

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 with a Venture Accelerator Firm Located at the North Campus Research Complex

Background:

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

The proposed lease falls under the State of Michigan conflict of interest statute as those named for the 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 agreement are the Regents of the University of Michigan and the company listed in the attached spreadsheet.
- ii) The service to be provided is the lease of 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. The lease durations including all options for renewal are outlined in the spreadsheet. The lease will use the standard University of Michigan Venture Accelerator lease template. The tenant company will pay the rates as stipulated in the attached spreadsheet for the current term and option years as indicated. The tenant company will be responsible for providing monthly updates concerning its 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 are University of Michigan employees and owners and/or officers of the 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 agreement between the University of Michigan and the venture accelerator company 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

June 2018
Attachment

COMPANY	U-M EMPLOYEES	TERM	MONTHLY RENT SCHEDULE						UNITS RENTED CURRENT TERM						MONTHLY RENT CURRENT TERM	SECURITY DEPOSIT	
			OFFICE	LAB	1/2 LAB	1/4 LAB	CUBICLE	CUBICLE	OFFICE	LAB	1/2 LAB	1/4 LAB	CUBICLE	CUBICLE			
							W/LAB OR OFFICE	WO/LAB OR OFFICE					W/LAB OR OFFICE	WO/LAB OR OFFICE			
Phenomix Health, Inc.	Brian D. Athey Gerald A. Higgins	July 1, 2018 - June 30, 2019	\$410	\$2,950	\$1,475	\$738	\$200	\$205	1	0	0	0	2	0	\$810		
		Renewal Option:															
		July 1, 2019 - June 30, 2020	\$430	\$3,050	\$1,525	\$763	\$210	\$215									
		July 1, 2020 - June 30, 2021	\$450	\$3,150	\$1,575	\$788	\$220	\$225									

NOTES:

1. Renewal Options will be exercised only if acceptable to all parties and will be executed via amendment.
2. All tenants have the option to lease units up to the following maximums: Eight (8) offices; Eight (8) cubicles; Three (3) labs.