

University-Based Investing: Lessons from an Angel in the Field

Stephen Ringlee
Centesimus Capital
Ames, IA



1. Keep Everyone Market-Focused

- Build relationships with VCs to learn what the market is seeking
- Communicate that knowledge to university contacts
- Don't fall in love with technology
- Remember that each investment represents a continuum of capital from angel through institutional and you have to plan ahead

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- Co-founder/Angel in ISU-based startups:
 - E-Markets (Web-based agriculture)
 - Combisep (protein instrumentation)
 - AATI (biological instrumentation)
 - Decision Commodities (ag pricing)
 - Proplanner (industrial engineering software)
 - Global Vet Link (Web-based veterinary apps)
- Co-founder/angel in other non-ISU firms

2. Build an Angel Market

- Assume that you will need more capital than originally estimated
- Build an angel market among angel groups to expand your capital capacity
- Network early

3. Avoid Academic Leadership

- Sin #1: Academic as CEO
- Try to distinguish early on the variety of “founders” in the business:
 - Academic founders
 - Business founders
 - Capital founders
- Communicate to academics the notion that successful businesses are not technologies but teams
- Set as Goal #1 the development of an A+ management team

4. Structure Your Team Well

- Board: should not be dominated by academics
- “Entrepreneurs in residence” are a great resource very early in the business
- Add capabilities to round out the team, even if only very part-time
- Use business incubators/accelerators for additional help on business plans, etc.
- Beg, borrow help when needed

5. Management Teams Evolve

- Often the team you start with you will outgrow
 - CEOs change to meet business challenges
 - Marketing needs evolve
 - Financial needs evolve
- Angels often invest in C+ teams, but VCs never do
- You will have to evolve into an A+ team

6. Use Drip-Irrigation Investing

- Focus on milestones and invest accordingly
- Each day should:
 - improve knowledge
 - reduce risk
 - prove the technology
 - demonstrate the revenue model
 - connect with the market
 - build the management team

7. Plan Ahead for Capital

- Have an explicit capital milestone plan tied to business milestones
- Equity is expensive, so explore the variety of non-equity sources very early
 - SBIR/ATP
 - State grants
 - Favorable loans
 - Commercialization/demonstration grants
 - Commercial partnerships

8. Think and Act Like a VC

- You may be an angel, but you're doing this for ROI
- Brand yourselves as angels who can help build successful teams and deliver returns
- Develop a reputation and respect in the marketplace

*Contact: Stephen Ringlee
Centesimus Capital, Ames, Iowa
515-292-4508
centesimuscapi@isunet.net*