The University of Michigan Department of Aerospace Engineering seeks approval to purchase xenon from ElectroDynamic Applications, Inc. (EDA) through use of a Xenon Recovery System that EDA would provide and maintain free of charge to the University. EDA has agreed to sell Dr. Gallimore’s lab purified xenon at the average of EDA’s purification cost and the market price of purified xenon (not to exceed the market price in the event that the market rate is less than EDA’s purification cost). While there are other xenon recovery systems on the market, none of the other systems available are designed for or suitable for use with the specific vacuum system in Dr. Gallimore’s lab.

The proposed agreement falls under the State of Michigan Conflict of Interest Statute as Dr. Alec Gallimore is a professor in the Department of Aerospace Engineering and would be party to the purchase as CEO of EDA. 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):

i) The parties involved in the agreement are the Regents of the University of Michigan and its Department of Aerospace Engineering and EDA.

ii) The agreement is to purchase xenon from May 2011 through December 2015 at an estimated value of $93,733.

iii) The pecuniary interest arises from the fact that Dr. Alec Gallimore is a University of Michigan employee and CEO of EDA.

Dr. Alec Gallimore 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 payments between the University of Michigan and EDA 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

April 2011