

Questions & Answers



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INNOVATION U

Starting a Company as a Pathway to Translating Academic Research

February 6, 2024

Texas A&M Memorial Student Center | Webinar



**TEXAS A&M
INNOVATION**

Texas A&M Innovation | The Texas A&M University System
175 Century Square Drive, Suite 200, College Station, TX 77840
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Welcome



Pete O'Neill
Chief Innovation Officer
Texas A&M Innovation



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Mechanics of Starting a Company



Michael Ellis

Partner

Stibbs and Co., P.C.



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Forming An Entity

Corporation v. LLC

Texas v. Delaware

Considerations:

- Legal
- Tax
- Investment
- Practical

** This presentation is for informational purposes only and does not create an attorney-client relationship between you and Stibbs & Co., P.C.*



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Corporation Or LLC?

- S-Corp:
 1. Taxed as a pass-through entity
 2. Limited to one class of stock
 3. No more than 100 shareholders
 4. No foreign shareholders (or certain types of entities)
- C-Corp:
 1. “Double” taxation
 2. No restrictions on ownership or stock classes
- LLC:
 1. Can be taxed as a pass-through entity
 2. Company by contract



Capitalization

- Cap Table: who has ownership in the company
 - Currently AND Prospectively
- Be adequately capitalized from day one



Investors

- Have a business plan
 - Your business
 - The competition
- Proforma/finance/accounting
- Source and use of funds



Intellectual Property

Patents:

- Valuable asset to attract investment
- Limited life span
- Bar dates (once disclosed)
- Trade Secret:
 - Difficult to disclose and value
 - Can last indefinitely (unless reverse engineered)



Thank you



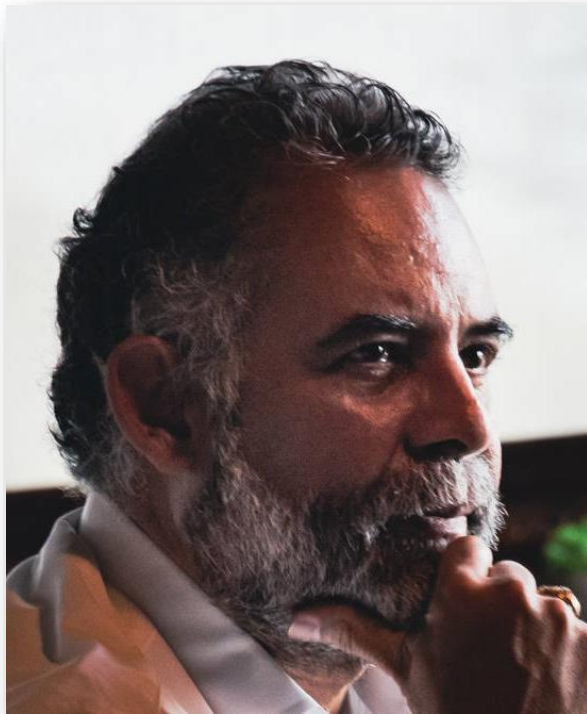
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Strategic Considerations for Starting and Growing a Company



Jose Quintana

Founder and CEO

Advent GX



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Advent GX and The Innovation Underground

Established in 2004

- Strategy, Innovation & Entrepreneurship
- Technology and Business Incubation

Stats

- 20% Local Startups: Brazos County (Students, Faculty, and non A&M affiliated)
- 35% International Startups: UK, Belgium, Portugal, Spain, Greece, Mexico, Brazil, Guatemala
- 45% Texas (Austin, Houston, DFW), California, and Colorado
- Only 20% of startups need seed funding, \$450K average
- Faculty Startups: Strategy, MarCom, Sales & Product Development



Strategic Considerations for Starting a Company

- Assess Feasibility (The V-REEL Model)
 - Value Creation
 - Rareness
 - Eroding Factors
 - Enabling Factors
 - Longevity
- Pre-formation Strategy
 - Purpose
 - Pre-formation Agreement
 - Trigger: Funding, Contract



