

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
May 17, 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 Lease Amendment Agreement with Civionics LLC (University of Michigan Associate Professor Jerome Lynch and Research Assistant Andrew Zimmerman, partial owners of Civionics LLC.)

Background:

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

The proposed lease amendment agreement falls under the State of Michigan conflict of interest statute as Jerome Lynch and Andrew Zimmerman are University of Michigan employees and indirectly a party to the lease amendment agreement by virtue of their partial ownership of Civionics LLC. However, the statute allows university employees to participate in such lease amendment agreements if the following conditions are met:

- a) The public servant promptly discloses any pecuniary interest in the lease amendment agreement to the official body that has power to approve the lease amendment agreement, which disclosure shall be a matter of record in its official proceedings.
- b) The lease amendment 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 amendment agreement.
 - ii) The terms of the lease amendment agreement, including duration, financial consideration between the parties, facilities or services of the public entity included in the lease amendment agreement, and the nature and degree of assignment of employees of the public entity for fulfillment of the lease amendment agreement.
 - iii) The nature of any pecuniary interest.

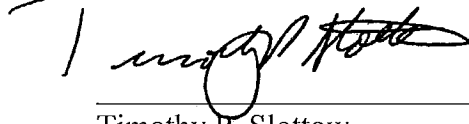
The following information is provided in compliance with the statutory requirements contained in Section (c) above:

- i) The parties to the lease amendment agreement are the Regents of the University of Michigan and Civionics LLC.
- ii) The service to be provided is the lease of laboratory and office space in the North Campus Research Complex start-up accelerator space on the second floor of Building 520, located at 1600 Huron Parkway, Ann Arbor, Michigan, for twelve months. The lease amendment agreement will begin in June 2012 and will use the standard University of Michigan accelerator lease template. Tenant will pay the standard accelerator rates of: \$2250 per month for each half bay of laboratory space (maximum of 2); \$225 per month for each office (maximum of 4); and \$80 per cubicle (maximum of 4). Civionics LLC 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 Jerome Lynch and Andrew Zimmerman, University of Michigan employees, are owners of an equity interest in Civionics LLC.

Jerome Lynch and Andrew Zimmerman 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 amendment agreement between the University of Michigan and Civionics 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,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

May 2012