

Relying on angel funding to fill the funding gap for university technologies is becoming a dicier proposition as angels get more tentative about funding deals straight out of TTOs, industry insiders said at a university start-ups conference. The National Council of Entrepreneurial Tech Transfer conference offered TTO officials a chance to pick the brains of angel investors during an interactive panel. One of the most consistent sentiments shared by panel members was that university start-ups, particularly in the life sciences, have not traditionally been an attractive source of deals. According to panel moderator John Houston, chairman of the Angel Capital Association and founder of Ohio TechAngels, only one of 20 companies it has invested in came from a university. Houston said that angels typically invest \$400,000 to \$500,000 — much less than the average VC. And, because they don't get paid like VCs do, they are much more concerned about using their time efficiently, which can sometimes be a problem when dealing with TTOs that don't have a deal properly organized or who are prone to excessive negotiating.

David Weaver, founder and president of Great Lakes Angels and an entrepreneur-in-residence at the Pittsburgh Life Sciences Greenhouse, said a key question for tech transfer officials to answer is, "How soon can you get the technology in a licensable form to get it to the company? Tech transfer offices often don't have everything packaged." Liddy Karter, president of the Angel Investor Forum, a Hartford, CT-based angel collaborative, echoed Weaver's concerns about angel investors' time constraints, citing one of her pet peeves as TTOs that take up her time but "give all the best deals to VCs." Karter added that TTOs do a "good job getting things just so far," but often it is not enough to cause an angel investor to bite. The most common reason, she added, is that the technology pitched often lacks an obvious commercialization path with an equally clear vision of an investor's return on investment.

Ted Rogers, a managing partner with Ashburn, VA-based PPI Ventures — which is funding three university deals out of nine in its portfolio — told attendees because of the higher risk in typical angel investments, the expected ROI is also high — he looks for a minimum 10-fold ROI in three to five years. In terms of equity, he noted, universities seeking "anything more than 10% puts me off." Richard Holdren, executive director of Houston-based Healthcare Angels, said his group has been shifting more investments to outside the U.S. and then bringing technologies back to the states because of more favorable pricing. Holdren also underscored the importance of obtaining government funding such as SBIR grants to advance a technology and make it a more attractive investment target. For example, he said that Healthcare Angels is about to invest \$400,000 in a macular degeneration treatment out of a university in Montreal, a technology into which the Canadian government is also pumping approximately \$1 million. "That's the kind of deal I like to see," Holdren said.

What they don't like to see, panelists agreed, is TTOs with unrealistic expectations for a technology's commercial potential. "I don't want to go into a tech transfer office and argue about a lottery ticket," which is essentially what many early-stage university technologies represent, Rogers said. He also said he typically prefers working directly with an entrepreneur because "you give up equity right away with a tech transfer office."

Go to: [Biotech Transfer Week](#) (registration required)

Editor's note: [Technology Transfer Tactics](#) was in attendance at the NCET2 event and will be highlighting successful approaches to funding in upcoming issues. In addition, our recent audioconference, "VCs and Angels Talk to TTOs," offers keen insights into what investors are looking for from university research efforts, as well as specific strategies for linking up with investors and moving promising technologies forward. The recorded session and all handouts are available on CD or online audiostream. For full information or to order, [CLICK HERE](#).

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