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White paper: Setting up University Seed funds

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Martin Polonyi (G-Force)

Rory Taylor (G-Force)

Reviewed by: Tamer Abu-Alam (UiT)

SEEDplus

Contact: tamer.abu-alam@uit.no

https://seedplus.cloudearthi.com/

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Executive summary

This white paper, developed within the SEEDplus project (GA 101100494), explores the strategic, legal, economic, and technical considerations involved in establishing university-owned or affiliated venture capital (VC) funds. With the aim of strengthening the role of universities in their local and regional innovation ecosystems, the paper serves as a practical guide for higher education institutions (HEIs) seeking to commercialize research, foster entrepreneurial success, and build a more sustainable pipeline of spinouts and startups.

University venture capital funds are increasingly used as tools to accelerate the commercialization of university-based research and support student entrepreneurship. Over 200 university-affiliated VC funds operate globally, with the UK leading in proportional adoption among top-tier universities, the EU rapidly catching up—especially via multi-institutional models—and the US maintaining a deep but externally driven VC market, with the relatively lower proportion of university proprietary VC funds balanced out by the greater maturity and scale of its broader VC market. Despite variation in fund structures and regional approaches, all models seek to address a similar challenge: bridging the gap between early-stage innovation and market-ready ventures.

The white paper outlines the full landscape of mechanisms available to universities for supporting the transfer and deployment of intellectual property (IP), from licensing and equity participation to repayable grants and venture debt facilitation. A university VC fund stands out as a catalytic mechanism—able to provide not only patient capital, but also long-term strategic alignment with the university's innovation agenda.

Establishing such a fund, however, involves navigating complex legal and regulatory frameworks, securing sustainable funding sources, designing appropriate fund governance and management models, and integrating investment activity with broader university support services such as incubators, accelerators, and alumni networks. The paper highlights key feasibility factors, including:

- **Legal feasibility**: Regulatory and state aid compliance, public procurement procedures for selecting fund managers.
- **Economic feasibility**: Fundraising strategies, incentive alignment, fee structures, and return expectations.
- **Technical feasibility**: Investment focus, deal sourcing, fund governance, and alignment with the university's tech transfer infrastructure.

Global case studies and examples, from Oxford Science Enterprises and Cambridge Innovation Capital to UVC Partners and Stanford's StartX, illustrate a diversity of approaches in fund design, spinout support, and ecosystem integration. The paper distils these insights into actionable recommendations for universities considering their own venture capital vehicle, including implementation roadmaps, stakeholder alignment strategies, and metrics for long-term success. Additionally, within the context of this SEEDplus project, this white paper was developed alongside three feasibility studies exploring the possibility of establishing university VC funds within three HEI partner ecosystems, UiT – the Arctic University of Norway, Technical University of Varna, and Kyiv Academic University. This white paper leverages insights and practical examples from these studies.

This white paper is designed to support HEIs in making informed decisions about whether and how to establish a venture capital fund. It provides a foundation for institutional leaders and policymakers to evaluate this increasingly popular mechanism for deepening the impact of university research and driving innovation-led regional development.

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1. A case for a University Venture Capital Fund

When a university evaluates whether to establish a venture capital (VC) fund, it is typically driven by its ambition to strengthen technology transfer and support students' entrepreneurial goals. The main objectives include facilitating the commercialization of research, development and innovation, enhancing the university's prestige and resources, and demonstrating that its work leads to commercially viable applications. Furthermore, it aims to showcase students as successful entrepreneurs—ideally, founders of unicorn companies. It's important to note that a university VC fund is just one of several tools available to achieve these goals.

Box 1: How many universities have VC funds?

In recent years, more universities have launched or partnered in venture capital (VC) funds to invest in their spinout companies. Over 200+ university-affiliated VC funds exist globally[1], and the trend has accelerated in the last 5 years, especially in Europe. Below we summarize how many universities in the United States, United Kingdom, and European Union operate or are affiliated with VC funds, and highlight notable trends and examples.

Region	Universities with VC Funds (approx.)	Notable Examples of University VC Funds
United States	~34% of top research universities (50 out of 146) have a VC fund[2].	*Stanford-StartX Fund* (Stanford University accelerator fund), *MIT's The Engine* (MIT & Harvard), *NYU Innovation Venture Fund*, *UT Horizon Fund* (Univ. of Texas).
United Kingdom	~92% of top UK universities (22 of 24 Russell Group) have an affiliated VC fund[3].	*Oxford Science Enterprises* (Oxford's £850M fund), *Cambridge Innovation Capital* (Cambridge's £600M fund), *Northern Gritstone* (Fund for Leeds, Manchester & Sheffield; £312M).

