Venture Capital and Universities
A Match Made in...

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Simple Creatures
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What Do VCs Look for When They Invest?

- It depends on the VC...
  - Defendable market position (technology or business model)
  - Large market (ability to become a big company)
  - Ability to bring entrepreneurial talent to a situation
Different Types of Investors

- Seed stage
  - Angels
  - Seed funding

- “Early” stage

- Late stage

- Private equity
What Makes a VC Tick?

- Economics of venture

- Definition of terms
  - Limited partner
    - University endowments, non-profit foundations, insurance and retirement funds
  - General partners
  - Management fee
  - “Carry”
How Venture Works*

* For example only – your mileage may vary
Assumes $100 million fund with eight year life

- Limited Partners ($160 million)
- General Partners ($40 million)
- Investment capital ($100 million)
- Management fee ($300 million)
“When Talking to a VC, What Should I Say in the First Meeting?”

- Define the invention
  - Publications
  - Other research in the field
  - Not too much detail...

- Potential applications
  - Bigger is better

- The team
  - Post-docs, graduate students, business team

- Simple slide deck
  - Think 20+ slides
Then What

- Follow up
  - More technical detail with the right partner
  - Any business analysis
    - May not need to be a full plan
What Does It Mean When He/She Won’t Call Me Back?

- VCs have little incentive to say “no”
- Someone might want to play with their toy

Innovation <-> commercial success
How Do I Know if it Is Going Well?

- First meeting leads to follow up and more meetings
- Ongoing due diligence
- Term sheet
- Fund the deal
What Should A First Round of Funding Look Like?

- It depends...

- Things to consider
  - How much money goes in
  - How far along development is
  - How the Board is comprised
  - Financial rights of preferred shareholders
  - Vesting
They Are Trying To Steal My Company!!

- It just feels that way
  - They don’t sign NDAs, blah, blah, blah

- Remember: VCs aren’t operators
  - They can’t run the business

- It’s always easier when things are going well
  - What matters is when things aren’t going well
Things to Consider

- Take the “right amount” of money
- You will be diluted
- All men [people] are created equal
  - But not all VC firms are created equal
  - Not all partners in VC firms are created equal
Things You Can Do to Help Yourself

- Mentors/advisors that you can trust
  - Be careful that you hook up with the right crowd

- Understand the history of the venture fund and partner with whom you are speaking

- Do your own reference checking
Common Questions

- Should I already have a company formed?
- How do I deal with the tech transfer office?
- How long before a liquidity event?