors in V-Vehicle include former oil baron T. Boone Pickens and [Kleiner Perkins investors John Doerr and Ray Lane](#). [As Liz points out in her article](#), one of the best ways to garner a Google Ventures investment is to work with one of the two VC firms that have closely aligned themselves with Google: Kleiner Perkins and August Capital.

Following along with Kleiner Perkins' greentech investments isn't always (or ever?) a good thing. As Josie has been chronicling, V-Vehicle had basically bet everything on securing \$321.1 million in federal loans under the Department of Energy's Advanced Technology Vehicles Manufacturing (ATVM) loan program to set up manufacturing at an old General Motors-Guide Corp. plant in Monroe, Louisiana. But the [DOE denied V-Vehicle's loan application](#) in March, much to the "surprise" of then V-Vehicle CEO and founder Frank Varasano. Varasano left the company soon after and Kleiner Perkins managing partner Ray Lane [stepped in as temporary chief executive](#).

Other green car startups — Tesla Motors and [Fisker Automotive](#) — have managed to secure loans under that DOE program. As Josie [explained in this comparison chart](#), V-Vehicle brought to the table a shorter track record than even the earliest-stage awardee (Fisker), and V-Vehicle's technology — a gas-powered, highly efficient car — represents a relatively small step away from fossil fuels, compared to the leap that could be possible with the electric vehicle tech that the [DOE has supported in legacy player Nissan's project](#).

V-Vehicle isn't necessarily out of the game quite yet — it's trying to raise another \$100 million private investors and with such celebrity backers could turn itself around. But it's clearly not a player that's leading the pack — on advanced technology, on production goals, on partnerships, on raising needed funding . . . on really anything that's been publicly revealed to date. Google.org, Google's philanthropy arm, also invested in Aptera, the developer of three-wheeled hybrid and electric vehicles that will likely miss its previous goal of launching volume production in October 2009 [by more than a year](#). Aptera also requested and has yet to receive [\\$184 million through the ATVM loan program](#).

While Google isn't normally expected to be an expert on what next-generation green technology will prevail, now that it's placed itself alongside the greentech venture capital players of the world — which are trying to back the winners — it's going to have to trek up the investing learning curve pretty quickly.

Image [courtesy](#) of Flickr user [jardenberg's photostream](#).

Deathwatch: V-Vehicle Loses CEO, Cancels Lease On Future Plant Site

[Richard Read](#)



Frank Varasano

UPDATE: See below

V-Vehicle Company — the startup automaker backed in part by oil baron-turned-wind baron-turned-CNG baron T. Boone Pickens — has dipped a few more toes in the deadpool.

According to reports, V-Vehicle has not only lost its founder and CEO, Frank Varasano, but the company has also canceled its lease on a site outside Monroe, Louisiana where it planned to build a new manufacturing facility.

This is the latest in a string of bad news for V-Vehicle, which has been working since 2006 to accumulate the necessary capital to launch a line of new-tech vehicles. A couple of weeks ago, we learned that [the Department of Energy had declined V-Vehicle's \\$320 million application](#) to the Advanced Technology Vehicle Manufacturing Loan Program. That rejection had a domino effect, causing the State of Louisiana to withdraw its offer of \$87 million in cash and other incentives. So, instead of ending the day with upwards of \$450 million in the bank, V-Vehicle was left with only the \$86.5 million it had raised from private investors like Mr. Pickens.

The media loves laughing at start-ups – especially brash ones like V-Vehicle, which has released very little information about its lineup of combustion-engined vehicles, other than to say that their fuel economy will "dramatically exceed any electric vehicles or any hybrid vehicles". But ridicule is the easy road, and we're not ready to take it just yet. Besides, there may be room for hope in V-Vehicle's future.

Reports indicate that Varasano was *fired* from his CEO position, which could be read as a positive development. It shows that investors haven't given up on the company, and they want to replace Varasano with someone better equipped to raise money and to put V-Vehicle on the right track. Had Varasano resigned, on the other hand, that would imply that the situation was so hopeless that even V-Vehicle's founder – the man whose dreams and determination helped build the company – didn't see a way out.

