

**THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION**

ACTION REQUEST

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

Action Requested: Authorization for the University to transact with Warmilu, LLC (University of Michigan Employee, Weidong Chen, Stockholder and Employee)

Background:

The University of Michigan Ross School of Business, Zell Lurie Institute seeks approval to transact with Warmilu, LLC ("Warmilu"). The department selected Warmilu for the Desai Accelerator Program's 2017 Winter Cohort based on the uniqueness of their idea, coach-ability, and fit into the overall cohort. Desai aims to balance their cohorts to create a diverse learning environment and to mitigate competition between participants.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as Weidong Chen is a University employee as a Graduate Student Instructor with the College of Engineering and would be a party to the contract as Stockholder and Employee of Warmilu.

However, the Statute allows the University to enter into such agreements if the following conditions are met:

- a) The public servant promptly discloses any pecuniary interest in the contract to the official body which has power to approve the purchase, which disclosure shall be a matter of record in its official proceedings.
- b) The purchase is approved by a vote of not less than 2/3 of the full membership of the approving body in open session without the vote of the public servant making the disclosure.
- c) The official body discloses the following summary information in its official minutes:
 - i) The name of each party involved in the contract.
 - ii) The terms of the purchase, including duration, financial consideration between the parties, facilities or services of the public entity included in the purchase, and the nature and degree of assignment of employees of the public entity for fulfillment of the purchase.
 - iii) The nature of any pecuniary interest.

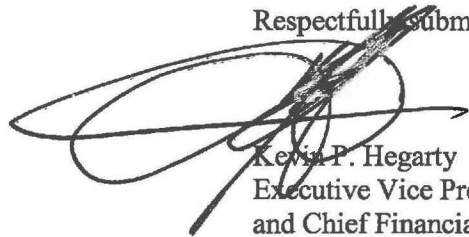
The following information is provided in compliance with the statutory requirements contained in Section (c) above:

- i) The parties to the contract are the Regents of the University of Michigan and its Ross School of Business, Zell Lurie Institute, and Warmilu.
- ii) The agreement is to invest \$25,000 under a Simple Agreement for Future Equity with no maturity or expiration date. The fund would receive a return on investment when there is an event, such as public offering or issuance of stock or other change in equity. The remaining base contract terms and conditions are typical to those used in Procurement Services standard templates for other similar contracts entered into by the Regents.
- iii) The pecuniary interest arises from the fact that University of Michigan employee, Weidong Chen, is a Stockholder and Employee of Warmilu.

Weidong Chen has met state law requirements with the disclosure of his pecuniary interest and formal appointment arrangements with the University of Michigan. Requirements, if any, that may be applicable by the supervisor of Weidong Chen under the Medical School's or OVPR's Conflict of Interest Committee's procedures are separately analyzed and managed.

We recommend that the Board of Regents approve the agreement between the University of Michigan and Warmilu subject to requirements, if any, that the supervisor of Weidong Chen or the Medical School's or OVPR's Conflict of Interest Committee may impose.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Kevin P. Hegarty', is written over the typed name and title. The signature is stylized with large loops and a long horizontal stroke.

Kevin P. Hegarty
Executive Vice President
and Chief Financial Officer

February 2017