



Agenda Item 3

UM Ventures Investment Fund



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION INFORMATION OR DISCUSSION

TOPIC: UM Ventures Investment Fund (action item)

COMMITTEE: Economic Development and Technology Commercialization

DATE OF COMMITTEE MEETING: June 19, 2014

SUMMARY: On February 14, 2014 the Board of Regents approved a USM Policy on Investments. The policy enables USM institutions to invest in or provide loans to businesses located in Maryland that license institution-owned intellectual property.

Following approval of the policy, UM Ventures proposed the creation of an investment fund to provide early stage capital to start-up companies. The attached letter from President Loh requests approval of the Board of Regents to allow UMCP/UM Ventures to invest up to a total of \$500,000 in FY14 and FY15 in Maryland-based start-up companies that license USM-owned intellectual property. The source of the funding would be licensing revenues retained by UMCP's Office of Technology Commercialization. The new USM Policy on Investments requires the Board of Regents to approve the fund source for investments, based on the recommendations of the Committee on Economic Development and Technology Commercialization, the Chancellor, and the institution's president.

ALTERNATIVE(S): The Committee could elect to not approve the creation of this investment fund or modify the initial investment fund amount.

FISCAL IMPACT: The investment fund would total up to \$500,000 in FY 2014 and FY 2015 and the source of the funding would be licensing revenues retained by UMCP's Office of Technology Commercialization. Investments may be used to acquire equity or provide loans or convertible loans and there is potential for a return on these investments.

CHANCELLOR'S RECOMMENDATION: That the Committee recommend that the Board of Regents approve the proposed investment fund totaling up to \$500,000 in FY14 and FY15 to provide early stage capital to Maryland-based start-up companies that license USM-owned intellectual property.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-2783



UNIVERSITY OF MARYLAND

OFFICE OF THE PRESIDENT

Main Administration Building
College Park, Maryland 20742
301.405.5803 TEL 301.314.9560 FAX

May 6, 2014

Dr. William E. Kirwan
Chancellor
University System of Maryland
3300 Metzert Road
Adelphi, MD 20783

Dear Chancellor Kirwan:

Thank you for your support of the Board of Regents Policy on Investments and Loans to Maryland-based Businesses That License University Intellectual Property (Policy No. VIII – 14.00). This initiative will help our start-up companies to attract experienced entrepreneurs to lead their ventures and to provide angel investment funding to spur their growth. It also offers a significant incentive for our start-up companies to locate in the State of Maryland.

In accordance with the Policy, I hereby request the approval of the Board of Regents to allow the University of Maryland to invest and loan up to a total of \$500,000 in FY 2014 and FY 2015 to Maryland-based businesses. Equity investments and/or loans to Maryland-based, University start-up companies would be provided through licensing revenue funds retained by the Office of Technology Commercialization. I greatly appreciate your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Wallace D. Loh".

Wallace D. Loh
President

cc: Gary Attman, Chair, Economic Development and Technology Commercialization Committee
Suresh Balakrishnan, Assistant Vice-Chancellor and Deputy CIO

Policy No: VIII - 14.00

Policy on Investments and Loans to Maryland-based Businesses That License University Intellectual Property

(Approved by the USM Board of Regents on February 14, 2014)

General

Section 12-113 of the Education Article of Maryland allows the Board of Regents "to establish, invest in, finance, and operate business entities when the Board finds that doing so would further one or more goals of the University and is related to the mission of the University." That Section also refers to Section 15-107 of the Education Article which encourages the promotion of economic development of the State through commercial application of institution-owned intellectual property.

1. In order to better protect and administer University intellectual property and to enhance its commercialization, an institution may adopt a program to invest in or loan funds to businesses located in Maryland that are dependent on licensing the institution's technology. Investments will be used to acquire equity in the businesses. Loans may be convertible to equity.
2. Each institution must develop guidelines for making investments and loans, which shall be approved by the institution's President and provided to the USM Office. The institution's guidelines shall specify how income from the investments and loan repayments shall be applied and provide for the formation of a standing external advisory committee, consisting of non-USM members, to perform due diligence necessary for requested investments, and to make the selection of appropriate investments. The institution's guidelines shall take into consideration the requirements of the State Ethics law, Title 15 of the State Government Article.
3. The fund source for investments and loans must be approved by the Board of Regents, based on the recommendations of Committee on Economic Development and Technology Commercialization, the Chancellor, and the institution's President. Investments exceeding \$1 million must be approved by the Chancellor or the Chancellor's designee. In addition, investment income and loan repayments under the program shall not be considered as revenue from licenses of intellectual property.
4. The President of each institution making such investments or loans shall provide to the Chancellor an annual report on the guidelines, investments, loans, progress of technology commercialization by supported Maryland businesses, income from investments, and use of that income. The Chancellor shall report that information to the Board of Regents at least annually.
5. The annual report shall be in a format that will facilitate the annual reporting to the Governor and General Assembly required under Education Article section 12-113(d).

Guidelines for Investments and Loans

April 3, 2014

In accordance with the USM Board of Regents Policy on Investments and Loans to Maryland-based Businesses That License University Intellectual Property (Policy No: VIII – 14.00), the University of Maryland, College Park (UMD) adopts the following guidelines for making investments and loans in businesses located in Maryland that are dependent on licensing UMD's technology.

1. UMD has established a Commercial Ventures Advisory Board whose members will serve as the standing external advisory board required under this policy (attached is a list of members). UMD's Director for MTech Ventures as well as Executive Director for the Office of Technology Commercialization (Division of Research) will select at least three members of the Advisory Board to perform due diligence necessary for requested investments, and to make the selection of appropriate investments. The Advisory Board members assigned to a specific investment or loan opportunity will be chosen based on their relevant expertise and in order to avoid any conflicts of interest. Advisory Board members making loan and investment decisions will be subject to State Ethics law, Title 15 of the State Government Article.

The Advisory Board due diligence review will evaluate the following factors:

- a. Strength of Management Team
 - i. Previous leadership experience with a start-up
 - ii. Track record of raising capital
 - iii. Experience with relevant technology
 - iv. Constructive relationship with Inventor and UMD
 - v. Strength of Board of Directors and/or Scientific Advisory Board
 - b. Strength of Business/Development Plan
 - i. Well defined market and market need and product profile
 - ii. Clear Go/No-go decision points (e.g. risks are identified) – enabling tiered (de-risked) investment points
 - iii. Clearly defined Business Model based on I-Corps methodology
 - c. Strength/External Validation of Underlying Technology
 - i. Recipients of MD state or federal funding (MBC funding, MII, MD Investment Fund, SBIR recipient)
 - ii. Significant interest from corporate partners
 - iii. Interest; investment from angel investors, corporate, philanthropic venture or VC firms
2. Investment income and loan repayments under the program shall not be considered as revenue from licenses of intellectual property. If practicable, Net Revenue will be designated for the Office of Technology Transfer up to \$100,000 per investment in a fiscal year. The remaining Net Revenue shall be allocated as directed by the President, or designee.

UMD Commercial Ventures Advisory Board

Barrientos, Edward	Brazen Careerist
Chakrabarti, Sudip	Osage Partners
Geller, Harry	Dingman EIR
Goozman, Shawn	Silicon Valley Bank
Gordon, Dan	Valhalla Partners
Hebbar, Kiran	Valhalla Partners
Merritt, Brian	McGladrey
Storey, Bob	Managing Director VIC
Wismer, Brittany	Congressional Bank