



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION **INFORMATION** OR DISCUSSION

TOPIC: Crowdfunding for University Startups (information item)

COMMITTEE: Economic Development and Technology Commercialization

DATE OF COMMITTEE MEETING: March 28, 2013

SUMMARY: Crowdfund investing offers individuals an opportunity to engage with small businesses and startups and participate in their growth. The Committee will be briefed on crowdfunding opportunities and the status of SEC regulations to implement the crowdfunding provisions in the JOBS Act.

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

Crowdfunding for University Startups

Tony Stanco
Executive Director



Opportunities in Crowdfunding

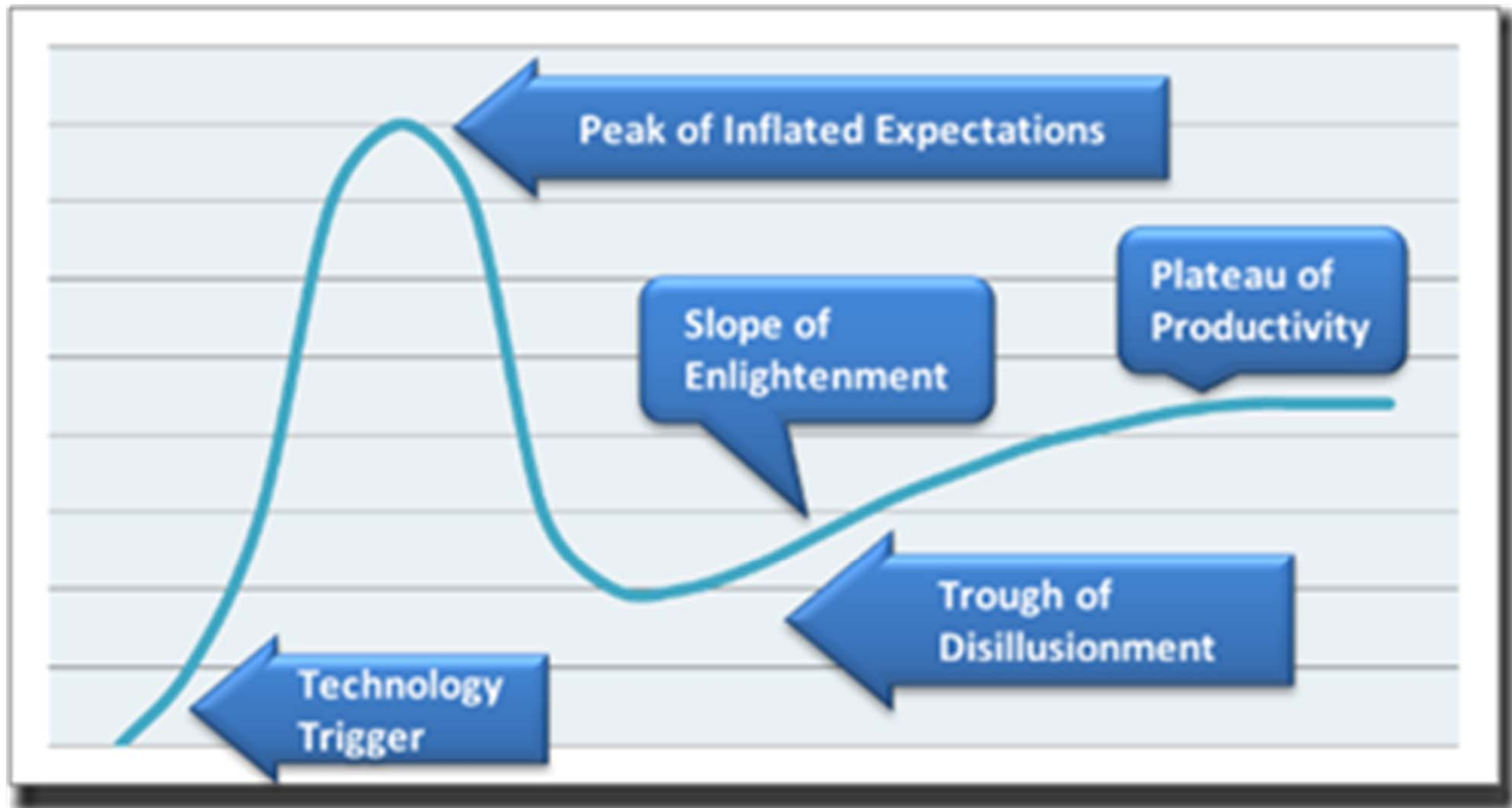
- Crowdfunding raised \$1.5 billion in 2011
- 530 crowdfunding platforms