[1] Global University Venturing. (n.d.). *University venture funds: The list*. GlobalVenturing.com. Retrieved May 9, 2025, from https://globalventuring.com/university/university-venture-funds-the-list/

[2] Heles, T. (2024, August 20). *European universities ahead of the US in having an investment fund*. Atlantic Bridge. Retrieved May 9, 2025, from https://www.abven.com/university-bridge-fund/news/european-universities-ahead-of-the-us-in-having-an-investment-fund/

[3] Nugent, T. (2025, January 14). *92% of the UK's Russell Group universities now have a university-affiliated venture fund for spinouts*. Sifted. Retrieved May 9, 2025, from https://sifted.eu/articles/russell-group-universities-spinout-venture-funds

Europe (EU)	~40% of Europe's top universities (~62 of 150) have a dedicated VC fund. (The UK accounts for over half of these European funds.)	Multi-university funds are common (e.g. *University Bridge Fund* in Ireland, *VIVES* fund spanning BE/FR/NL/LU), and many EU universities have VC arms (e.g. *UVC Partners* linked to TU Munich raised a €255M fund, *Chalmers Ventures* at Chalmers University).

Overall, the trend (2019–2024) seems to point to a deeper engagement of universities in the US, UK, and EU in venture capital to fuel innovation. The UK leads in proportional adoption (virtually all top UK universities now have affiliated funds), the EU is catching up via collaborative models, and the US, despite its innovation leadership, has not necessarily spurred university proprietary VC funds to the extent of the UK or EU. That being said, the depth of the VC market is much higher in the US than in the EU as outlined in the Draghi report on EU competitiveness, which declares the US captures approximately 52% of the global VC market, while the EU only 5%[4]. It may as well be that the deep VC market in the US does not necessarily incentivise the universities to establish their own VC funds. High-profile examples like Oxford's £850M fund and Stanford's StartX partnership illustrate the range of models – from university-founded venture firms to alliances with external VCs – all aimed at translating academic research into the next generation of high-growth companies.

1.1. The Role of a VC Fund in Fostering the Research, Development & Innovation Output of Universities (# startups / spinouts, scale and success etc.)

VC funds play an important role in financing and supporting the technology transfer and deployment of the intellectual property of a university. They are vital in financing the transition on the Technology Readiness Level (TRL) towards large-scale commercialization through a market logic. There are cases where universities have established successful proprietary VC funds. This chapter has the ambition to outline the business case for creating such a fund.

1.1.1. Approaches to Managing University IP Deployment Mechanisms

A university has a broad range of tools to support the technology transfer and deployment of its IP. It does range from licensing to acquiring equity stakes in the startups using the IP.

Box 2: Approaches to managing university IP deployment mechanisms

The task of deploying university IP is normally assigned to university technology transfer offices. They are usually responsible for identifying and setting strategies for the protection and exploitation of the university's IP. It needs to be noted that this is a challenging task. In an independent review of the UK university spin-outs, this challenge is well captured: most universities do not make substantial profits and can often lose money on their technology transfer activities. This is especially true of spin-outs, which tend to be more expensive to support than licensing. In 2021/22, UK universities made £244

[4] Draghi, M. (2024). *The future of European competitiveness: A competitiveness strategy for Europe* (Part A). European Commission. Retrieved from https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The+future+of+European+competitiveness+_+A+competitiveness+strategy+for+Europe.pdf

million from licensing intellectual property, and only £86 million from sales in shares, which collectively equal 2.1% of their research expenditure. Income from both sources tends to be driven mostly by a small number of large successes, and both can fluctuate considerably year-on-year. It is then disproportionately weighted towards universities with the largest research incomes; the 6 universities with the largest research expenditure made around 50% of licensing income and around 60% of share sales income (Tracey & Williamson, 2023).

- Licensing with royalties

The primary approach to deploying and exploiting a university IP is through licensing the IP for a license fee or royalties. This is set in advance, typically calculated from net sales revenue, and may be capped when a predetermined amount is reached. An important aspect is exclusivity. It usually also entails performance obligations.

