UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance & Operations Committee
Thursday, February 8, 2007
3:00 p.m. – 4:30 p.m.
600 McNamara Alumni Center, East Committee Room

Board Members
Clyde Allen, Chair
Steven Hunter, Vice Chair
Anthony Baraga
Frank Berman
John Frobenius
Cynthia Lesher

Student Representatives
Cassie McMahon
Nathan Wanderman

AGENDA

1. Issues Related to: Certain Investment Asset Classes - R. Pfutzenreuter/
   S. Mason (pp. 2 - 13)
2. Six-Year Capital Plan and Debt Capacity - R. Pfutzenreuter (p. 14)
4. Information Items - R. Pfutzenreuter (pp. 25 - 81)
Finance and Operations Committee 

February 8, 2007

Agenda Item: Issues Related to: Certain Investment Asset Classes

☐ review  ☐ review/action  ☐ action  ☑ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter
Chief Investment Officer Stuart Mason

Purpose:

☐ policy  ☐ background/context  ☑ oversight  ☐ strategic positioning

To review the portfolio characteristics of the Real Asset allocation in the Consolidated Endowment Fund (CEF).

Outline of Key Points/Policy Issues:

The Consolidated Endowment Fund (CEF), which totals $967 million as of November 30, 2006, has a strategic asset allocation totaling 20% to Real Assets. This sub portfolio produced 19% return in the last 12 months and an average of 18% annually over the last three years. The discussion is intended to provide details about the composition and characteristics of this sub portfolio within CEF.

Background Information:

OAM is presenting this information at the request of the Board of Regents to gain better understanding around the private investments within the Consolidated Endowment Fund.
Review of Real Asset Portfolio
Real Asset Portfolio

What are Real Assets?

Public Real Estate:
• REIT’s – US and Non-US
• REIT Debt
• Provide Liquidity, 11 - 14% returns

Private Real Estate:
• Value Added Strategy – Office, multi-family, commercial
• Opportunistic Strategies – Int’l, storage, resorts, condos
• 3-5 year time frame, 14 – 20% returns

Timber:
• Purchasing, growing, harvesting and replanting timber tracts
• Natural growth provides 6% return, inflation provides 3-4% annually. Asset appreciates with time.
• 7-10 year time frame, recently shorter
• Nominal carrying cost as auxiliary incomes offset expenses
Real Asset Portfolio (cont.)

Oil and Gas:
- Development of proven reserves and mid-stream infrastructure offer compelling risk return opportunities.
- Commodity risk limited by deal structure and hedging.
- Master Limited Partnerships (MLP’s) can provide liquidity.
- Return expectations: 14 – 20 %

What are Real Assets?

F&O: Certain Investment Asset Classes
Real Asset Portfolio

Why invest?

- Inflation Hedge.
- Uncorrelated assets enhance portfolio diversification.
- Real underlying assets exhibit lower overall volatility.
- Capitalize on opportunities not available in the public markets.
<table>
<thead>
<tr>
<th></th>
<th>REIT’s &amp; REIT Debt</th>
<th>Private Real Estate</th>
<th>Energy</th>
<th>Timber</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current*</td>
<td>4%</td>
<td>5%</td>
<td>1%</td>
<td>3%</td>
<td>13%</td>
</tr>
<tr>
<td>Target</td>
<td>6%</td>
<td>8%</td>
<td>3%</td>
<td>3%</td>
<td>20%</td>
</tr>
</tbody>
</table>

* Percent of total CEF portfolio (as of 11/30/06)

What is the strategic allocation?

Real Assets

5 Office of Asset Management
Real Asset Portfolio

REIT and REIT Debt:
- Diversified exposure to core property types worldwide
- Fully occupied properties produce substantial current cash income
- Provides real asset portfolio liquidity
- Current managers: Wellington, ING (in due diligence), Security Capital

Private Real Estate:
- Value added strategies – redevelop, rehab or reposition then sell
- Opportunistic – develop or build from the ground up, then sell
- Property types include: multi-family, commercial, retail, office, hotels & resorts, storage, senior housing.
- Niche investments in India, Mexico, Manhattan and Cobalt Condo’s (Univ Ave & Central Ave)
- Current managers: Lasalle, Praedium, Crow, OConnor, Bay North, IREO, Barrow Street, TA Realty
## Real Asset Portfolio

### Timber:
- Softwoods for pulp and paper – SE pine plantations, New Zealand
- Hardwoods – building products, high value veneers, exotic woods for furniture - NE, west coast, SE Asia, Uruguay
- Small niche plots of specialty timber – often resold to developers for higher and better use or to sportsman and conservationists
- Current managers: GMO, Timervest

### Oil and Gas:
- Expand existing reserves by employing new technologies
- Build infrastructure such as – pipelines, storage, drilling rigs, storage facilities and equipment
- No new green field exploration
- Employ both private capital and mezz debt structures
- Current managers: Kayne Anderson, Quantum, TCW (in due diligence)
Real Asset Portfolio

- Extensive pre-investment due diligence
- Review of quarterly performance, quarterly statements and annual audits
- Annual meetings with managers, periodic market and portfolio updates
- Annually tie out University market valuations to audited fund documents.
- Regular property site visits and asset due diligence tours.

Monitoring & Tracking
Real Asset – Private Real Estate

Property Type

- Industrial: 9%
- Hotel: 1%
- Land: 1%
- Office: 19%
- Retail: 8%
- Multi-family: 62%

Geographic Distribution

- Southeast US: 14%
- Mexico: 1%
- Midwest: 6%
- West: 20%
- South: 14%
- Northeast: 45%
- South: 14%

* as of 12/31/06
Real Asset – Timber Exposure

Tree Type

- Pine: 16%
- Oak: 14%
- Oak & Pine: 1%
- Mixed: 17%
- Eucalyptus: 3%
- Radiata Pine: 2%
- Spruce & Hemlock: 47%

Geographic Distribution

- Northeastern US: 51%
- Southern US: 8%
- Western US: 13%
- Southeast US: 23%
- New Zealand: 2%
- Uruguay: 3%
- North Carolina: 51%
- Southern US: 8%

* as of 12/31/06
### Private Capital Performance

(as of 11/30/06)

<table>
<thead>
<tr>
<th></th>
<th>Quarter</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Assets</td>
<td>6.4%</td>
<td>18.8%</td>
<td>18.0%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Total CEF</td>
<td>6.3%</td>
<td>17.3%</td>
<td>16.6%</td>
<td>10.7%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>7.9%</td>
<td>14.2%</td>
<td>11.8%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Russell 3000</td>
<td>8.2%</td>
<td>14.4%</td>
<td>12.4%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>9.4%</td>
<td>17.4%</td>
<td>14.2%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Lehman Aggregate</td>
<td>2.7%</td>
<td>5.9%</td>
<td>4.3%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>
Agenda Item: Six-Year Capital Plan and Debt Capacity

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

Board of Regents approval is required for both the Six-Year Capital Plan and the State Capital Requests. A discussion of University debt capacity will be the focus of the presentation.

Outline of Key Points/Policy Issues:

The Board-approved Six-Year Capital Plan and the state-approved 2006 Legislative Bonding Bill establish the priorities and financial framework for the 2007 through 2012 capital budget. The plan sets priorities and directions for continued academic, facilities, and financial planning efforts, and defines the boundary for additional University debt.

Background Information:

Board of Regents Policy: Board Operations and Agenda Guidelines directs the administration to conduct capital planning with a 6 year time horizon, updated annually. This annual capital planning process is completed in two parts.

