Approved by the Regents
July 21, 2016

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 purchase from H3D, Incorporated (University of Michigan Employee, Zhong He, Owner, Director, Stockholder, and Yuefeng Zhu, Stockholder, and Employee)

Background:

The University of Michigan College of Engineering, Nuclear Engineering and Radiological Sciences seeks approval to purchase digital circuit boards from H3D, Incorporated ("H3D"). H3D has the expertise to manufacture faster, smaller, and lower noise digital circuit boards than the original boards purchased from IDEAS. Prior to H3D's ability to manufacture this item, IDEAS of Norway was the only known provider of this equipment. IDEAS is unable to meet the requirement of this project.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as Zhong He is a University employee as Professor with the College of Engineering, Nuclear Engineering and Radiological Sciences and would be a party to the contract as Owner, Director of H3D and Yuefeng Zhu is a University employee as Assistant Research Scientist with the College of Engineering, Nuclear Engineering and Radiological Sciences and would be a party to the contract as a Stockholder and Employee of H3D.

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 College of Engineering, Nuclear Engineering and Radiological Sciences, and H3D.

ii) The agreement is for a one time purchase of two Digital ASIC DAQ boards and the supporting electronics for a total cost of $102,900.

iii) The pecuniary interest arises from the fact that University of Michigan employees, Zhong He is the Owner, Director and Stockholder of H3D and Yuefeng Zhu is a Stockholder and Employee of H3D.

Zhong He and Yuefeng Zhu 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 H3D subject to requirements, if any, that either 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

July 2016