

*Maryland is attractive because its potential is significantly untapped.*

**A look into the Momentum Fund of the University System of Maryland**

**An Interview with Tom Sadowski, Vice Chancellor for  
Economic Development & Gary Attman, Board of Regents**





**Tom Sadowski is Vice Chancellor for Economic Development at the University System of Maryland. He has more than 25 years in the economic development profession. His work has focused on growing and attracting companies, real estate development and community revitalization, workforce development, public/private partnerships and creating programs supporting innovation, tech commercialization and entrepreneurship. His career projects exceed \$10 billion in value and 50,000 jobs. Mr. Sadowski is active on many boards related to business, economic development, public policy, science, health, technology and education. Prior to his position with the University System of Maryland, Mr. Sadowski served as president and CEO of the Economic Alliance of Greater Baltimore (EAGB) since 2008 and led them to unprecedented success.**



**Gary Attman is the Treasurer for the Board of Regents at the University System of Maryland and Chair of the Regents Committee on Economic Development and Tech Commercialization. He is also the President of FutureCash Health and Management Corporation, which he co-founded in 1985. Mr. Attman holds a J.D. degree from the University of Maryland School of Law, where he published and served as editor of the Maryland Law Review. He also earned a B.S. degree in Accounting (magna cum laude) from the University of Maryland, where he became a member of numerous honor societies. He is a member of the Maryland Bar, a certified public accountant, and is a licensed real estate broker. Mr. Attman is also a Board member of the Center Club, the Health Facilities Association of Maryland and the Associated Jewish Charities.**

**Rick Kohr had the pleasure of sitting down with both Tom and Gary to discuss the recently formed Momentum Fund, geared towards increasing new company creation and commercialization of research in Maryland. The Fund will concentrate on filling funding gaps and provide opportunities for innovation.**

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**RK: The first thing I always like to ask is “How would you describe the problem that exists today that you are trying to solve?” It will help us to understand why the Momentum Fund was created.**

**GA:** First of all thanks for the opportunity, and I’m honored to be on this call. When I started working on the Board of Regents about 8 years ago, I sat in on a committee meeting with our tech transfer work group. It was chaired by a young guy named Mike Gill. It was obvious to Mike, who really got this process rolling, and to me, that there was tremendous brain power in the University System, but a little bit of frustration, too: Bureaucracy. At the same time, Maryland is not a place where cars or steel are manufactured anymore. We are a state that benefits from the intellectual capital it produces, entrepreneurial activity and new company formation. So over the years we’ve created a committee at the University System of Maryland (USM) dealing with economic development and technology transfer. We’ve looked at policies and procedures that might impede the creation of new companies, and we’ve encouraged it rather than discouraged it. As a result, we had a strategic plan that had a goal of 325 new

companies to be created over 10 years. We are 4 years into the plan and have created over 500 companies.

**RK:** Wow!

**GA:** And these are real companies, with real employees, doing real business. And they are in the most innovative areas of the state and economy – like cyber security, virtual reality, medical devices and a lot of other things. So that’s what we’ve been working on. We then saw the issue that once we set up these companies, a lot of them were leaving the state because they didn’t have the funds to sustain themselves and so they had to sell themselves to out-of-state investors. We started focusing on that issue.

**TS:** Gary’s put it really well. It’s a company sustainability, growth and retention strategy, really. In this space, access to capital is a big issue. We are very much a “knowledge driven economy” in Maryland. The more we work to spin out start-up companies and look to commercialize the technologies we are developing, the more we have been confronted with the lack of capital or funding gap. So the decision was made to put some of our own skin in the game.

In June of 2016, the regents approved the allocation of \$10M from the University System’s reserve, to start this early stage investment fund. The \$10M was going to be used to leverage an additional \$15M in co-investment, or support investment, from the private sector – from serial entrepreneurs and investors. We saw this as being key to sustaining the momentum. 502 companies, that’s great! And we’ve gone back and dug into the numbers and found that, out of all of the companies that have received follow-on funding, about 70-80% have stayed within the state of Maryland. But we’re looking at maybe 25-30 companies that have received follow-on funding. While that is a great retention rate, how many went elsewhere? How many more would have received follow-on funding here in Maryland if we put some gas in the car for them?