Building a Team of Employees & Advisors

- Founders (SWOT)
- Advisors
 - Based on Stakeholder Direct and Indirect Profiles
 - Establish Compensation Model
- Employees (let your startup guide you)
 - Technology/Product Development Team
 - Internal Model (risk factors)
 - Outsourcing Model
 - MarCom and Business Development (Sales)
 - Full Time VS Fractional Model
 - Back Office



Shaping a Go-To-Market Strategy

- **Discovery**
 - Research, analysis, vision
- **Prioritization (Derive Best Developmental Opportunities)**
 - Capture stakeholder perspectives
 - Identify Critical Control Points (MVP relevance)
- **Implementation**
 - Develop approach considering dependencies, cost, effort, risk, value and ROI (Return on Investment).
- **Consider launching a pilot program/market test**
 - Partner with a couple of key customers (Early Adopters)
 - Preferred Terms



Plan for Investment and Use of Funds

- Funding Scenario Requirements:
 - Assess reqs. for different stages (seed, early, growth).
 - Outline & prioritize capital needed for critical areas such as:
 - Product development and R&D
 - Marketing and customer acquisition
 - Sales team expansion
 - Operational expenses
 - Legal and compliance
- Establish Contingency Fund:
 - For unforeseen circumstances or market fluctuations.
 - Maintain financial flexibility, adapt to changing market conditions.

Keep your plan dynamic, be ready to pivot based on market feedback and business dynamics. Seek advice from experienced mentors or advisors in the tech industry to enhance your strategic approach. **Positive cash flow is king!*



Closing Remarks



Research (Comparables & Sources)

Forecast your needs (Funding & Infrastructure)

Match your funding method to your business model ('user friendliness', simplicity, full value)

Be flexible (cost of money vs time to money)



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What Investors Seek in Start-ups



Mike Bridges

Early-stage Investor & General Partner
Seed Round Capital



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Introduction

- Cursory research of the rules surrounding the use of “Howdy”
- Informal bio: Active early-stage LP turning GP
 - Two technology failures, zero coding skills, no credible references.
 - But somehow, I made it here!
- Seed Round Capital: Houston-based
 - SRC makes \$50-\$150k investments into startups
 - +40 investments as SRC; +250 investments as individuals.
 - We’re founders and operators
 - We’ve got the scars to prove it
 - Make better mistakes tomorrow!



The 5 T's (An incredibly vague distillation of EVERY professional investor's investment process)

- Team: You are the most important variable we analyze when making an investment decision.
- Traction: Do paying customers want your product?
 - Bonus Points
- Technology (product or service): Why your solution 10x better than existing solutions.
- TAM/TOM: How big is the direct problem you are solving measured in dollars?
- Terms (of the deal): The financial and legal construct of our agreement to invest in you.

Resource: <https://www.blumentureinvestors.com/post/the-5-t-s-a-blumenture-investors-guide-to-raising-early-stage-capital>



Founder(s) Ability Expectations

ABILITY TO EXECUTE

Superior execution, ability to delegate, recognized industry experts

CUSTOMER OBSESSION

Passionate about solving customer problems

SPEED OF IMPROVEMENT

Rapidly evolving founders who can grow with their business

HIGH EMOTIONAL INTELLIGENCE

Lead effectively, communicate clearly, make better decisions, and overcome challenges

FOCUS ON PRODUCT

Ability to build product that solve big problems and drives growth; highly differentiated