Part 1, approved by the Board in June, is the annual Capital Improvement Budget for the coming fiscal year in which projects with completed pre-designs and financing plans are approved to proceed with design and construction.

Part 2 is a Capital Improvement Plan that established the institutions' capital priorities and financial plans for an additional 5 years. This plan will become the basis for continued capital and financing planning for the included projects.
Finance and Operations Committee

February 8, 2007

**Agenda Item:** Consent Report

☐ review    ☒ review/action    ☐ action    ☐ discussion

**Presenters:** Vice President/CFO Richard Pfutzenreuter

**Purpose:**

☐ policy    ☐ background/context    ☒ oversight    ☐ strategic positioning

**General Contingency**

To approve allocations from General Contingency greater than $250,000.

**Purchase of Goods and Services Over $250,000**

To approve purchases of goods and services over $250,000, in compliance with Board of Regents Policy: Board Operations and Agenda Guidelines.

**Approval of New Investment Managers**

To seek approval for two new investment managers: one in the Real Asset Portfolio and one in the Private Capital Portfolio.

**Outline of Key Points/Policy Issues:**

**General Contingency**

There are no items in the General Contingency report requiring Board approval.

**Purchase of Goods and Services Over $250,000**

- To Berean Group, CedarCrestone, Ciber, Iceberg Technology, Modis, Signature Consultants and others for $10 million for consultant services for the Enterprise Financial System (EFS) project. The Board of Regents approved $5 million for consulting in March 2006, so the total request is now $15 million to cover the entire project through November 30, 2008. Consultants are currently providing business analyst skills and PeopleSoft implementation experience and this request is to extend or augment those contract resources. The EFS project is jointly sponsored by the Office of Information Technology (OIT) and the Controller's Office. The EFS Project has a budget of $45,700,000. Vendors were selected through a competitive process.

- To Educators Abroad Ltd. for $1,200,000 for education abroad services for the period of March 1, 2007, through December 31, 2007, for the University of Minnesota Morris's (UMM) Continuing Education, Regional Programs and Summer Session Department (CERP). Payments for program fees and tuition by enrolled students cover all costs associated with this contract. See enclosed documentation regarding basis of vendor selection.
• To ISES Corporation for up to $252,981 to perform a Facilities Condition Assessment of one-third of the Twin Cities Campus buildings from October 16, 2006, to February 28, 2007, for the Department of Facilities Management. The building assessments are funded by the repair and replacement reserve approved during the capital budget approval process. Therefore, the contracts have not been brought forward for approval in the past. The contract is being submitted for review this year to provide disclosure of professional services contracts exceeding $250,000. Vendor was originally selected through a competitive process.

• To Leo A. Daly for $1,697,960 for performing a Utility Master Planning Study for the period of January 2007 through June 2008 for the Facilities Management Department. The engineering services will be contracted with Facilities Management funding that is currently available. Vendor was selected through a competitive process.

• To Multi-Venue Productions (M.V.P) for up to $300,000 for post-event clean-ups in athletic facilities from March 1, 2007, to February 28, 2008, for the Department of Intercollegiate Athletics. The post-event clean-ups are funded by Athletic Facilities budgets for the current fiscal year. Vendor was selected through a competitive process.

Approval of New Investment Managers

The Office of Asset Management (OAM) proposes engaging two new investment managers to invest target allocations of CEF. The proposed managers have been reviewed and are recommended by the Investment Advisory Committee. These managers have been recommended following a thorough due diligence process and review by OAM of the respective asset classes relative to current market conditions, and the managers previously selected in these asset classes.

• Real Asset Portfolio: Oil and Gas

**TCW Energy Fund XIV**
- $20 million investment
- Investment style seeks downside protection with upside performance.
- 24-year track record, longest in the industry.
- Global investment focus and experience.
- 18% net IRR on prior funds.

• Private Equity Portfolio: Venture Capital

**Charles River Partnership**
- $5 million investment
- Seed and Early stage venture capital.
- Focused on changing business models and innovative technologies.
- 35 years of top tier performance has created a “franchise” name.
- Access very constrained.

Background Information:

General Contingency
Allocations from the General Contingency in excess of $250,000 require Board approval. Allocation so less than $250,000 are reported in the Board of Regents Finance and Operations Committee each month in which the Committee meets.

Approval of New Investment Managers
See attached investment manager profiles.

President's Recommendation for Action:
The President recommends approval of the Consent Report.
## General Contingency

**2006-07 General Contingency:**

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Allocation</th>
<th>Balance</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>FY2007 General Contingency</strong></td>
<td><strong>$1,250,000</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carryforward from FY2006 into FY2007</td>
<td>2,251</td>
<td>1,252,251</td>
</tr>
<tr>
<td>1</td>
<td>Director of the Office of Student Finance</td>
<td>50,000</td>
<td>1,202,251</td>
</tr>
<tr>
<td>2</td>
<td>Associate VP for Campus Planning and Project Management</td>
<td>105,323</td>
<td>1,096,928</td>
</tr>
<tr>
<td>3</td>
<td>Senior VP for Health Sciences</td>
<td>20,233</td>
<td>1,076,695</td>
</tr>
<tr>
<td>4</td>
<td>Associate VP for Campus Planning and Project Management</td>
<td>25,000</td>
<td>1,051,695</td>
</tr>
<tr>
<td>5</td>
<td>Return of unused funds</td>
<td>(80,433)</td>
<td>1,132,128</td>
</tr>
<tr>
<td>* 6</td>
<td>Associate VP for Campus Planning and Project Management</td>
<td>261,000</td>
<td>871,128</td>
</tr>
<tr>
<td>7</td>
<td>Senior VP for System Academic Administration</td>
<td>55,000</td>
<td>816,128</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td><strong>New items this reporting period:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Associate VP for Campus Planning and Project Management</td>
<td>71,000</td>
<td>745,128</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td><strong>Balance as of January 31, 2007</strong></td>
<td><strong>$745,128</strong></td>
<td></td>
</tr>
<tr>
<td>*</td>
<td>Subject to Board approval due to cost of $250,000 or more</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Purchase of Goods and Services over $250,000

To Berean Group, CedarCrestone, Ciber, Iceberg Technology, Modis, Signature Consultants and others for $10 million for consultant services for the Enterprise Financial system (EFS) project. The Board of Regents approved $5 million for consulting in March 2006, so the total request is now $15 million to cover the entire project through November 30, 2008. Consultants are currently providing business analyst skills and PeopleSoft implementation experience and this request is to extend or augment those contract resources. The EFS project is jointly sponsored by the Office of Information Technology (OIT) and the Controller’s Office.

Due to the magnitude and complexity of the Enterprise Financial System project, it is extremely important that we have the resources with the appropriate skills and knowledge to achieve successful implementation.

As presented to the Board of Regents in December 2006, the scope and length of the project has increased, and with that, the need for additional consulting resources. The goal is to target the resources to focus on complex modules, such as grants management. The expectation is that consultants will be teamed with University personnel to transfer knowledge and build internal support capabilities.

Consultants will either be selected through the University’s bid process or from a list of firms on the State of Minnesota’s Professional and Technical Services Master Contracts list. Vendors on this list were selected by the State through a competitive process and are approved for use by the University.

The EFS Project has a budget of $45,700,000.