So under Gary’s leadership, the committee got the fund rolling and put some structure behind it. The fund has been launched and we are now finally out in the marketplace. We have named it the *Maryland Momentum Fund* and have created an online application platform. We have done a good job at reaching out to the investment community and have gotten a lot of interest. More than 50 applications were received this first funding round.

We see this as a strategic tool. We talk about Hopkins’ experience, with 85 percent of their entrepreneurs leaving in search of funding. That is a lot of technology and economic potential leaving the state. Our Board of Regents are aware of this and have taken a proactive step, giving us the resources to sustain the company creation momentum we have established, and make sure they grow and stay here.

**RK:** You have had tremendous success over the past 5 years, spinning 500 companies out of the University System of Maryland, 12 institutions statewide, and finding ways to get these ideas into the market and putting them into real companies. But we see that the funding gap is real. Where are you in terms of the funding, and accepting investment opportunities to move forward?

**TS:** We are out there in the marketplace, and accepting applications. We have assembled an external investment advisory board of 14-15 individuals – serial

entrepreneurs, venture capitalists, investors – to help us make the right investments and help provide leadership, mentorship, and maybe even be a source of co-investment for the companies who apply.

**RK: Where do you stand on the \$15M commitment at this point? Are you still looking for investors and folks to participate?**

**TS:** Absolutely. We feel like we have established a robust network. Right now, the way the Fund is structured, we are just using a syndication model – a co-investment model. We aren't ready to accept funds and commitment of funds, but for the next round, hopefully we will be there. That is where we can really grow that private source of capital and drive this program.

**GA:** We have received a lot of interest. At a kick-off event, we had large venture capital groups express interest and one gentleman said, "Maryland is attractive because its potential is significantly untapped." We are a best kept secret, which is one thing we don't want to be. We want to be a well-known success. Our computer scientists, our medical researchers, the people we work with are renowned. There's not a lot of competition for them, like there would be if they lived in Silicon Valley, for example.

**RK: What milestones are you trying to accomplish in 2017 with the Momentum Fund?**

**TS:** Gary already discussed our over-performance in the area of company creation. I don't think we have set any type of benchmark in terms of how many investments we want to make. We just want to make investments in really promising companies and have some early wins. We launched this fund with about 5 or 6 companies already in mind.

**RK: What are the attributes that you and Gary and the investment committee are looking for in companies that present to the Fund? What excites you to ultimately want the Momentum Fund to make an equity stake in that company, when it's all said and done?**

**GA:** We talked about investing in a variety of different areas, to show the scope of what the system offers – cyber, medical, computer science, for example. We want to start off with strong investments. We already do invest, to a smaller extent, in our own companies, and have had great success with a few of the companies out of UM Ventures.

**RK:** Yes, Harpoon Medical was one of the big successes.

**TS:** That was part of the inspiration behind starting this Fund. UM Ventures was having early success. They saw a need, and the Regents said they wanted to build on that. To Gary's point, we have 12 different institutions doing cutting edge, transformative work – everything from unmanned systems, to cyber, virtual reality, sensor technology, environmental engineering and sustainability work, aquaculture – it's amazing. We wanted a fund that would help us leverage all of that.

Hence the name of our fund – momentum. Generate these great ideas and get them out into the marketplace.

**RK: So these companies have to be technology-based and be run by people who are part of the USM System, correct?**

**TS:** Yes, so basically there are three criteria.

1. Applicants need to be working with intellectual property developed at one of our institutions.
2. They must be a recent USM alum or a current faculty member.
3. They must be a current tenant at one of our incubators or affiliated research parks.

We see them as good customers, either existing or prospective. Any combination of these three criteria works.

**RK: What other role do you envision the folks around the Momentum Fund playing? There are capital needs, mentorship needs, management needs, and market channel access needs. How will the Momentum Fund help these companies have access to additional resources and get to the next level?**

**TS:** We continue to look for advisory help and expertise in the community. It is our hope these folks can lend their expertise, make introductions for our entrepreneurs and serve as ambassadors for the fund and the what we are trying to accomplish here at USM. We also want to reach further and wider to other sources of capital. Launching this fund has been met with a lot of interest and enthusiasm. And we see the opportunity to scale this over time. For right now, it is \$10M of system resources, complimented by another \$15M in private co-investment dollars. But we think it could be much bigger.