Source: Business2Community, October 2012

Most successful crowdfunding campaigns

- for an e-paper wristwatch called Pebble Watch, raised \$10 million
- one for a video game, raised \$6.3 million from 90,000 fans online

Hype Cycle of Technology Innovation



Source: <http://blogs.msdn.com/b/stmteam/archive/2009/07/24/are-we-beyond-the-trough-of-disillusionment.aspx>

Opportunities in Crowdfunding

4 types of crowdfunding models:

1. Pre-sale product (millions of dollars)
2. Donation-based (could be hundreds of thousands; average \$5-10 thousand)
3. Equity-based (could be millions); waiting for SEC
 - crowdfunding to accredited investors only; approved now
4. Debt (could be millions); waiting for SEC

Best of Kickstarter 2012 – Join us for a look back!

KICKSTARTER What is Kickstarter? Discover great projects Start your project Search projects Help 10 Me

Fund & Follow Creativity

Kickstarter is a funding platform for creative projects. [Learn more!](#)

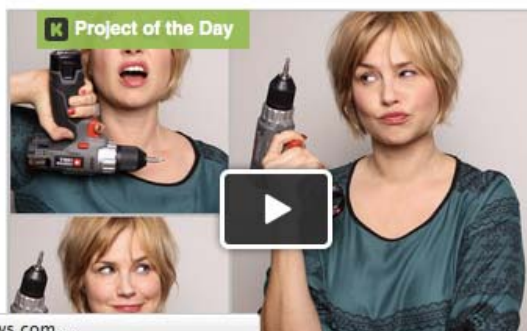
FEATURED IN

npr CNN The New York Times TIME BBC WIRED

lithe clock SEASON 2 WHOLE DAY DOWN SEASON 2

Staff Picks: Film & Video

[See all 571 Film & Video projects](#)



Would You Woodwork?

by C.C. Boyce in Los Angeles, CA

Woodworking webseries that is both informational and hilarious.

- Art
- Comics
- Dance
- Design
- Fashion
- Film & Video**
- Food
- Games
- Music
- Photography



National Council of Entrepreneurial Tech Transfer

<http://ncet2.org>

Pre-sale Based Model

- Funders buying product that generally needs to be created
- Providing funding for design/manufacture
- Funders expect delivery of product

Pre-sale Based Model

- Problems

- Late delivery/No delivery
- Not what they expected
- Think it's like Amazon
 - Don't understand the risks
 - No refunds for non-delivery or disappointments
- FTC looking into it because of some complaints
 - Better disclosure of what funders should really expect

Equity-Based Model

- Funders are investors, who are financially-motivated
- Equity is given to funders
- Funders expect a return

Equity-Based Model

– only to Accredited Investors

- Related but legally different
- Crowdfunding to sophisticated/accredited investors only
 - no unsophisticated investors
- Some doing this already

Equity-Based Model

- Problems

- Will angel investors and VCs follow-on?
 - less problem for angel/VC only crowdfunding
- Capitalization tables can be messed up with hundreds/thousands of investors
- Unsophisticated investors with unreasonable expectations
 - Don't realize 90-100% failure rates in startups
 - Class-action potential
- Market of lemons
 - Only those that can't get angel or VC funding
- Investors Fraud

Some fraud protections

- THE JOBS Act contains investor protections
 - Capped the amount that unaccredited investors can invest
 - Capped up to \$2,000, or 5 percent of their income, whichever is greater in a given year
- Also, businesses that raise money on crowdfunding portals must disclose relevant financial information;
 - for companies seeking more than \$500,000, that includes audited figures

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Rushmore Group
Raised £1,000,000 from 143 investors

"Crowdcube is a powerful new way to raise business finance and this investment wouldn't have been possible without its innovative platform."
Jonathan Downey, founder.

A carousel banner for the Crowdcube website. The main image is a portrait of Jonathan Downey, founder of Rushmore Group, smiling. To his right is a dark grey box with white text detailing the company's fundraising success. Further right are smaller, faded images of other people and products. Navigation arrows are visible on the left and right sides of the banner.