Submitted by: Michael D. Volna
Associate Vice President for Finance and Controller
205 West Bank Office Building
Mpls. Campus
Phone: (612) 625-9529
Fax: (612) 625-9841

Approval of this item is requested by:

[Signature]
Vice President/CFO

[Signature]
Date

11/18/07
Purchase of Goods and Services over $250,000

To Educators Abroad Ltd. for $1,200,000 for education abroad services for the period of March 1, 2007 through December 31, 2007 for the University of Minnesota Morris's (UMM) Continuing Education, Regional Programs and Summer Session Department (CERP).

The purpose of this contract is to provide international opportunities for students registered through CERP for UMM courses including the English Language Teaching Assistant Program, Global Student Teaching, and related programs.

Vendor can provide all components of these programs, including but not limited to marketing, pre-departure preparation, on-site coordination, academic instruction, evaluation, student health and safety, and other miscellaneous tasks as required for successful operation of these programs in 49 countries around the world.

This contract is based on a mutually beneficial arrangement through which UMM is primary sponsor of international programs that are managed and operated by Educators Abroad Ltd. through its global network of professionals in education and related fields.

In return for sponsoring Educators Abroad Ltd. programs, UMM provides its students, and students from other institutions, expanded educational opportunities while increasing UMM visibility, enrollment and income.

Educators Abroad Ltd. was selected based on a review of providers of international placements in education conducted by UMM's CERP department. Through this review it was determined that no other organization has the capacity/or quality control to meet university standards and that Educators Abroad Ltd.'s record of professional service to students and universities in the USA, Canada, and England is internationally known, recognized, and accepted.

Payments for program fees and tuition by enrolled students cover all costs associated with this contract.

Submitted by: Tom McRoberts, Director
CERP
University of Minnesota, Morris
Morris, MN 56267
Phone: 1-320-589-6457
Fax: 1-320-589-1661

Approval of this item is requested by:

VP or Exec. VP Signature

1/10/07 Date:
Purchase of Goods and Services over $250,000

To ISES Corporation for up to $252,981 to perform a Facilities Condition Assessment of one-third of the Twin Cities Campus buildings from October, 16, 2006, to February 28, 2007, for the Department of Facilities Management.

Regular assessments of the condition of campus building help to prioritize maintenance and repair projects and keep campus buildings safe. It is the goal of Facilities Management to assess the condition of each TC campus building on a regular schedule. The current schedule is a three year rotation of building assessments.

Through a competitive process in 2002, ISES Corporation provided the best value and experience of the 10 firms that submitted proposals. In 2002, ISES Corporation performed an assessment of all of the building on the Twin Cities Campus. In 2005 ISES Corporation performed an assessment of the first one third of the buildings. Regents approval is being requested to purchase the assessment of the second one third of the buildings.

The Facilities Condition Assessment has been administered and funded through repair and replacement funds and has not been brought forward for Regents approval in the past. Recently, Facilities Management learned from Purchasing that the appropriate process for conforming to University purchasing policies is to obtain Board of Regents approval for such contracts administered through these funds. Therefore Facilities Management is requesting the approval of this contract. Having been informed of the appropriate practice, future contracts will follow this procedure.

Submitted by: Michael Berthelsen, Associate Vice President of Facilities Management
Room 300, Donhowe Building
Minneapolis Campus
Phone: (612) 626-1091
Fax: (612) 626-0234

Approval of this item is requested by:

[Signature]
VP or Exec. VP Signature

[Signature]
Date

1/23/07
Purchase of Goods and Services Over $250,000

To Leo A. Daly for $1,697,960 for performing a Utility Master Planning Study for the period of January 2007 through June 2008 for the Facilities Management Department.

*Increased campus energy demands, rising fuel costs, ongoing campus development, and the charge to be ever more environmentally responsible, has made it necessary for Facilities Management to formulate a master utility plan that addresses these matters.*

A master utility plan looks at the strengths and weaknesses of our existing systems and provides options that not only identify a means to better utilize existing systems, but to also supplement our utilities with more efficient, lower cost, and environmentally responsible technologies. In addition, a utility master plan creates a synchronism with the overall campus master plan, and utilizes limited funding in a way that provides the greatest impact within the budget allowed.

Through a Request For Proposal (RFP) process, the Leo A. Daly company, along with RMF Engineering, provided the best written and oral presentations, which showed their depth of experience in developing and implementing utility master planning studies for other large universities. They also presented a strong commitment to the project by creating a project team of senior engineers with a great deal of depth and experience in each of the utilities to be studied.

*The engineering services will be contracted with Facility Management funding that is currently available.*

Submitted by: Mike Berthelsen, Interim AVP Facilities Management  
Rm 300 Donhowe Building  
Mpls Campus  
Phone: (612) 626-1091  
Fax: (612) 626-0234

Approval for this item requested by:

Kathleen O'Brien, VP University Services  
11/20/06  
Date
Purchase of Goods and Services over $250,000

To Multi-Venue Productions (M.V.P) for up to $300,000 for post-event clean-ups in athletic facilities from March 1, 2007 to February 28, 2008 for the Department of Intercollegiate Athletics.

Post-event clean-ups are required after any event (sports, academic, cultural, social business, etc.) held in Williams Arena, the Sports Pavilion, Mariucci Arena, or Ridder Arena with more than 1,500 spectator/participants in attendance.

For those events of 1,500 spectators or less, Athletic Facilities will continue working relationships with organizations looking for clean-up opportunities as fundraisers.

With the number of events in these arenas during the event season, it is critical to maintaining the overall appearance of the public areas of the facilities by utilizing a professional organization for these clean-ups. This includes, but is not limited to, public seating areas, public restrooms, concourse and stairwells and importantly, suites and club rooms.

Through a competitive bid process, Multi-Venue Productions provided the best price and displayed the experience necessary for contract period.

The post-event clean-ups are funded by Athletic Facilities budgets for the current fiscal year.

Submitted by: Jeff Seifriz, Director of Athletic Facilities  
Room 141, Bierman Field Athletic Building  
Minneapolis Campus  
Phone: (612) 624-7559  
Fax: (612) 624-4152

Approval of this item is requested by:

[Signature]

VP or Exec. VP Signature

Date:

1/18/07
Manager Profile: TCW Energy Partners

<table>
<thead>
<tr>
<th>Organization and Strategy</th>
<th>Fund Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Manager: TCW Energy Partners</td>
<td>Fund Name: TCW Energy Fund XIV</td>
</tr>
<tr>
<td>Address: Los Angeles, CA</td>
<td>Fund Size: $2.0 Billion</td>
</tr>
<tr>
<td>Contact: Blair Thomas</td>
<td>Sponsor Investment: $ Million</td>
</tr>
<tr>
<td>Year Founded: 1982</td>
<td>Fund Strategy: Energy &amp; Related Infrastructure</td>
</tr>
<tr>
<td>Total Capitalization: $6.6 Billion</td>
<td>Targeted Leverage: N/A</td>
</tr>
<tr>
<td># Prior Programs: 13 funds</td>
<td>Investment Period: 5 Yrs</td>
</tr>
<tr>
<td>Invest Professionals: 23</td>
<td>Fund Term: 10 Yrs</td>
</tr>
<tr>
<td>Style Focus: Energy &amp; Related Infrastructure</td>
<td>Target Gross Return: 15-20%</td>
</tr>
<tr>
<td>Regional Focus: Global</td>
<td>Mgmt. Fee (Inv. Capital): 1.25%</td>
</tr>
<tr>
<td>Sector / Industry Focus: Energy &amp; Related Infrastructure</td>
<td>Incentive Fee: (w/ catch-up) 20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>University Commitments</th>
<th>Proposed Fund Commitments: $20 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Fund Commitments: $0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Past Performance</th>
<th>Committed Capital</th>
<th>Fund Year</th>
<th>Gross IRR</th>
<th>Net IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt &amp; Royalty Fund V</td>
<td>$600</td>
<td>1994</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>Debt and Royalty Fund VI</td>
<td>$278</td>
<td>1997</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>Global Project Fund IX</td>
<td>$500</td>
<td>2001</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Energy Fund X</td>
<td>$734</td>
<td>2003</td>
<td>26%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Comments

