The Board of Regents Committee on Economic Development and Technology Commercialization

Minutes of the Public Session for June 9, 2022

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 June 9, 2022, virtually. Regent Leggett called the meeting to order at 12:34 pm.

Regents present were Regents Leggett, Gooden, Attman, Beams, Fish, and Gill. USM representatives present were Chancellor Perman, Vice Chancellors Herbst, Boughman, and McDonough; Lindsay Ryan, Mike Lurie, and Denise Wilkerson. Others present were Elena Langrill, Krishna Gohel, and Ben Maier. Presenters and guests present were Ken Malone, Mary Morris, Anne Khademian, Mary Lang, and Joyce Fuhrmann.

Featured Startup: Silcs Bio and Early Charm’s Startup Studio Model, Featuring Other USM-Affiliated Startups (Information Item)

Ken Malone, Founder and Chief Executive of Early Charm, presented information about the company Silcs Bio and other USM affiliated startups in Early Charm’s startup or venture studio model. They co-create and create startups based on scientific research, many in the university environment. They are working on several startups at one time, which allows for resource efficiencies. The model enables different capital/financing options and the ability to work with companies with different risk and reward profiles. It also attracts technologists and business talent who enjoy working across multiple startups and in creative, cross-disciplinary ways. Silcs Bio is one of their portfolio companies and started with a license from the University of Maryland, Baltimore (UMB) in 2012. The company is in the field of computer-aided drug design, with large pharmaceutical companies being their primary customer. Silcs Bio pays royalties and license fees to UMB and has also sponsored research at UMB. Silcs Bio has been able to spur other companies and exemplifies when a venture studio can be a helpful commercialization pathway.

Regent Gooden asked about the overhead, and Mr. Malone said because this is a public meeting, he cannot be very specific, but for Silcs Bio, the net profit margin is about 20%. Regent Gooden asked if the licensors could renegotiate licenses, and Mr. Malone said he has never been asked to do that, but they would consider it if asked. Regent Gooden asked what happens when the company gets too large for Early Charm. Mr. Malone explained that those can be spun out into their own entities if/as needed but do not have to start out with a large market in order to be viable. Ms. Morris commented that the model has been successful for specific types of technologies, and that they have found Mr. Malone and his team to be great partners for specific models and very engaged and creative in making things work for both the university and for the venture.

Regent Leggett asked why an entrepreneur would decide to choose the model described as opposed to raising venture capital, for example. First, Ms. Malone noted the fallacy that entrepreneurs such as Mark Zuckerberg, who do not have deep industry expertise, are often highly successful in bringing a company
from an idea to a very large, public company. That is in reality very rare. Then, Mr. Malone explained that there are certain types of technologies that necessitate the venture capital model, but the vast majority of technologies coming out of universities do not do well with it. In the latter, the market can be closely tied to the current industry and may be too small initially to justify a standalone startup. The ideal entrepreneurs to involve are those who have been working in the relevant industry and bring experience, insights, and connections with them. In the venture studio model, industry entrepreneurs can be involved, sometimes alongside “green” entrepreneurs. The approach is radically different and is working. When Regent Fish asked about the ownership and capital structure, Mr. Malone explained that they are the company and so have ownership, along with the university. They are not consultants and do not work with startups that have already formed and are at the “valley of death”, as Regent Leggett was asking about. Though they are always happy to be helpful to other startups in the ecosystem when they can be. A helpful though not accurate analogy may be to that of a venture fund, though the capital they raise and put into companies typically consists of grants and bank/debt capital that they now have at a lower cost of capital than a startup of because of the revenues brought in across the portfolio, etc. If not for wanting the universities to have a stake and the ability for those that need to raise capital to raise it, they could, for example, operate all of this out of one entity as separate divisions. It also better enables inventor involvement, which they see as positive. It’s about commercializing technology and creating jobs and opportunity.

