



Stanford eCorner

The investor community for educational ventures

Kim Smith, *New Schools Venture Fund*

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Smith explains that fundraising is very hard in the non-profit sector. New Ventures typically co-invests in A rounds with other venture capital firms, typically newer groups that have an openness to thinking about new solutions and understand the power of entrepreneurs. Generally, deals are in multi-millions with clearly defined milestones over several years.



Transcript

Fund raising always sucks in the nonprofit sector. Let me just start by saying that. It's hard. I'll circle back around to how we're doing on it. When we invest in a company, we are typically co-investing in A rounds and we're typically investing with one or two other venture capital firms. We often co-invest with a firm in New York called Quad Ventures that does a lot of education investing. We've co-invested with Knowledge Universe. We've co-invested with Greylock. We've co-invested with a bunch of folks. I'd say Quad and Arcadia are the two firms that tend to do more education stuff than the other firms.

They're both pretty small. We co-invested with Sprout in a deal. They do a fair amount of education stuff compared to the other traditional firms. In the nonprofit deals, we're co-investing typically with large newer foundations who sort of think differently about education. The Broad Foundation which was founded by Eli Broad in Los Angeles who created Kauffman and Broad Builders so he's a recent-ish billionaire. The Walton Foundation; the Gates Foundation. We tend to be investing with newer groups that have an openness of thinking about new solutions and they understand the power of entrepreneurs. Most of the traditional foundations in education like to give small grants so if you want to create a business that needs \$20 million in startup monies but will be sustainable once it reaches scale, well, first of all, they can't even have that conversation with you. And second of all, they would give you like \$50,000 and tell you to go talk to somebody else for another \$50,000. So our belief and it's important I think that I was an education entrepreneur before we created this firm is if we want people to build ambitious and important ventures, we can't ask them to go out and raise the funds in \$50,000 increments.

So we're typically investing multimillions of dollars in a deal over a number of years based on pretty clearly articulated milestones and benchmarks along the way so it's generally multiple trenches. On fundraising, well, we have about \$50 million raised. I can't really complain. I think people are beginning to really understand the role of entrepreneurs and that's why we were able to raise that. And because we as a firm worked very, very hard in building the ventures so it really is a value added model where otherwise foundations would be putting the funds directly into something and not really participating in helping it be successful. So I think people are getting the model. Having said that, we're about a year and a half into our fundraising for the second fund and I'm still spending most of my time fundraising instead of building ventures. So that would not be true for an established venture capital firm that had a series of LPs and they just went back for the next fund. So good but we have more progress that we need to make in the nonprofit capital market for sure. My third order goal, fix public education, help the entrepreneurs be successful, fix the nonprofit capital market is really my third goal so we're working on it.