

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ACTION REQUEST

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

Action Requested: Authorize Execution of Investment Agreements for the Monroe-Brown Seed Fund for Arborsense.

Preamble:

In April 2016, the Board of Regents approved the Monroe-Brown Seed Fund and its guidelines. The purpose of the Monroe-Brown Seed Fund is to provide seed and pre-seed capital to biomedical start-up companies based on underlying technologies from the University of Michigan's College of Engineering and Medical School.

The proposed investment agreements (the "Agreements") fall under the State of Michigan Conflict of Interest Statute because the listed Interested Individual(s) is/are both an employee of the University of Michigan ("University") and a partial owner of Arborsense(the "Company"). The law permits such an Agreement provided it is disclosed to the Board of Regents ("Regents") of the University of Michigan and approved in advance by a 2/3 vote.

Background:

Based on recommendations from the Monroe-Brown Seed Fund Investment Advisory Board (IAB) and Program Manager, and in accordance with approved operational procedures and protocols, the Monroe-Brown Seed Fund is seeking approval to invest seed capital in an amount not to exceed \$300,000 in the following startup:

Arborsense founded in 2015, and headquartered in Ann Arbor, MI is medical device company focused on building transdermal sensors for healthcare applications. The Company was formed to commercialize the novel molecules developed at the University.

Interested Individual(s): □

Xudong Fan, Ph.D. □ has an appointment at the University of Michigan as Professor of Biomedical Engineering.

Zhaohui Zhong, Ph.D. □ has an appointment at the University of Michigan as an Associate Professor in the Department of Electrical Engineering and Computer Science.

Mark Ilgen, Ph.D. □ has an appointment at the University of Michigan as a Professor in the Department of Psychiatry.

Girish Kulkarni, Ph.D. □ has an appointment at the University of Michigan as an Research Associate in the Department of Biomedical Engineering.

Pecuniary Interest:

The pecuniary interests of Drs. Xudong Fan, Zhaohui Zhong, Mark Ilgen, and Girish Kulkarni arise from their ownership interest in the Company.

Parties to the Agreement:

The Regents of University of Michigan and Arborsense.

Agreement Terms Include:

The Monroe-Brown Seed Fund will execute applicable standard agreements for venture capital investing. The University will receive future equity in the Company, along with the right to purchase more equity.

No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the Agreement. Standard disclaimers of warranties and indemnification apply, and the Agreement may be amended by consent of the parties. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

Recommendations:

We believe state law requirements have been met with the disclosure of the pecuniary interest and formal appointment arrangements with the University of Michigan. Requirements, if any, that may be applicable by the supervisors or designated conflict managers under the Conflict of Interest Policy at the applicable school, college or administrative unit within the University must be analyzed and managed in addition to the foregoing approval process.

I recommend that the Board of Regents authorize execution of agreements between the University of Michigan and Arborsense as set forth above.

Respectfully submitted,



Dr. Marschall S. Runge  
Executive Vice President for Medical Affairs

[July 9, 2018]