



**TABLE OF CONTENTS
FOR
TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE**

Committee Meeting: 11/4/2015

Board Meeting: 11/5/2015
Austin, Texas

*Wallace L. Hall, Jr., Chairman
Ernest Aliseda
Alex M. Cranberg
Brenda Pejovich
Sara Martinez Tucker*

	Committee Meeting	Board Meeting	Page
Convene	<i>12:30 p.m. Chairman Hall</i>		
1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	<i>12:30 p.m. Discussion</i>	Action	284
2. U. T. System: Report and discussion on the progress of the U. T. Horizon Fund	<i>12:31 p.m. Report/Discussion Dr. Hurn Ms. Goonewardene</i>	Not on Agenda	285
Adjourn	<i>1:00 p.m.</i>		

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**

RECOMMENDATION

No Consent Agenda items are assigned for review by this Committee. The Consent Agenda begins on [Page 291](#).

2. U. T. System: Report and discussion on the progress of the U. T. Horizon Fund

REPORT

Ms. Julie K. Goonewardene, Associate Vice Chancellor for Innovation and Strategic Investment and Managing Director of the U. T. Horizon Fund, will report on the status of the U. T. Horizon Fund. A PowerPoint presentation is set forth on the following pages.

BACKGROUND INFORMATION

The U. T. Horizon Fund, a strategic investment fund for the U. T. System, was initially approved by the Board of Regents on August 25, 2011, and was capitalized with \$10 million of Available University Funds (AUF) (Phase I). On February 14, 2013, the U. T. Horizon Fund was reauthorized with expanded funding from AUF (Phase II) to be disbursed in four annual installments of \$10 million each. The total committed capital of the U. T. Horizon Fund from both Phase I and Phase II is \$50 million. Each year, the funding for the U. T. Horizon Fund is subject to approval and authorization by the Board upon receipt of a satisfactory report of activities undertaken as a result of the previous year's allocation. The purpose of this presentation is to provide that report, with emphasis on expected return on investment and on capital allocation, and to recommend reserved funds to be used for follow-on investments.

The U. T. Horizon Fund is effectively a dual mission investment vehicle. One mission is to create positive financial returns by protecting U. T. System equity positions against dilution. Second, the U. T. Horizon Fund serves a critical role in commercializing innovations of U. T. System institutions by moving novel technologies to the marketplace to impact Texas and the world. Another significant benefit includes creating an environment that values innovation and entrepreneurship, which enables recruiting faculty and students. The U. T. Horizon Fund utilizes existing U. T. System rights where possible; leverages the collective resources of private sector investors; enhances partnerships by attending and supporting entrepreneurial events; and strives to add value by connecting entrepreneurs with investors, subject-matter experts, advisors, and potential customers.

Update on the U. T. Horizon Fund

Dr. Patricia Hurn, Vice Chancellor for Research and Innovation

Ms. Julie Goonewardene, Associate Vice Chancellor for Innovation and Strategic Investment and Managing Director of U. T. Horizon Fund

U. T. System Board of Regents' Meeting
Technology Transfer and Research Committee
November 2015



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U. T. Horizon Fund (UTHF) is part of the broad effort to bring U. T. System research to the marketplace

Support Early Discovery

STARs supported faculty brought in nearly \$1B in external research funding

Entrepreneurship network, educating next-generation students and faculty

Engage Industry

Texas FreshAIR, connecting researchers to partners, e.g., life sciences, IT, device, cyber industries

Institutional offices of industry engagement

Commercialization

UTHF, optimizing U. T. System equity position and fueling opportunities for start-ups

U. T. System Office of Technology Commercialization collaborates with institutions

Impact

Products in the marketplace

Financial returns

- Exits
- Research agreements
- Licensing revenues

287



U. T. Horizon Fund – a dual-purpose fund

- Optimizes U. T. System equity positions, reduces dilution
- Performs critical role in moving novel technologies to the marketplace
- Creates an environment that values innovation and entrepreneurship
- Assists in recruiting and retaining the best faculty and students



Key questions

- Is the UTHF expected to make money?
 - Yes, invested capital forecasted to be doubled by 2022
- How much capital is required to fulfill follow-on investments in current and future UTHF portfolio companies?
 - \$5.95M reserve required for current portfolio companies
 - \$1.37M average estimated reserve requirement for each new portfolio company
 - Reducing reserve requirements increases investable capital



Key questions (cont.)

- What is the estimated point at which UTHF expends all of its currently available capital?
 - Maintaining adequate reserves, capital for new investments is estimated to be fully expended by the end of calendar year 2016
 - Further capitalization is anticipated to be requested for Fiscal Year 2017
- Does the forecast emerging from the current Total Business Return analysis provide a similar picture as the back-testing model?
 - Current assumptions forecast that UTHF will outperform the predictions of the back-testing model

