

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 Court Innovations, Inc. (University of Michigan Employee, James J. Prescott, Stockholder, Owner, Director, and Consultant)

Background:

The University of Michigan Zell Lurie Institute at the Ross School of Business seeks approval for the Social Venture Fund ("Fund") to invest in Court Innovations, Inc. ("Court Innovations"). Court Innovations was selected by student managers of the Fund from their most current yearly application cycle. The Fund seeks for-profit social enterprises that are committed to positive and measurable social and/or environmental impact.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as James J. Prescott is a University employee as a Professor of Law at the Law School and would be party to the contract as Stockholder, Owner, Director, and Consultant of Court Innovations.

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.

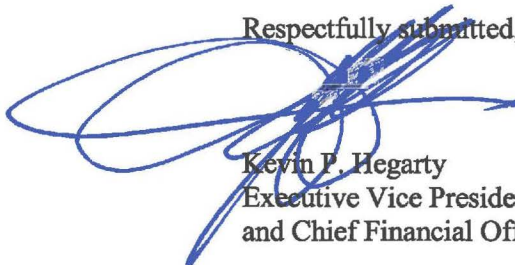
The following information is provided in compliance with the statutory requirements contained in Section (c) above:

- i) The parties to the contract are the Regents of the University of Michigan and its Ross School of Business, Zell Lurie Institute, and Court Innovations.
- ii) The agreement is for the Social Venture Fund to invest \$50,000 in Court Innovations for Series A Preferred Stock. Court Innovations will be supplying all the necessary resources and personnel to fulfill this contract. 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, James J. Prescott, is a Stockholder, Owner, Director, and Consultant of Court Innovations.

James J. Prescott 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 James J. Prescott 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 Court Innovations subject to requirements, if any, that the supervisor of James J. Prescott or the Medical School's or OVPR's Conflict of Interest Committee may impose.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President
and Chief Financial Officer

April 2017