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

Action Requested: Authorization for the University to purchase from CUX, Inc. with direct benefits to RBL Group (University of Michigan Employee, David O. Ulrich, Owner)

Background:

The University of Michigan Ross School of Business Executive Education seeks approval to enter into an agreement with CUX, Inc. ("CorpU") for the production, marketing, sale and delivery of online executive education courses. CorpU will be providing a portion of the net earned cash receipts to the University. The agreement is for three years with the option to extend for two additional years.

These courses will be marketed using the Ross School of Business Executive Education signature ("Ross trademark"). The University receives payments of 20% of the net earned cash receipts from CorpU for allowing them the use of the Ross trademark and for provision of the background content intellectual property and for provision of teaching services. The contract also permits The RBL Group ("RBL") to provide the background content intellectual property which RBL owns. When RBL does so, the University receives payments of 10% of the net earned cash receipts.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as the contract results in CorpU reducing payments to the University and instead making payments to RBL, which is owned by David O. Ulrich. David O. Ulrich is a University employee as Professor with the Ross School of Business and would be indirectly a party to the contract as owner of RBL.

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.

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 Ross School of Business and CorpU with payments under some conditions being provided directly to RBL.

ii) The agreement is for production, marketing, sale and delivery of online executive education courses. CorpU will be providing a portion of the net earned cash receipts to the University which is expected to be $750,000 over the course of the contract. Revenue could go higher if CorpU sells more than the expected courses. The agreement is for three years with the option to extend for two additional years. The University receives payments of 20% of the net earned cash receipts from CorpU for allowing them the use of the Ross trademark and for provision of the background content intellectual property and for provision of teaching services. The contract also permits RBL to provide the background content intellectual property. When RBL does so, the University receives payments of 10% of the net earned cash receipts. The estimated difference in revenues for the RBL provided courses is $250,000 over the course of the contract.

iii) The pecuniary interest arises from the fact that CorpU will be obtaining course content for some of the courses from and making payments for course content directly to RBL, which is owned by David O. Ulrich, a University employee and owner of RBL.

David O. Ulrich has met state law requirements with 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 CorpU 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

December 2013