FOLLOW EXTERNAL TRENDS

Smart people who watch the real world and lead innovation

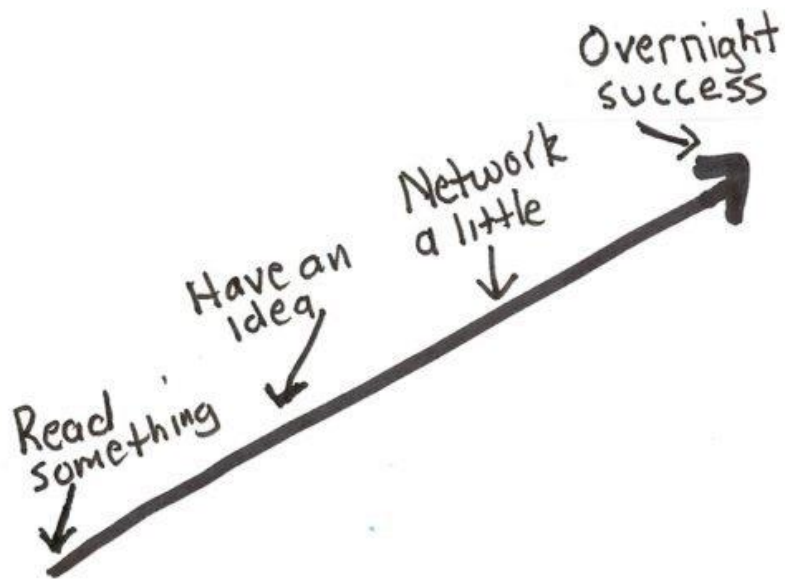
VALUES

Honesty, accountability, adaptability, and authenticity



Start-up Realities

Success



What people think it looks like.

Success



What it really looks like.

Graphic source: growthlab.com



Shifting Priorities and Pressures

- Passion vs. Profit
 - Research freedom
- Your new boss: The investor
 - “Modest” expectations
 - Demonstrating execution, hitting milestones, momentum
- Time commitment
 - Long hours, constant hustle
 - Delayed gratification; ~nine years
- The rollercoaster, managing personal anxiety
 - Uncertainty, fear and self-doubt
 - Work-life balance



Resource and Leadership Challenges

- “Overhead is the mother of invention...” Larry Gagosian
 - Balancing priorities (Caloric spend)
 - Finite capital and calories
 - Budgeting and cashflows
- Building and leading a team
 - Culture
 - Bag of rocks
- Marketing, customer acquisition



Financial Risks and Uncertainties

- Most startups fail; obvious and obligated
 - 75% of all companies fail within 10 years
- Funding environment (availability of capital)
 - Funding Hurdles
- Uncertain future: adapting to change
 - Market adoption/demand uncertainty, shifting competitive landscape
 - Technological advances
 - Fluid regulatory and legal environments
 - Regulation is the friend of the incumbent



Conclusion and Lessons Learned

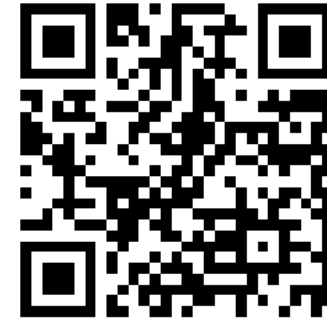
- Start-ups are hard. Start-ups are really hard.
 - Start-ups are really, really hard.
- Lessons Learned; emphasis focus on team
 - Surround yourself with team members, advisors, mentors, and investors with complementary skill sets.
 - Stay away from bad people. Stay out of the courtroom.
 - Do the right thing for your people all the time, but remember, no good deed goes unpunished. You will be punished.
 - Remember the good times. Take care of yourself. Make better mistakes tomorrow.



Thank you for your time and interest!

Mike Bridges

Seed Round Capital
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Texas A&M Innovation Future Events

- Innovation Connect @ The Gardens at Texas A&M University, Thursday, March 7, 2024, 5:00 pm – 7: 00 pm
- 2024 Patent and Chancellor's Innovation Awards Luncheon, April 12, 2024 (Invitation Only)
- Innovation U: Case Study of a Company Tuesday, April 16, 2024, 4:00 pm – 6:00 pm
- 10th Annual Texas A&M New Ventures Competition, May 21-22, 2024
- Innovation Forward “IF” Conference, November 11-12, 2024, Hall of Champions at Texas A&M University



Thank you!

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