



The Board of Regents Committee on Economic Development and Technology Commercialization

Minutes of the Public Session

September 12, 2019

The Committee on Economic Development and Technology Commercialization of the University System of Maryland (USM) Board of Regents met in public session on 12:30 pm on Thursday September 12, 2019 at the University of Maryland Global Campus in Adelphi, in the College Park Marriott Hotel & Conference Center. Regent Leggett called the meeting to order at 12:45 am

Regents present were G. Attman, K. Schulz, T. Sadowski, I. Leggett, L. Gooden, B. Gossett, and R. Wallace. Also present included Chancellor Caret, J. Lenzer, E. Herbst, R. Gist, P. Robilotto, D. Kunitz, D. Drake, and J. Hughes.

Featured Startup – Matt Boxer, COO of Veralox (Information Item)

Matt Boxer, PhD, the COO of Veralox, a recent Momentum Fund portfolio company, provided an update on the company. Veralox is developing a drug candidate for the treatment of two different medical conditions with great unmet needs. The first condition is HIT/T, a serious blood coagulation condition. The second condition is Type 1 diabetes. Veralox has a great scientific advisory board and is speaking with other scientific advisors at the University System of Maryland. The company has great results in animal models for both conditions and just closed a \$5.4M seed round, which included Sanofi Ventures as a co-investor. The USM Maryland Momentum Fund showed early interest in Veralox. Dr. Boxer said that it was catalytic to have solid diligence and to sharpen them for presentation to other investors; the company wouldn't be here without the Momentum Fund investment. TEDCO and BHI were also very helpful. The next step is toxicity testing, which is costly. The company is excited about the potential of having the University of Maryland, Baltimore (UMB), with its expertise and proximity, as one of the major sites of their clinical trials. Veralox is looking to hire high-level clinical personnel. Dr. Boxer said Veralox has appreciated the support from Maryland. The core team has set their roots here and looks forward to growing in Maryland. The potential to affect patients who acutely need it is really what drives the co-founders toward successful commercialization.

Regent Wallace asked about competition. Dr. Boxer explained that other people are trying to preserve beta cells for T1D, but no one is doing it in this way or can as selectively target as well. There is potential for an oral medication for HIT/T, but that won't work for many patients in critical condition, and it would also present a bleeding risk. Regent Leggett asked about the exit strategy. Dr. Boxer reported that acquisition could be possible in 2, 4, and/or 6 years, depending on the results obtained at key inflection points. Mr. Sadowski commented that this was a good example of using USM resources strategically for impact.

The USM Momentum Fund -- Claire Broido Johnson, Managing Director (Information Item)

Mr. Sadowski introduced Claire Broido Johnson and commented that that the USM is extremely glad to have her join the team as the lead of the Fund.

Ms. Broido Johnson mentioned that the Fund has a new website, momentum.usmd.edu. Ms. Broido Johnson stated that coming from the private sector, she is a strong believer in both returns and economic development and that she sees a spot in the early-stage startup ecosystem for this stage of fund. She noted that many people with the means to invest regionally have built their wealth in less risky sectors such as real estate and government contracting and that there is also a lack of upper-level managers for early-stage manager, again due to a risk-averse workforce, both of which underscore the need for the Momentum Fund in this geography. So far, the Fund has invested \$2.5M matched with \$11.2M, for a 4.4X match. Ms. Broido Johnson stated that she is excited to expand the top portion of the funnel and provided examples such as being in the final stages of looking at an UMCES company and meeting with entrepreneurship leads at Towson University.

Regent Attman asked why the portfolio does not include a cybersecurity company yet. Ms. Broido Johnson stated that cyber companies have been reviewed, that Ron Gula, an experienced cybersecurity executive, is on the Advisory Board, and that she is working closely with cyber-focused programs at UMBC. Mr. Sadowski commented that the Fund was recently successful in moving quickly for Retrium, a software company, and that speed could help capture more cybersecurity companies, some which raise financing more quickly. Ms. Broido Johnson noted to keep in mind, however, that the Fund is strategically positioned to catalyze investment and help companies that might not have ready access to funding. Regent Attman noted that the co-investment match has exceeded the initial goal, which Mr. Sadowski confirmed as 1:1 minimum with a goal of 2:1.