- Acquiring equity shares

When striking deals on equity, some studies say that the level of equity ownership doesn't have a significant impact on follow-on success rate and funding. From an investor's point of view, we argue that it does, as investors consider larger university shares in a startup as an impediment to growth, as it has a tendency to be passive and hence not actively contribute to the growth of the company. There is a striking difference between the US leading institutions, such as MIT or Harvard, which take 7 to 10% equity, vs. UK universities such as Oxford or Cambridge, aiming for equity stakes of 5 to 20%. Most appreciated by investors is the special approach of Stanford University, which only asks for 1-5% equity. The share is normally also dependent on IP intensity of potential spin-outs. New UK guidelines recommend a university equity share of 10-25% and 10% or lower for software firms.

- Supporting mechanisms
  - Finance
    - VC funds
      This is the topic of this white paper: universities frequently establish or partner with dedicated VC funds to provide equity investment in spin-outs, helping them grow and scale.
    - Venture debt
      While uncommon for universities to offer directly, they often facilitate connections with specialized lenders who provide debt financing, enabling spin-outs to leverage non-dilutive capital. An established provider of the venture debt through financial intermediaries is the European Investment Fund. Examples are a programme of BBVA Spark, or Kreos Capital. Its venture debt financing structure includes bullet repayment and remuneration linked to the equity risk of the investees. It is much welcomed by companies as debt does not dilute equity shareholding.
    - Repayable conditional grant,
      Universities commonly offer proof-of-concept or gap funding as conditional grants, which are typically repayable upon achieving defined commercial milestones or securing further investment. An example would be the University of Cambridge Enterprise Pathfinder Fund which is designed to help researchers validate technology, market potential, and business feasibility. The Pathfinder funding is repayable from future commercial revenues or

licensing proceeds if the project is commercially successful. Conversely, if the project does not achieve commercial success, repayment is not required.

- IP protection and legal support
  Universities typically manage and finance patent filings and ongoing IP protection activities, ensuring that spin-outs have secure intellectual property portfolios to attract investors and partners. They also assist in company formation, structuring licensing agreements, and compliance with regulatory frameworks, thereby reducing early-stage legal burdens. A good example of such service is the Office of Technology Licensing at Stanford University.

- Business advisory
  Spin-outs receive strategic business guidance from university commercialization offices or dedicated advisors, including mentorship on business planning, market entry strategies, and fundraising.

- Incubation
  University incubators offer physical office space, shared resources, networking opportunities, and dedicated programs aimed at nurturing spin-outs from early-stage concepts to viable businesses. An example of such is the MIT delta v, which is known for being very competitive. It focuses on students and recent alumni, provides office space, equity free funding, and finishes in the most-watched student startup Demo Day, while producing world-class technical research-originated startups.

- Acceleration
  Accelerators affiliated with universities deliver structured, intensive support programs designed to rapidly scale spin-outs, providing mentorship, market validation, customer acquisition strategies, and investment readiness training. One of the most famous university acceleration programs is at Stanford University, the StarX, with its unique network and a non-profit model not take equity.

- Network
  Universities are in a strong position to support strong networks to foster the commercialisation of their IP. Let us start with the alumni networks, which can spread through the broadest spectrum of tech, industry, government sectors. It can also support industry partnerships, startup community, academic consortia, government liaisons and policy advocates, etc. For instance, the University of California (UC) Alumni Career Network with over 2 million alumni actively providing mentorship. More specifically for spin-outs, a good example is the MIT Venture Mentoring Service which gathers more than 200 vetted mentors with various background: founders, serial entrepreneurs, CEOs, COOs, CTOs, CSOs, and SVPs along with experts in finance, funding, human resources, law, marketing, product development, sales, and team

formation. A European example is a dedicated joint study programme in Munich, the Center for Digital Technology and Management with a great track record of supported startups including several unicorns.

1.1.2. Role of a VC Fund

A VC fund is a dedicated financial vehicle which finances, facilitates and supports the creation, incubation, and growth of startups. It is a high-risk investment opportunity for its investors and is designed to be rewarded by high yields on the investments. Venture capital is an alternative asset class of traditionally illiquid equity stakes in startups developing and scaling their commercial product. The normal period for investing and then exiting a portfolio of startups is 10 years, with a possible extension. It is at the end of this period that the realized profit is distributed among the fund manager and investors.

