

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

Approved by the Regents

October 23, 2008

ACTION REQUEST

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

Action Requested: Authorization for the University to Enter into an Agreement with Xoran Technologies (University of Michigan Employee Neal Clinthorne, Co-Founder, Stockholder, Chairman of the Board and Vice President)

Background:

The University of Michigan School of Dentistry Periodontics and Oral Medicine and the University of Michigan Health System Department of Radiology seek approval to enter into service agreements with Xoran Technologies (Xoran) for hardware and software maintenance of their computed axial tomography scanners (CAT scans). The scanners are used for clinical, research and instructional purposes for both departments. Xoran was selected because of their expertise as both a provider of the CAT scans as well as development of custom software. Xoran is providing competitive pricing and is the only local provider able to respond immediately to service requests.

The proposed purchase falls under the State of Michigan Conflict of Interest Statute as Professor Neal Clinthorne is a University employee and would be a party to the contract by virtue of his role as co-founder, major stockholder and Chairman of the Board of Directors and Vice President of Xoran. 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 School of Dentistry Periodontics and Oral Medicine and the University of Michigan Health System Department of Radiology and Xoran Technologies.
- ii) The service agreements are for hardware and software maintenance and upgrades for CAT scanners. Both agreements are for three years, \$12,000 per year for Dentistry's i-CAT scanner and \$22,200 per year for Radiology's MiniCAT scanner. Total cost for both agreements across all years is \$102,600.
- iii) The pecuniary interest arises from the fact that Professor Neal Clinthorne, a University of Michigan employee as Research Professor in the Department of Radiology, is co-founder, major stockholder and Chairman of the Board of Directors and Vice President of Xoran.

Professor Neal Clinthorne has met state law requirements with the disclosure of his pecuniary interest and his 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  
and Chief Financial Officer

October 2008