

Buffalo Innovation Seed Fund

UB INNOVATION HUB INITIATIVE

Buffalo Innovation Seed Fund is an early-stage, evergreen venture capital fund dedicated to funding and growing the next generation of outstanding businesses in Buffalo.

If you have been invited to submit a full application to the Buffalo Innovation Seed Fund or if you are contemplating starting an application, the following is intended to prepare you in compiling the appropriate information and to set reasonable expectations about the fund's application, due diligence and investment processes. The investment process can generally be characterized by the following steps.

Pre-Screening Application

Full Application

Due Diligence #1

Internal Presentation

Due Diligence #2

External Advisory Board Presentation

Investment Decision

PRE-SCREENING APPLICATION AND REVIEW

The pre-screening application is intended primarily to confirm the applicant's eligibility for the Buffalo Innovation Seed Fund. This fund is one component of UB's Innovation Hub (IHUB) initiative which is aimed at accelerating the translation of scalable innovations from labs, classrooms and clinics to the marketplace.

The pre-screening application seeks to understand certain basic financial information of the company to determine both eligibility and fundability according to the fund's investment thesis.



It should take no more than 30 minutes to complete the pre-screening application. The fund management team will endeavor to provide feedback on pre-applications within five business days.

- ✓ **Basic Company & Incorporation Details**
- ✓ **UB / Partner Affiliation**
*University at Buffalo
Roswell Park Comprehensive Cancer Center
Hauptman-Woodward Medical Research Institute
Kaleida Health
Jacobs Institute*
- ✓ **Basic Financial Details**
*covering three years of your business
(both historical and forecast)*
- ✓ **Current Funding Round**
*Size of your anticipated current round along
with anticipated co-investors and use of funds*
- ✓ **Prior Capital Raised**

FULL APPLICATION

The full application intends to capture comprehensive information on your overall business opportunity. The fund process is governed by the understanding that fundable companies will be making good progress across multiple business vectors:

REVIEW OF YOUR BUSINESS:

- ✓ **Strength of Management Team and Governance**
- ✓ **Strength of Market Fit and Customer Validation**
- ✓ **Product/Technology Readiness**
- ✓ **Intellectual Property – Status, Differentiation & Strategy**
- ✓ **Funding/Resources Acquired & Required**
- ✓ **Structure of Business Entity & Status of Legal Docs**
- ✓ **Market Entry Plan & Financial Model**
- ✓ **Business Model & Partnership Strategy**
- ✓ **Other Factors**

DOCUMENTS TO UPLOAD:

- ✓ **Pitch Deck**
- ✓ **Annual Financials**
Last 2 years of financials, 3 years of projections
- ✓ **Current Cap Table**
- ✓ **Resumes of the Management Team**
- ✓ **Patent Documents**
Including any office actions and/or any feedback from patent searches
- ✓ **Relevant Market and/or Technical Publications**
- ✓ **Other Documents** upon request

Lastly, you will be asked to consent to a credit/background check of company officers. UB may, at its option choose to gather information related to criminal history, driving history, and other information about company officers as they may bear upon the character, general reputation, personal characteristics, etc. of the company's management team.

 | The fund management team will endeavor to provide feedback on the full application within ten business days. This step is likely to be iterative as the initial application review will likely raise further questions and requests for additional documents.

The full application contains several open-ended questions, including:

Problem

The problem(s) you are trying to solve and the implications it has on your target customers.

Solution

The product/service that you will sell and how it solves the customer problem in an innovative way that creates value.

Target Market

The size of the market for your product/service, speed of annual market growth and relevant industry trends.

Competition

Major competitors in your market. How do you assess each? What is your competitive or unfair advantage?

Customers

Targeted customer segments – have you engaged with them? What validating insights have you gained? Has your product or service been tested or purchased?

Products & Services

The current stage and plan of/for product development. Is regulatory testing needed or required? Please include resource requirements and timeline.

Management & Advisors

Expertise of your management team in industry, business or relevant domain experience that make you uniquely capable to execute the business plan. Any startup experience?

Business Model & Strategy

Tell us about your business model and how you will profit, scale, and acquire/retain loyal customers. Identify the product/service price points and how it was validated.

Current Funding & History

How large is your current anticipated funding round? How much has been raised previously from dilutive and non-dilutive sources? How much additional investment will eventually be required?

Financial Details

Annual recurring revenue (ARR), Monthly burn rate (MBR), Gross margins, Timing to cash flow breakeven; Average sales cycle between initial customer contact and closing of sale.

Risk Assessment

Please provide a realistic assessment of the current and expected business challenges/risks.

Exit Strategy

What is the exit strategy? When is the exit expected to occur?