The Fund seeks to invest in energy and energy related infrastructure investments. These investments will be the form of either mezzanine debt or equity investments. The mezzanine debt structure is the preferred method and will make up approximately 65% of the investments in the fund. Under this structure, investments will generate attractive current yields and participate in increased profitability of portfolio companies through warrants that will be attached to these loans. These loans will also be backed by company assets to provide further backing should economic or company specific situations change. To date, TCW has issued over $4 billion in these types of deals. Annual default rate has been 0.5%, while recovery rates on defaulted loans have exceeded 160%.
## Manager Profile: Charles River Partnership

<table>
<thead>
<tr>
<th>Organization and Strategy</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Manager:</td>
<td>Charles River Partners</td>
</tr>
<tr>
<td>Address:</td>
<td>Waltham, MA, Menlo Park, CA</td>
</tr>
<tr>
<td>Contact:</td>
<td>Bill Tai</td>
</tr>
<tr>
<td>Year Founded:</td>
<td>1970</td>
</tr>
<tr>
<td>Total Capitalization:</td>
<td>$1.8 Billion</td>
</tr>
<tr>
<td># Prior Programs:</td>
<td>12 funds</td>
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<tr>
<td>Invest Professionals:</td>
<td>8</td>
</tr>
<tr>
<td>Style Focus:</td>
<td>Venture Capital</td>
</tr>
<tr>
<td>Regional Focus:</td>
<td>Domestic</td>
</tr>
<tr>
<td>Sector / Industry Focus:</td>
<td>Early Stage Venture</td>
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<table>
<thead>
<tr>
<th>University Commitments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Fund Commitments:</td>
<td>$5 Million</td>
</tr>
<tr>
<td>Previous Fund Commitments:</td>
<td>$0 Million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Past Performance*</th>
<th>Committed Capital</th>
<th>Fund Year</th>
<th>FV &amp; Distribution</th>
<th>Net IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRP XI</td>
<td>$437</td>
<td>2000</td>
<td>$480</td>
<td>1%</td>
</tr>
<tr>
<td>CRP X</td>
<td>$470</td>
<td>1999</td>
<td>$343</td>
<td>-7%</td>
</tr>
<tr>
<td>CRP VIII</td>
<td>$99</td>
<td>1997</td>
<td>$1,581</td>
<td>286%</td>
</tr>
<tr>
<td>CRP VII</td>
<td>$85</td>
<td>1994</td>
<td>$836</td>
<td>220%</td>
</tr>
<tr>
<td>CRP VI</td>
<td>$50</td>
<td>1990</td>
<td>$220</td>
<td>52%</td>
</tr>
</tbody>
</table>

*as of September 2006

<table>
<thead>
<tr>
<th>Comments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Charles River is an early stage venture firm based in Waltham, MA and Menlo Park, CA. The Fund's objective is to make investments in innovative companies in the IT sector. Charles River began investing in software/services and wireline telecommunications in the early funds and has expanded to cable television, wireless, data center, storage, infrastructure software and professional services, semiconductors and web services. CRP XIII will look to capitalize on the fast moving IT sector and companies positioning themselves to profit from changing business models.</td>
<td></td>
</tr>
</tbody>
</table>

## Private Capital

<table>
<thead>
<tr>
<th>Fund Details</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Name:</td>
<td>Charles River Venture XIII</td>
</tr>
<tr>
<td>Fund Size:</td>
<td>$300 Million</td>
</tr>
<tr>
<td>Sponsor Investment:</td>
<td>$3 Million</td>
</tr>
<tr>
<td>Fund Strategy:</td>
<td>Venture Capital</td>
</tr>
<tr>
<td>Targeted Leverage:</td>
<td>N/A</td>
</tr>
<tr>
<td>Investment Period:</td>
<td>3 Yrs</td>
</tr>
<tr>
<td>Fund Term:</td>
<td>10 Yrs</td>
</tr>
<tr>
<td>Target Gross Return:</td>
<td>20%+</td>
</tr>
<tr>
<td>Mgmt. Fee (Inv. Capital):</td>
<td>1.25%</td>
</tr>
<tr>
<td>Incentive Fee: (w/ catch-up)</td>
<td>25%</td>
</tr>
<tr>
<td>Claw Back:</td>
<td>Yes (1)</td>
</tr>
<tr>
<td>Projected Closing:</td>
<td>January 2007</td>
</tr>
</tbody>
</table>

(1) All LP invested capital is returned prior to GP carry distribution.
Finance and Operations Committee  February 8, 2007

Agenda Item:  Information Items

☐ review  ☐ review/action  ☐ action  ☒ discussion

Presenters:  Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

Annual Insurance & Risk Management Report
To provide a report on the risk management and insurance programs at the University for fiscal year 2006.

Annual Report on Central Reserves
To report on the status of the University's Central Reserves.

Emergency Approvals
To provide the Board with information regarding emergency approval of purchases greater than $250,000.

Economic Development Report
The Small Business Report is prepared by the Office for Business and Community Economic Development, to provide the Finance & Operations Committee with a statistical overview of the University’s expenditures with small, and Targeted Businesses (women, minority, and disabled owned businesses) for the period of July 2006-December 2006.

Outline of Key Points/Policy Issues:

Annual Insurance & Risk Management Report
• Total insurance costs for 2006 were $9.0 million, compared with $9.9 million for the prior fiscal year, a decrease of 8.6%. Factors contributing to the decrease include:
  o $560,000 in dividends for premium distributions after all claims paid from participation in the Midwestern Higher Education Compact’s (MHEC) Master Property Program.
  o 4.5% decrease in the University’s property premium from the prior year.
  o 16% reduction in Worker's Compensation claim frequency versus the prior year.
  o Three insurance programs were converted to self-insurance, resulting in annual savings of $311,000.

Annual Report on Central Reserves
• Budgeted revenues total $25.6 million, mostly in investment income.
• Fiscal year 2006-07 budgeted revenues in central reserves represent a $4.2 million (19.8%) increase over fiscal year 2005-06 levels due to strong expectations for investment earnings.
• Variances for TIP Investment Income/Realized Gains are due to timing. Temporary investment pool (TIP) income and realized gains will not be transferred to the central reserve accounts until the end of each fiscal year. This practice is consistent with previous years.
• Included in the budget plan are expenditures and transfers out totaling $12.5 million. Expenditures and transfers out decreased $3.25 million from the previous year primarily because the fiscal year 2005-06 amount included a one-time $2.0 million special allocation for system-wide strategic positioning efforts.
• The projected ending balance at June 30, 2007, is approximately $40 million. Board of Regents Policy: Central Reserves Fund requires a central reserves ending balance of $25.7 million. For Fiscal Year 2007, funds in excess of this amount are committed to one-time capital projects including the exterior renovation of Northrop Auditorium and other critical capital project needs.

Emergency Approvals
On December 26 and 27, 2006, Regents Baraga, Simmons, and Allen approved the following purchases over $250,000:

• To Metro Connections for $916,643 for coordination of the conference "Pandemic Influenza: A National Summit" February 4–6, 2007, for the Center for Infectious Disease Research and Policy (CIDRAP).

