

**THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION**

**Approved by the
Regents
September 17, 2015**

ACTION REQUEST

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

Action Requested: Authorization for the University to transact with PHASIQ, Inc. (University of
Michigan Employee, Shuichi Takayama, Stockholder)

Background:

The University of Michigan Ross School of Business, Zell Lurie Institute seeks approval for the Zell Lurie Commercialization Fund to invest in PHASIQ, Inc. ("PHASIQ"). PHASIQ was selected based on the investment criteria process established by the Zell Lurie Institute and was one of ninety applicants which were reviewed by the fund managers. This transaction is considered a pre-seed investment and is structured under a Simple Agreement for Future Equity and therefore has no maturity or expiration date. The fund would receive a return on investment when there is an event, such as a public offering or issuance of stock or other change in equity.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as Shuichi Takayama is a University employee as Professor of Biomedical Engineering with the College of Engineering and would be party to the agreement as a Stockholder of PHASIQ.

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 PHASIQ.
- ii) The agreement is considered an investment and is structured under a Simple Agreement for Future Equity and has no maturity or expiration date. The investment in PHASIQ will be \$36,000 and the fund would receive a return on investment when there is an event, such as a public offering or issuance of stock or other change in equity.
- iii) The pecuniary interest arises from the fact that University of Michigan employee, Shuichi Takayama, is a Stockholder of PHASIQ.

Shuichi Takayama 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 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 PHASIQ subject to requirements, if any, that either the Medical School's or OVPR's Conflict of Interest Committee may impose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Kevin P. Hegarty', is written over the typed name and title.

Kevin P. Hegarty
Executive Vice President
and Chief Financial Officer

September 2015