

June 19, 2008

**THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION**

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 Contract with Optiprise, Inc.
(University of Michigan Employee Jeffrey Liker, Minority Partner)

Background:

The University of Michigan College of Engineering Center for Professional Development Interdisciplinary and Professional Engineering (InterPro) seeks approval to enter into a contract with Optiprise, Inc. (Optiprise). Optiprise provides a uniquely qualified instructor to lead a non-credit professional short course program about Lean Product Process Development.

The proposed contract falls under the State of Michigan Conflict of Interest Statute as Jeffrey Liker is a University employee and would be a party to the contract as a minority partner in Optiprise. 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 involved in the transaction are the Regents of the University of Michigan and its College of Engineering InterPro and Optiprise.

- ii) The two year contract is for lead instruction of professional short courses on Lean Product Process Development by Dr. John Drogosz, Senior Lean Consultant with Optiprise. This non-credit program offering through InterPro is generally offered over five days, publicly or customized in Ann Arbor or on location. Compensation rate for instruction is \$2,500 per day and this course will not be offered more than ten times per year or 50 days of instruction. Travel reimbursement is not to exceed \$1,500 per course offering. Total compensation for two years is not to exceed \$250,000 and total travel reimbursement not to exceed \$30,000.
- iii) The pecuniary interest arises from the fact that Jeffrey Liker, University of Michigan employee as Professor of Industrial and Operations Engineering in the College of Engineering, is a minority partner in Optiprise.

Jeffrey Liker has met state law requirements with the disclosure of his pecuniary interest and 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 agreement between the University of Michigan and Optiprise 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 2008