

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
November 18, 2010

ACTION REQUEST

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

Action Requested: Authorization for the University to renew an Agreement with Optiprise Inc. University of Michigan Employee, Jeffery Liker, Professor of Industrial Operations Engineering, College of Engineering, is a partner in Optiprise Inc.

Background:
Michigan Interdisciplinary and Professional Engineering (InterPro), Center for Professional Development (CPD) has engaged the services of Dr. John Drogosz, Senior Lean Consultant from Optiprise, Inc. to teach their non-credit courses titled Lean Product Process Development. Interpro/CPD has presented Dr. Drogosz as the sole provider for this class as he possesses the needed expertise and industry knowledge to teach the Lean Product Process Development classes with over 15 years of Lean experience specializing in the Toyota Product Development System, which is the focus of the University of Michigan's Lean PPD short course. This noncredit course is offered for public enrollment and is customized for corporate clients. The department receives routine requests for this course to be offered both on campus and at client sites.

Dr. John Drogosz is a Canadian citizen in the United States on an H-1B Visa who is going through the process of obtaining a Green Card. Due to his Visa status, he must be sponsored by an American company (Optiprise). Optiprise has no proprietary interest in these transactions except to act as a "go between" for Dr. Drogosz's compensation. The recent change necessitated by his visa status was an external event, and the establishment of this sole source relationship with Optiprise is needed in order to continue his involvement in this highly successful program.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as Jeffery Liker is a University employee within the College of Engineering and a 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.

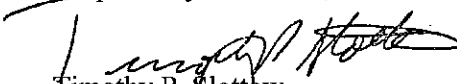
The following information is provided in compliance with the statutory requirements contained in Section (c) above:

- i) The parties to the contract are the Regents of the University of Michigan and its Michigan Interdisciplinary and Professional Engineering (InterPro), Center for Professional Development (CPD) and Optiprise Inc.
- ii) The agreement is for teaching services for the non-credit class titled, Lean Product Process Development taught through InterPro/CPD. The term of the Agreement is from September 1, 2010 through August 31, 2013. Total compensation will not exceed \$250,000 (inclusive of current outstanding invoice for \$10,000) and travel reimbursement will not exceed \$30,000.
- iii) The pecuniary interest arises from the fact that Jeffrey Liker, Professor of Industrial and Operations Engineering, College of Engineering is a partner in Optiprise Inc.

Jeffrey Liker has 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 Optiprise 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

November 2010