**RK: What other efforts are underway to generate business opportunity for the USM and investors?**

We recognize the need for continued culture change. We do \$1.3M in sponsored research every year, but we must look for the market opportunities beyond that – partnership with the federal government and industry. We have made progress, changing research policy, tenure policy, launching this new investment fund, and investing more in strategic research (computer science, virtual reality, medical devices) and venture creation. At the same time, we are thinking about where all this innovation and collaboration activity will take place. So we are working with all our institutions on new research parks and innovation district projects – creating physical ecosystems where it can all happen. Ken Ulman is doing some great work for us in this regard, with the new University of Maryland, College Park Discovery District and the strategic planning work he is doing for Towson University.

**GA:** We have a lot of square footage that we do control, and that we are filling up at UMB's West Side BioPark, College Park's M Square Business Park, and the bwtech park @UMBC. Entrepreneurs want to be at a place that's cool and fun. These places are for the new companies we are helping to create and attract to Maryland. This is great for our institutions and the communities in which they are located.

**TS:** We have 12 institutions and 2 regional centers state-wide and it is in our best interests to help generate new investment, jobs and help improve the quality of life in

those communities. It helps us attract the best and the brightest minds, entrepreneurs and industry partners, and be good neighbors.

**RK: If you looked out 3-4 years, what will be the measures of success that will make you and Gary say 'job well done', and believe that this is beyond what you had hoped for?**

**GA:** I would like to see some successful investments that not only help companies, but create a lot of jobs in Maryland. I want companies to succeed and their founders to do well, but I'd also like to see our students and our citizens get jobs. That's really our mission in the University System – to make Maryland a better place. The best thing you can do is provide people with great jobs. The bigger, successful companies that stay here will create jobs. The offshoot of that would be bigger funds, more investments, waiting lists of people who want to invest, and more and more entrepreneurs coming into town so we can continue this cycle.

**TS:** I couldn't agree more. The more support these companies get, the more likely they will stay in those communities and grow and create jobs. In turn they can help other companies. If I were to create another metric – let's create another two hundred companies, add to our network of co-investors, and maybe grow this fund to \$50M. Ultimately, I look at what this does in terms of the profile of the system. We bring in \$1.3 billion in sponsored research each year, and we want to grow that. We want to put ourselves out there as THE system to do business with. We are checking a very important box and are putting the word out there to the business community that we are players and we are investing in our future and the future of our entrepreneurs.

**RK: So what are your thoughts and plans on how to create a network of additional funding? A company gets out of the early stage, is moving into emerging growth, and capital is needed. What are your thoughts and strategies on how to make sure the funds and the capital are there to follow what is going on, and obviously be willing and excited to put money into these companies prospectively so they are not leaving the region?**

**TS:** We need to do that absolutely. But we want to make sure we are successful with the launch of the Momentum Fund first. From there, we will look to the regional, national and international investment community to help us make those decisions. We are part of a very dynamic state economy, and maybe it's working with Hopkins and/or others to create a larger fund to help spur innovation and grow tech commercialization. We are taking this step to help address a strategic gap in the funding continuum, but we know we can't do it on our own and much work remains.

**GA:** We have confidence that the market will fill the gaps as these companies gain momentum. Right now no one is stepping forward in a meaningful way to help these companies when they really need the funding for these great ideas. That was really the first step. And there are a lot of venture capitalists in Maryland, but many of them invest the bulk of their money outside of the state. As we create opportunities in Maryland, we think that what we are starting will gain momentum.

**RK: What excited the two of you about being involved in this fund? You both are busy, both very successful at what you do, and this is not an insignificant endeavor. What motivated you to lead the charge on this?**

**GA:** Let me just say about Tom, the fact that we have a Vice Chancellor who is dealing with these issues says so much about the focus of this part of our mission at the University System, and it's one of the first things our Chancellor did. Not only did we get someone to fill the position, but we got Tom, and he's great! It's great for me and the team to have a partner to really lead this process. I can't give him enough credit for everything he is doing.