In support of using the emergency process, Michael Osterholm, Director of the Center for Infectious Disease Research and Policy, cited an urgent need to rally leaders to plan emergency preparedness for a possible flu pandemic.

• To Leeds Precision Instruments for $288,911.10 for a confocal microscope for the Department of Microbiology.

In support of using the emergency process, Regents Professor and Head of the Department of Microbiology, Ashley T. Haase, M.D., cited a requirement by the funding source to use recently awarded funds before December 31, 2006.

Regents Baraga, Simmons, and Allen did not act on a third request: To Leo A. Daly for $1,697,960 for performing a Utility Master Planning Study for the period January 2007 through June 2008 for the Facilities Management Department. That item has instead been included in the committee’s Consent Report for February 2007.

Economic Development Report
Total expenditures with Small and Targeted Business ending the 2nd quarter December 2006 are $28,399,068. This total broken down represents $16,333,226 in expenditures with targeted businesses and $12,065,842 in expenditures with small businesses.

Background Information:

Emergency Approvals
The approval was consistent with Board of Regents Policy: Board Operations and Agenda Guidelines, Section II, Subd. 10, which states:

Upon the recommendation of the president, the Board chair, vice chair, and the respective Committee chair may act on behalf of the Board when delay for Board approval poses a significant health, safety, or financial risk to the University. Any such emergency approvals will be brought to the next meeting of the Board, consistent with Board policy.
Annual Report

of the

Office of

Risk Management & Insurance

as of

Fiscal Year Ended
June 30, 2006
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  - Long-Term Cost Savings 3

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I. Introduction

The Office of Risk Management's mission is to protect the resources of the University from the financial impact of accidental loss.

The total cost of risk managed through the Office of Risk Management totals approximately $10 million annually.

The University employs a combination of self-insurance and commercial insurance to cover the myriad of risk areas within the institution. This strategy has continued to reduce overall costs and provides us with external expertise in key areas. A diagram of this risk financing structure as well as details on our risk-financing program is included.

This report summarizes the major operations and coverage’s of the University’s risk management and insurance program as of fiscal year end June 30, 2006. Inclusions highlight:

- Key accomplishments for FY 2005-06
- 5-year summary of the University’s premium and loss history
- The University’s Risk Financing Program
- Financial Reports of RUMINCO Ltd., the University’s captive insurance company
Key Accomplishments for FY ‘06

The following are the Office of Risk Management's significant accomplishments for the fiscal year ending July 1, 2006:

- **8.6% decrease** in the University’s overall cost of risk versus the prior year.

- The five-year average annualized increase in cost of risk is just **2.7%** (lower than inflation).

- **4.5% decrease in property premium** despite experiencing several large losses. Over the past five years, the University has paid about $10.6M in property insurance premiums, while experiencing $15.4M in losses over that same period. Our decision to participate in the Midwestern Higher Education Compact (MHEC) property program has prevented several major premium increases.

- **Obtained $560,000 in dividends** from participation in the MHEC property program. This dividend is even more noteworthy considering the University’s recent adverse loss experience.
  - Dividends received from this program over the past two years **total $975,000**.

- **16% reduction** in workers’ compensation claim frequency versus the prior year.
  - Decrease of 100 claims, from 634 to 534.
  - Decrease since FY ’02 is over 35%.

- Evaluated and implemented a **switch to self-insurance** for three insurance programs that had been commercially-insured. These are:
  - Professional liability insurance for Boynton’s Medical Staff
  - Intercollegiate athletic accident insurance
  - Electronic data processing coverage

**Total Impact:** Estimated **annual savings of $311,000** was realized from self-insuring these three coverages, and the savings is expected to recur at close to this level each year. **Five-year savings estimated at $1.5M.**

A summary chart showing the estimated overall savings the University has realized from self-insurance appears on the following page.
When the University opts to self-insure a given exposure, it takes on a measured amount of additional risk – but also reaps the reward of lower long-term costs.

The chart below shows the University’s actual cost of risk (bars) versus the estimated cost of risk if had the University opted to commercially insure all of its risks (red line). The gap between the two represents the annual savings.

The savings are significant, estimated at an average of $3.9M annually over the past 6 years, and is a recurring savings. The white boxes in the chart are major adverse events in the insurance industry that could have greatly increased the University’s costs even more, had it not been for the high level of self-insurance.

**University of Minnesota**

*Actual Cost of Risk vs. Expected Cost if Fully Insured, 2000 – 2006*

**Estimated 6-Year Savings = $23.3M, or approximately $3.9M annually**

- 9/11 Terrorism Events; $2.9 M of Property Losses
- Property Rate Increases From 9/11 Terrorism Events
- $2.1 M of Property Losses
- Multiple Hurricanes in U.S.; $5.5M UMD Property Loss

<table>
<thead>
<tr>
<th>PROGRAM YEAR</th>
<th>Total Cost of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/00-01</td>
<td>$2.7 M of Property Losses</td>
</tr>
<tr>
<td>7/1/01-02</td>
<td>9/11 Terrorism Events; $2.9 M of Property Losses</td>
</tr>
<tr>
<td>7/1/02-03</td>
<td>Property Rate Increases From 9/11 Terrorism Events</td>
</tr>
<tr>
<td>7/1/03-04</td>
<td>$2.1 M of Property Losses</td>
</tr>
<tr>
<td>7/1/04-05</td>
<td>Multiple Hurricanes in U.S.; $5.5M UMD Property Loss</td>
</tr>
<tr>
<td>7/1/05-06</td>
<td>$2.7 M of Property Losses</td>
</tr>
</tbody>
</table>
II. Risk Financing Program

The University finances its property and casualty risk using a combination of two main methods:

1. **Self-insurance**: Risk retention, with funding via RUMINCO or in our current budget
2. **Commercial insurance**: Risk transfer via premium paid to an outside insurance company
The Office of Risk Management & Insurance monitors the University’s losses and the insurance market to ensure the optimal combination of risk financing methods is used. This process includes periodic reviews of the University’s loss exposures, as well as our loss frequency and severity. We work in collaboration with University’s insurance consultants, actuary, and brokers to assess market conditions, and select appropriate levels of risk to retain and transfer.

The following sections describe the University’s current risk financing programs in detail.

**Self Insurance**

RUMINCO Ltd. is a captive insurance company, a wholly owned subsidiary of the University of Minnesota. It was incorporated in 1978 during a nationwide crisis in the medical malpractice insurance market, when commercial insurance was either unavailable or unaffordable for most.

At that time, the University Hospitals and Clinics and the Medical School faced 400% increases in premiums. After exploring various risk financing options, the Regents decided to form RUMINCO to fund its primary layer of protection for General Liability and Professional Liability, while continuing to purchase excess limits from commercial insurance companies.

In 1986, the University’s Office of the General Counsel furnished an opinion that the State of Minnesota’s Tort Statute provides an effective limitation of the University’s exposure with respect to tort liability. It was decided to discontinue the purchase of excess liability from commercial insurers, and rely strictly on the coverage underwritten by RUMINCO and the Statute.

As RUMINCO matured and its surplus (i.e., net worth) grew, other lines of coverage were added to RUMINCO. These additional coverages were:

- Automobile Liability
- Non-Profit Organization Liability, including employment practices liability

The graph on the next page summarizes RUMINCO’s current coverage structure, and is followed by descriptions of each line of coverage.