Early-Stage Support Feasibility Study Recommendations (Action Item)

Ms. Ryan, USM Interim Executive Director of Economic Development, presented the recommendation for a capital pilot, which was one recommendation from the feasibility study requested by the Committee in September of 2021. The capital would be deployed to USM-affiliated entrepreneurs and ventures to equitably support a diversity of entrepreneurs and ventures broadly across USM toward the ultimate goal of economic development. Ms. Ryan summarized the proposed funding tracks and amounts for a 3-year pilot, recommending an allocation of up to $200,000 per year, over 3 years, from the USM fund balance for a pilot. This funding would be offset by a reduction to the recently approved up to $2 million Momentum Fund allocation, such that the overall total allotment does not exceed $2 million per year. The USM funding commitment would be leveraged to raise external, with an overall goal of least a 1:1 match of external to USM fund balance allocation, totaling $1.2M over three years. Ms. Herbst explained that additional refinement of the eligibility criteria could be discussed and determined at a future meeting.

Regent Leggett commented that his understanding is that the details of the dollar value split among tracks, etc., are estimates and may change as needed. Ms. Ryan agreed that flexibility was emphasized by all stakeholders, and so Regent Leggett’s perspective is appreciated and also hopefully the understanding of the entire Committee. Ms. Ryan commented that updates about the pilot would be provided to the Committee for transparency about any changes happening or suggested, depending on the degree of the change.

Regent Leggett asked about the connection with the Maryland Momentum Fund (MMF) in terms of returns. Ms. Herbst explained that any returns from this proposed early-stage fund would also flow back, as those for MMF do, though expectations for sustainability are not clear. As more information is known from the pilot and as the MMF portfolio begins to see returns, any alterations to returns allocations would be brought to and under the purview of the Board.
Regent Gill asked who would own and manage the project. Ms. Ryan and Ms. Herbst explained that the fiduciary responsibility is with the system, but the marketing of the program and the coming together to provide funding recommendation decisions would follow the Momentum Fund model of bringing together the institutions and outside advisors. This collaboration will also foster connections to non-monetary resources for successful and unsuccessful applicants. Mr. Ryan then thanked the following individuals who have provided additional support in refining this pilot, on top of the multi-stakeholder effort that surfaced the recommendation: Al Delia, Johnetta Hardy, Pamela Allison, Dianna Vass, Henry Mortimer, Patrick McQuown, Sammy Popat, Mary Morris, Kevin Fulmer, Bill Burke, Nina Lamba, and Stan Smith. A motion to pass the action item was brought, seconded, and unanimously approved.

USG 2.0: Economic Development and Job Performance (Information Item)

Dr. Khademian, Executive Director, Universities at Shady Grove provided an update on “USG 2.0”, including four strategic imperatives: 1) holding itself accountable for ensuring that students are able to secure meaningful employment and career opportunities; 2) planning for and building career pathways; 3) sharpening the focus on career competencies and readiness; 4) building a new model for fiscal sustainability. USG will utilize data analytics, strong business engagement and point-of-need techniques, and academic pathways and career readiness functions to accountably ensuring students are able to secure meaningful employment and career opportunities upon completion of their studies.

Regent Gooden suggested that as a standalone deck, placing the business interaction as item number 5 does match what she has heard and what she has understood is the direction the USG 2.0 is going, which places business interaction as extremely important. Dr. Khademian thanked her for the feedback and described further that they are reorganizing their Board of Advisors around industry clusters.

Regent Gill asked why financial support or approval are needed to carry out these activities, and why USG can’t run with it. Regent Leggett explained that it is important to relay information about these USG directions throughout the System, as USG is part of the overall System. If there is not proper coordination, undertakings such as this will not be as successful. For example, there is a need to avoid duplication of efforts. Regarding funding, the extra funding recently provides some flexibility in doing this, with the ultimate goal of a sustainable financial model achieved through careful coordination. Chancellor Perman added that he has charged Dr. Khademian with making USG a laboratory—a place to innovate because what USG is doing is going to advance the system. It is going to aide in USM’s ability to be transformative in an era where education needs to transform itself. That may sound very lofty, but that is the conversation he had with Dr. Khademian, and she is delivering on it.

Regent Leggett commented that career readiness is especially important, ensuring that students are career or college ready by the end of the 10th grade by working collaboratively within the K-12 system to ensure pathways. Chancellor Perman agreed that USM is often making that point; USM cannot sit back and wait for well-prepared students to come to its door. The system must be active with K-12 to ensure that happens.

The meeting was called to a close at 2:00pm.

Respectfully submitted,
Isia Leggett, Chair
Committee on Economic Development and Technology Commercialization