

Key Markers for University Seed Fund Success

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Conditions for University Seed Fund Creation

- Should we start a university seed fund?
 - University funding stream for research should be large and research results robust
 - Is there an inchoate entrepreneurial ecosystem in the area? Angel investors? Commercialization grants available? Entrepreneurial training and support? Incubator support for startups?
 - Do we have the ability to accept equity in lieu of royalties? Higher equity participation in comparison with royalty revenues is correlated with seed fund success.
 - Can we manage expectations? Seed investments take a long time to bear fruit.
 - Can we raise the capital? Where?

Key Success Markers for Seed Funds

- *Independence*: Fund management is relatively independent within university structure
- *Objectivity*: Fund management can remain objective in assessing opportunities
- *Startup Role*: University acts as a fund enabler/investor, seeding the fund with startup capital and helping raise significant private partnership capital
 - This is ideal to remain independent and objective
 - But: many university funds are wholly funded by university foundations or from operating capital

Key Success Markers for Seed Funds

- *Scale*: Size the fund so that you can properly support the companies being created
- *Tech Transfer*: Recognize and deal with potential for conflicts or misunderstandings with tech transfer function
- *Expectations*: Manage expectations among all constituencies

Key Success Markers for Seed Funds

- Work within the “*entrepreneurial ecosystem*” in your area
- *Network* with private investors: angels, other seed funds, as well as SBIR and other grants
- *Cross-fertilize* entrepreneurial relationships among business/entrepreneurship/research faculties & between faculty/students
- Make small seed investments to help companies develop *investment readiness* to attract additional private investments: make them investable.

Key Success Markers for Seed Funds

- *Conflicts*: Be aware of and be able to manage inevitable conflicts and ambiguities among pure/applied research/commercialization goals and programs
- *Focus on Performance*: Your investment performance is critically important in raising your next fund once the first is invested
- *But*: seed investments take a long time to reach liquidity, so “performance” may be defined as successful follow-on funding (i.e., do our investments attract increased follow-on funding at higher valuations? Are the companies meeting their milestones?)