Over nearly three decades of existence, RUMINCO has proven itself to be a useful funding tool for the University. It is a formalized, disciplined way to self-insure risk, while still being flexible and providing long-term stability to the program. RUMINCO’s five-year summary balance sheet and income statement data appear on pages 17 & 18.
RUMINCO, Ltd.

Summary of Coverage Limits

- **General / Professional Liability**
  - $5 Million Aggregate
  - $3 Million Each Occurrence
  - $1 Million Each Claim

- **Automobile Liability**
  - $5 Million Each Occurrence / Annual Aggregate
  - $1 Million Each Occurrence
  - $700,000 Each Person

- **Non-Profit Org. Liability**
  - $3 Million Each Occurrence
  - $3 Million Aggregate
  - $1 Million Each Claim

- **RUMINCO (extra-jurisdictional)**
  - International Insurance Co. of Hannover, Ltd. (for events outside of State Tort Law jurisdiction)
  - $1 Million Each Occurrence
  - $300,000 Each Person

- **RUMINCO In-State**
  - $1 Million Each Loss
II. Risk Financing Program

*Self-Insurance*  The following sections describe each line of coverage in detail.

**General Liability (insured by RUMINCO)**

General liability includes the University’s legal liability arising out of bodily injury or property damage.

*Limits of Liability:*

<table>
<thead>
<tr>
<th>Limits</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each Claim</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Each Occurrence</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Annual Aggregate</td>
<td>$5,000,000</td>
</tr>
</tbody>
</table>

*Insureds:*

♦ The Regents of the University of Minnesota
♦ Elected or appointed officials, trustees or members of a Board of Governors
♦ Any employee of the University
♦ Any authorized volunteer worker
♦ Students (while acting as an employee within the scope of their assigned duties)

*Five Year Premium & Loss History:*  RUMINCO’s premiums are shown on the next page as the green (left side) bar in each year, and are set based on recommended funding levels determined by a certified actuary*. Incurred losses are the second bar, and broken down by their “paid” and “outstanding reserves” components.

*Claim Count:*  The number of non-zero claims per year has ranged from 30 to 45 over the period (see chart on next page).

*Average Cost per Claim:*  The average cost per general liability claim has been:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Avg. Cost per Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>$4,954</td>
</tr>
<tr>
<td>2004-05</td>
<td>$3,185</td>
</tr>
<tr>
<td>2003-04</td>
<td>$2,879</td>
</tr>
<tr>
<td>2002-01</td>
<td>$6,517</td>
</tr>
<tr>
<td>2001-02</td>
<td>$19,192</td>
</tr>
</tbody>
</table>

*Catastrophe Exposure:*  The University’s major general liability exposure is from concentrations of people in its facilities, such as dormitories, Williams Arena, Mariucci Arena, etc. Life safety continues to be the focus of our risk control efforts in this area.

*The University sets the premium after reviewing the actuary’s reserve opinion and forecast.*
General Liability

Five-Year Premium & Loss History

Claim Count

* Total claim count excludes zero-valued claims on all exhibits.
II. Risk Financing Program

Self-Insurance (cont’d)

Professional Liability (insured by RUMINCO)

Legal liability for damages arising out of professional services, including:

- Medical (including the Medical School and Boynton Health Service physicians), surgical, dental or nursing treatment, including the related furnishing of food or beverages
- Furnishing or dispensing of drugs or medical, dental, or surgical supplies of appliances
- Handling of or performing post-mortem examinations
- Services by any person as a member of a formal accreditation or similar professional board or committee of the University, or as a person charged with the duty of executing directives of any such board or committee
- Service by accountants, architects, engineers, lawyers, and teachers, but only within the scope of their duties as employees of the University

Limits of Liability:
$1,000,000 Each Claim and $3,000,000 Each Occurrence
$5,000,000 Annual Aggregate (Combined with General Liability)

Insureds:
- The Regents of the University of Minnesota
- Elected or appointed officials, administrators, trustees or members of a Board of Governors of the University of Minnesota
- Any employee of the University of Minnesota; any authorized volunteer professors, student teachers; members of a committee of the accounting, architectural, engineering, law, medical or dental staff (while acting with the scope of their duties).


Claim Count: Claim counts for the past 5 years are shown on the lower chart on page 11.

Average Cost per Claim: The average cost per professional liability claim varies widely from year to year, which is typical for low frequency / high severity risks. Below is a summary of the average for the past five years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Avg. Cost per Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>$132,817</td>
</tr>
<tr>
<td>2004-05</td>
<td>$124,981</td>
</tr>
<tr>
<td>2003-04</td>
<td>$50,021</td>
</tr>
<tr>
<td>2002-01</td>
<td>$126,165</td>
</tr>
<tr>
<td>2001-02</td>
<td>$161,640</td>
</tr>
</tbody>
</table>
II. Risk Financing Program

Self-Insurance (cont’d)

Professional Liability (insured by RUMINCO) (cont’d)

Prior to 1997, the majority of the University’s professional liability exposure arose out of medical professional liability claims from University Hospital & Clinics, and the Medical School (interns, externs, residents, medical students). In January 1997, Hospital & Clinics were sold to Fairview, greatly reducing the University’s medical professional liability exposure.

However, the Medical School and Boynton (Student) Health Clinic exposures remain, as well as the “tail” exposure to claims arising from events that pre-date the sale to Fairview.

Professional liability premiums are allocated to the Medical School and Boynton, and are distributed to each medical specialty utilizing a ten-year weighted average of losses and exposure (65% losses, 35% exposure).
**Professional Liability**

Five-Year Premium & Loss History

![Graph showing Professional Liability premiums, losses paid, and losses outstanding over five years.](image)

**Claim Count**

![Graph showing claim count over five years.](image)

---

**Legend:**
- Green: Premiums Paid
- Red: Losses Paid
- Pink: Losses Outstanding

---

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II. Risk Financing Program

Self-Insurance (cont’d)

Automobile Liability (insured by RUMINCO)

Auto liability includes legal damages for bodily injury and property damage arising out of the use of owned vehicles, hired autos, and non-owned autos operated with the permission of the University.

Limits of Liability (within Tort Statute jurisdiction):
$300,000  Each Person
$1,000,000 Each Occurrence

Limits of Liability (outside of Tort Statute jurisdiction):
$1,000,000 Each Occurrence (plus $5M of commercial insurance above this)

Insureds:
♦ The Regents of the University of Minnesota
♦ Elected or appointed officials, trustees or members of a Board of Governors
♦ Any employee of the University
♦ Any authorized volunteer worker while acting within their duties

Five-Year Premium & Loss History: The charts below and on page 13 summarize the history for this line of coverage. There are currently about 815 covered vehicles. The annual premium per vehicle is about $486, which generates a total premium of $396,400. This premium is based primarily on the actuary’s expected loss forecast (as adjusted by RUMINCO), plus the cost of commercial excess insurance for potential accidents occurring outside the State of Minnesota and its tort claim protection. The total cost of the out-of-state excess insurance is approximately half of the total premium.

Average Cost per Claim: See chart below.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Avg. Cost per Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>$3,401</td>
</tr>
<tr>
<td>2004-05</td>
<td>$3,053</td>
</tr>
<tr>
<td>2003-04</td>
<td>$2,970</td>
</tr>
<tr>
<td>2002-01</td>
<td>$8,026</td>
</tr>
<tr>
<td>2001-02</td>
<td>$11,763</td>
</tr>
</tbody>
</table>

The University’s loss experience is considered excellent for a fleet of its size.
Automobile Liability
Five-Year Premium & Loss History

Claim Count

Premiums Paid  Losses Paid  Losses Outstanding

Automobile Liability

Five-Year Premium & Loss History

Claim Count
II. Risk Financing Program

Self-Insurance (cont’d)

Non-Profit Organization Liability (RUMINCO)

RUMINCO’s coverage for non-profit organization liability is unique, and generally is not available in a single policy from the commercial marketplace. The coverage was developed jointly by the University’s Office of General Counsel and Aon Risk Services to finance the following major exposures:

- Directors’ and Officers’ Liability
- Employment Practices Liability
- Personal Injury (e.g., libel, slander, defamation, wrongful entry, wrongful eviction, emotional distress.)

