



**BOARD OF REGENTS**

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

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**TOPIC:** USM Policy on Investments and Loans to Maryland-based Businesses that License University Intellectual Property (action item)

**COMMITTEE:** Economic Development and Technology Commercialization

**DATE OF COMMITTEE MEETING:** February 14, 2014

**SUMMARY:** The Board of Regents will consider a draft USM Investments Policy that will enable USM institutions to invest in or loan funds to businesses located in Maryland that license institution-owned intellectual property. The goal of this policy is to build on a strengthening USM entrepreneurial ecosystem and to enhance the commercialization of university-owned intellectual property. The director of UM Ventures intends to create an initial investment pool of \$300,000 to \$400,000 for this purpose. The AG's Office has reviewed the policy and the policy has been discussed with the presidents, vice presidents for research, vice presidents for finance and other internal USM stakeholders. Members of the Committee on Economic Development and Technology Commercialization have been informed of the policy.

**ALTERNATIVE(S):** The Board could elect to modify or not approve the policy.

**FISCAL IMPACT:** The fiscal impact will vary by institution, depending on the size of the investment pool and investments are limited to Maryland-based businesses that license university intellectual property.

**CHANCELLOR'S RECOMMENDATION:** That the Board of Regents approve the USM Policy on Investments, as proposed.

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COMMITTEE RECOMMENDATION:

DATE:

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BOARD ACTION:

DATE:

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

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Policy No: VIII - 14.00

## **Policy on Investments and Loans to Maryland-based Businesses That License University Intellectual Property**

### 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.

1. In order to better protect and administer University intellectual property and to enhance its commercialization, an institution may adopt a program to invest in or loan funds to businesses located in Maryland that are dependent on licensing the institution's technology. Investments will be used to acquire equity in the businesses. Loans may be convertible to equity.
2. Each institution must develop guidelines for making investments and loans, which shall be approved by the institution's President 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.
3. The fund source for investments and loans must be approved by the Board of Regents, based on the recommendations of Committee on Economic Development and Technology Commercialization, the Chancellor, and the institution's President. Investments exceeding \$1 million must be approved by the Chancellor or the Chancellor's designee. In addition, investment income and loan repayments under the program shall not be considered as revenue from licenses of intellectual property.
4. The President of each institution making such investments or loans shall provide to the Chancellor an annual report on the guidelines, investments, loans, progress of technology commercialization by supported Maryland businesses, income from investments, and use of that income. 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).