

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents

June 21, 2007

ACTION REQUEST

Subject: Regental Action Required Under the State of Michigan Conflict of Interest Statute

Action Requested: Authorization for the University to Enter into a Maintenance Agreement with Arbor Networks (University of Michigan Employee Farnam Jahanian, Board Chairman and Stockholder)

Background:

The University of Michigan's Medical Center Information Technology department wishes to enter into a maintenance agreement for internet usage software. Farnam Jahanian, a Professor with a 100% appointment in the Department of Electrical Engineering and Computer Science, is Board Chairman of Arbor Networks, as well as a Stockholder. Arbor Networks was chosen to provide this service because they are the patent holder for the software. This is a renewal of a previous maintenance agreement

The proposed purchase falls under the State of Michigan Conflict of Interest Statute as Farnam Jahanian is a University employee and would be a party to the contract by virtue of being a Stockholder and Board Chairman of Arbor Networks. However, the Statute allows the University to enter into such contracts if the following conditions are met:

- a) The public servant promptly discloses any pecuniary interest in the contract to the official body which has power to approve the purchase, which disclosure shall be a matter of record in its official proceedings.
- b) The purchase is 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 contract.
 - ii) The terms of the purchase, including duration, financial consideration between the parties, facilities or services of the public entity included in the purchase, and the nature and degree of assignment of employees of the public entity for fulfillment of the purchase.
 - 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 contract are the Regents of the University of Michigan and its Medical Center Information Technology department, and Arbor Networks.
- ii) The product to be provided is software maintenance for three years, at a total cost not to exceed \$68,559.15.
- iii) The pecuniary interest arises from the fact that Farnam Jahanian, a University of Michigan employee, is Board Chairman and Stockholder of Arbor Networks.

Farnam Jahanian has met state law requirements with the disclosure of his pecuniary interest, and his formal appointment arrangements with the University of Michigan. Requirements, if any, that may be applicable under the Medical School's or OVPR's Conflict of Interest Committee's procedures are separately analyzed and managed.

We recommend that the Board of Regents approve the contract between the University of Michigan and Arbor Networks,, subject to requirements, if any, that either the Medical School's or OVPR's Conflict of Interest Committee may impose.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President
and Chief Financial Officer

June 2007