
NACIE Entrepreneurship Work Group

The Capital Continuum “Exchange”

Proposal for Committee Consideration
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Problem | Opportunity Being Addressed

Investment in technology innovation and commercialization is critical to the competitive position of the United States and economic growth of regional clusters. The public sector has been a strong source of funding of early stage innovation while investments by private sector drive successful commercialization of these innovations. **However, there is a significant lack of capital in technology- based industries to transition from non-dilutive funding like grants and prizes to private investment (the “Valley of Death”).**

One major factor affecting access to private capital is **the lack of sufficient information** for potential investors about technologies or other innovations. The significant effort required for investors to “find” these innovations often causes them to look elsewhere for investment opportunities.

Even when a potential investor is made aware of a new technology, **the innovation is still in it’s raw form** as was constructed in the laboratory with little work having been done to determine whether the technology is a “solution looking for a problem” or has a commercially relevant problem been identified.

This space of uncertainty between invention and commercialization is known as the **“Valley of Death.”** Within this “Valley” **there is a significant lack of capital in technology-based industries to transition from non-dilutive funding to private investment.**

Investors look for a number of key activities to occur before an innovation can attract private capital. These often include:

- Initial evaluation of the opportunity
- Market and customer validation
- Technology validation and confirmation of IP
- A viable business model - can this make money
- A team plan with seasoned leaders capable of building a business
- A clear financial plan with capital requirements, sources & uses of funds and likely return on investment
- A viable execution plan to transform the innovation into a venture

A critical assessment of this gap is required to understand the key challenges and hurdles that are limiting the amount of early-stage financing by the private sector. Investments and programs should be targeted at addressing or mitigating those hurdles to open the flow of critical early-stage capital.

Solution | What We Are Going to Do About It

1. Identification of Hurdles in the Capital Continuum

Pilot two public-private forums, designed to share information, gain insight, and identify critical hurdles in the capital continuum. Lessons learned and outcomes of these forums will be used to evaluate future opportunities. NACIE members will draft a high-level assessment of the information gathered during these sessions, to include:

1. The unique challenges and variability between technology- focused vs. market-focused products (innovations),
2. Evaluating level of preparedness of research and commercialization (startup) teams to attract private capital,
3. Assessing the Information gaps between non-dilutive and private sector funders, and
4. Identifying opportunities to close these gaps and solidify the capital continuum – helping innovators better navigate the capital continuum.

2. Develop Innovative Public-Private Co-Investment Opportunities

During the forums, we will **identify opportunities to pilot innovative public-private co-investment opportunities designed to bridge “Valley of Death” in different industry segments.** Ideally, we will bring early stage companies and investors together to identify the source of the gaps, increase the capital efficiency of public financing, and stimulate the flow of early stage private financing.

3. Key Stakeholders to Engage

Unique Funding Models: Village Capital, Wasabi Ventures, Valor Ventures, JumpStart, Investor’s Circle

Government Programs: SBA, SBIC and SBIR state or regional representatives, local economic development organizations, Treasury SSBCI leadership, and i-Corps leadership, federally funded incubators and accelerators (RIS grantees)

Non-Government Grants. University foundation / startup competition grant programs, foundation grants, corporate innovation seed grants

Traditional Equity Organizations: Angel investor organizations, early-stage venture capital, growth-stage venture capital, strategic / industry venture.

Outcome I Our Deliverables

Timeline and Outcomes for the Capital Continuum Project are:

3.02.16 Host Pilot Capital Continuum Forum with Key Stakeholders

Pilot public-private forum in Nashville designed to share information, gain insight, solve problems, and stimulate ongoing dialogue between a diverse group of entrepreneurs, sources of public funding, and private investors. The first forum will be focused on the healthcare and medtech industries in the Southeast. Key learnings will be identified and serve as a guide for future event(s).

06.11-15.16 Host Capital Continuum Forums with Key Stakeholders

Building on lessons and momentum from the first event, NACIE members will host a second public-private forum in Washington D.C. or another strategic location identified during the first forum in Nashville. This second forum will include a broader group of industries and stakeholders.

08.01.16 Publish a Blueprint for “Capital Continuum Convenings”

NACIE will leverage the process and information gathered during the public-private forums to develop a blueprint for organizing similar events in cities, communities, and industries across the US, dedicated to improving connections and alignment across communities of investors within their respective cities and regions.

09.01.16 Proposal for Public-Private Co-Investment Program

Leveraging outputs from these exchanges, NACIE will develop a proposal for a public-private co-investment program designed to transition technology innovation to private investors through a market focused, milestone driven approach.

10.15.16 Publish a Collection of Best-Practices

Deliver a written assessment of best practices drawn from these forums to help transition technology innovation to successful commercialization. We will also include guidance from a range of early stage investors on the key categories of activities that startups can work towards to close the gap from public to private funding.