



UNIVERSITY SYSTEM
of MARYLAND

Agenda Item 3

Momentum Fund

SUMMARY OF ITEM FOR ACTION
INFORMATION OR DISCUSSION

TOPIC: Momentum Fund – David Wise, Director of the Momentum Fund (information item)

COMMITTEE: Economic Development and Technology Commercialization

DATE OF COMMITTEE MEETING: September 7, 2017

SUMMARY: Approved in June 2016 by the BOR, the USM Momentum Fund was created to help grow and sustain USM startup and related commercialization activity. David Wise has recently been hired as the Director of the Momentum Fund and will update the Committee on the status of the fund.

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 (410) 576-5742 / Suresh Balakrishnan (301) 445-2783

Momentum Fund Launch Update

Board of Regents
September 7, 2017

David W. Wise
Director, USM Maryland Momentum Fund



David W. Wise - Background

- Thirty years of business experience: M&A, CFAO, COO and CEO
- Three and a half years as Venture Advisor to the Abell Foundation
- Active in development of the local ecosystem: Betamore, ETC, Sinai BioIncubator
- Business competition judge: Accelerate Baltimore, Beta City, UMB/SOM, UMCP/Fischell School

Objectives

- Seek return on investment
- In promising early stage USM companies
- Whose success will enhance the reputation of USM and its member institutions
- And promote the economic development objectives of USM and the state
- With particular attention to developing the innovation ecosystem in key sectors and USM centers of excellence

Investment Niche

- Fill the late seed stage “gap” as companies transition from grants and “friends and family” funding
- Most companies will need Momentum funding to attract or complete a late seed funding round
- Companies will generally be pre-revenue or early revenue and seeking funding to position themselves for commercial launch or to get through the FDA
- When successful, Momentum will be followed in eighteen to twenty-four months by an A round

Oversight and Review

- Oversight by internal Steering Committee (UMB, UMBC, UMCP)
- Real time review of applications by Momentum Fund Staff
- Draw on faculty experts and ad hoc review boards
- Quarterly review by external Advisory Board
- Expenses covered by CMAV and housed at UMB

“Typical Investment”

- Momentum funding plus the required 1:1 match should carry the company to the next value inflection point
- Momentum’s investment will generally be in the \$150K to \$500K range, with \$250K being the most likely sum
- Investments and the required match will often be in notes convertible into equity or straight equity purchases
- As a catalyst investor, Momentum would not likely invest in follow-on rounds, but will reserve the right to do so or to convey its rights to other parties (e.g. Osage, UM Foundation)

Challenges

- Deal flow from just a single source (USM)
- Diverse Technologies
- Limited Initial Funding
- University-based companies often lack a real CEO, management team or business experience
- OAG requires that all investments be subject to Maryland law and conflict resolution (e.g. Delaware law issue)

Addressing Challenges

- Strengthen and expand co-investor relationships
- Leverage internal resources: Dingman, MTech, UM Ventures
- Active outreach to USM institutions and graduates
- Look at leveraging other funding sources as track record is established (e.g. UM Foundation, sidecar fund)

Activity To Date

- May 31 Advisory Board Round
 - 54 applicants
 - 8 semifinalists
 - 3 presenters
 - 2 selected for funding
 - 1 company (MF Fire) in process of raising a match
- Director on board July 24
- September 11 Advisory Board Round
 - 21 applicants
 - 7 semifinalists
 - 3 companies in active due diligence

Process Going Forward

- Rolling/ongoing review process / approved quarterly
- Active, ongoing due diligence
- Outreach to the entire university system (all twelve institutions)
- Active recruitment – not just what comes over the transom
- Need to tap the USM alumni network and community

Thank You -

David W. Wise

Director, USM Maryland Momentum Fund