So, what are the **key success factors** for a VC?

- an outstanding portfolio of companies,
- proper governance allowing for the right alignment of interests among the investors and the fund manager,
- the skillset of the fund manager to select, facilitate, grow and exit the portfolio companies,
- a positive return on invested capital.

1.1.3. What's in it for Universities

Benefits of a well-functioning university VC fund: an investing arm of the university, increased attention towards the startups coming from the university, and supporting entrepreneurship. A motivation for startup creation, as by experience, the number of startups is a function of the availability of financing. Also, establishing a VC fund helps bridge the two rather distant worlds of science and entrepreneurship, which may have important synergic effects, mostly for the benefit of student success.

Reaching for an example from a US university, James Madison University, when launching their Bluestone seed fund in 2021, the officials from its Gilliam Center for Entrepreneurship described their ambition as follows: *"This is not a student scholarship competition,"* said Suzanne Bergmeister, executive director of the Gilliam Center for Entrepreneurship. *"Students will be pitching their real, legal businesses and raising real seed capital for their startups. On the investment side, students will be gaining unique experience in venture investing. The work these students do with the Bluestone Seed Fund will benefit them greatly no matter what career or industry they choose to enter post-graduation."*

"Our students will now have the opportunity to either pitch or be the shark, to succeed or fail fast, learn from that experience and be ready for the next opportunity. As an entrepreneur, I know the value this type of experiential learning brings," said Michael Rebibo, chair of the Gilliam Center for Entrepreneurship Advisory Council and owner of Rebibo Ventures, LLC.[5]

[5] Cramer, G. (2021, September 13). Gilliam Center for Entrepreneurship launches seed fund for student startups. James Madison University. https://www.jmu.edu/news/2021/09/13-bluestoneseedfund.shtml:contentReference[oaicite:0]{index=0}

But how do we tell a well-functioning university VC fund from a not so well functioning one? A university VC fund needs to preserve as much of the market standards as possible to deploy economically viable investment decision making combined with support driven by business logic.

2. Key Considerations when Deciding on Establishing a University VC Fund

Establishing a VC fund is a complex exercise which needs to touch on various aspects of governance issues starting with legal framework including state aid and public procurement implications, through proper alignment of interest, through identification of funding opportunities and investment thesis of the fund. Most universities actually do not have their own proprietary VC Fund.

The key to a successful VC fund is its fund manager who runs its day-to-day operations, selects investment opportunities, executes them and then exits them.

2.1. Legal feasibility

2.1.1. Regulatory Frameworks

A university needs to establish the legal basis for launching a VC fund. This is influenced by the public or private character of the university, its respective Charter or Statutes and applicable law. The set of questions to be answered mainly focuses on whether the university has the power to establish a fund and select a professional fund manager. It is worth noting that one of the most traditional university economic models, being set up as not-for-profits, requires them to re-invest any profits - having a direct impact on possible VC structure and approach.

2.1.2. Public Procurement (selected elements of public procurement to be considered mainly for the selection of fund managers)

Under EU law, if a university is public, which it is in most cases, it is required to conduct a fully-fledged public procurement. This is a non-trivial exercise when applying it for the selection of fund managers. It is useful to know that there are some exceptions and some further considerations.

- Establishing a fund in which there is less than 50% of public finance may proceed without public procurement as such a fund is considered private. There are important considerations over control of the fund, which also must not be public.
- It is possible to directly mandate the fund management to international financial institutions such as the European Investment Fund or, it might be possible to partially delegate the selection to the European Investment Fund.
- It is possible to solicit the exemptions from the EU public procurement directive in the form of in-house award or inter-administrative cooperation.

Otherwise, a proper public procurement to select the fund manager needs to be organized. This may be challenging due to the need for objective selection criteria, while ultimately, it is an investment decision.

2.1.3. State Aid Considerations (selected elements of state aid considerations)

Depending on the type of funding and whether it is concessional or not, it is necessary to evaluate and address the potential state aid at various levels of the structure, including at the level of the

fund manager, the fund as such as well as the portfolio startups. Under ideal scenario, the VC fund should operate under commercial terms and hence not be subject to state aid rules. This is evaluated through four aspects: market-based decision making, independent governance, commercial risk exposure, absence of preferential terms.

Should this not be feasible, a grant equivalent needs to be calculated at each level of the structure.

