

ACTION REQUEST

Subject: Subcontract Agreement between the University of Michigan and Michigan Engineering Services

Action Requested: Authorization to enter into Agreement

Preamble:

A statutory conflict of interest situation was identified by DRDA while reviewing the Proposal Approval Form that then triggered a review of the project by the OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflicts of interest was then developed by the Committee and agreed to by the parties involved.

The proposed research agreement (Agreement) falls under the State of Michigan Conflict of Interest Statute because Dr. Nickolas Vlahopoulos is both an employee of the University and an owner and officer of Michigan Engineering Services. 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 (Regents).

Background:

Michigan Engineering Services has received a STTR Phase I contract from ONR for "N06-T016-Advanced System of Systems Design Capabilities." As part of this project, Michigan Engineering Services (MES) will subcontract with the University of Michigan for the preparation of a case study with the assistance of MES where the executable code of the Tree Multi-disciplinary Optimization under Uncertainty system will be developed by MES. The Principal Investigator for the project is Dr. David Singer, Associate Professor in the Department of Naval Architecture and Marine Engineering. Dr. Nickolas Vlahopoulos is an Associate Professor in the Department of Naval Architecture and Marine Engineering and will not be involved in the project at the University.

Nature of the Agreement:

The Company has applied for and received an award from ONR under the Small Business Innovation Research (STTR) Program for the purpose of supporting research Phase I entitled, "N06-T016-Advanced System of Systems Design Capabilities." The Company wishes to enter into an Agreement with the University to enable Dr. Singer to assist in the performance of this funded research.

Agreement Terms:

The total subcontract to the University will be \$21,000 for the period September 1, 2006 through December 31, 2006. Since research agreements are often amended, the Agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

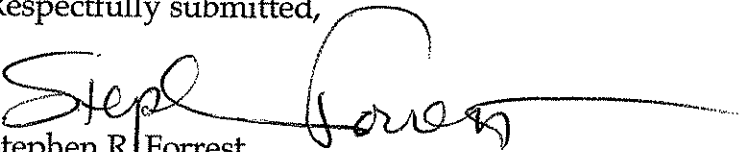
Impact of the Agreement:

The Agreement will support the effort by Dr. Singer to concentrate on the preparation of a case study with the assistance of MES where the executable code of the Tree Multi-disciplinary Optimization under Uncertainty system will be developed by MES.

Recommendation:

This matter has been reviewed and approved by the OVPR Conflict of Interest Review Committee. In light of the disclosure made in this document and our finding that the Agreement was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve of the University's entering into this Agreement with Michigan Engineering Services.

Respectfully submitted,



Stephen R. Forrest  
Vice President for Research

October 2006