

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: Regental Action Under the State of Michigan Conflict of Interest Statute

Action Requested: Authorize Execution of Investment Agreements for the Accelerate Blue Fund (“A-B Fund”) for NX Fuels Inc., DBA Carbon Fuels Inc., a Delaware corporation (the “Company”).

Preamble:

In October 2019, the Board of Regents approved the A-B Fund and its guidelines. The purpose of the A-B Fund is to provide seed capital to nascent University of Michigan (the “University”) startup companies based on underlying technologies from the University’s vast research enterprise to support commercialization efforts in the most impactful way possible.

The proposed investment agreements (the "Agreements") fall under the State of Michigan Conflict of Interest Statute because each person listed under the section Interested Individuals is both an employee of the University and a partial owner of the Company and a member of the Board of Directors. The law permits such an Agreement provided it is disclosed to the Board of Regents (“Regents”) of the University and approved in advance by a 2/3 vote.

Background:

Based on recommendations from the A-B Fund Investment Advisory Board (“IAB”) and A-B Fund Managing Director, and in accordance with approved operational procedures and protocols, the A-B Fund is seeking approval for financing agreements up to a total of \$300,000 in potential investments (through one or more rounds of financing) in the Company. It is understood that, upon approval of this item, A-B Fund will have no obligation to enter into the Agreements or proceed with any investment in the Company.

The Company, founded in 2019 and headquartered in Ann Arbor, Michigan, provides a scalable semiconductor-based artificial photosynthesis system that can convert waste CO₂ and waste water into usable fuels or generate H₂ onsite to power fuel cells.

Interested Individuals:

Saemin Choi, Ph.D., Engineer in Research Lead at the University of Michigan School of Engineering.

Zetian Mi, Ph.D., Professor, Electrical Engineering and Computer Science at the University of Michigan School of Engineering.

Pecuniary Interest:

The pecuniary interest of Dr. Choi arises from the fact that he is the CEO and a stockholder of more than 5% of the Company as a co-founder of NX Fuels Inc.

The pecuniary interest of Dr. Mi arises from the fact that he is a stockholder of more than 5% of the Company as a co-founder of NX Fuels Inc.

Parties to the Agreement:

The Regents of University of Michigan and NX Fuels Inc, DBA Carbon Fuels Inc.

Agreement Terms Include:

A-B Fund will execute applicable standard agreements for venture capital investing. The University will receive future equity in the Company, along with the right to purchase more equity.

No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the Agreement. Standard disclaimers of warranties and indemnification apply, and the Agreement may be amended by consent of the parties. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

Recommendations:

We believe state law requirements have been met with the disclosure of the pecuniary interest and formal appointment arrangements with the University. Requirements, if any, that may be applicable by the supervisors or designated conflict managers under the Conflict of Interest Policy at the applicable school, college or administrative unit within the University must be analyzed and managed in addition to the foregoing approval process.

I recommend that the Board of Regents authorize execution of agreements between the University of Michigan and NX Fuels Inc., DBA Carbon Fuels Inc. as set forth above.

Respectfully submitted,



Rebecca Cunningham, M.D.
Vice President for Research

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