

The University of Michigan Regents Communication

Request for Action

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

Action Requested: Authorization for the university to transact with Arborsense, Inc. (University of Michigan Employee, Mark Ilgen, co-owner and Xudong (Sherman) Fan, stockholder)

Background:

The University of Michigan Departments of Psychiatry and Biomedical Engineering seek approval to transact with Arborsense, Inc. for equipment rental and usage services.

The proposed contracts fall under the State of Michigan Conflict of Interest Statute as Mark Ilgen is employed by the University as a Professor with the Department of Psychiatry and would be a party to the contract as co-owner of Arborsense, Inc.; and Xudong (Sherman) Fan is employed by the University as a Richard A. Auhll Endowed Professor of Engineering and Professor with the Department of Biomedical Engineering and would be a party to the contract as stockholder of Arborsense, Inc.

However, the Statute allows the university to enter into such contracts if the following conditions are met:

- 1) 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.
- 2) 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.
- 3) The official body discloses the following summary information in its official minutes:
 - a) The name of each party involved in the contract.
 - b) 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.
 - c) The nature of any pecuniary interest.

The following information is provided in compliance with the statutory requirements contained in Section (3) above:

- a) The parties to the contracts are the Regents of the University of Michigan, its Departments of Psychiatry and Biomedical Engineering, and Arborsense, Inc.
- b) The contracts are for a duration of two years not to exceed \$17,000 and Arborsense, Inc. will supply the necessary resources and personnel to fulfill these contracts. 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.
- c) The pecuniary interest arises from the fact that University of Michigan employees, Mark Ilgen, is a co-owner of Arborsense, Inc and Xudong (Sherman) Fan is a stockholder of Arborsense, Inc.

Mark Ilgen and Xudong (Sherman) Fan 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 by the supervisors of Mark Ilgen and Xudong (Sherman) Fan under the Departments of Psychiatry and Biomedical Engineering or OVPR's Conflict of Interest Committee's procedures are separately analyzed and managed.

We recommend that the Board of Regents approve the contract between the University of Michigan and Arborsense, Inc., subject to requirements, if any, that the supervisors of Mark Ilgen and Xudong (Sherman) Fan or the Psychiatry Departments and Biomedical Engineering or OVPR's Conflict of Interest Committee may impose.

Respectfully submitted,



Robert A. Hewlett III
Interim Executive Vice President
and Chief Financial Officer

May 2026