

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 enter into an agreement with Arborlight, Inc. (University of Michigan Employees, Max Shtein and Pei-Cheng Ku, Co-founders)

Background:

The University of Michigan School of Public Health, Department of Nutritional Sciences seeks approval to enter into an agreement with Arborlight, Inc. ("Arborlight"). Arborlight produces LED Skylight emulators that mimic natural light in intensity, color and rhythm and the department needs to purchase two units to study the effect of circadian rhythm on physical and mental health in a work environment.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as Max Shtein is a University employee as Associate Professor of Material Science and Engineering with the College of Engineering and Pei-Cheng Ku is an Associate Professor of Electrical Engineering and Computer Science with the College of Engineering and would be parties to the contract as Co-founders of Arborlight.

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 School of Public Health, Department of Nutritional Sciences and Arborlight.
- ii) The agreement is to purchase two LED Skylight emulators that mimic natural light in intensity, color and rhythm at a total cost of \$2,200.
- iii) The pecuniary interest arises from the fact that University of Michigan employees, Max Shtein and Pei-Cheng Ku are Co-founders of Arborlight.

Max Shtein and Pei-Cheng Ku have met state law requirements with the disclosure of their pecuniary interest and formal appointment arrangements with the University of Michigan. Requirements, if any, that may be applicable 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 Arborlight subject to requirements, if any, that either 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 below it.

Kevin P. Hegarty  
Executive Vice President  
and Chief Financial Officer

April 2016