2.2. Economic Feasibility

There are important economic relations which need to be respected in a VC fund for it to deliver on its objectives. A deviation from these may jeopardize the endeavor. The first question to solve is where the funding comes from. This is pivotal. If the funds come from public sources, they will usually come with policy priorities and thematic and geographic restrictions, which need to be carefully considered to be compatible with the intended purpose of the fund. The other aspects are the rules applicable to public funding, including public procurement and state aid implications. The second question to resolve is the right alignment of interest. The primary motivation of a fund manager needs to be the carried interest, i.e. the success of the companies in his/her portfolio as measured on exit, and not his salary, which is paid from the management fees. Fund management is an intensive work, so the fund managers should dedicate adequate capacity to the fund, should be properly compensated for their commitment, but primarily be motivated by the fund's performance.

2.2.1. Funding Landscape

Potential funding could come from public sources such as EU funded programs under shared management which could be the European Structural and Investment Funds, from the university legacy funds, or other public sources.

Such funds can be matched by quasi-public funding coming from international financial institutions. Within the EU, the key institutions which could co-finance are national promotional institutions or at the EU level, the European Investment Fund (EIF). Although it may be challenging and a longer process, to have the EIF as an investor in a VC fund facilitates further fundraising in Europe as the due diligence process conducted by the EIF is recognised as providing quality reassurance to institutional investors. In its countries of operation, European Bank for Reconstruction and Development could also participate in a VC fund.

Private sources are the most challenging to raise, but it needs to be noted that they are also the most valuable, as they act as a confirmation of the viability of the VC, and bring private sector network with them which may enable the portfolio companies to grow.

2.2.2. Fee Structures and Distribution Waterfall

When deciding on the fee structure, it is important to start from what is understood to be market standard for the fee structure and the waterfall for profit distribution between the fund manager and the investors.

Depending on the size and complexity of the contribution of the fund manager, as a rule of thumb, he/she should be receiving between 1.5 to 2% per annum in management fees calculated from the committed capital of the fund. It could be higher for smaller funds and earlier stages of startups

and smaller for larger funds and later stages. It can also be higher in the investment period, where more intensive work is expected from the fund manager and lower in the growth and exit period.

The capital in the fund should have a minimum remuneration, i.e. the hurdle rate, which tends to be around 8% per annum.

Everything above the hurdle rate is the carried interest which is then distributed between the fund manager and its investors. The standard ratio is 20% for the fund manager and 80% for the investors.

All of this can be modified to put emphasis on a specific aspect of the fund management, but unjustified deviation may discourage investors, or disbalance the alignment of interests.

In the EU, a good source for market standards is the largest private equity and venture capital association Invest Europe, and its publication Handbook of Professional Standards.

2.3. Technical feasibility

There are important technical aspects that influence whether a VC fund is predestined for success or there are high chances of failure. It starts with the investment strategy or thesis, the quality of the prospective pipeline of investments, the fund management structures, and the integration of the VC fund in a broader innovation ecosystem.

2.3.1. Investment Strategy Considerations

Investment strategy in VC funds defines the scope of the prospective investments and this is also where a university fund will have key limitations. It is logical that a university will want to limit the investment strategy to startups using the IP of that university, or they could also expand it to alumni. This is one of the key considerations, as it severely influences the portfolio and its diversity.

2.3.1.1. Geographic vs. Thematic

Investment strategies balance between focus on a specific area and asset class and geography. Should the focus be too limited, the associated risk becomes too high as there is insufficient diversification. Should it be too vague, the manager cannot muster sufficient skill to be able to outperform.

2.3.1.2. Venture vs. Patient Capital

A simple question to ask is how much time one has. It is not possible to progress through the scale of Technology Readiness Level and create an established profitable company in the matter of months. The more mature the business, the sooner an exit is possible. It is nevertheless established that seed capital funds are required to work with a 10-year horizon, out of which 3-5 years are dedicated to investment, and 5 to 7 years are then dedicated to growing the business and exit. Usually, a possible extension of up to two years is kept for flexibility with the goal to ensure the best possible timing for exit, generating the highest value. If one does not hurry, the investment period can stretch beyond the 10-year horizon, which is especially warranted for deep-tech capital-intensive startups. This is called patient capital as it allows these startups to grow at a pace which is more aligned with the technological process they require. The longer the investment period, though, the more emphasis needs to be put on a sound governance setup as it extends the period when management fees are normally paid and puts the key liquidity event in the form of exit further in the future.