Raising business finance through online investments

Crowdcube helps startup and growing businesses to raise business finance by letting people invest via our equity crowdfunding platform

[Search Pitches](#)

[Get Investment](#)

£4,875,000 funded - 28,314 registered investors

ing data from www.crowdcube.com...

[Next](#) [Previous](#) [Highlight all](#) [Match case](#)

Donation-Based Model

- Funders are donors; don't expect return or product
- Want to help some cause
- Clearly patient groups can help life science technologies and companies
 - Looking for better care or cures



Crowdfunding

[Email](#) [Share](#) [Tweet](#) [Post](#)
\$10,064

raised so far

Registration has closed, but you can still [donate to participants](#)

Essentials

Fundraisers (4)

Crowdfunding

These projects are part of a new crowdfunding initiative to support research at Children's National Medical Center, one of the world's leading children's hospitals and pediatric research centers. Crowdfunding is an increasingly popular way for people to support causes and projects they care about through online giving. People are able to make small or large donations to support projects like the ones featured on this page.

For more information about the crowdfunding initiative, [click here](#).

For information about Children's National, visit www.childrensnational.org.

Contact

Ben Cohen
(301) 565-4963
bcohen@childrensnational.org

Disclaimer:

Children's National Medical Center does not guarantee or warrant actual outcomes for this project. The results of any research project may turn out to be unfeasible or no longer desirable because of unexpected issues. If for any reason a project cannot continue as planned—or if a project raises more than its established fundraising goal—Children's National will make every attempt to apply the funds to support an initiative with a similar purpose to benefit a similar target audience. If it

Childrens National Medical Center



Description: The mission of Children's National Medical Center is "to be preeminent in providing pediatric health care services that enhance the health and well-being of children regionally, nationally and internationally."

[Learn More](#)

Events (1)

14 Nov Mustaches for Kids DC 2012
Washington DC

Campaigns (2)

The Joshua Project
Ends 1/8/2014

[And 1 past campaigns \(View all\)](#)



National Council of
Entrepreneurial Tech Transfer

<http://ncet2.org>

Our Beta Site – open to some now on test basis

<http://ustartups.com>

The screenshot shows the USTARTUPS BETA website. The header includes the logo, navigation links for submitting, funding, signing up, and logging in, and a search bar. The main content area is titled 'Getting Started' and features three buttons: 'EXPLORE uStartups', 'BY CATEGORY', and 'BY UNIVERSITY'. Below these are three featured uStartups, each with a title, author, category, image, description, and funding status.

JUST ADDED
see all

Getting Started ➔

EXPLORE uStartups BY CATEGORY BY UNIVERSITY

Move FL118 anticancer drug into the clinic to benefit patients: Task 1 – IV Efficacy and PK studies
by Fengzhi Li
Life Sciences

FL118 shows superior antitumor efficacy (metastatic tumor without relapse) in comparison with irinotecan (CPT-11)

FL118 is a top anticancer drug in Canget Company (www.canget-biotek.com). We are planning to move ...

0% FUNDED
\$0 PLEDGED
101 DAYS LEFT

Profile Share

Medical Nanotechnologies, Inc.
by Gareth Hughes
Therapeutics

Passive nanoparticles are not internalized by the body but excreted. Both in subsequent generations not exposed to new nanoparticles are not active and pass through the body without unwanted off-target effects.

Medical Nanotechnologies, Inc. (MedNanoTech) is revolutionizing the way cancer is treated by ...

0% FUNDED
\$150 PLEDGED
26 DAYS LEFT

Profile Share

Endothelin Antagonism as a Therapy for Fetal Growth Restriction
by Larry G Thaete
Life Sciences

In about 5% of pregnancies in developed countries, a condition called fetal growth restriction ...

1% FUNDED
\$200 PLEDGED
19 DAYS LEFT

Profile Share

NCET2 Funding Continuum

RESEARCH FUNDING

PURE
RESEARCH

Gov't
funding
Foundations

USTARTUPS.COM

RESEARCH COMMERCIALIZATION FUNDING

COMMERCIALIZATION
BARRIER

PROOF OF
CONCEPT

SBIR
Phase I

PRODUCTI
-BILITY

SBIR
Phase II

SBIR WORKSHOPS

SCALA-
BILITY

Investors:
Angels/VCs/
Global 1000

UNIVERSITY STARTUPS SHOWCASE

PROFITABILITY

SELF-
SUSTAINABILITY/
M&A/IPO

NCET2 Funding Continuum

Crowdfunding to Angels, VCs, Global1000

<http://ncet2.org/uss>

The screenshot displays the UStartupShowcase website interface. At the top, there's a blue header with the 'UStartupShowcase' logo, navigation links for 'Submit a uStartup', 'My Page', and 'Logout', and a search bar. Below the header, there are two tabs: 'EXPLORE uStartups' and 'BY CATEGORY'. The main content area features a grid of six startup profiles, each with a logo, name, founder information, university affiliation, showcase date, and a brief description of the technology or service.

