



ACADEMIC ACCESS

DOT EDU IS FIRST IN LINE TO SEE IDEAS HATCHED AT STANFORD

By Matt Marshall

Mercury News

It's an honored tradition in the venture capital world: prowling the hallowed halls of Stanford University to get as close as you can to the brightest students and their ideas.

But one venture firm, Dot Edu, has trumped all others. The husband and wife founders hatched it from within the university's very bowels: He's a professor of computer science at Stanford, and she's a former student of political science.

The connection of Professor Rajeev Motwani and his wife, Asha Jadeja, to the university effectively places them first in line to see the ideas of many of Stanford's most talented computer science students. It also allows them to take the valley game of connections -- multiple ties with multiple players -- to a new level.

"There's a certain sense of family around it. . . . There's a Stanford feeling," says Motwani.

When asked about potential conflicts of interest, he says he has never invested in one of his own students.

Dot Edu operates from a three-room office on Bryant Street, just off University Avenue in Palo Alto. Motwani, an expert in algorithms and theory, sources most deals through his network on campus. Jadeja does the heavy lifting on just about everything else.

By getting so close to the source, Dot Edu effectively nudges aside traditional venture firms. It gets in early, scooping up a larger ownership stake for less money.

The couple won't disclose the fund's returns. But Dot Edu survived through the downturn when many other new VCs wilted. It has invested in about 20 start-ups, and made money off two so far: software company Jareva and personalized search engine Kaltix.

After a \$20 million fund in 2000, Dot Edu is now raising a second fund of \$60 million, which should close this summer.

The connection between venture capital and Stanford goes back to the earliest days of Silicon Valley. John Doerr of Kleiner Perkins Caufield & Byers, perhaps the region's best-known venture capitalist, said he backed Sun Microsystems after walking the halls of Stanford.

Keeping the link

During the 1990s, a generation of student entrepreneurs built Internet companies and cashed in on profits. Many have become venture capitalists at firms like Cambrian Ventures, the Woodside Fund, or the Mayfield Fund while retaining links to Stanford students and professors.

Motwani was an early adviser to Google. He didn't invest in Google, but retains some options for his role. The company's meteoric rise made the couple realize it might be worth setting up a venture fund. "Rajeev was such a rock star," says Jadeja.

Indeed, Motwani -- a man with a quiet smile and a twinkle in his eye -- has been known to play keyboard and guitar in local bands. But he's the shy one -- his wife is the live wire. She's the one who arranges meetings, reminds Motwani to attend them and otherwise sets the agenda.

Motwani filters most pitches they hear from start-up teams. After he agrees to an idea, Jadeja takes over. "I must say, their technology was Greek to me," Jadeja said of Kaltix, a Stanford start-up they funded last year. "I'm not an algorithms person."

Kaltix is a good example of how Dot Edu works. Three students, led by Sepandar Kamvar, had worked for four years on their idea, a search engine that personalized results. They tried talking Google into buying their technology, but Google dallied.

So they went back to Motwani and Jadeja, who helped them raise money, gave them an office equipped with computers and acted as sounding boards on how to incorporate the company and negotiate with Stanford over intellectual-property rights. Soon, Kaltix was getting interest from other players.

That's when Google finally stepped in and snapped up Kaltix only three months after Dot Edu invested. The purchase price included Google stock, so the exact return won't be known until Google goes public.

In Dot Edu's other win, Jareva, it reaped a 200 percent to 300 percent gain when Veritas acquired that company two years ago for \$62 million.

Motwani and Jadeja also use their academic network to find ideas at other universities around the country -- and even abroad. For example, they invested in Sychron, a company started at Oxford, England; in Bytemobile, of the University of Illinois; and Centrata, of the Massachusetts Institute of Technology. All of those start-ups have since opened offices here, after encouragement from Dot Edu.

Motwani and Jadeja say there was no need to have Stanford sign off on the arrangement, because Motwani is not a partner of the fund, merely an adviser. He works only part time. Also, he notes Dot Edu has invested in many deals outside of Stanford.

He has another rule: Don't invest in a friend's company.

Go-to person

Louis Mejia, of Stanford's Office of Technology Licensing, says the university places a lot of trust in its faculty, and gives professors flexibility in the sorts of arrangements Motwani is engaged in. Experience in the real world gives his students a richer learning environment, Mejia says.

A colleague, Stanford computer science Professor Jennifer Widom, says not much bad can come from Motwani's venture activities, unless a student is being exploited. But she says Motwani appears careful in his work with students. He has become the go-to person inside and outside of the department, she says. "He keeps his fingers on the pulse."

"The only people who may suffer are the ones on Sand Hill Road," says Widom.

But right now those people are interested in staying friendly with Dot Edu in order to retain access. Vinod Khosla, a successful venture capitalist at Kleiner Perkins, has co-invested with Dot Edu in a company called Centrata. Venture firms regularly send Dot Edu bottles of wine and other gifts.

Still, other venture firms find ways to ensure some front-seat access. Morgenthaler Ventures, for example, gave an endowment to Stanford to help start an annual business-plan competition. The winning student idea gets a "Morgenthaler prize."

Motwani is certainly well-regarded in his field, but he's not the only one, says Ken Guillicksen, venture capitalist with Morgenthaler Ventures.

"He's naturally going to see things early that are in the network of good relationships he has," says Guillicksen. But "nobody has a lock. . . . Nobody can say: 'If it comes out of Stanford, I'm the funder. Line up at the door please.'"

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