



UNIVERSITY SYSTEM
of MARYLAND

Agenda Item 2

Revision to USM Policy on Investments

SUMMARY OF ITEM FOR ACTION
INFORMATION OR DISCUSSION

TOPIC: Revision to USM Policy on Investments (information item)

COMMITTEE: Economic Development and Technology Commercialization

DATE OF COMMITTEE MEETING: November 17, 2016

SUMMARY: The USM Policy on Investments, approved by the Board of Regents on February 14, 2014, has been updated to accommodate expanded criteria for investments under the newly established USM Early Stage Investment Fund. Specifically, the revised policy permits USM institutions and the USM Office to adopt a program to invest in or loan funds to businesses located in Maryland that are dependent on licensing USM-owned intellectual property; companies that are founded by USM faculty, students, or recent graduates; and companies located in USM incubators, research parks, or RISE Zones.

Additionally, the revisions strengthen provisions related to conflicts of interest and approvals in the initial February 2014 policy.

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: Tom Sadowski / Suresh Balakrishnan (301) 445-2783

Policy No: VIII - 14.00

Policy on Investments and Loans to Maryland-based Businesses ~~(That are Affiliated with USM Institutions License University Intellectual Property~~

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

General

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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.

Investment Model, Due Diligence and Conflicts of Interest

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1. In order to better protect and administer University intellectual property, ~~and to enhance its commercialization and foster entrepreneurship, USM institutions and the USM Office an institution~~ may adopt a program to invest in or loan funds to businesses located in Maryland that are dependent on licensing ~~USM-owned intellectual property; companies that are founded by USM faculty, students, or recent graduates; and companies located in USM incubators, research parks, or RISE Zones, the institution's technology.~~ Investments will be used to acquire equity in the businesses. Loans may be convertible to equity.
2. Each ~~USM institution and the USM Office~~ must develop guidelines for making investments and loans, which shall be approved by the institution's President ~~and the Chancellor~~ 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. ~~To prevent conflicts of interest, members of the USM Board of Regents and Senior Officers at the USM institutions and USM Office will not be permitted to make private investments in companies selected to receive investments~~
3. The fund source for investments and loans must be approved by the Board of Regents, based on the ~~advice and~~ recommendations of ~~the~~ Committee on Economic Development and Technology Commercialization, ~~and the approval of the Committee on Finance, the institution's President, and the~~ Chancellor, ~~and the institution's President~~. Investments exceeding \$1 million must be approved by the Chancellor or the ~~COO/VCAF Chancellor's designee~~. In addition, investment income and loan repayments under the program shall not be considered as revenue from licenses of intellectual property.

Post-Investment Monitoring and Reporting

4. The President or designee of each USM institution and the USM Office making such investments or loans shall provide to the Chancellor an annual Investment Report ~~report~~ on the guidelines, investments, loans, relationship of each company receiving funds to USM institution, progress and milestones achieved, of technology commercialization by supported Maryland businesses, economic impact, investment returns, income from investments, and use of investment ~~that~~ income. The format of the Investment Report shall be approved by the Chancellor and 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).

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Policy No: VIII - 14.00

Policy on Investments and Loans to Maryland-based Businesses that are Affiliated with USM Institutions

(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.

Investment Model, Due Diligence and Conflicts of Interest

1. In order to better protect and administer University intellectual property, enhance its commercialization and foster entrepreneurship, USM institutions and the USM Office may adopt a program to invest in or loan funds to businesses located in Maryland that are dependent on licensing USM-owned intellectual property; companies that are founded by USM faculty, students, or recent graduates; and companies located in USM incubators, research parks, or RISE Zones. Investments will be used to acquire equity in the businesses. Loans may be convertible to equity.
2. Each USM institution and the USM Office must develop guidelines for making investments and loans, which shall be approved by the institution's President and the Chancellor 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. To prevent conflicts of interest, members of the USM Board of Regents and Senior Officers at the USM institutions and USM Office will not be permitted to make private investments in companies selected to receive investments
3. The fund source for investments and loans must be approved by the Board of Regents, based on the advice and recommendations of the Committee on Economic Development and Technology Commercialization, and the approval of the Committee on Finance, the institution's President, and the Chancellor. Investments exceeding \$1 million must be approved by the Chancellor or the COO/VCAF. In addition, investment income and loan repayments under the program shall not be considered as revenue from licenses of intellectual property.

Post-Investment Monitoring and Reporting

4. The President or designee of each USM institution and the USM Office making such investments or loans shall provide to the Chancellor an annual Investment Report on the guidelines, investments, loans, relationship of each company receiving funds to USM institution, progress and milestones achieved, economic impact, investment returns, and use of investment income. The format of the Investment Report shall be approved by the Chancellor and 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).

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