

MINUTES OF THE MEETING OF THE
AUDIT, COMPLIANCE, AND RISK COMMITTEE OF THE
BOARD OF DIRECTORS OF THE UofL RESEARCH FOUNDATION, INC., AND THE
BOARD OF TRUSTEES OF THE UNIVERSITY OF LOUISVILLE

September 19, 2024

In Open Session

Members of the Audit, Compliance, and Risk Committee of the UofL Research Foundation, Inc., Board of Directors and the UofL Board of Trustees met in the Jefferson Room, Grawemeyer Hall, Belknap Campus, on September 19, 2024 at 1:03 p.m., with members present and absent as follows:

Present: Ms. Diane Medley, Chair
Mr. Al Cornish
Ms. Kevin Ledford

Absent: Mr. Larry Hayes

Other Trustees

Present: Mr. Jerry Abramson
Dr. Larry Benz
Dr. Raymond Burse
Mr. Chris Dischinger
Mr. Brian Lavin
Dr. Eugene Mueller
Ms. Allie Rose Phillips
Ms. Diane Porter
Ms. Sherrill Zimmerman

From the
University: Dr. Kim Schatzel, President
Dr. Gerry Bradley, Executive Vice President and University Provost
Dr. Jeffrey Bumpous, Interim Executive Vice President for Health Affairs
Dr. Jon Klein, Interim Executive Vice President for Research and Innovation
Mr. Charlie Perusse, Interim Executive VP for Finance & Administration
Mr. Riggs Lewis, Vice President for External Affairs and Communications
Mr. Darrell Clark, Vice President for Human Resources
Mr. Douglas Craddock, Vice President for Community Engagement
Ms. Angela Curry, General Counsel & VP for Governance & Strategic Initiatives
Ms. Julie Dials, Vice President for Philanthropy and Alumni Engagement
Mr. Lee Gill, Vice President for Institutional Equity
Mr. Josh Heird, Vice President for Athletics and Athletic Directors
Dr. Michael Mardis, Vice President for Student Affairs and Dean of Students
Ms. Jill Mullaney, Interim Vice President for Finance and Budget
Ms. Sandy Russell, Vice President for Risk, Audit, and Compliance

Ms. Michelle Comer, Assistant Vice President for Finance, Controller/Treasurer
Ms. Rebecca Stahl, Associate Vice President and Deputy General Counsel
Ms. Meg Campbell, Assoc. VP for University Planning, Design, & Construction
Mr. Sajid Mian, Associate Vice President for Facilities Management
Dr. Gail DePuy, Senior Vice Provost
Mr. Bob Goldstein, Vice Provost for Inst. Research, Effectiveness & Analytics
Mr. Jim Begany, Vice Provost for Strategic Enrollment Management
Dr. Cherie Dawson-Edwards, Vice Provost for Faculty Affairs
Mr. Chris Wooton, Director of Internal Communications
Dr. Karen Cardarelli, Dean, School of Public Health and Information Sciences
Dr. Karlis Kaugars, Vice Provost for ITS and Chief Information Officer
Mr. Jerry Johnson, Chief of Staff to the EVPFA
Mr. Derek Hottell, Assistant Director for Accreditation and Academic Programs
Ms. Tammy Green, Coordinator in the Office of the EVP and University Provost
Prof. Jessica Gibb, Health and Sports Sciences
Ms. Alaina Pike, Executive Asst. to the VP for Risk, Audit, & Compliance
Lt. Col. Jessie Murnock, Senior Director of Presidential Operations
Ms. Kaelah McMonigle, Executive Assistant to the VP for External Affairs
Mr. Jake Beamer, Dir. of Governance & Strategic Initiatives & Asst. Secretary

From the UofL

Foundation: Mr. Keith Sherman, Executive Director and Chief Operating Officer

I. Call to Order

Chair Medley called the roll and having determined a quorum present, called the meeting to order at 1:03 p.m.

Approval of Minutes, 6-27-2024

Mr. Cornish made a motion, which Mr. Ledford seconded, to approve the minutes of the June 27, 2024, meeting.

The motion passed.

II. Action Item: Reconsideration Request for DesiCorp

Vice President Russell briefed the committee on the recommendation to approve a reconsideration request for DesiCorp, Inc. The UofL employees who hold equity in the corporation, Drs. Jonathan Kopechek and Michael Menze, have received an award from the U.S. Department of Defense to produce blood products following protocols developed at UofL and exclusively licensed to DesiCorp, Inc. The board-approved reconsideration request is required for the transaction to occur.

Ms. Russell noted that the Board of Trustees previously approved a similar transaction for DesiCorp, Inc., which was for an award from the National Aeronautics and Space Administration (NASA).

VP Russell then fielded questions from committee members.

Mr. Cornish made a motion, which Mr. Ledford seconded, to approve the

President's recommendation that the Board of Trustees approve the attached reconsideration request for DesiCorp.

