

**THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION**

ACTION REQUEST

Approved by the Regents
March 15, 2007

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

Action Requested: Authorization for the University to Approve a Contract with Xoran Technologies (University of Michigan Employees Neal Clinthorne, Co-Owner, Chairman of the Board and Vice President and Jeffrey Terrell, Stockholder)

Background:

The University of Michigan's Department of Radiology wishes to receive approval to purchase a MiniCat CT scanner for use with Ear, Nose and Throat patients. Neal Clinthorne, a University of Michigan Employee, is the Co-Owner, Chairman of the Board and Vice President of Xoran Technologies. Jeffrey Terrell is a Stockholder in Xoran Technologies. Xoran Technologies was chosen to provide this scanner as they are the only company in the market providing application-specific CT scanners.

The proposed purchase falls under the State of Michigan Conflict of Interest Statute as Neal Clinthorne and Jeffrey Terrell are University employees and would be parties to the contract by virtue of their roles as Co-Owner, Chairman of the Board and Vice President, and Stockholder in Xoran Technologies. 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 Department of Radiology and Xoran Technologies.
- ii) The product provided is a MiniCat CT scanner. The cost for the product is \$195,000.00.
- iii) The pecuniary interest arises from the fact that Neal Clinthorne, a University of Michigan employee, is the Co-Owner, Chairman of the Board and Vice President of Xoran Technologies and Jeffrey Terrell, a University of Michigan employee is a Stockholder in Xoran Technologies.

Neal Clinthorne and Jeffrey Terrell have met state law requirements with the disclosure of their pecuniary interest, and their 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 Xoran Technologies, 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 & Chief Financial Officer

March 2007