DUE DILIGENCE #1

The review/analysis will largely be conducted based on information provided in the funding application (plus additional information and/or documentation requests), looking for any obvious red flags which might prohibit a successful funding outcome.

This step will be completed by fund management and other BEP personnel.

In some cases, especially where the technology risk is perceived to be high (i.e. Life Science technologies), BEP will contract for technical due diligence at this step or before the final due diligence step. Technical due diligence is intended to identify risks associated with technical feasibility, novelty of approach, competing developments and/or IP, specific regulatory hurdles, and risk of industry adoption.

This will likely be completed through a network of subject matter experts (SMEs) or through one or more due diligence partners.

 | The fund management team will endeavor to complete this assessment within fifteen business days, counting from the last request for additional information. If technical due diligence is required, this may add an additional 5 days.

- ✓ **Complete Startup Financials**
- ✓ **IP Landscape & Status**
- ✓ **Marketing & Competitive Analysis**
- ✓ **Detailed Use of Funds**
- ✓ **Startup's Capitalization Table**
- ✓ **Technology/Product Status & Development Plans**
- ✓ **Business Entity & Legal Documentation**
- ✓ **Startup's Plan to Meet Regulatory Requirements (As Appropriate)**
- ✓ **Clear and Plausible Technology and/or Business Model Differentiation**
- ✓ **Any Existing Customer and/or Strategic Supplier Agreements**
- ✓ **Background Checks**
Founders, Key Employees, and/or Advisors

INTERNAL PRESENTATION

Assuming a positive outcome of Due Diligence #1, the applicant will be invited to make their first investment pitch to a team of internal reviewers. If successful at this stage, the applicant will move forward to Due Diligence #2.

- ✓ **20 Minute Presentation**
- ✓ **30 Minutes of Q&A**

 | With presentation scheduling expected to be highly variable, the fund management team will endeavor to schedule the presentation and summarize its findings and key questions within fifteen business days.

DUE DILIGENCE #2

During "Defensive Due Diligence," the fund management team and/or its Due Diligence Partner will conduct additional primary and secondary research, supplementing the information provided in the funding application.

 | The fund management team will endeavor to complete this process within twenty business days. This step is also likely to be iterative as interaction with the startup (for purpose of discussion, clarification and/or additional document requests) is anticipated. Delays in providing quality responses to requests could significantly extend the time of this step.

- ✓ **The Intended Market**
To minimally include market sizing, structure, competitive landscape, recent/relevant trends
- ✓ **Value Creation/Capture**
To minimally include problem/need assessment and customer unit economics
- ✓ **Feedback from Interviews**
With existing or potential customers, including those provided by the startup
- ✓ **Feedback to Specific Questions**
Identified during previous steps
- ✓ **Feedback from Industry and/or SME's**
- ✓ **Analysis of the Funding Plan**
- ✓ **Analysis of the Financial Model**
- ✓ **Analysis of the Startup's Regulatory Plan**
As Appropriate

EXTERNAL ADVISORY BOARD PRESENTATION

Assuming a positive outcome of Due Diligence #2, the applicant will be invited to make an investment pitch to an external Advisory Board. There are three possible outcomes at this stage: the board decides to make an investment, votes against making an investment, and/or requires additional information and/or agrees to make an investment assuming certain conditions can be met in the near future.

- ✓ **20 Minute Presentation**
- ✓ **30 Minutes of Q&A**

 | Presentations will generally be scheduled once each month. The fund management team will endeavor to provide feedback on the outcome within five business days from the presentation.

UB INNOVATION HUB INITIATIVE

The Buffalo Innovation Seed Fund is one component of UB's Innovation Hub (IHUB) initiative which is aimed at accelerating the translation of scalable innovations from labs, classrooms and clinics to the marketplace. IHUB is run by UB's Business and Entrepreneur Partnership (BEP) office, a division of the Office of Research and Economic Development and is open to Researchers, Students and certain recent alumni from UB, Roswell Park Comprehensive Cancer Center, Jacobs Institute, Hauptman-Woodward Medical Research Institute and Kaleida Health. Licensees of technology emanating from the research labs of one of these institutions may also be eligible to apply.

The fund's primary goal is to catalyze and accelerate scalable startup companies in the Buffalo region. All returns earned by the fund will be recycled and invested in subsequent startups. As a result, we seek primarily to invest in early-stage, highly scalable businesses, thereby filling a critical funding gap in the region. Companies that are already generating meaningful revenue (generally > \$1M) and/or which have already raised seed capital in excess of \$250K may be prohibited from applying for funding.

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PARTNER INSTITUTIONS

Empire State Development is supporting UB, Roswell Park, Hauptman-Woodward, Kaleida Health and Jacobs Institute to help commercialize technologies generated through research.

