

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ACTION REQUEST

Subject: Accelerate Blue Fund

Action Requested: Approval of the Accelerate Blue Fund and Guidelines

Background:

The Accelerate Blue Fund (the "A-B Fund") is a collaborative, cross-campus effort being led by the U-M Office of Technology Transfer's Venture Center ("Tech Transfer") in support of U-M IP based startups from all 19 schools that make up the Ann Arbor campus as well as startups based on research developed at both the U-M Dearborn and U-M Flint campuses.

The goal of the A-B Fund is to provide necessary seed capital to nascent U-M startup companies based on underlying technologies from U-M's vast research enterprise to support commercialization efforts in the most impactful way possible. The A-B Fund provides an additional and important tool in the overall research commercialization support provided through the Office of Tech Transfer, and will help fill a critical gap in the U-M innovation commercialization life cycle.

The Office of Tech Transfer is responsible for the commercialization of the University's research discoveries through Intellectual Property ("IP") strategy planning and protection, which includes negotiating licensing agreements with industry or commercialization and licensing through new company formation.

The A-B Fund will make investments in U-M startup companies that involve technologies developed independently or jointly from any school or U-M campus and will fall into such domains as artificial intelligence, advanced materials, software, mobility, energy, clean technologies, and many others. The A-B Fund will initially be funded with approximately \$250,000 secured from several donations for this purpose and an ongoing effort to raise at least \$20 million through additional gifts.

This program supports U-M's leadership position in research and technology while benefiting the broader local entrepreneurial ecosystem by providing incentives to attract and retain world-class research talent.

Guidelines:

1. The A-B Fund shall be managed by the A-B Fund Manager, under the direction of the Associate Vice President of Technology Transfer and Innovation Partnerships. A current employee of Tech Transfer's Venture Center may assume the A-B Fund Manager role initially.
2. Applications for consideration for A-B Fund funding must be submitted in writing using the standard A-B Fund Investment Application form.
3. Deal flow for the A-B Fund will be reviewed by a Deal Flow Council ("DFC") on a rolling basis throughout the calendar year. The DFC will review the pipeline of potential

startups and formed U-M IP based company applications, as well as recommend U-M startups to consider for A-B Fund investment. The DFC will consist of up to 15 members and include members from U-M with knowledge of startup activities and domain expertise, and who may be deeply involved in relevant U-M translational and startup programs and/or existing advisory boards. The DFC will not make investments on behalf of the A-B Fund.

4. The A-B Fund shall only invest in startups created on the basis of intellectual property licensed through the Office of Technology Transfer or have a viable path to such licensing. Additional selection criteria for consideration for investment include:
  - a. Demonstrated technology proof-of-concept and early market validation.
  - b. A strong value proposition for its product backed up by customer insights.
  - c. A feasible commercialization path and Intellectual Property plan.
  - d. At least one scientific co-founder devoting significant effort to the venture's success.
  - e. A reasonable likelihood of follow-on funding and/or a successful exit within 24 months of the A-B Fund investment.
5. The amount and form of A-B Fund investments shall be determined based on market conditions and available resources of the A-B Fund, as well as the type of startup and targeted industry under consideration. Investment amounts will therefore vary; however, the amounts would generally be limited to the following:
  - a. Initial investment range will be between \$10,000 to \$250,000;
  - b. As resources allow, the A-B fund will have follow-on investment rights after the initial investment; and
  - c. No more than 10% of the total pool of funds of the A-B fund may be invested, in aggregate, in any single company without express joint written authorization from the Director of the Venture Center, Associate Vice President for Research - Technology Transfer and Innovation Partnerships, and the Vice President for Research.
6. 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 A-B Fund program before the first University investment in such company where the foregoing Michigan statute requires Regental approval. The A-B Fund will also comply with all applicable conflict of interest policies, including the President's Policy for Institutional Conflicts of Interest in Research.
7. An Investment Advisory Board ("IAB") will serve in an advisory capacity to the A-B Fund Manager for investment decisions and funding allocations, and will provide domain expertise and structuring advice in addition to reviewing all investments annually. The IAB will consist of up to seven members, including members from external groups with domain expertise, including successful entrepreneurs and investors. IAB members will not have specific ties to existing U-M funding programs and will be operationally independent from the DFC. The University's Chief Investment Officer will also appoint one representative to the IAB.

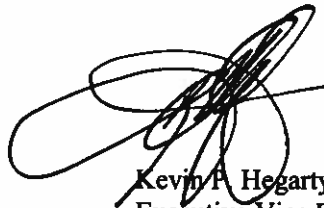
8. The A-B Fund Manager will make investment decisions for the A-B Fund with input from the IAB.
9. The A-B Fund Manager shall produce an annual report regarding the A-B Fund investment activities and will review all investments annually with the IAB.
10. The A-B Fund program may be terminated at any time by the joint written action of (i) the Vice President for Research, and (ii) the Executive Vice President and Chief Financial Officer.

We recommend the Board of Regents approve the Accelerate Blue Fund and these guidelines for managing said fund.

Respectfully submitted,



Rebecca M. Cunningham  
Interim Vice President for Research



Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

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