2.3.1.3. How Much is Enough

How much a university will want for its IP is an important topic to decide early on at a strategic level, ideally in the investment strategy. Any investment by a VC into a startup is weighted against an equity share. Should the university insist on getting a high price for its IP, it may demand too big a portion of equity in the startups and may hence set the startups up for failure. If it values the IP too little, most of the benefit of the IP may be captured by the startup, but this increases its chance of succeeding. It is worth asking the question of what the ultimate objective for establishing the university VC fund is: is it to capture the nominal value of the IP, or is it the success of startups contributing in broader terms to the successful technology transfer, hence contributing to the overall academic excellence of the university?

2.3.1.4. Market Validation – Co-investment Strategy

A university may recognize some drawbacks of a purely university VC fund mainly in terms of potential deal flow, and in order to remedy them, it may decide that it will only support startups which are perceived as having potential by genuine market participants. In other words, it may require a pari-passu (at the same time and under the same terms) co-investment by an independent VC fund.

2.3.1.5. Follow-on Investments

As startups grow, they normally progress through several funding rounds. It is advisable that a portion, which could be some 30% of the fund, is set aside to be able to keep the targeted portion of the equity of the company. Fund managers should be able to decide on the strategy and whether it is worth participating in the funding rounds.

2.3.1.6. Exits

Exit is the endgame of the venture capital business. From the original concept, through the establishment of a fund, investing in and long period of supporting the portfolio companies, everything is and needs to be built-up for the sake of a successful exit. Exits should neither be premature nor unnecessarily delayed. There is no single recipe for a successful exit, but it is the exit which needs to be always kept in mind as the ultimate goal of a VC fund. For university-originated startups, the traditional and most suitable exits are through an IPO or a corporate buy-out.

2.3.2. Deal Flow Generation

The deal flow generation in VC Funds is a crucial skill. Normally, the winners in VC seem to have the ability to select the startups that outperform their peers. This is also the point which should be recognized as a weakness of university VC funds. The biggest focus of such a fund must be on the startups originating in the university. Is the pipeline of startups so good that only several of the best will be selected by the VC fund, or will it invest in every startup that is interested and meets a pre-defined, likely not overly ambitious eligibility criteria?

2.3.3. Fund Management Structures

When it comes to VC funds established by universities, the key decision to take is whether to manage the fund internally or externally. For a university with traditionally little experience in investing, establishing an internal fund management capacity may pose a great challenge and increases the risk of underperformance. On the other hand, selecting an external fund manager may also be challenging.

2.3.3.1. *In-house Fund Management*

A university may decide to establish a fund manager inside its organisational structure. It may be quite efficient in terms of speed of deployment, but there are important considerations on the performance of such a fund management function pertaining to its ability to deliver quality. First, it may be somewhat more complex in terms of day-to-day decision-making as several layers of decision-making may be needed. It will also give the university control over the portfolio of investments, but may fall short of properly supporting the startups in their growth stage and target the best possible exit.

2.3.3.2. *Professional Fund Management*

A professional management has the highest chances to deliver a market-type VC fund. There are two caveats: the fund manager must be selected in a way that the best fund manager will be selected. This is traditionally measured by the track record of his/her key persons and the quality of the overall fund management proposal. The selection process may be challenging if the setup requires a public procurement process. Another challenge may come from the alignment with the policy objectives and preferences of the university.

2.3.3.3. *Institutional*

When considering different fund management models, one option is to mandate the fund management to an international institution active in the field throughout Europe: the European Investment Fund (EIF). It operates primarily as a fund-of-funds but also manages funds entrusted to it. It is part of the EIB Group and plays a unique role at the intersection of public and private investment. With its broad expertise, EIF ensures adherence to best practices in venture capital and private equity fund management.

While not the most cost-effective solution, its added value lies in its deep market knowledge and credibility. Additionally, an important advantage is that it can be directly awarded a contract, should the selection process fall under public procurement rules.