Startup Name	Founder	University	Showcase Date	Description
4D Teleport Technologies, Inc.	by Norman Paquin	University of Illinois at Urbana-Champaign (UIUC)	Thursday, 24 January 2013 01:05 am	4D Teleport is a Delaware corporation with offices in the University of Illinois incubator. The company leverages proprietary technology developed by one of the company's founders, Computer Science Professor Klaus Nahrstedt. The company's vision is to become a leader in providing networking solutions for complex time-sensitive multimedia interactive systems. In the near term, our mission is to develop a software platform for distributed real-time 3D teleimmersive systems that will empower...
Unravel	by Kunal Agrawal	Duke University	Thursday, 24 January 2013 01:25 pm	Unravel (previously StartFit) is the first comprehensive optimization system for big data applications. Unravel's core Visualize, Optimize and Strategize features make it fast and easy for enterprises to manage big data applications such as Hadoop MapReduce and SQL. Enterprises can now extract the maximum value from their big data investments and infrastructure. Visualize brings 'Google Analytics'-type visuals with drill-down capability to understand complex applications with ease. Optimize...
GraphSQL Inc.	by Ruuming Lin	Yam Sze University	Thursday, 24 January 2013 01:15 pm	GraphSQL adds fast and easy-to-use graph analytics to the relational database system (RDBMS). Querying and analyzing massive graph data (graph analytics) not only can enrich and enhance business, social and government intelligence, but also can help significantly advance scientific and technology discovery. However, most of the existing graph data (business, financial, governmental, and social networking data) are stored in the traditional RDBMS that provides little fundamental support for...
Center for Sports Skills Measurement and Improvement	by Kevin Manis	SUNY Fredonia	Thursday, 24 January 2013 01:32 pm	The Center for Sports Skill Measurement & Improvement, LLC brings an individualized continuous improvement training model to athletes from youth to adult. The company provides current training facilities across the US with a "plug and play" business model that allows players to test sport specific skills, showcase these skills on a variety of on-line leaderboards, offer a proven training program and a state of the art college and athletic recruitment process.
Ennetix	by Jonathan Symons	University of California, Davis	Thursday, 24 January 2013 01:45 pm	Ennetix is a software/lean-tech start-up, focused on Enterprises and Service Providers to dramatically reduce the power used to run IT Networks and connected equipment. Our EnergyPlus application acts like an energy brain in the network, monitoring actual traffic and power usage. It makes real-time decisions within parameters set by IT Management, intelligently switching connected assets between power-saving states to match the actual load with no impact to end users. This includes routers...
SeeMore Technology	by Sarah Rosen	New York University	Thursday, 24 January 2013 01:55 pm	Rosen Research is the first revolution in reading. We combine neuroscience with eye-tracking technology to make reading easier for everyone. We optimize digital text to respond to a reader's eye position. By making text easier for your brain to process, reading speed naturally and instantaneously increases by a minimum of 20%, while comprehension is unaffected.

[Submit a uStartup](#) | [My Page](#) | [Logout](#)

OsteoDynamics, Inc.

David Ralph | Healthcare/Biotech | University of Cincinnati

UStartup SUBMITTED BY

David Ralph

Ohio State University

[Message to David Ralph](#)

