

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

March 20, 2008

ACTION REQUEST

Subject: License Agreement between the University of Michigan and CFI Group USA, LLC.

Action Requested: Approval of License Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the license agreement which then triggered a review by the OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflict of interest was then developed and approved by this Board and agreed to by the parties involved in this plan.

This proposed license agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Claes Fornell is both an employee of the University of Michigan ("University") and a partial owner of CFI Group. The law permits such an Agreement provided it is disclosed to the executive officers and approved in advance by a 2/3 vote of the Regents of the University of Michigan.

Background:

Professor Fornell, a Professor of Business at the Stephen M. Ross School of Business and the Director of the National Quality Research Center (NQRC), is the partial owner of a for-profit company called CFI Group. CFI Group was formed to assist its clients by optimizing employee and customer satisfaction. CFI Group created a software package, referred to as MACRO, which is used within the NQRC to develop the American Customer Satisfaction Index (ACSI). Both CFI Group and the NQRC wish to continue to allow the University to use MACRO as well as to sublicense use of this software to third parties.

Parties to the Agreement:

The Regents of the University of Michigan and CFI Group USA, LLC.

Agreement Terms Include:

Agreement terms include granting the University non-exclusive rights to continue to use the MACRO internally for development of the ACSI. In addition, the agreement grants the University a non-exclusive right to sublicense access to MACRO to other parties. The University will pay a royalty on such sublicenses. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the Agreement. Standard disclaimers of warranties and indemnification apply, and the Agreement may be

amended by consent of the parties. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

Pecuniary Interest:

The pecuniary interests of Dr. Fornell arise from his ownership interest in CFI Group. He will continue to waive any personal participation in the sharing of revenue received by the University.

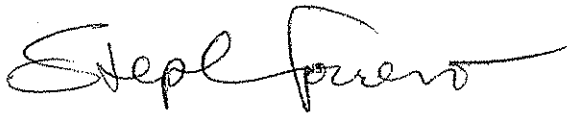
Net Effect:

The Purchasing Office, with assistance from the Office of Technology Transfer, has negotiated and finalized the terms of an in-license agreement for rights to use and sublicense use of MACRO by the University.

Recommendations:

This matter has been reviewed and approved by the OVPR Conflict of Interest Review Committee. In light of this disclosure and our finding that the Agreement was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve the Agreement between the University and CFI Group.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Stephen R. Forrest".

Stephen R. Forrest  
Vice President for Research

March 2008