



Agenda Item 3

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: March 31, 2016

SUMMARY: The Committee will be updated on opportunities to create an early stage investment fund. UM Ventures seeks to create a \$25 million venture fund focused on investing in USM-affiliated companies, such as companies based on USM-owned intellectual property, companies founded by USM faculty, students or recent graduates, and companies located in USM research parks, incubators or RISE Zones. 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

USM Early Stage Investment Fund

In FY14, the USM Board of Regents approved the Policy on Investments and Loans to Maryland-based Businesses That License University Intellectual Property (Policy No: VIII – 14.00). This enabled UM Ventures to make modest investments and loans totaling \$400,000 in five start-ups in FY15. This funding has already helped to attract an **additional \$17 million into these start-ups, leading to the creation of over 20 jobs.**

Despite this early success, the program is limited. It is severely under-funded and excludes many exciting start-up companies that are closely affiliated with USM but have not licensed USM intellectual property. UMB, UMBC, UMCES, and UMCP have identified 17 USM affiliated start-ups that are strong candidates for early stage investments. This group includes biotech, medical device, cybersecurity, environmental sciences, and energy companies affiliated with these universities. Additional candidates arise every month, far surpassing the resources and the scope of the UM Ventures existing investment program.

In order to capitalize on these opportunities to create jobs, UM Ventures proposes creating the **USM Early Stage Investment Fund (ESIF):**

- Goals:
 - o Accelerating the success of USM start-ups
 - o Expanding economic development in the State of Maryland
 - o Recruiting and retaining innovative students and faculty
 - o Keeping recent graduates in the State of Maryland
 - o Generating long-term financial returns which will be reinvested in future start-ups

- The types of companies eligible for investments will be expanded to include companies:
 - o Based on USM-owned intellectual property
 - o Founded by USM faculty, students or recent graduates
 - o Located in USM incubators, research parks, or RISE Zones

All companies must be located in Maryland.

- \$25 million total fund size:

	USM Investment	Additional Investment	Total Investment
FY2017	\$2 million	\$2 million	\$4 million
FY2018	\$2 million	\$3 million	\$5 million
FY2019	\$3 million	\$5 million	\$8 million
FY2020	\$3 million	\$5 million	\$8 million
Total	\$10 million	\$15 million	\$25 million

- Additional Investments will be raised from the State of Maryland, Foundations, Friends of USM Institutions, and Venture Funds. These investments may be made to the ESIF itself or as matching investments directly into ESIF portfolio companies.
- The ESIF is expected to make individual investments between \$50,000 and \$500,000, with larger investments requiring a minimum of a one-to-one match by outside investors. The ESIF External Investment Board will establish policies, make investment decisions, and monitor investments. The Board also will assist UM Ventures to strengthen its connections with private Angel Investors and Venture Capital Funds which can invest in USM-affiliated companies and with serial entrepreneurs who can lead the companies.
- UM Ventures will hire an Investment Manager. The Investment Manager will report to the External Investment Board and will be responsible for raising additional funds, identifying and evaluating investment opportunities, and monitoring investments. The Investment Manager will seek quality investment opportunities from all USM institutions. Administrative support will be provided by UM Ventures.