

**TOPIC:** University of Maryland, Baltimore: Authorization for President and Vice President for Enterprise and Economic Development to Serve on Steering Committee of Affiliated Business Entity

**COMMITTEE:** Finance

**DATE OF COMMITTEE MEETING:** March 30, 2017

**SUMMARY:** University Medicines International, LLC (UMI) is a Maryland LLC which was created by UMB and Shin Nippon Biomedical Laboratories, Inc. (SNBL) of Japan. SNBL and UMB share control of UMI. UMI was established with the goal of exploring joint venture opportunities involving Japanese pharmaceutical firms and UMB and other academic medical centers in the U.S. The Board recognized UMI as an affiliated business entity of UMB in 2000. The Board also approved the service of the then President of UMB as a member of the Steering Committee of UMI. The Steering Committee is the governing body of UMI.

UMI has continued to be an active Maryland LLC but has not conducted business as anticipated in 2000. SNBL created a clinical drug testing firm that became an early tenant of the UMB BioPark. SNBL has focused on that firm's activities, which are ongoing. The BioPark firm and other SNBL assets have been sold. The former SNBL officer who collaborated with UMB to establish UMI now seeks to bring UMI to an active status. He has requested that UMB's President, Jay A. Perman, and Vice President for Enterprise and Economic Development, James L. Hughes, be members of the UMI Steering Committee, replacing UMB's original members (who no longer work for UMB).

It is anticipated that there will be business transactions involving UMB and UMI, as well as third parties. President Perman has requested, for himself and for Vice President Hughes, an exemption from provisions of the State Ethics Law that would, in the absence of an exemption, prohibit Dr. Perman and Mr. Hughes from serving on the UMI Steering Committee. Dr. Perman has requested that the exemptions be in effect for five years. Dr. Perman also has suggested that annual reports of UMI as an affiliated business entity be prepared starting with a report in fiscal year 2019 covering activities in fiscal year 2018 (see attachment A).

The Board of Regents has the authority to approve the requested exemptions from sections of the State Ethics Law. This authority is pursuant to the Public Private Partnership Act section of the Ethics Law and pursuant to BOR Policy III-1.11 Policy on Conflicts of Interest in Research or Development.

It is anticipated that the UMI involvement of Dr. Perman and Mr. Hughes will convey to potential customers of UMI the commitment of UMB to UMI's goals. A business plan focusing on the Japanese pharmaceutical industry as a source of business opportunities for UMI will be developed in FY 2017 and FY 2018. Dr. Perman does not anticipate any substantial commitment of UMB financial resources to UMI. In keeping with UMB standard procedure, undertakings of UMI that involve UMB facilities and personnel will require appropriate contracting with UMB and full financial support for UMB costs from the party contracting for UMB services.

The USM policy requires a conflict of interest management plan, which will be developed by the Chancellor or his designee.

**ALTERNATIVE(S)**: The Board may choose not to approve one or both of the requested exemptions.

**FISCAL IMPACT**: The fiscal impact of the requested action cannot be projected at this point. It is anticipated that the participation of senior UMB officers in the UMI Steering Committee will lead to growth in UMB revenues for drug development and other research projects as UMB attains increased recognition in the Japanese pharmaceutical industry.

**CHANCELLOR'S RECOMMENDATION**: That the Finance Committee recommend that the Board of Regents approve (a) pursuant to Policy III-1.11, exemptions from the sections of the State Ethics Law to permit President Perman and Vice President Hughes to serve as members of the UMI Steering Committee for five years, (b) development by the Chancellor or his designee of appropriate conflict of interest management plans for President Perman and Vice President Hughes as required under the Policy; and (c) a requirement that UMB submit to USM reports as required by Policy VIII-13.00 about the UMB relationship with UMI, an affiliated business entity, starting with a report due in fiscal year 2019.

This approval is conditioned upon the 30-day review and concurrence of the exemptions by the State Ethics Commission, per §5-525 of the General Provisions Article.

---

COMMITTEE RECOMMENDATION:

DATE:

---

BOARD ACTION:

DATE:

---

SUBMITTED BY: Joseph F. Vivona (301) 445-1923

---

## ATTACHMENT A

While the establishment of UMI, LLC under the provisions of sections 12-113 and 15-107 of the Education Article pre-dated the creation of the Board's policy on business entities (VIII-13.00), UMI, LLC falls under the stated policy. Therefore, the annual reporting required of institutions applies to UMI, LLC.

Specifically,

“Within 120 days after the end of the System's fiscal year, the President of the institution shall provide to the Chancellor a report of:

- a) the business entities established by the institution in accordance with Section 12-113 and this policy;
- b) the funds invested in, or financing provided by the institutions or any affiliated foundation to business entities in accordance with Section 12-113 and this policy;
- c) ownership interests acquired by an institution in a business entity in accordance Section 12-113 and with this policy; and
- d) the current status of the business entities.

The President shall submit with the report an annual audited financial statement, if available, and an updated five-year plan for each business entity, including an evaluation of whether the entity met the performance indicators recommended to or adopted by the Board of Regents. An institution may present alternative information if approved by the Chancellor or the Board.”