Also on the positive side, although V-Vehicle may have canceled the current lease on its future plant site, the company plans to renegotiate, taking into account the longer time-horizon necessary to finance and build the plant. What's more V-Vehicle is working on a second application to the DOE's ATVM low-interest loan program – one that will hopefully address some of the concerns that the DOE cited in its rejection. And finally, according to reports, the company began testing a prototype in February that claims to earn 40mpg and could launch with a sticker price of around \$10,000.

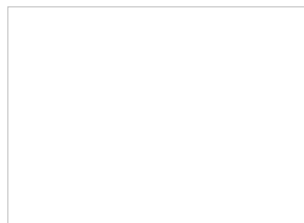
To be fair, we're not holding our breath on this project. In its rejection letter, the DOE cited concerns with V-Vehicle's financial viability, and given the company's precariously wobbly state right now, they might've been onto something. Still, we love rooting for an underdog, so we're not giving up just yet. We'll keep you posted.

UPDATE: April 6, 2010 – "The new head of V-Vehicle Co. says the company will be going back to the federal Energy Department [in a quest for \\$321.1 million in loans.](#)"

What Entrepreneurs Should Know About Raising Money From Google Ventures

[Liz Gannes](#) May 3, 2010

Google — a [year](#) into operating its venture capital arm, which now counts [10 companies](#) in its portfolio — invited reporters to its Mountain View, Calif. headquarters today for a progress report. If you're running a startup that would like to get Google Ventures in your next round, here's what you need to know: **Sectors:** Google (s GOOG) is looking to invest in areas such as cleantech, biotech, health, and in IT, specifically "cloud storage, companies that function off of large datasets, online monetization and mobile," according to managing partner Bill Maris. As important as the topic are the quality of the team and the potential for Google to help. The firm's latest investment, announced today, is in payments services platform [Corduro](#).



Google Ventures managing partner Bill Maris

Buy or invest? Maris and Google CEO Eric Schmidt insisted that the matter of Google acquiring a company or investing in it is wholly different, and that there are really two categories of companies — those seeking funding, and those seeking to get bought. Schmidt said that Google will continue to make one acquisition per month, initiated by product managers who identify a need, find the best startup to fit it, and send the company through vetting and approval. Google Ventures' mandate seems to be more broad and long-term.

What Google Offers: Google Ventures wants to find promising companies that Google can help, rather than companies that will "wholly" help Google, said Maris. So, for example, portfolio company [Pixazza](#), which uses image recognition to embed relevant ads in pictures, was able to significantly increase user responsiveness to ads by tweaking its interface on the advice of Google Ventures partner Braden Kowitz. Or, said Maris, Google Ventures might invest in a protein design company because it could put Google's massive computing assets to use.

Sourcing and referrals: If you want to get Google Ventures to invest in you, the best way is to get referred by a Google employee or someone in one of the partner's network, or work with one of the two VC firms that have closely aligned themselves with Google: Kleiner Perkins and August Capital. To date, approximately one quarter of the firm's investments have been in companies referred by Googlers. Interestingly, none of the companies Google Ventures has invested in to date were founded by former Googlers (that's a marked contrast to the [companies Google has been buying lately](#)).

Investment size and terms: Google Ventures investments have so far ranged from less than \$500,000 to the tens of millions, said Maris. The firm has already done some follow-on rounds — in fact it has yet to decline to participate in one. Its deals contain "no special hooks" and no rights of first refusal, said Maris. The firm is also careful to move quickly; "We've never been a gating item" on a deal, Maris said. Google Ventures holds board seats for about half of its portfolio companies so far.

Selling to competitors: Google and its M&A team would prefer to keep their prize deals out of the hands of competitors, but Google Ventures is mandated to help its entrepreneurs first. "It's been made explicitly clear that if an entrepreneur wants to sell to a company that Google considers an competitor it's not in the calculus," said Maris.

The fund: Google Ventures is planning to invest \$100 million this year, as part of its second fund. It's set up in an unusual way where every new year has a new fund, with a separate allocation of money. Maris did not disclose the total amount of last year's investments but said this year's was expected to be bigger. Google is the sole LP in the fund, and partners are incentivized as VCs to see returns on their investments.

Regions: Until now Google Ventures has been solely focused on North America, and its team of 11 partners (up from two last year) is split between the West and East Coasts. Schmidt said at the event, to Maris' surprise, that the firm should go global to address the worldwide opportunity — so expect that soon.