

# STARTUPS



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Photo by Jamie Scott Lytle

**Soumya Mohana-Sundaram** is part of NextWave Ventures' Traq team, which is developing a device for people to use to test their biomarkers using saliva. The device could be used to track aspects of health and fitness.

## NextWave Bridges the Creative to the Commercial for Researchers, Institutions

A venture capital firm in Carlsbad isn't looking for companies to back; it's looking for ideas.

NextWave Ventures, started by father-and-son team **John Slosar** and **Jeff Slosar** in early 2011, is raising a \$150 million fund to acquire technologies developed at public research institutions and work with researchers to commercialize their innovations.



Jeff Slosar

That's a departure from typical VC firms, which tend to make bets on early-stage companies in the hope some will grow into big moneymakers.



Sean Clottu

"Traditional VCs don't normally reach down this low," Jeff Slosar, the firm's operating partner, said.

For researchers with innovations that show commercialization potential, that leaves incubators and accelerators, such as San Diego's **Connect** and **EvoNexus**.

However, often those programs want the lead researcher or principal investigator (PI) to manage the process of building a company around his or her innovation.

"Few PIs, in my experience, have the background or even the interest in doing so," Slosar said. "They have spent a significant part of their life building a family of alumni and researchers that have worked on this. They've got a great body of research, and they don't necessarily want to leave it — and they're not necessarily equipped to leave it."

### Generalists

That's where NextWave comes in. "I use the analogy of growing plants: These guys have done a great job of creating some seed, but it's just one seed," Slosar said. "And what we're very good at is taking that seed and planting it in the right soil and growing it to make it viable on its own."

Typically, PIs that work with NextWave get an equity stake in the company and act as an advisor, Slosar said. The firm doesn't take management fees, but its principals act as a paid team of consultants to each portfolio company.

"We're the generalists," said principal **Sean Clottu**, who specializes in marketing, sales and business development.

That structure further incentivizes the principals to push for each venture's success, Clottu said. He joined the firm in 2015 from **Competitor Group Inc.**, the San Diego-based company that produces the Rock 'n' Roll marathon series.

Getting in early means NextWave, if it turns a technology into a viable company, will have equity more valuable than that of later stage investors.

"We don't have to sell our companies for \$1 billion dollars," Clottu said. "That puts a ton of pressure on later stage VCs, that they have to sell for these massive amounts of money in order for the fund economics to work."

NextWave, instead, aims to sell companies for roughly a tenth of that.

"We live in the singles and doubles," Clottu said. "We can sell these businesses for \$80 million to \$100 million all day long, and that's a significant return for our (limited partners)."

### Pilot Fund

The firm started out with a small pilot fund to test its premise. Among the technologies in which it invested was an innovative sensor developed by researchers at  **Scripps Institution of Oceanography**. Used to monitor offshore natural gas reservoirs, the technology was commercialized under the company name **Quad Geometrics**, which has since partnered with **Shell** and **Statoil** in Norway.

As NextWave continues to raise its second fund, it has continued investing. Companies it considers closest to commercialization are **SmartFoam** and **Traq**, both based on technologies developed at UCSD.

SmartFoam is making products that, through sensors embedded within foam, wirelessly transmit data. One potential use would be as insole for athletes to measure steps and gait.

Traq is developing a tracker that uses saliva to measure a person's health and activity.

In total, NextWave plans to invest in up to 36 companies from its second fund.

UCSD, one of the universities with which the firm has worked, alone gets more than \$1 billion in research funding annually. Of the \$1.16 billion in backing the university received in its 2017 fiscal year, more than two-thirds came from federal agencies, including the **Department of Health and Human Services**, the **Department of Defense** and the **National Science Foundation**.

guess about which of those projects has some potential," he said. "But we don't have the ability to do a deep financial analysis on the hundreds of technologies we get — and nor would we want to. ... The startup teams or the companies that want to take these technologies to market are the best suited to test the potential market for those technologies."

Firms like NextWave are rare, Flores said.

"Your standard VC is not going to partner with a university to spin out a technology or invest in a licensing deal," he said. "It's a labor of love,



Photo by Jamie Scott Lytle

**Michael Davis**, part of the **Quad Geometrics** team at NextWave Ventures, looks closely at a self-calibrating pressure recorder. The company's technology is used monitor offshore natural gas reservoirs.

### Real World Applications

**Ruben Flores** heads UCSD's Office of Innovation and Commercialization.

He aims to ensure innovations from the lab don't languish on campus.

"What the university is best at doing is creating new materials, devices, novel processes," he said. "But the difference between creating them and applying them in the real world is where entrepreneurs and companies come in."

Business know-how is essential because the knowledge base and aspirations of people at universities typically aren't aligned with commercialization, he said.

UCSD produces about 400 inventions annually; Flores has a team of 10 people who review the most promising to determine which should be pursued commercially.

"Initially, we can make a pretty good

because the biggest challenge for them is not to find technologies — it is to find the talent or bring the talent that would be interested in developing those technologies further along."

NextWave's Clottu said the firm typically taps its PIs for access to their alumni network to offer positions with the new company being created around their innovation, and establishes a relationship with their labs.

"We want a true partnership," Slosar said. "That's how we get our inbound, or dealflo. That individual in his garage making a new app — that's not what we want. We want the universities' new, cutting-edge technologies that are missing that link of business experience, funding and a network of customers that would actually purchase the product."