



Agenda Item 5

Early Stage Investment Fund Opportunities Update



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION
INFORMATION OR DISCUSSION

TOPIC: Early Stage Investment Fund Opportunities Update (information item)

COMMITTEE: Economic Development and Technology Commercialization

DATE OF COMMITTEE MEETING: January 28, 2016

SUMMARY: The Committee will be briefed on opportunities to create an early stage investment fund. UM Ventures seeks to create a \$25 million to \$50 million venture fund focused on investing in USM-affiliated companies, such as companies based on USM-owned intellectual property, companies founded by USM students or recent graduates, and companies located in USM research parks. As part of its strategy, UM Ventures is working with investment advisors and local VC firms that are interested in creating university-focused early stage investment funds.

ALTERNATIVE(S): This item is for information purposes.

FISCAL IMPACT: This item is for information purposes.

CHANCELLOR'S RECOMMENDATION: This item is for information purposes.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

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

Need for a Seed-Stage Investment Fund:

1. Limited sources of seed-stage funding for USM startups.
 - Other funding sources are either too market driven or have a large pool of startups (e.g., InvestMaryland and VC firms prefer later stage funding and/or have aggressive investing strategies that require startups to sell a large equity stake for the funding provided).
2. Need to bolster licensing Income and licenses executed on normalized basis.
3. Fostering an entrepreneurial culture and attracting high quality research faculty.
 - Many peer institutions have instituted an investment fund program.
4. Economic Impact
 - Attracting co-investments and accentuating the economic impact
 - In the case of IllinoisVentures (created in 2002), \$65 million in investments has resulted in more than \$600 million of co-investments to date.
 - Attracting donations from entrepreneurial alumni, similar to the \$31 million donation from Oculus co-founder Brendan Iribe.

Potential Approaches:

1. State sponsored funding and managed by a University Investment Advisory Board
 - a. University of Florida
2. University sponsored funding and managed by University Investment Advisory Board
 - a. University of California Ventures
 - b. UMass Investment Fund
 - c. University of Virginia
3. University sponsored funding and managed by VC
 - a. University of Illinois
 - i. Investments are managed through IllinoisVentures that was created by the University of Illinois

Examples of Investment Fund programs at other universities:

Foundation Sponsored	Institution/Fund's Name	Date Started	Fund/ Program Size	Company Stage/ Investment Size	Significant Achievements
Investment made by UC's \$8.3 billion endowment	University of California Venturesⁱ	2014	\$250 million	All Stages	
\$15 million from Ohio University Foundation	The OSU-OU Innovation Fundⁱⁱ	2015	\$35 million	Early Stage	

Foundation Sponsored	Institution/Fund's Name	Date Started	Fund/ Program Size	Company Stage/ Investment Size	Significant Achievements
No	University of Illinois - Illinois Ventures	2002	\$60 million	Seed Stage and Early Stage	Attracted more than \$600 million in co-investments and 74 new companies were created
50% from unrestricted endowment dollars and another 50% from UVA Health System	University of Virginiaⁱⁱⁱ	2016	\$10 million over 10 years	Seed Stage	
No – State Sponsored	University of Florida	2011	\$4 million to \$5 million per year	Early Stage - \$50K to \$300K	Attracted 4 times the size of its investment as co-investments
Yes - funded by Permanent University Fund	University of Texas Horizon Fund^{iv}	2011	\$50 million	Early Stage and Seed Stage - \$100K to \$250K	Invested in 20+ companies
Yes	University of New Mexico UNM FOUNDATION CO-INVESTMENT FUND^v	2014	\$1.8 million	Seed Stage -Up to \$100K	\$489,000 invested in 4 startup companies
Yes	Rowan University Innovation Venture Fund^{vi}	2014	\$5 million	Seed Stage - Up to \$100K	2 companies were awarded investments in 2015
Yes	University of Oregon Foundation Seed Fund	2014	\$500K	Early Stage - \$20K to \$75K	Made first investment in 2014

Recommended USM Investment Fund:

USM fund structure proposal:

- \$25 million to \$50 million venture fund
- Focused on investing in USM affiliated companies
 - USM-owned intellectual property
 - Founded by USM faculty, students or recent graduates
 - Located in USM research parks
- Investment size of \$50,000 to \$250,000 per investment
- Matching Investment requirement
 - Usually investment funds require a 1 to 1 matching requirement

- Fund Management:
 - UM Ventures will be primarily responsible for managing the day-to-day activities of the Seed Fund, identifying opportunities and working with the already formed external Investment Advisory Committee to make the investment decisions.
 - University of Florida’s venture fund is managed by volunteer venture capitalists.
- Sources of funding:
 - USM Foundation and other private funding sources.

ⁱ <http://www.pionline.com/article/20140918/ONLINE/140919830/university-of-california-oks-sustainable-investing-framework-uc-ventures>

ⁱⁱ <https://www.ohio.edu/compass/stories/11-12/4/president-partnership-message-2012.cfm>

ⁱⁱⁱ <https://news.virginia.edu/content/new-seed-fund-speed-uva-innovation-and-research-market#sthash.LLvHMw1.dpuf>

^{iv} <http://ut-otc.squarespace.com/horizon-fund/>

^v <https://stc.unm.edu/stc-co-investment-fund-helping-unm-start-ups-reach-next-level-2/>

^{vi} <http://today.rowan.edu/home/news/2015/09/30/5-million-rowan-innovation-venture-fund-awards-first-two-recipients>