The big news is NOT that Google bought Nest, the nascent maker of Apple-like smart thermostats and smoke detectors.

No, the big news is that Google paid $3.2 billion.

Maybe that $3.2 billion is only 5.8% of Google’s total cash, but that's a lot of thermostats.

Nest’s investors, after only 3 years, get a whopping 20x return on their investment, instead of the more common 1X revenue or 8X profit. While Nest was trying to raise $2 billion from investors, if it was any other company (without ex-Apple employees) this deal may have been as low as $250 million-- or lower. Nest got tomorrow’s price for the company today.

As with most stories, there is a story behind these stories and in this case it is actually two back-stories.

Let's start with why Nest wanted to sell....

Nest co-founder, Tony Fadell, is a chip-off-the-block of former employer, Steve Jobs. He wants to change the world. He helped give the world the iPod, and now he's giving Google entree to what he thinks will someday be the biggest market Google has ever seen.

It's not just about about the money for Fadell; he learned from Jobs that you can have it both ways. He wants a Big Brother that will do the heavy lifting on the business side, growing the company big-time and scaling it to a global level.

On a personal level, Fadell feels bogged down just by expanding into UK, let alone the world. He wants to design product. And he wants deep enough pockets that they can support his dream and not worry (the type of I-am-always-going-to-be-looking over-your shoulder worry) about the investment as it scales.

Fadell believes Google can support a huge marketing campaign that will make him as famous as Steve Jobs. He knows Google can help him tackle the multitude of overseas markets and save him the frustration of learning-by-error.

He knows that the Google infrastructure can scale and manage his growth. He tells GigaOm in an interview: "When as a company you want to change the world, you have to look at markets outside of the US. We are doing very well in the US and Canada but we need to get to Europe and around the globe. Just getting to UK has taken up a lot of time and energy and when you look at Europe, there are many countries and many opportunities. It is an atoms-based business and a lot goes into getting it to scale — legal, physical distribution and even localization are time consuming and need new kind of scale."

Fadell sold to Google because of the money, yes, but also because they have even more of it. And because he believes Nest will be independent as a business inside the Google empire and he will be free, free to re-design the connected home.

From a personal viewpoint, it is a common motivation for entrepreneurs whose main skillset is product and not business. In common langauge, it's called "feathering your own nest."

Now let's look at it from Google's point of view...

Nest is Google’s first major acquisition in this soon-to-be trillion-dollar market: The “internet of things” (IoT).

While Google already controls an excellent remote control for the internet of things (i.e., Android devices), Nest is full of ex-Apple talent and Apple is still the company everybody wants to emulate.

They are not only buying thermostats, they are buying the team of talent. At Nest, Fadell and co-founder, Matt Rogers (also an early iPhone employee) have hired almost a hundred of Apple’s best engineers and other staff. Even Nest’s chief counsel was, until 2011, Apple’s top patent lawyer, fighting with Google, Samsung, Motorola, and HTC. One industry observer calls thisacquisition of this talent "an enormous infusion of Apple-esque magic."

Sure, Nest sold 1 million thermostats but that's just USA and UK. The world awaits. And what if you can add another device or 12 more devices...

Google paid $3.2 billion... for the POTENTIAL of Nest...and gambling on "potential" is something many other companies couldn't get past their accountants.

What could possible go wrong?

Not too much should go wrong but paying for a company that should have a big revenue stream versus a company that actually has that revenue stream...there is a risk and it's a $3.2 billion one.

Google has a good track record. The search giant has bought 141 companies so far. Since 2010, the company buys on average one company per week. Most of those are software companies.

The last big acquisition was Motorola Mobility for $12.5 billion. While it may be too early to tell how Motorola comes out, Google hasn't had any disastrous results for acquiring...at least not publicly to the extent that even Microsoft, HP, or Cisco have failed in an acquisition publicly.

But it's still a long way from potential to the master of IoT. Key staff can quit, new competitors can come along...someone else can come along and disrupt the market as Google has done to others.

And the acquisition is already raising the hairs on the back of the necks of privacy groups who fear a Google will intrude further into the lives by using data from Nest and other home devices for its hidden agendas. After all, we don't hear much anymore about "Do no evil..." from the Google founders.

Chances are this is a good acquisition because unlike Motorola Mobility, Nest is not losing a fight with bigger peers. The home automation business is fractured and segmented-- even ripe for a big company to come in and set standards.

But other giants have already tripped on connected homes (think Cisco) and you can bet as well that Apple and others who already have patents are interested. And let's not rule out the Honeywells of the world: they are launching a revamp of their residential business that sounds Nest-like.

Only time will tell if there will be Nest egg for Google after flying into this deal.

Go [The Best Post-Acquisition Interview with Tony Fadell]