Before Tom joined us, our committee was very frustrated. We knew that these great companies needed money, and we couldn't get it. So we went to different parts of our system, some of the foundations, and we couldn't get the funds there. We looked at different options, and finally we said if we really believe in this, we have to put our money where our mouth is. We have a fund balance which is a very actively used resource. We put those funds to use for the benefit of this goal, which is to not only have companies, but to have companies that grow and create jobs.

**RK: I applaud you both. You have a lot on your plate, and you both have had successful careers. We are all fortunate to have people like both of you in these roles. Having opportunities like these coming to the ecosystem is important.**

We continue to look for advisory help and expertise in the community. It is our hope these folks can lend their help and serve as ambassadors for the fund and the what we are trying to accomplish. We also want to reach further and wider to other sources of capital. Launching this fund has been met with a lot of interest and enthusiasm. And we see the opportunity to scale this over time. For right now, it is \$10M of system resources, complimented by another \$15M in private co-investment dollars. But we think it could be much bigger.

**RK: In reporting to Bob Caret, Chancellor of the University System of Maryland (USM) and the USM Board of Regents, what are their expectations and how will they value judge this as a success 5 years down the road? How will the success of the USM be measured?**

**GA:** Our initial expectation was that we would judge ourselves against our 10-year strategic plan, but we've already blown that out of the water. Now we have talked about reframing our goals. I think, in general, the Board is very pleased and the Administration and legislators are very pleased with what we are doing. Our goals are to make it easier for our growing faculty, students and tenants to create new and successful companies, and to enable them to stay in Maryland, prosper here, and hire a lot of Maryland individuals at good paying jobs.

**TS:** There is no looking back now, particularly when you consider how we have performed against our original benchmarks. We have leadership that gets it and who has allocated the resources necessary to do the job. With Gary's leadership, the leadership of Jim Brady, the Chair of the Board of Regents, and with Bob Caret as USM Chancellor, the focus and attention will continue to be placed on company creation, growing sponsored research activity and venture creation. Stay tuned. We are in the process of writing a new strategic plan. The new metrics we will set, I don't think we could have conceived of years ago.

**RK: What you are doing is impactful and meaningful. It's exciting and there are ways we can build a strong net around what's been done here. If we can capture the right data and apply it to the companies that are getting funding, and they know where to go next, we could have a lot of fun and a lot of success.**

**TS:** Agreed. Again, we have the right leadership, strategic focus, and we are putting the resources to bear. It is going to be a joint lift getting there so we are open to collaboration and help from every possible source.

**RK: I am so excited about what is being done and am honored to be working with you guys.**

**GA:** Thanks for the opportunity – we are always moving so quickly all of the time that we don't always reflect, as we did today, on some of the great things we've been able to do. We are only as good as our next success.

**TS:** We are throwing gasoline on a fire.

**RK: You saw opportunities and applied the resources, and the opportunities were even better than you thought – over 500 companies. You were hoping to get 325, and 325 is amazing, but to outperform it by about a third is remarkable.**

**TS:** At Stanford they have one simple mission – they just want to change the world. They take this simple approach and these opportunities just start coming to them! They set themselves up as being a catalyst for taking on these great opportunities. They make their own luck along the way and that's what we have started to do!

**GA:** Thank you for the opportunity and all of the great things you all are doing for us.

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## **About the Maryland Momentum Fund**

The University System of Maryland (USM) is the state's public higher education system, comprising 12 institutions and 2 regional centers. In an effort to increase commercialization of its leading-edge research and support the growth of promising companies, the University System of Maryland (USM) is launching a new \$25 million early-stage investment fund, the Maryland Momentum fund. The fund is focused on filling gaps in the funding continuum to propel USM's most promising and innovative ideas into the marketplace.

The USM has committed \$10 million to this fund and is partnering with UM Ventures to secure an additional \$15 million from area venture capitalists and angel investors to be co-invested along with USM funds. The Maryland Momentum Fund will leverage this financial support across the USM ecosystem to:

- Accelerate the success and profitability of USM start ups

- Attract promising entrepreneurs/innovators to USM institution
- Commercialize valuable USM intellectual property
- Generate long-term financial returns to be reinvested in future USM affiliated start-ups