The main source of claims under this coverage is employment disputes, including claims of sexual harassment, unlawful discrimination, and various alleged constitutional violations. Employment-related litigation has increased dramatically at the University and throughout the country during the past ten years, as has the volatility of damage awards. Legal defense costs comprise a major percentage of these claims.

Limits of Liability:
- $1,000,000 Each Loss
- $3,000,000 Annual Aggregate

Insureds:
- The Regents of the University of Minnesota
- Elected or appointed officials, trustees or members of a Board of Governors
- Any employee of the University
- Any authorized volunteer worker while acting within the scope of their duties

Five-Year Premium & Loss History: The history of non-profit organization liability claims are summarized in the chart on page 16.

Average Cost per Claim: A five-year summary of the average claim cost is shown below:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Avg. Cost per Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>$24,034</td>
</tr>
<tr>
<td>2004-05</td>
<td>$48,345</td>
</tr>
<tr>
<td>2003-04</td>
<td>$27,201</td>
</tr>
<tr>
<td>2002-01</td>
<td>$51,594</td>
</tr>
<tr>
<td>2001-02</td>
<td>$50,048</td>
</tr>
</tbody>
</table>
II. Risk Financing Program

Self-Insurance

Non-Profit Organization Liability (cont’d)

The Office of Risk Management & Insurance continues to work closely with its claim servicer Sedgwick, and also with the University’s Human Resources Department and the Office of the General Counsel.

One of our cost-saving strategies continues to be reducing use of outside counsel and increased utilization of in-house counsel, and implementation of the retainer and expense system currently utilized by the Office of the General Counsel.

In addition, University employees receive sexual harassment training on ongoing basis through the University’s Office of Human Resources.
RUMINCO, Ltd.

*Five-Year Balance Sheet Summary*

(Audited)

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
</tr>
<tr>
<td>Cash and time deposits</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
</tr>
<tr>
<td>Accounts receivable</td>
</tr>
<tr>
<td>Paid loss deposit fund</td>
</tr>
<tr>
<td>Prepaid expenses</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
</tr>
</tbody>
</table>

| **Liabilities**           |      |      |      |      |      |
| Accounts payable          | 27,100 | 27,100 | 16,600 | 17,362 | 57,550 |
| Insurance premiums payable | 31,372 | 11,788 | 115,927 | 128,169 | 210,516 |
| Loss reserves             | 4,743,280 | 4,402,232 | 5,601,083 | 5,955,000 | 4,930,000 |
| Dividends payable         | - | - | - | - | - |
| **Total Liabilities**     | 4,801,752 | 4,441,120 | 5,733,610 | 6,100,531 | 5,198,066 |

| **Shareholder's Equity**  |      |      |      |      |      |
| Share capital             | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| Retained earnings         | 25,343,332 | 20,722,424 | 18,814,996 | 17,651,025 | 21,513,636 |
| Unrealized gain/loss on invest. | 1,001,248 | 3,547,372 | - | - | - |
| **Total Shareholder's Equity** | 26,594,580 | 24,519,796 | 19,064,996 | 17,901,025 | 21,763,636 |

**Notes:**

[1] All investments were stated at cost until 2005, after which they are stated at market.
RUMINCO, Ltd.  
*Five-Year Income Statement Summary*  
(Audited)  

<table>
<thead>
<tr>
<th>Premiums written</th>
<th>$2,649,250</th>
<th>$2,498,353</th>
<th>$2,486,510</th>
<th>$2,493,130</th>
<th>$2,491,130</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in unearned premiums</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in provision for retro adjustment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>2,649,250</td>
<td>2,498,353</td>
<td>2,486,510</td>
<td>2,493,130</td>
<td>2,491,130</td>
</tr>
<tr>
<td>Losses incurred (net of recoveries)</td>
<td>(2,474,509)</td>
<td>(1,860,148)</td>
<td>(1,296,049)</td>
<td>(2,057,251)</td>
<td>(840,258)</td>
</tr>
<tr>
<td>Net Underwriting Income</td>
<td>174,741</td>
<td>638,205</td>
<td>1,190,461</td>
<td>435,879</td>
<td>1,650,872</td>
</tr>
<tr>
<td>Net investment income</td>
<td>4,534,593</td>
<td>1,356,111</td>
<td>644,124</td>
<td>(2,902,368)</td>
<td>1,044,136</td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Income</td>
<td>4,709,334</td>
<td>1,994,316</td>
<td>1,834,585</td>
<td>(2,466,489)</td>
<td>2,695,008</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(88,426)</td>
<td>(86,888)</td>
<td>(70,614)</td>
<td>(71,122)</td>
<td>(75,434)</td>
</tr>
<tr>
<td>Net Income (Loss) [1]</td>
<td>4,620,908</td>
<td>1,907,428</td>
<td>1,763,971</td>
<td>(2,537,611)</td>
<td>2,619,574</td>
</tr>
</tbody>
</table>

Retained earnings, beginning of year | 20,722,424 | 18,814,996 | 17,651,025 | 21,513,636 | 19,494,062 |

Dividend Paid | - | - | (600,000) | (1,325,000) | (600,000) |

Retained earnings, end of year | 25,343,332 | 20,722,424 | 18,814,996 | 17,651,025 | 21,513,636 |

[1] RUMINCO reports its financial results using Canadian Generally Accepted Accounting Principles (GAAP), where investments are carried at cost until sold. In Fiscal Year 2002, unrealized investment portfolio losses were considered to have “temporary impairment” and the losses were not recognized until Fiscal Year 2003, when certain of those investments were sold. In fiscal year 2003, net investment income/(loss) of ($2.90 million) resulted from a net loss on sale of investments of $3.76 million plus a net gain of $.86 million from interest and dividends received, net of investment expense.
II. Risk Financing Program

Self-Insurance (cont’d)

Workers Compensation (Self-Insured)

The campuses of Duluth, Crookston, and Morris partner with the Twin Cities Campus under a centralized workers’ compensation department. Sedgwick Claim Management Services provides third-party claim administration services for all locations. At the same time, we engage local managers to help us in managing their employees’ return-to-work and productivity after they are injured.

Limits:
The University is a qualified self-insurer under Minnesota law. It assumes liability up to $1,560,000 in any one workers compensation occurrence. Excess protection is provided by the Workers Compensation Reinsurance Association (WCRA). The WCRA was created by the State of Minnesota as a funding source – essentially acting as an excess insurance company – for serious workers compensation claims occurring in the state.

Insureds:
Under state law, the University is required to pay medical costs and wage loss for any of its employees who are injured while acting in the scope of their duties.

Five-Year Loss History:
The University’s claim counts have steadily decreased over the past five years. In addition, litigated claims and costs have decreased over the past five years. See charts on page 20.