2.3.4. Integrating VC Funds into Broader Innovation Support Ecosystems

The ecosystem matters. A mapping of the existing players and initiatives in the relevant ecosystem is an important input in the initial decision-making on the VC Fund. As an example, if a university feels the need to establish a VC fund, but hesitates, in mapping the ecosystem, it could explore other universities with similar needs and find a way to join forces. As an outcome, a more relevant VC fund with a more relevant pipeline of potential investments could be created in a cooperation of several universities. As outlined earlier, there are various approaches to deploying the IP of universities, and when it comes to startups, there are several functions universities develop: technology transfer, incubation, acceleration, other support services, building a network of alumni, cooperating closely with the corporate sector, etc. University VC funds should remain complementary and contribute to a coherent startup supporting ecosystem.

2.3.4.1. *Building Connections Between Academic Research and Commercialization Pathways.*

Commercialisation gives academic research real-life use cases, which is recognised as a key benefit showcasing the academic excellence of a university. Therefore, universities deploy various tools to support this process. First, as part of their technology transfer process, secure patents, copyrights, or trademarks on innovations developed by their faculty, researchers, and students. Teams of founders can occur naturally from the researchers and students working on a specific project (spinouts), or opportunities can be identified by the technology transfer office through

market research, industry outreach, solicitation of a broader ecosystem network, followed by team creation. The teams need to have entrepreneurial potential, which can be complemented externally. The university may also license the IP out to industry partners or external teams.

Incubation is the establishment of teams and their support at an early stage of idea development in various aspects, including office space, mentorship and access to funding. Universities normally ask for an equity share in exchange for this.

Acceleration is similar in the scale of services it offers, but targets fast-tracking of established teams. It is more focused on business strategy, customer acquisition, legal aspects, and fundraising. It may be very competitive and usually results in pitch events or demo days, which facilitate access to funding.

A well-designed university VC fund can fulfil several of the functions above, including incubation, acceleration, and of course, funding. If it is well established at the university, the startups may benefit from all the research infrastructure, related research, pool of talent, industry insights, network, as well as alumni support, hence boosting the chances for success.

2.3.4.2. Engaging External Stakeholders (industry, government, alumni networks etc).

Universities can muster sizable support coming from their external networks. They benefit from academic, corporate, government networks and of course, the alumni network. These networks can be used to create partnerships, be it academic or business, and they can provide access to potential clients or investors. Universities can maintain a broad network that can be solicited for tailored mentoring on commercialisation avenues and strategy. They can open doors to potential corporate partners, etc. University networks can cooperate with the government on policy advocacy, help access non-dilutive funding, and navigate procurement opportunities. The most important added value can be expected to come from the alumni who can provide mentorship, industry network, or even funding, especially so for alumni with successful exits.

3. Practical Insights from SEEDplus Feasibility Studies

Within the SEEDplus project, three feasibility studies were conducted in parallel to the development of this whitepaper. These three studies explored the possibility of establishing university VC funds within three HEI partner ecosystems, UiT – the Arctic University of Norway, Technical University of Varna, and Kyiv Academic University[6]. This section highlights key learnings and insights from these exercises.

All three feasibility studies followed the same broad approach, combining considerations on strategic, legal, economic, and technical elements.

3.1. Institutional context & ecosystem integration

A clear outcome for each of the studies was the understanding that the proposed Funds should be an extension of the existing R&I infrastructure in place within these institutions, and their broader ecosystem.

[6] D.5.2 University Seed Fund Feasibility Studies; SEEDplus Project, Project/Grant Agreement number: 101100494

These funds should not be considered in isolation but instead, one of many regional and institutional tools aligned to a common goal. In KAU, this is alignment with the long-term vision for Academ.City, in UiT, alignment with the activities of Norinnova and the Innovation HUB, and in TUV, integration into TUV's, and Varna's, wider ecosystem, emphasising the importance of strategic partnerships and a supporting Acceleration Programme.

Likewise, to maximise impact, HEI should consider their ability to influence and advocate for wider national / regional changes that could impact the success of their HEI-originated ventures, such as improvements in the Ukrainian ecosystem for R&D Venture investment related tax incentives and the deployment of regulatory sandboxes to support growth and development of innovative Ventures.

3.2. Legal and regulatory

Legal and regulatory analyses revealed an overlap in the proposed approaches between KAU, TUV and UiT, particularly the importance of establishing separate legal entities. For KAU, the recommendation was to establish a Corporate Investment Fund (CIF), highlighting this structure's flexibility, autonomy, and suitability for attracting international investors and public-private partnerships. In TUV, the recommendation was for establishment of either special purpose vehicle (SPV) or foundations, effectively navigating Bulgarian regulations that restrict direct university involvement in commercial activities. In UIT, whilst the final legal structure was not explicitly outlined, there were numerous legal considerations outlined, of particular note, Norwegian regulation on standardised student / academic ownership of intellectual property, creating a more nuanced ecosystem to navigate, and alternative incentivisation from the leadership perspective.

