

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

Approved by the Regents  
April 19, 2007

ACTION REQUEST

Subject: Regental Action Required Under the State of Michigan  
Contracting with Governmental Employees Statute (MCLA 15.321 et seq.)

Action

Requested: Authorization for the University to Enter into a Sublease Agreement with Parke, Davis & Company as the Subtenant and Traverwood II LLC as the Landlord and a Lease Agreement with Traverwood II LLC as the Landlord and a Sublease Agreement with SPARK as the Subtenant

Background:

The University of Michigan wishes to enter into an eight-month sublease agreement for approximately 7,000 square feet of property located at 2900 Huron Parkway to be subleased from Parke, Davis & Company. The space will be utilized as office/wet lab space for the Department of Pathology.

Upon expiration of the sublease agreement, the University of Michigan wishes to enter into a five-year lease agreement from Traverwood II LLC for approximately 34,400 square feet of property located at 2900 Huron Parkway. A portion of the space will be utilized as office/wet lab space for the Department of Pathology.

Once the five-year lease agreement commences, the University of Michigan wishes to enter into a sublease agreement for approximately 12,000 square feet of property located at 2900 Huron Parkway to sublease to SPARK.

The proposed agreements fall under the State of Michigan Contracting with Governmental Employees Statute because University employees who are deemed interested parties to the agreements under the statute are:

- a) William C. Martin, by virtue of his ownership of Traverwood II LLC, and
- b) Stephen Forrest and Kenneth Nisbet, by virtue of their membership on SPARK's Executive Committee. President Mary Sue Coleman serves on SPARK's Board of Directors, but a different statute (MCLA 15.301 et seq.) applies and its application does not require formal Regents' Action.

However, the applicable statute allows University employees to participate in such sublease and lease agreements, if the following conditions are met:

- a) The public servant promptly discloses any pecuniary interest in the sublease agreements and lease agreement to the official body that has power to approve the sublease agreements and lease agreement, which disclosure shall be a matter of record in its official proceedings.

- b) The sublease agreements and lease agreement are approved by a vote of not less than 2/3 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 sublease agreements and lease agreement.
  - ii) The terms of the sublease agreements and lease agreement, including duration, financial consideration between the parties, facilities or services of the public entity included in the sublease agreements and lease agreement, and the nature and degree of assignment of employees of the public entity for fulfillment of the sublease agreements and 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 2007 sublease agreement are the Regents of the University of Michigan and Parke, Davis & Company and Traverwood II LLC. The parties to the lease agreement are the Regents of the University of Michigan and Traverwood II LLC. The parties to the subsequent sublease agreement (2008-2013) are the Regents of the University of Michigan, SPARK, and Traverwood II LLC.
- ii) The service to be provided is the sublease from Parke, Davis & Company of approximately 7,000 square feet in a building at 2900 Huron Parkway for eight months, beginning May 1, 2007 through December 31, 2007, at a monthly rental rate of \$0 for the term. Subtenant (The University of Michigan) is responsible for gas and electric usage and all other operating expenses, estimated at \$11,667.00 per month.
- iii) Upon termination of the sublease agreement, the service to be provided is the lease from Traverwood II LLC of approximately 34,400 square feet in a building at 2900 Huron Parkway for five years, beginning January 1, 2008 through December 31, 2012, at a monthly rental rate of \$35,890.00 for the first year, \$35,190.00 for the second year, \$34,460 for the third year, and \$55,900.00 for the remaining two years. The University of Michigan will be responsible for gas and electric usage and all other operating expenses, estimated at \$37,333.00 per month.
- iv) Once the five-year lease agreement commences, the service to be provided is a sublease with SPARK of approximately 12,000 square feet in a building at 2900 Huron Parkway for five years, beginning January 1, 2008 through December 31, 2012. Under a separate early termination agreement, Parke,

Davis & Company has paid Traverwood II LLC the base rental rate for the first three years on the SPARK space. SPARK will not be charged a base rental rate until January 1, 2011. For the remaining two years, the University of Michigan will charge SPARK a monthly rental rate of approximately \$19,500. SPARK will be responsible for their utility and operating expenses.

- v) In addition, no leasehold improvements will be needed.
- vi) The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is the owner of Traverwood II LLC and Stephen Forrest and Kenneth Nisbet, University of Michigan employees, are on the Executive Committee of SPARK.

Each University of Michigan employee has met state law requirements with the disclosure of his pecuniary interest, and his formal appointment arrangements with the University of Michigan.

We recommend that the Regents approve the sublease agreement between the University of Michigan and Parke, Davis & Company and the lease agreement between the University of Michigan and Traverwood II LLC and the sublease agreement with SPARK as the subtenant.

Respectfully submitted,



Timothy P. Slottow  
Executive Vice President and  
Chief Financial Officer

April 2007