David Ralph has more than twenty years of experience in the diagnostics industry which includes leading teams from concept to commercialization. David Ralph received his Ph.D. from the Ohio State University (Molecular, Cellular and Developmental Biology Program) in 1986 followed by post-doctoral fellowships at Columbia University and the Sloan-Kettering Memorial Cancer Center. In 1991, he joined the California Institute for Biological Research (a subsidiary of Stratagene) where he developed various PCR based diagnostic applications. In 1994, David Ralph joined UroCor, Inc., first as head of Diagnostic Gene Discovery and was later promoted to Director of Diagnostic development. In 2000, at the time that UroCor was acquired by Dianon/LabCorp, he left UroCor and was a co-founder of InterGenetics, Inc., where he developed the business plan, raised the initial round of capital and recruited the CEO. At InterGenetics, he led a team that developed complex laboratory tests within a CLIA certified working environment. In 2006, he left InterGenetics and co-founded Integrated BioScience Solutions, LLC, an consultancy that assists university faculty form start up companies from the IP developed in their laboratories. These efforts led to the formation of OsteoDynamics, Inc in 2010. David Ralph is currently the CEO of OsteoDynamics, Inc. David Ralph received his MBA degree from the Price College of Business at the University of Oklahoma in 2000.

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Permalink <http://ustartupshowcase.com/?p=212> [Follow this project](#)

Summary

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Followers (4)

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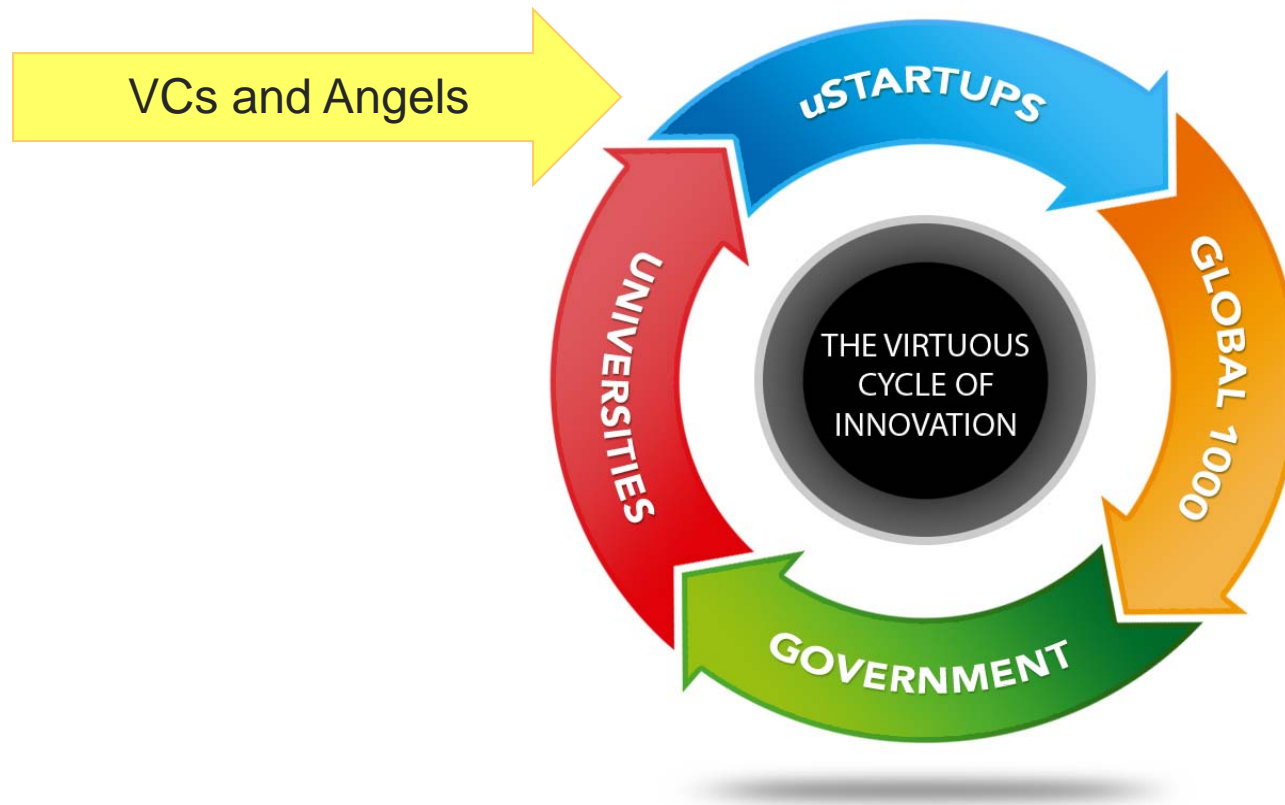
Company Description: (150 words or less)

