

From Dot-com to Dot-org: Seattle Venture Capital Lawyers Shift to Venture Philanthropy in Latin America

by Lee Davis and Nicole Etchart, Co-Founders & CEOs, NESsT

SANTIAGO DE CHILE [May 2002] **Sofia Michelakis** and **Cy Hersch**, natives of Seattle, were colleagues at technology law firm Venture Law Group (VLG) in Kirkland, Washington and now work as

Entrepreneurs-in-Residence at NESsT, an international, nonprofit organization dedicated to developing entrepreneurial methods of financing nonprofit organizations in Central Europe and Latin America. From its offices in Santiago, Chile and Budapest, Hungary, NESsT applies a “venture philanthropy” approach to support a portfolio of “social enterprises” that are owned and operated by nonprofit organizations to further their mission and generate income for their programs. The NESsT Venture Fund provides both financing and capacity building support to its portfolio over a period of several years.

Prior to working with NESsT, both Sofia and Cy advised venture backed start-up companies as corporate counsel and facilitated the raising of capital in the private and public equity markets. The decline in the technology market led both to think about pursuing interests in the third sector. From a woodworking enterprise that employs youth overcoming drug addiction in Czech Republic to a consulting enterprise for households and small businesses on energy efficiency operated by an environmental nonprofit in Slovakia, the dot-orgs of the NESsT Venture Fund portfolio share many of the same practical challenges as those of Sofia’s and Cy’s dot-com clients in Seattle.

Megan Muir, General Counsel for RadioFrame Networks, formerly a colleague of Sofia’s and Cy’s at VLG and friend to NESsT, explained that “In their law practices, Sofia and Cy helped early stage technology clients by doing whatever was needed to help

the business succeed. For example, in addition to drafting legal documents and advising on securities, employment, or intellectual property law issues, Sofia helped clients draft and edit their business plans and commented on the development of investor presentations, and Cy was involved with helping clients brainstorm advantages or challenges of various business ideas.” She continued, “In addition, Sofia and Cy both have a great sense of social responsibility and were committed to community service and pro bono work. They are such great lawyers, and great people, that they were both a terrific fit for NESsT.” As a result, Sofia and Cy had experience that one doesn’t always associate with lawyers, which made them particularly attractive candidates for NESsT.

Cy Hersch: Structuring the Deal

Megan introduced Cy to NESsT just as the NESsT Venture Fund was making its first portfolio investments in Central Europe.

“Talking to NESsT about their staffing needs, I quickly realized that Cy was the perfect person to help develop the legal structure of the NESsT Venture Fund,” Megan Muir stated. “Cy’s background drafting and negotiating venture capital financing documents, as well as his energy, self-motivation and attention to detail serve NESsT well,” she added.

Cy’s work is focused on the structure of the NESsT Venture Fund, compliance with US tax exempt entity law, and drafting investment agreements. He is involved in an assortment of other legal projects as well, in areas such as intellectual property licensing, employment law,



*While at NESsT, **Cy Hersch** has focused on the structure of the NESsT Venture Fund, compliance with US tax exempt entity law, and drafting investment agreements.*

and collaboration with other organizations in the field.

“At NESsT I’ve been able to both apply experience from my work in law firms as well as learn quite a bit about new areas, such as exempt entity law and international transactions. It’s also the fulfillment of a dream I’ve had for years, that of living in Latin America,” said Cy.

Sofia Michelakis: Practicing what we preach

Then came Sofia. “Cy’s glowing reports home about his cutting edge work at NESsT, as well as life in Santiago, got me thinking about joining him,” Sofia commented. Sofia had already identified the field of social entrepreneurship as a natural segue for her to emerge from being a corporate advisor for for-profit companies into the role of supporting entrepreneurial non-profits. In pursuit of her transition, Sofia attended the Third National Gathering of Social Entrepreneurs held in Seattle last fall.

NESsT hired Sofia to work on its “NESsT Egg Initiative,” which is NESsT’s own self-financing venture designed to generate new, untied, sustainable resources while at the same time providing the organization with its own



Sofia Michelakis is working with NESsT to conduct feasibility research on its own self-financing ventures – a realization of NESsT’s vision that it best serve its mission by “practicing what it preaches.”

first-hand experience with self-financing. It is a realization of NESsT’s vision that it best serve its mission by “practicing what it preaches.”

Sofia is conducting pre-feasibility and full feasibility studies on revenue-generating business ideas both related and unrelated to NESsT’s mission. She is also looking at ways to increase income through new efficiencies and strategies in existing NESsT income-generating projects.

“The opportunity to help advance NESsT’s own self-financing strategies to achieve greater long-term financial

independence is almost too good to be true,” reported Sofia. “I have worked closely with entrepreneurs and learned financing and management strategies that work in the private investment world, so working with social entrepreneurs feels very natural to me,” she added.

Cy’s and Sofia’s work has been critical to furthering NESsT’s current strategic goals. NESsT has been fortunate in being able to attract Entrepreneurs-in-Residence, or “NESsTERs,” of the quality, education and experience of Cy and Sofia. In addition to existing relationships with top business and MBA programs, NESsT has developed a component of the NESsTER program to attract young, mid-career professionals like Cy and Sofia.

Part of the reason for the NESsTER program’s success is the appeal of Santiago, Chile as the headquarters for NESsT. Sofia and Cy have been enjoying the variety of social and travel opportunities in their free time, traveling throughout South America to destinations such as the Venezuelan Andes, Machu Picchu, Patagonia, Buenos Aires, the Atacama desert, and up and down the Chilean coast. Cy has really immersed himself in the local Latin dance scene, and Sofia has made it a point to appreciate local Chilean wines. They both began studying Spanish upon arriving in Latin America and their progress with the language in the relatively short time they’ve been here is striking.

In addition to their professional contribution, Sofia and Cy have really brought a special energy to the office, instigating several outings and “fiestas” and bringing great Pacific Northwest-inspired salads to the daily office lunches.

The NESsT “legal department,” as Cy and Sofia have come to be known, will be greatly missed when they return to Seattle later this year. But while Cy will pursue a position as a corporate attorney and Sofia plans to continue working in social enterprise, both will have left behind a lasting effect on the NESsT team and our work.

To learn more about NESsT and the NESsT Entrepreneur-in-Residence (NESsTER) program, visit: www.nesst.org.

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-- Sofia Michelakis