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Connecting with kids

Atlanta children's video firm raises \$4.5 million

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In a post-dot.com-bust world, where money doesn't grow on trees like it once seemed to, Atlanta-based CWK Network Inc. has shown you don't have to be a hot startup to possess the Midas-touch.

The local media company announced Sept. 20 it has secured \$4.5 million in venture capital from The Goldman Sachs Foundation and Louisville, Ky.-based Chrysalis Ventures LLC.

CWK Network, which stands for Connect with Kids, is a one-of-a-kind production company that creates educational programming on family and children's issues. It markets half-hour programs to school districts and broadcast stations in the United States.

The documentary-style shows address issues parents of teens struggle with, including drug use, body image, rape and smoking, said founder and CEO Stacey DeWitt.

"Parents today are hungry for information, particularly in the middle school and high school years, especially on talking about tough topics with their teens," DeWitt said.

"Reaching and attracting parents was important to TV stations. We felt like there was a real need to put good quality, researched-based information that families could use on TV," said investment banker Wilbur N. Ellis of ELM Capital Group in Atlanta, which took CWK to market looking for investors. "We started syndicating and producing programs focused on children and families for local TV around the country. We had the opportunity to educate families and to help children grow up healthy and well."

DeWitt, a 43-year-old mother of two -- including a teen -- said recent popular titles deal with bullying and the grieving process for children. CWK has received more than 2,500 calls for copies of programs, she said.

CWK is basically a newsroom about children's issues, DeWitt said, and the programs have won the acclaim that goes with good journalism, notably more than a dozen Emmy-award nominations.

CWK licenses the programs to local stations, and locally ABC affiliate WSB-TV Atlanta carries the shows. DeWitt said TV stations in 70 markets carry the products, which reach about 65 percent of American households.

School districts buy similar programs that reinforce what parents see on television, she said. The programs are meant to have a combined impact on children's and families' health and welfare, she said.

"Parents could begin to get educated in their own living rooms, without going to a PTA meeting, and kids [could get the information] in schools," DeWitt said. "WSB then gets to serve as a community educator."

Growth, profit attracted VCs

CWK was founded in 1998 and now employs 45 people at the Atlanta headquarters and bureaus in San Francisco and St. Louis.

The company looked like a good investment because it started making a profit in 2003, said Ellis of ELM Capital.

CWK was a "unique offering. It's growing rapidly and doing real well," Ellis said. "CWK, having already turned profitable, proved to the marketplace that it could have fast growth. It was making money already and investors wouldn't have to wait until some time in the future" to see a financial return, Ellis said.

A former Tennessee attorney, Ellis was with the Royal Bank of Canada (NYSE: RY) before he started an investment bank with Atlanta partners David E. Linch and Timothy C. Mages.

CWK interested investors with The Goldman Sachs Foundation, which invests or gives money to promote innovation in education. Chrysalis Ventures, which has invested in other Atlanta businesses, and the Sachs group split the investment, Ellis said.

Two Atlanta specialists on venture capital said the deal is good both for Atlanta -- as the city attracted outside investors to finance local businesses -- and a good sign for traditional businesses.

Benn Konsynski, a business administration professor at Emory University's Goizueta Business School and longtime participant in Atlanta's venture capital community, said CWK was "one of those overnight successes that took a long time to bake," but DeWitt's persistence paid off.

"From a market standpoint, it has been difficult especially for media companies to get funding until recently. Stacey has operated with a strong vision and a mission that's both social-oriented and leverages her media knowledge," he said, which made the company appealing to investors. He said the investment she attracted is "a healthy amount for this kind of company and good testimony to Stacey's success."

The future looks bright

Atlanta lawyer John Yates, who chairs Morris, Manning & Martin LLP's technology group, said it marks a "very bright moment for the venture capital community" here and paints a picture of what's to come.

"More and more, investors from other parts of the United States and the world will be looking for good deal in the Southeast," Yates said.

Investors are going away from so-called "hot markets" and toward businesses with a "steady and focused" business plan, he said. "CWK has been around for a while, so the myth that you have to be a real hot startup company to attract capital is also dispelled."

For DeWitt, CWK is the culmination of various life paths. A native Atlantan, she earned a journalism degree from The University of Georgia before moving to Little Rock, Ark., to be a TV reporter and anchor.

There, while covering state politics, she became interested in children's issues, and decided to go to law school. She earned her law degree from the University of Arkansas, and proceeded to help rewrite the state's juvenile code and served as a juvenile prosecutor.

"From that experience, I saw a need for parent and community education. We won't impact and change children's lives without a whole community involved," she said.

So she decided to meld her two passions: journalism and advocacy, to create programming that would improve children's lives.

"I created a niche for myself," she said. "The paths I'd taken before have been preparing me for this role all my life."

Meanwhile, her husband Gary "Sam" DeWitt had been building a gourmet cookie company called Brent & Sam's Cookies. With a business degree from the University of Arkansas, he handled the financial part of the business, which he sold after 18 years. He now handles the finances for CWK.

With the new funds, DeWitt plans to expand her sales staff, diversify her marketing approach, possibly expand to more multimedia products and try to hit the consumer market.

She wouldn't say whether she's hoping to sell the company or take it public in order to pay off her investors. She did say she'll consider "every potential exit strategy, but for now we're looking at growing the company and revenue as quickly as possible."

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