

Doc. T92-031, Appendix G, as amended

Passed by the Board of Trustees

May 24, 2006

Revised: 9/18/13

**UNIVERSITY OF MASSACHUSETTS
POLICY ON INVESTMENTS IN NEW COMPANIES BASED ON
UNIVERSITY TECHNOLOGY**

I. INTRODUCTION

Investments in New Companies Based on University Technologies Standards apply to fund restrictions, approvals and operating guidelines. Campuses may establish campus policies and guidelines within the scope of University policy regarding the development of investment in new companies based on University technologies. Campus policies and guidelines may be more, but not less, restrictive than the President's Administrative Standards.

II. POLICY STATEMENT

- A. The University shall make available up to one-percent of the University's operating cash as of June 30th each fiscal year for investment in University-technology based companies.
- B. Investments shall be limited to a total of \$500,000 per company which may be made all at once or in several rounds.
- C. Investments must be recommended by the University Technologies Investment Advisory Board.
- D. Investments shall be approved by the University Investment Committee (as defined in Appendix F to this Policy).
- E. The President shall issue Standards for the implementation of this policy which shall include, but not be limited to, funding restrictions and operating guidelines.

III. STANDARDS

The President, in consultation with the Vice President for Administration & Finance and Chancellors, will issue administrative standards to implement this policy.

UNIVERSITY OF MASSACHUSETTS
ADMINISTRATIVE STANDARDS FOR THE POLICY ON INVESTMENTS IN NEW
COMPANIES BASED ON UNIVERSITY TECHNOLOGIES
(Doc. T92-031, Appendix G)

I. INTRODUCTION

Investments in New Companies Based on University Technologies Standards apply to fund restrictions, approvals and operating guidelines. Campuses may establish campus policies and guidelines within the scope of University policy regarding the development of investment in new companies based on University technologies. Campus policies and guidelines may be more, but not less, restrictive than the President's Administrative Standards.

This Standard applies to all University employees who participate in activities related to University ownership of equity interests in companies.

II. POLICY STATEMENT

The Policy on Investments in New Companies Based on University Technologies (T92-031, Appendix G) and these standards establish general fund restrictions and operating guidelines. This section further defines the standards for satisfying the requirements of the policy.

- A. The University shall make available up to one-percent of the University's operating cash portfolio as of June 30th each fiscal year for investment in University-technology based companies.
- B. Investments shall be limited to a total of \$500,000 per company which may be made all at once or in several rounds.
- C. Investments must be recommended by the University Technologies Investment Advisory Board.
- D. Investments shall be approved by the University Investment Committee (as defined in Appendix F to this Policy).

III. SPECIFIC CRITERIA

A. General Guidelines

- 1. The University Treasurer will make available up to one percent of the operating cash portfolio each June 30 for investment in University-technology based companies.
- 2. Investment will be limited to \$500,000 per company including initial and follow on rounds.
- 3. Investment made only in University technology based companies. This includes technology developed in conjunction with another university.

4. Investment can be made solely by the University or together with a qualified external venture capital firm's investment (whether sole or syndicated) and/or an angel investor's or angel network's investment.
5. The University may allow such an external investor to take the lead, establish valuations, form the management team and create the new company. For any co-investment, the terms should be the same for all co-investors.
6. The University's initial investment will not be later than Series A round.
7. All proceeds from the sale of a company's equity will be returned to the University's operating cash portfolio.
8. Returns in excess of the principal investment, minus a factor which reflects the return generated on the operating cash portfolio of the University for that holding period, will be made available to the President and the originating campus in a ratio to be developed by the President in consultation with the Chancellor.
9. General Counsel will review documentation for transactions although external counsel with securities expertise may occasionally be required. The University will bear the expense of such outside counsel.

B. Operating Guidelines

1. External Investment Board

- a. A University Technologies Investment Advisory Board will be appointed by the President based on the recommendation of the Executive Director of Commercial Ventures and Intellectual Property (CVIP).
- b. The University Technologies Investment Advisory Board will be comprised of at least three experienced investors (external) with experience in the technology being evaluated.
- c. Investment opportunities will be presented to the University Technologies Investment Advisory Board.
- d. Members of the University Technologies Investment Advisory Board will serve on a pro bono basis and at the discretion of the President.
- e. All potential university technology investment candidates must present their Business Plan to the University Technologies Investment Advisory Board members for their deliberation and may be accompanied by the external investors, if any, and the campus CVIP Director.
- f. Written material must be supplied in advance to the Executive Director CVIP and the University Technologies Investment Advisory Board which fully describes the investment opportunity, including the company business plan, the financing plan, terms of the financing and the Capitalization Table.

- g. All University investments will require the unanimous approval of the University Technologies Investment Advisory Board which will be made in a timely fashion.
 - h. Once approved, this investment recommendation will be presented to Treasurer and the University Investment Committee for authorization of the investment.
 - i. If not approved by either the University Technologies Investment Advisory Board or the University Investment Committee, no further action is required although the proposal may be presented again in the future if investment characteristics have been modified to address the concerns of either Committee.
2. Operations
- a. CVIP Directors will work with the Executive Director CVIP to create a pipeline of potential investment candidates. Executive Director CVIP, campus CVIP Directors and their staff will work with investigators, external consultants and entrepreneurs to create new investment opportunities.
 - b. Where appropriate, CVIP will request support from the Massachusetts Technology Transfer Center.
 - c. Coordinating with the campus CVIP Directors, the Executive Director CVIP will select investment candidates to be presented to the University Technologies Investment Advisory Board. The Executive Director CVIP will seek potential co-investment in the investment candidates.
3. Governance
- a. A University representative may hold an observer (non-voting) board of director seat in a new company for a limited period of time.