

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 a Lease Agreement and Relationship Agreement with Tissue Regeneration Systems Inc. (University of Michigan Professor Stephen Feinberg, Associate Professor Scott Hollister, and Associate Professor Frank La Marca, partial owners)

Background:

The University of Michigan wishes to enter into a lease agreement for space in the North Campus Research Complex start-up accelerator, located at 1600 Huron Parkway, 2nd Floor, Ann Arbor, Michigan, to be leased to Tissue Regeneration Systems Inc. The space will be utilized as laboratory and office space for research and business operations for Tissue Regeneration Systems Inc. The parties will also enter into a relationship agreement defining the relationship between the University of Michigan and Tissue Regeneration Systems Inc. at the accelerator.

The proposed lease and relationship agreements fall under the State of Michigan conflict of interest statute as Stephen Feinberg, Scott Hollister, and Frank La Marca are University of Michigan employees and parties to the lease and relationship agreements by virtue of their partial ownership of Tissue Regeneration Systems Inc. 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.

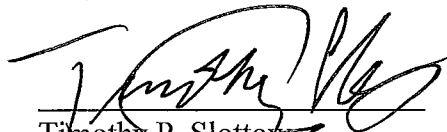
The following information is provided in compliance with the statutory requirements contained in Section (c) above:

- i) The parties to the lease agreement are the Regents of the University of Michigan and Tissue Regeneration Systems Inc.
- ii) The service to be provided is the lease of modular laboratory and office space in the North Campus Research Complex start-up accelerator on the second floor of Building 520, located at 1600 Huron Parkway, Ann Arbor, Michigan, for twelve months. The lease will begin in late 2011 and will use the standard University of Michigan accelerator lease template. Tenant will pay the standard accelerator rates of: \$200 per month for each office (maximum of 4); \$65 per month for each cubicle (maximum of 4); and \$2,150 per month for each half bay of laboratory space (maximum of 2). Tissue Regeneration Systems Inc. will be responsible for providing monthly updates concerning its business progress to the University of Michigan 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 Stephen Feinberg, Scott Hollister, and Frank La Marca, University of Michigan employees, are owners of an equity interest in Tissue Regeneration Systems Inc.

Stephen Feinberg, Scott Hollister, and Frank La Marca have met state law requirements with the disclosure of their pecuniary interest and their formal appointment arrangements with the University of Michigan.

We recommend that the Board of Regents approve the lease agreement between the University of Michigan and Tissue Regeneration Systems Inc., subject to the requirements, if any, of a conflict management plan required by the respective employee's supervisor, and any requirements imposed by the conflict of interest committees of the Medical School or the Office of the Vice President for Research.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

October 2011