

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 of Michigan to Enter into Lease Agreements with Venture Accelerator Firms Located at the North Campus Research Complex

Background:

The University of Michigan wishes to enter into lease agreements for space in the North Campus Research Complex Venture Accelerator located at 1600 Huron Parkway, Ann Arbor, Michigan, with the companies listed in the attached spreadsheet. The space will be utilized as office and laboratory space for research and business operations for each respective company. The companies have an opportunity to expand their operations per the parameters outlined in the spreadsheet to include additional laboratory space or office space.

The proposed leases fall under the State of Michigan conflict of interest statute as those named for each company in the attached spreadsheet are University of Michigan employees and party to the lease by virtue of their share of the ownership of the tenant company, membership on tenant company board of directors, or acting as an officer in the tenant company. However, the statute allows university employees to participate in such lease agreements if the following conditions are met:

- a) The public servant promptly discloses any pecuniary interest in the lease agreement to the official body that has power to approve the lease agreement, which disclosure shall be a matter of record in its official proceedings.
- b) The lease agreement is approved by a vote of not less than two-thirds 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 lease agreement.
 - ii) The terms of the lease agreement, including duration, financial consideration between the parties, facilities or services of the public entity included in the lease agreement, and the nature and degree of assignment of employees of the public entity for fulfillment of the lease agreement.
 - iii) The nature of any pecuniary interest.

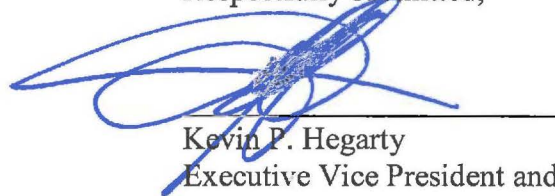
The following information is provided in compliance with the statutory requirements contained in Section (c) above:

- i) The parties to the lease agreements are the Regents of the University of Michigan and the companies listed in the attached spreadsheet.
- ii) The service to be provided is the continuation of existing leases for space in the North Campus Research Complex Venture Accelerator located at 1600 Huron Parkway, Ann Arbor, Michigan with access to common area space within the building for an additional year in the program. The one year lease durations are outlined in the spreadsheet. The leases are written using the standard University of Michigan Venture Accelerator lease template. The tenants will pay the rates as stipulated in the attached spreadsheet for the additional term as indicated. All tenant companies will be responsible for providing monthly updates concerning their business progress to the University of Michigan's Office of Technology Transfer, and will have access to Office of Technology Transfer personnel for advice concerning obtaining technology assessment, business consulting, technical assistance, capital raising, or other business services.
- iii) The pecuniary interest arises from the fact that the individuals listed for each tenant company are University of Michigan employees and owners and/or officers of each respective tenant company.

All have met state law requirements with the disclosure of their pecuniary interest and formal appointment arrangements with the University of Michigan.

We recommend that the Board of Regents approve the lease agreements between the University of Michigan and the venture accelerator companies listed in the attached spreadsheet, subject to the requirements, if any, of a conflict management plan required by the respective employees' supervisor, and any requirements imposed by the conflict of interest committees of the Medical School or the Office of Research.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

September 2016
Attachment

COMPANY	U-M EMPLOYEES	TERM	MONTHLY RENT SCHEDULE				UNITS RENTED CURRENT TERM				MONTHLY RENT CURRENT TERM
			OFFICE	LAB	CUBICLE W/OFC OR LAB	CUBICLE WO/OFC OR LAB	OFFICE	LAB	CUBICLE W/OFC OR LAB	CUBICLE WO/OFC OR LAB	
HygraTek LLC Fourth Year Extension	Anish Tuteja	October 18, 2016 - October 17, 2017	\$365	\$2,750	\$170	\$185	1	1	0	0	\$3,115
ONL Therapeutics, Inc. Fourth Year Extension	David Zacks	October 18, 2016 - October 17, 2017	\$365	\$2,750	\$170	\$185	2	0	1	0	\$900

NOTE:

All Venture Accelerator tenants have the option to lease units up to the following maximums: Eight (8) offices; Eight (8) cubicles; Three (3) Labs