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 Consulting Agreement with Arborlight, LLC (University of Michigan Employees Max Shtein and Pei-Cheng Ku, Partial Owners)

Background:

The University of Michigan Institute for Research on Labor, Employment, and the Economy Department, Michigan Initiative for Innovation & Entrepreneurship Program seeks approval to enter into a consulting agreement with Arborlight, LLC to develop a translucent panel backlighting system. Arborlight, LLC was selected by a company participating in the Michigan Initiative for Innovation & Entrepreneurship, Technology and Commercialization Assistance Program to incorporate intellectual property owned by Arborlight, LLC into the translucent panel backlighting system under development.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as two University of Michigan employees would be parties to the consulting agreement as partial owners of Arborlight, LLC: Max Shtein is a University employee as Associate Professor of Material Science and Engineering, Associate Professor of Macromolecular Science and Engineering, Associate Professor of Chemical Engineering, College of Engineering and Associate Professor of Art and Design, School of Art and Design, and Pei-Cheng Ku is a University employee as Assistant Professor of Electrical Engineering and Computer Science in the Electrical Engineering and Computer Science Department.

However, the Statute allows the University to enter into such agreements 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.
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.

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 Institute for Research on Labor, Employment, and the Economy Department, Michigan Initiative for Innovation & Entrepreneurship Program and Arborlight, LLC.

ii) The agreement is for two months and a cost of $10,500.

iii) The pecuniary interest arises from the fact that University of Michigan employees Max Shtein and Pei-Cheng Ku are partial owners of Arborlight, LLC.

Max Shtein and Pei-Cheng Ku have met state law requirements with the disclosure of their 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 Arborlight, LLC, 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 2012