

Approved by the Regents
July 15, 2010

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 Renew a Maintenance Agreement with Arbor Networks, Inc. (University of Michigan Employee Farnam Jahanian, Stockholder)

Background:

The University of Michigan's Medical Center Information Technology division ("MCIT") is seeking to renew a three year maintenance agreement with Arbor Networks, Inc. ("Arbor") for internet usage software used to determine the location of devices involved in or causing security issues. Arbor was selected because they are the patent holder for the software. This is the second renewal of the maintenance agreement.

The proposed agreement 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 as a stockholder of Arbor. 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:

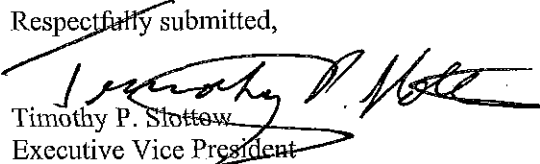
- i) The parties to the contract are the Regents of the University of Michigan, MCIT and Arbor.

- ii) The agreement is for annual maintenance and support for Arbor's Peakflow software, used to identify devices involved in network security related issues. The agreement is for three years and total cost not to exceed \$35,110.
- iii) The pecuniary interest arises from the fact that Farnam Jahanian, a University of Michigan employee as Professor of Electrical Engineering and Computer Science, is a stockholder of Arbor.

Mr. Jahanian 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 payment between the University of Michigan and Arbor Networks, Inc. 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

July 2010