

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, LLC (University of Michigan Employees Associate Professor Max Shtein and Associate Professor Pei-Cheng Ku, Partial Owners).

Background:

The University of Michigan, Office of Technology Transfer seeks approval to enter into an agreement with Arborlight, LLC ("Arborlight") to provide funding for the purchase of the supplies necessary to develop a LED based prototype device. The project was approved and is being funded by the Michigan Initiative for Innovation and Entrepreneurship program. Arborlight was selected because it currently retains an exclusive option license from the University of Michigan for use of the technology that is being incorporated into the prototype.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as Max Shtein is a University employee as Associate Professor in the departments of Material Science and Engineering, Macromolecular Science and Engineering, Chemical Engineering, and Art and Design, and Pei-Cheng Ku is a University employee as Associate Professor in the department of Electrical Engineering and Computer Science-Electrical and Computer Engineering. Both Associate Professor Shtein and Associate Professor Ku would be parties to the agreement as partial owners 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 Office of Technology Transfer and Arborlight.
- ii) The agreement is to provide funding for the purchase of the supplies necessary to develop a LED based prototype device. The duration of the agreement is for twelve months at a cost of \$11,000.
- iii) The pecuniary interest arises from the fact that University of Michigan employees, Max Shtein and Pei-Cheng Ku, are partial owners 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,



Timothy P. Slottow
Executive Vice President
and Chief Financial Officer

November 2012