Ms. Broido Johnson discussed several of her prior accomplishments, including inventing the idea of a solar power purchase agreement and leading the responsible 9-month deployment of a large federal stimulus program at the US Department of Energy. She loves building new companies and expanding them. She has worked with companies primarily outside of Maryland, where much clean energy work happens. Ms. Broido Johnson is a proud resident of Federal Hill, and her family loves living in Baltimore and Maryland. She is committed to growing the entrepreneurship ecosystem here and excited to help entrepreneurship in Maryland, since she has been doing that for 20 years outside of Maryland. She is also excited to expand outside of clean energy as well.

Ms. Broido Johnson has talked to the ecosystem broadly about how the fund is doing after two years of existence. Shortly, two companies are up for consideration that she has worked with since the beginning of the process, as opposed to. Ms. Broido Johnson re-iterated that she is really trying to expand the top of the funnel. She would love to see companies come from all 12 of the institutions. She has looked at over 60 companies since she has been in the role and provided advice. In FY 19, the Funds metrics regarding diligence are industry standard as far as how many make it through to investment. She is trying to talk to as many deans as possible and appreciates any help in getting the word out about the Fund.

Ms. Broido Johnson responded to questions about geographical requirements and how to get other universities, beyond UMCP and UMB to be a part of the Fund. She responded that companies must be located in Maryland to be considered for the Fund and that marketing of the Fund is required.

Ms. Herbst agreed and said that UMCP, UMB, and UMBC, as research-heavy institutions have been in focus but the Fund is evolving and she anticipates seeing more investments from companies related to other institutions. Ms. Lenzer commented that UMCP has many resources for entrepreneurship, which has created a backlog for this type of funding. They hope to start bringing this programming to other institutions, which should increase the pipeline. Mr. Sadowski commented that a lot of companies are manufacturing or operating out of other parts of the state, which broadens the geographic impact.

Regent Wallace commented that the USM needs to be intentional about how to get the word out.

Regent Leggett added that the intent needs to be very clear that USM has jumped through every hoop to reach every part of the state and the intent and outreach needs to be demonstrable.

Regent Attman said that Ms. Broido Johnson might find that she can bring expertise for companies that aren't quite ready yet, which the former director did.

Ms. Herbst stated that the Fund is aimed after angel funding and before Series A financing. There is some conversation to see if USM should be participating earlier, not with this money but with other money.

Mr. Sadowki commented that a lot of deals have gotten assistance through TEDCO MII and other early programs, such as MIPS, which does cover a wide geographic range. MIPS has done a tremendous job. Lately, states are looking at how to better leverage assets. In a Brookings Study for Pennsylvania, MIPS was identified as a leading program. Mr. Sadowski then introduced Mr. Joe Naft.

Maryland Industrial Partnerships Program – Joe Naft, Director (Information Item)

Mr. Naft stated that Ronnie Gist, the Associate Director, is consistently traveling across the state. If you normalize by the population, Ronnie is reaching out to companies at about the same rate, which has been affective. The program was formed in 1987 to see how else research expertise and facilities could help companies, particularly startups, in Maryland. It is a model that has worked very well and continues to work well. The main criteria is commercialization potential; will it create jobs in the state? They also review proposals for technical merit. Mr. Naft stated that another differentiating factor is that they can work with companies that have IP already to bring to the table. Half of the time, the company knows a faculty member they want to work with, and half of the time, MIPS helps them find a researcher. Another differentiator is that the company buys in. Mr. Naft said that the program has excellent metrics and a huge return to the state, with a 38:1 leverage for each dollar. The budget peaked before the recession but has been going down. The program is oversubscribed, and more funding could be used to fund good projects.

Dr. Caret asked if MIPS funding was a state allocation initially. Mr. Naft responded that it is a portion of the UMCP budget, with the exception of funding via TEDCO and the Department of Natural Resources to be allocated for specific types of projects.

Mr. Sadowksi stated that the USM is looking for ways to increase the funding available to this well-established program with an excellent track record.

**USM Economic Development Update – Tom Sadowski, Vice Chancellor for Economic Development
(Information Item)**

Mr. Sadowski reviewed the latest updates. USM is interested in looking at increasing partnership with industry, and the OED will be working with institutions to understand how to best help. Mr. Sadowski presenting information on Workforce Development, much of which involves partnerships with industry as well. Ms. Ryan provided the latest USM Venture Development Report, with a full year of data to report for ventures the USM has meaningfully assisted in some way. Highlights included over \$3M of dilutive or non-dilutive funding deployed to startups and small businesses over the period from January to June of 2019.

The meeting ended at 2:00pm.

Respectfully submitted,

Isiah Leggett, Chair
Committee on Economic Development
and Technology Commercialization