The motion passed.

III. Adjournment

Having no other business to come before the committee, Mr. Ledford made a motion, which Mr. Cornish seconded, to adjourn.

The motion passed and the meeting adjourned at 1:09 p.m.

Approved by:


Signature on file _____
Assistant Secretary

RECOMMENDATION TO THE BOARD OF TRUSTEES
CONCERNING A RECONSIDERATION REQUEST FOR
DESICORP – JOHNATHAN KOPECHEK & MICHAEL MENZE

Audit, Compliance, and Risk Committee – September 19, 2024
Executive and Compensation Committee – September 19, 2024

RECOMMENDATION:

The President recommends that the Board of Trustees approve the [attached](#) reconsideration request for DesiCorp.

BACKGROUND:

Drs. Jonathan Kopechek (Bioengineering, Associate Professor) and Michael Menze (Professor, Biology) have received an award from the Department of Defense. DesiCorp, Inc. is proposed to produce blood products following protocols developed at UofL and exclusively licensed to DesiCorp, Inc. and supply these products for the UofL team. Both individuals hold equity in DesiCorp, Inc.

The Board of Trustees have previously approved a similar transaction for DesiCorp, Inc., an award from the National Aeronautics and Space Administration

Per KRS 164.821(7), “Unless specifically approved by the board of trustees under the provisions of KRS 164.367, no member of the teaching or administrative staff of the university shall be directly or indirectly interested in any contract with the university for the sale of property, materials, supplies, equipment, or services, with the exception of compensation to the faculty, staff, and student members.”

The UofL Board of Trustees approved an Administrative Regulation and Procedure on January 21, 2021, [attached](#), to provide a process for the review and possible approval of these types of transactions.

The University’s Conflict Review Board and the Vice President for Risk, Audit, and Compliance join the President in making this recommendation.

COMMITTEE ACTION:

Passed X
Did Not Pass _____
Other _____

hs
Signature on file _____
Assistant Secretary

BOARD ACTION:

Passed X
Did Not Pass _____
Other _____

hs
Signature on file _____
Assistant Secretary

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01/16/2024

MEMORANDUM

TO: Sandra Russell, Conflict of Interest Officer

FROM: Conflict Review Board, Allison G. Ratterman - Chair

RE: RECONSIDERATION REQUEST

BACKGROUND:

This KRS Reconsideration request is due to DesiCorp, Inc being a KRS restricted entity associated with Dr. Johnathan Kopechek and Dr. Michael Menze. This project is a DOD (Department of Defense) proposal titled "Development of dried blood for prolonged field care in austere environments". This is an interdisciplinary effort about using red blood cell physiology, cell desiccation, and transfusion medicine in collaboration with the US military to advance development of dehydrated red blood cell products for storage at ambient temperatures and transfusions in austere environments. Based on the scientific knowledge of desiccation-tolerant organisms, optimally dry preserved red blood cells should stay viable for decades. DesiCorp, Inc is the proposed sub to the DOD proposal. DesiCorp, Inc is proposed to produce blood products following protocols developed at UofL and exclusively licensed to DesiCorp, Inc and supply these products for the UofL team. DesiCorp, Inc was previously featured in a previous KRS reconsideration request due to their expertise with desiccated blood and their blood products by Dr. Michael Menze.

APPLICABLE REGULATIONS:

Kentucky Revised Statute 164.821(7)

"Unless specifically approved by the board of trustees under the provisions of KRS 164.367, no member of the teaching or administrative staff of the university shall be directly or indirectly interested in any contract with the university for the sale of property, materials, supplies, equipment, or services, with the exception of compensation to the faculty, staff, and student members."

The UofL Board of Trustees (Trustees) approved an Administrative Regulation on January 21, 2021, to provide a process for the review and possible approval of these types of transactions. In recommending approval of a contractual relationship, the review shall determine that:

1. the Covered Person does not perform simultaneous work as both Covered Person and contractor and the Covered Person's interest in the contract does not present a conflict with Covered Person fulfilling his/her University Responsibilities;
2. the Covered Person does not have any institutional decision-making power over the contract or the proceeds resulting from the contract;
3. the Covered Person is not a Relative, as defined by KRS 164.001(20) to a contract negotiator or decider;
4. the Covered Person either has taken, or agrees to take, whatever actions the Conflict Review Board, the Covered Person's designated Appropriate Authority (as designated in the Management Plan), COIC Officer, President or the Board of Trustees requires to manage or avoid any conflict of interest or appearance of a conflict of interest;
5. if the contract is subject to the provisions of KRS Chapter 45A, the Covered Person's contract shall be the lowest price bid or otherwise provide the best value to the University;

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6. the contract scope does not include human subjects research;
7. the contractual relationship is determined to be in the best interest of the University; and
8. the nature of the contract and the nature of the Covered Person's interest in the contract is fully disclosed to the University community in as broad of communications as appropriate for the nature of the contract and the Covered Person's interest.

