

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

Approved by the Regents  
December 13, 2012

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 Sub-Lease Agreement with JV Biolabs LLC (University of Michigan Professor Kent Johnson and Professor James Varani, partial owners of JV Biolabs LLC)

Background:

The University of Michigan wishes to enter into a sub-lease agreement for 439 square feet of property located at 2900 Huron Parkway, Ann Arbor, Michigan. The university currently holds a lease with for 34,400 square feet with Traverwood II LLC for the Health System's Pathology Department. The space will be utilized by JV Biolabs LLC for assessing agents for skin repair.

The proposed lease agreement falls under the State of Michigan conflict of interest statute as Kent Johnson and James Varani are University of Michigan employees and would be a party to the lease agreement by virtue of their share of the ownership of JV Biolabs LLC. 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 JV Biolabs LLC.
- ii) The service to be provided is the sub lease of 439 square feet in a building at 2900 Huron Parkway, Ann Arbor, Michigan for one year beginning August 1, 2012, through July 31, 2013, at a monthly rate of \$1,942.50. The sub-lease can be renewed for an additional one year term upon mutual agreement. Tenant will be responsible for its prorated portion of the operating expenses of the building which is included in the monthly rent.
- iii) The pecuniary interest arises from the fact that Kent Johnson and James Varani are University of Michigan employees and are owners of JV Biolabs LLC.

Kent Johnson and James Varani 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 sub-lease agreement between the University of Michigan and JV Biolabs LLC 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 the Vice President for Research.

Respectfully submitted,



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Timothy P. Slottow  
Executive Vice President and  
Chief Financial Officer

December 2012