OsteoDynamics is an early stage company that has already raised over \$500k and completed three human clinical studies demonstrating that its proprietary diagnostic medical device technology can enable more accurate identification, than current diagnostic tests permit, those patients who will suffer an osteoporosis related bone fracture. More accurate identification of these fracture prone patients can reduce, by as much as half, the number of osteoporosis related fractures by directing these patients to currently available and effective therapies. There are two million osteoporosis related fractures annually in the US resulting in \$20 billion in direct healthcare costs. The management team of OsteoDynamics has combined 40+ years of relevant experience

PARTICIPANT LIST OF Investors and GLOBAL1000 Companies

- | | | | |
|-------------------------------|--------------------------------------|---|---|
| 1. 3M | 32. Colgate-Palmolive | 62. Lockheed Martin (3-5 attendees) | 86. Roche Molecular Systems |
| 2. ABB Technology Venture | 33. COVIDIEN Ventures | 63. Matrix Partners | 87. Rock Spring Ventures |
| 3. Abbott | 34. Core Capital Partners | 64. Merck | 88. Saint-Gobain External Venturing |
| 4. Access Bridge Gap Ventures | 35. DBL Investors | 65. Meridian Ventures Partners | 89. Sanofi |
| 5. Acero Capital | 36. DFJ Mercury | 66. Microsoft | 90. SBIR Program Managers (10 attendees) |
| 6. Active Angel Investors | 37. Dow Chemical Company | 67. Mid-Atlantic Venture Association | 91. Schilberg BioAdvance |
| 7. Air Products and Chemicals | 38. DuPont | 68. Monsanto (3 attendees) | 92. Schlumberger |
| 8. Allied Minds | 39. Early Stage Partners LP | 69. Motorola Solutions Venture Capital | 93. Siemens |
| 9. AMD | 40. Elevate Ventures | 70. National Venture Capital Association (67 corporate slots) | 94. Sierra Angels |
| 10. Applied Ventures | 41. Evonik | 71. New Vantage Group | 95. Silicon Valley Bank |
| 11. Artiman Ventures | 42. Faurecia | 72. New Venture Partners LLC | 96. Sony |
| 12. Ascent Venture Partners | 43. Florida Gulfshore Capital | 73. North Bridge Venture Partners | 97. SR One (GSK) |
| 13. Ashland | 44. Flybridge Partners | 74. Northrop Grumman Corp. | 98. STNewVentures |
| 14. Astra Zeneca (10 slots) | 45. Formation 8 | 75. Novo Nordisk (10 attendees) | 99. Synchrony Venture Management |
| 15. AT&T | 46. Garage Technology Ventures | 76. Novak Biddle | 100. Takeda Ventures |
| 16. Atrium Capital | 47. General Electric | 77. ONSET Ventures | 101. The Sherwin-Williams Company |
| 17. BASF | 48. General Motors | 78. Opus Capital | 102. Triathlon Medical Ventures |
| 18. Bausch & Lomb | 49. Georgia-Pacific | 79. Osage Partners | 103. University-Industry Demonstration Partnership (10 corporate slots) |
| 19. Baxter | 50. Grotech Capital Group | 80. Paladin Capital Group | 104. Valhalla Partners |
| 20. Bayer | 51. Hersheys | 81. Pfizer | 105. Verizon Communications |
| 21. BD Technologies | 52. H.I.G. BioVentures | 82. Philips (5 slots) | 106. Vista Ventures |
| 22. Birchmere Ventures | 53. Honda | 83. Procter & Gamble | 107. Visteon Corporation |
| 23. Blue Tree Allied Angels | 54. IDEA Fund Partners | 84. Reckitt Benckiser Group | |
| 24. Best Buy Capital | 55. IDG Ventures | 85. Richmond Global | |
| 25. Canaan Partners | 56. Intel Capital | | |
| 26. Charles River Ventures | 57. Johnson & Johnson | | |
| 27. Chart Venture Partners | 58. Johnson Controls | | |
| 28. Chemical Angel Network | 59. Jumpstart NJ Angel Network | | |
| 29. Chevron | 60. Kleiner Perkins Caufield & Byers | | |
| 30. City Light Capital | 61. Livingston Securities | | |
| 31. CNF Investments | | | |

University Startups Conference and Showcase, Mar 20-21, 2013, <http://ncet2.org>



Thank you!

- Email: tony@ncet2.org
- Conference: <http://ncet2.org>
- University Startups Showcase: <http://ncet2.org/uss>