DISCUSSION:

1. The first criterion is the Covered Person does not perform simultaneous work as both Covered Person and contractor and the Covered Person's interest in the contract does not present a conflict with Covered Person fulfilling his/her University Responsibilities.
 - Dr. Jonathan Kopechek and Dr. Michael Menze will remain under the auspices for UofL for the duration of the project. The DOD proposal requires that both individuals be on the project for submission.
 - Dr. Kopechek and Dr. Menze, have an interest in DesiCorp, Inc.
2. The second criterion is that the Covered Person does not have any institutional decision-making power over the contract or the proceeds resulting from the contract.
 - Dr. Kopechek will be the overall PI on the project.
 - Dr. Kopechek will be the primary contact between UofL and DesiCorp, Inc. for scientific purposes.
 - Dr. Kopechek has stated he will not handle or authorize invoices for DesiCorp, Inc.>
 - <Dr. Brett Janis(CEO) will be the individual responsible for DesiCorp, Inc. Dr. Janis will also be the individual responsible for preparing invoices to UofL.
 - Mr. James Welch is the Operations Manager for DesiCorp, Inc.
 - Dr. Kevin Walsh (JB Speed School Associate Dean) or designee with no interest in DesiCorp, Inc will be responsible for approving invoices from DesiCorp, Inc for the duration of the project.
3. The third criterion is the Covered Person is not a Relative, as defined by KRS 164.001(20) to a contract negotiator or decider.
 - Dr. Kopechek and Dr. Menze do not have any relatives employed by DesiCorp, Inc.
4. The fourth criterion is that the Covered Person either has taken, or agrees to take, whatever actions the Conflict Review Board, the Covered Person's designated Appropriate Authority (as designated in the Management Plan), COIC Officer, President or the Board of Trustees requires to manage or avoid any conflict of interest or appearance of a conflict of interest.
 - By submitting the KRS request, Dr. Kopechek and Dr. Menze have agreed to take any necessary steps required of them to mitigate any COI.
 - Dr. Kopechek and Dr. Menze will not receive any service fees by UofL or DesiCorp, Inc.
5. The fifth criterion is that if the contract is subject to the provisions of KRS Chapter 45A, the Covered Person's contract shall be the lowest price bid or otherwise provide the best value to the University.
 - The project's nearest whole dollar transaction cost is \$188,630 for the 3 year project.
 - DesiCorp, Inc has agreed to supply the product at cost.

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- Due to the exclusive rights which DesiCorp, Inc possess, they are the only entity with the capacity for scaling of production to fill/finish of dehydrated human red blood cells to clinical scale needed for swine transfusion studies.
 - DesiCorp, Inc holds the exclusive rights to the IP licensed that was developed at UofL. UofL does not have the ability to produce the product amount required in the timeframe required.
 - No service fees will be provided to either Dr. Menze or Dr. Kopechek by either UofL or DesiCorp, Inc.
6. The sixth criterion is that the contract scope does not include human subjects research.
- No human subjects are included in the proposal.
7. The seventh criterion is that the contractual relationship is determined to be in the best interest of the University¹.
- DesiCorp, Inc has exclusive rights to UofL IP on the blood products. No other entity has access to the required technologies.
 - For the purposes of this project, licensed IP from UofL will be used.
 - DesiCorp, Inc has agreed to supply the product at cost.
8. The eighth and final criterion is that the nature of the contract and the nature of the Covered Person's interest in the contract is fully disclosed to the University community in as broad of communications as appropriate for the nature of the contract and the Covered Person's interest
- If approved, **Johnathan Kopechek** and **Michael Menze** will cooperate with the COIC Office and OCM to provide whatever communications are deemed appropriate for the disclosure.

REMEDIES FOR NON-COMPLIANCE:

University can impose additional conditions, sanctions and / or corrective actions for non-compliance with the provisions of approval received from the Board of Trustees. These actions may include:

- Imposition of additional management conditions, such as: requiring additional prior approvals; withholding authority to proceed to the next project phase until receipt of acceptable financial standing is verified; requiring additional project monitoring.
- Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
- Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- Wholly or partly suspend or terminate the Federal award.
- Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
- Withhold further Federal awards for the project or program.
- Take other remedies that may be legally available.

For any such action taken the University, the external entity will receive the following information:

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- The nature of the additional requirements;
- The reason why the additional requirements are being imposed;
- The nature of the action needed to remove the additional requirement, if applicable;
- The time allowed for completing the actions if applicable; and
- The method for requesting reconsideration of the additional requirements imposed.

RECOMMENDATION:

The Conflict Review Board recommends moving this reconsideration request forward for Trustees approval.

ⁱ Considerations for best interest of the University

- *Financial stability*
- *Management systems and standards*
- *History of performance*
- *Audit reports and findings*
- *Ability to effectively implement requirements*