3.3. Funding models and strategies

All three institutions emphasized the importance of blended finance models, strategically combining multiple funding sources to ensure sustainability and scalability. KAU proposed blending public funds, private investors, and international capital, alongside EU-level funding, to create a resilient, diversified funding base. TUV highlighted a mixed funding model involving grants, equity investments, and bank instruments. External sources such as the European Investment Fund (EIF), Bulgaria's Fund of Funds, and private investors were deemed realistic and achievable, particularly within the context of such a university-owned Fund not yet existing within Bulgaria. UiT recommended leveraging existing Norwegian institutional funding sources alongside private-public partnerships to balance financial sustainability with student-led venture objectives.

3.4. Technical considerations (Operational and Governance Approaches)

Again, all three studies, at varying levels of maturity, highlighted the essential role of early stakeholder engagement to ensure strategic value and operational alignment of key elements of any fund. All studies recommended proactive engagement with students, faculty, and leadership from the outset, ensuring strong buy-in, clearly defined roles, and alignment with institutional priorities. Each institution outlined a phased roadmap, from initial accelerator or pre-incubation phases to the establishment of fully operational seed funds. Governance structures, including advisory boards with clear oversight roles, and dual-fund architectures (Acceleration and Seed

Fund), were identified as critical for ensuring transparency, accountability, and continuous alignment with industry and institutional goals.

All three studies further outlined the importance of a phased approach to establishing the Funds in line with the supporting infrastructure, allowing time for preparation, early piloting, monitoring, and subsequent implementation.

Initial consideration was given on generation of qualified dealflow, particularly through proactive outreach, targeted engagement strategies, and appropriate team structure to qualify this, alongside consideration of the appropriate structure, from evergreen funds to hybrid public-private structures, with again, further analysis required alongside HEI leadership to finalise recommendations.

4. Recommendations for universities exploring university-owned VC funds (incl. Implementation approach)

1) Start by understanding and engaging your stakeholders

Mapping and engaging early with peers, key decision-makers, VC market participants, potential sources of funding, immediate and extended ecosystem is of key importance to drive the strategic decision-making.

2) Concentrate on the why, then move to how.

Before investing in the establishment of a VC fund, it is important to have clarity on objectives. From all the possible objectives, we can recommend strategically focusing on student (and alumni) success rather than maximising the monetisation of university IP.

3) Build a self-reinforcing support ecosystem.

While a complex self-reinforcing support ecosystem extends far beyond what a university can influence, the university can, and should aim at building a prominent network with successful alumni, business community hence also the corporate sector, other academic institutions and the government. A VC fund can play a synthesising role in this: getting the successful alumni on board, partner with the business community as well as government, which can co-fund, and it can act as well as a catalyst for interacademic cooperation as multiple universities can generate a better and more diverse portfolio of university spin-outs.

4) Funding sources, deal-flow, and set-up will determine the success or failure of the university VC fund.

The ideal scenario is proprietary funds, strong dealflow and professional management. This is not a common feat, though. A deviation from each is likely, and can be addressed. Combination of university resources with public, quasi-public and private sources works well. Dealflow can be strengthened by increasing the eligible alumni group and requiring only one of the startup founders to come from that group. Professional management can be expensive and cumbersome to establish; hence, in-house management can be sought with market validation by independent co-investors.

5) Clarity in the terms and options saves time and money.

Although each startup and each IP are individual, aiming for standardisation of the options at hand saves resources necessary for valuation and legal support. Reducing the number of standardized options should not be feared. Compiling a custom-made agreement is demanding on resources for both, the original IP owner and the startup.

6) The standard terms of the university should have an element of generosity and courage to face failure.

The universities should not have big eyes on the direct price they get for the deployment of their IP as this will likely act as an impediment to the success of startups: sitting on too large an equity share makes the fundraising process a pain as the university share is not perceived as a productive contribution to growth.

Also, venture capital is a risky business; in order for startups to succeed, their founders are taking a risk, the investors are taking a risk, and so do the universities need to be ready to take risks. Failure is an opportunity to learn.

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