

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Michigan Investment in New Technology Startups ("MINTS")

Action Requested: Amendment to the MINTS Guidelines

In December 2011, the Board of Regents approved guidelines for the MINTS (Michigan Investment in New Technology Startups) program ("MINTS Guidelines"). In July 2013, technical amendments to the MINTS guidelines were approved relating to conflict of interest approvals.

Since the MINTS Guidelines were approved, the University has invested a total of \$26.4 million in 24 University Startups. The Investment Office is pleased how the program has developed and how the portfolio is performing financially in aggregate. In addition, MINTS has become a significant and impactful contributor to the University startup ecosystem.

In order to provide MINTS with greater flexibility, to help it take fuller advantage of opportunities in later rounds, and to allow it to scale to a more meaningful allocation within the Long Term Portfolio, the University is proposing to increase the maximum permitted investment amount per round from the current \$1,000,000 to \$2,500,000. With the proposed amendment, the University estimates that over the following five years, the MINTS program would invest about an additional \$50 million in University Startups.

We recommend that paragraph 5 of the MINTS Guidelines be amended as follows:

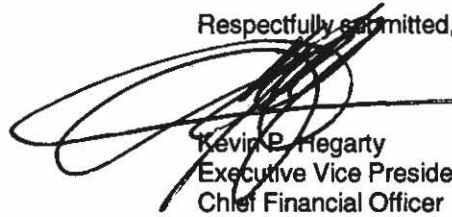
"Investment in any single round shall not exceed ~~\$500,000~~, ~~except that for later rounds of financing an investment may be made up to \$1,000,000 if the \$500,000 limit is insufficient to secure participation in the round.~~ The Investment Office shall have the discretion to size the investment appropriately given the circumstances."

The amended MINTS Guidelines will then read:

1. MINTS shall be managed by the Investment Office in close cooperation with the Office of Technology Transfer.
2. Subject to the below, the University through the Long Term Portfolio will seek to invest in all rounds of financing raised by a University Startup in which the University has preemptive rights or is otherwise able to secure an investment, and in which a Qualifying Venture Capital Investment Firm is also participating.
3. "University Startup" means a startup business created on the basis of intellectual property licensed through the Office of Technology Transfer.
4. "Qualifying Venture Capital Investment Firm" shall be determined by the Investment Office. Qualifying Venture Capital Investment Firms shall not be affiliated with the University.
5. Investment in any single round shall not exceed \$2,500,000. The Investment Office shall have the discretion to size the investment appropriately given the circumstances.
6. The Investment Office shall retain the discretion not to invest in any given round.
7. On a company by company basis, the University will submit Action Requests seeking approval, up to a fixed dollar amount, under the State of Michigan Conflicts of Interest Statute for current and possible future investments under the MINTS program before the first University investment.
8. The Investment Office shall produce an annual report regarding the MINTS program.

9. MINTS may be terminated at any time by the joint written action of (i) the Executive Vice President & Chief Financial Officer, and (ii) the Chief Investment Officer.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kevin P. Hegarty", is written over a horizontal line. The signature is stylized with loops and a long horizontal stroke extending to the left.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

June 2018