Average Cost per Claim: The average loss per workers’ compensation claim has mostly remained within a relatively narrow range of $2,000 to $3,000 over the past five years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Avg. Cost per Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>$2,907</td>
</tr>
<tr>
<td>2004-05</td>
<td>$2,161</td>
</tr>
<tr>
<td>2003-04</td>
<td>$3,692</td>
</tr>
<tr>
<td>2002-01</td>
<td>$2,438</td>
</tr>
<tr>
<td>2001-02</td>
<td>$2,925</td>
</tr>
</tbody>
</table>
Workers’ Compensation
5-Year Loss History

Losses Paid
Losses Outstanding

Claim Count

Total Claims
Open Claims
II. Risk Financing Program

Commercial Insurance  
Property (MHEC Program)

This policy covers risks of direct physical loss or damage to the “covered property” as defined in the policy, subject to sublimits for certain exposures, and some specifically excluded perils.

**Limits:** $1 billion per occurrence.

**Insured:** Regents of the University of Minnesota.

The lead $100 million of the property insurance program for the University is underwritten by Lexington Insurance Company (a unit of A++ rated AIG) through the Midwestern Higher Education Commission (MHEC) Program. The University has been a participant in the MHEC Program since July 1, 1994. MHEC was established in 1991 by the Midwestern Regional Education Compact, an interstate agreement among Midwestern states. MHEC’s mission is to improve higher education opportunities and services in the Midwest region. The specific goals of the MHEC Regional Property Insurance Program are to expand coverage, reduce costs, and stabilize property insurance rates over extended periods of time for all post-secondary education institutions in MHEC member states. The U of MN’s total insured values in the MHEC program are currently about $6.7 billion.

This fiscal year was the second in a row without an increase the University’s premium. Considering the adverse events of several prior years – which included large losses in the 2001-01 and 2001-02 years, and the vandalism loss that totaled $5.8 million – this result is remarkable. In fact, over the past 5 years, the University’s gross losses have exceeded premiums paid by about $5M. **Without our participation in the MHEC group program, the University’s premium would have been significantly higher.**

The Office of Risk Management and Insurance continues to monitor the property insurance marketplace, and will explore alternative risk-financing opportunities to ensure that the University is provided with the most cost-effective property insurance program available.

**Five-Year Loss History:** See charts on page 22.

**Average Cost per Claim:**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Avg. Cost per Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>$702,500</td>
</tr>
<tr>
<td>2004-05</td>
<td>$1,452,050</td>
</tr>
<tr>
<td>2003-04</td>
<td>$214,012</td>
</tr>
<tr>
<td>2002-01</td>
<td>$117,320</td>
</tr>
<tr>
<td>2001-02</td>
<td>$209,854</td>
</tr>
</tbody>
</table>
Property

Five-Year Premium & Loss History

Claim Count

<table>
<thead>
<tr>
<th>Premiums Paid</th>
<th>U of MN Retained Losses</th>
<th>Insurer Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,704,912</td>
<td>1,141,759</td>
<td>1,164,962</td>
</tr>
<tr>
<td>2,700,397</td>
<td>566,599</td>
<td>2,037,808</td>
</tr>
<tr>
<td>3,000,000</td>
<td>976,043</td>
<td>1,904,957</td>
</tr>
<tr>
<td>3,500,000</td>
<td>833,302</td>
<td>2,578,036</td>
</tr>
<tr>
<td>5,454,898</td>
<td>886,049</td>
<td></td>
</tr>
</tbody>
</table>

Note: The chart shows the premium paid, the U of MN retained losses, and the insurer payments for five years, from 7/1/01-02 to 7/1/05-06.
II. Risk Financing Program

Commercial Insurance (cont’d)

Miscellaneous Insurance Coverages

This section outlines various property and casualty insurance policies currently purchased by the University’s Office of Risk Management & Insurance.

AUTOMOBILE EXCESS LIABILITY (out-of-State Jurisdiction)

Provides of $5,000,000 automobile liability limits for University-owned automobiles involved in incidents occurring outside the State of Minnesota. Coverage applies excess of $1M underwritten by RUMINCO. This was purchased because of the possibility of not having the same tort statute protection in other states.

AUTOMOBILE LIABILITY - EMPLOYEES AS INSURED

This coverage was put in place as a result of concerns by the Minnesota Extension staff. Coverage has been added to RUMINCO’s auto liability policy to provide excess coverage for employees driving personal vehicles on University business. The limit is $1 million per accident, and applies excess over employee’s personal insurance limits.

BROADCASTER’S LIABILITY

Provides media-peril coverage for the University-owned radio stations, KUOM (Minneapolis), KUMD (Duluth), and KUMM (Morris).

CHILD CARE CENTERS

Provides accidental medical, death and dismemberment coverage for enrollees at the University-owned and operated child care centers (Minneapolis and Crookston campuses).

ELECTRONIC DATA PROCESSING (EDP) EQUIPMENT

Because of concerns expressed by faculty and staff, coverage was historically purchased to “buy-down” the property insurance damage and theft deductible from $10,000 per occurrence to $500 per occurrence for EDP equipment. This program is voluntary and each participating department pays their own premiums based on the total replacement cost values reported to Risk Management. Starting with the 2005-06 fiscal year, the University began self-insuring this exposure instead of purchasing commercial insurance.
II. Risk Financing Program

*Commercial Insurance (cont’d)*

**Miscellaneous Insurance Coverages**

**FIDELITY & CRIME**

The fidelity & crime policy provides coverage for loss of money or securities due to employee theft and dishonesty, computer fraud, and related perils.

**FINE ARTS**

This policy has been in place with St. Paul Fire & Marine in excess of 40 years and provides the University with primary coverage for its fine arts exposures (i.e., artwork, books, manuscripts, antiques, etc).

**EXCESS LIABILITY (METRODOME)**

The Metrodome use contract with the Metropolitan Sports Facilities Commission requires the University to carry at least $10 million of liability insurance. The first $1,000,000 in coverage is insured through RUMINCO with the remaining $9,000,000 being covered under this excess liability policy. Coverage applies to the University’s liability to third parties arising out of its use of the Metrodome.

**INTERCOLLEGIATE ATHLETICS**

This policy provides $10M of medical coverage to the University’s intercollegiate athletic program for athletes injured during play, practice or travel.

**NON-OWNED AIRCRAFT LIABILITY**

Covers the University’s liability arising out of use of non-owned aircraft rented or chartered by the University. The limit is $25 million per occurrence, and is intended to be excess of any policies purchased by the owner of the aircraft.

**SPECIAL EVENTS**

This coverage was put in place to address the needs of third parties renting University-owned property. Provides $1M per occurrence and $2M aggregate of general liability insurance these third-party renters, to help them meet the requirements of the University’s License Agreement.
II. Risk Financing Program

Commercial Insurance (cont’d)

Miscellaneous Insurance Coverages

STUDENT ORGANIZATION GENERAL LIABILITY

This policy was placed as a result of concerns from student organizations once they were defined as independent and autonomous from the University of Minnesota. This policy provides the organizations with $1,000,000 in liability coverage, for both on and off-campus events. The coverage is purchased on a voluntary basis.

HULL & LIABILITY (Primary & Excess)

Physical damage coverage up to $1M of primary plus $14M of excess liability arising out of the use of the following University-owned watercraft: UMD’s research vessels, the 86-foot Blue Heron, and the 28-foot Noonin. Pollution liability insurance is also purchased for the Blue Heron.

UPWARD BOUND EARLY INTERVENTION AD&D

Accidental medical, death, and dismemberment coverage for participants in Upward Bound activities, for both the Minneapolis and Duluth campuses.

SHOWBOAT HULL & LIABILITY

Coverage is purchased through Paddleford Company for the University’s hull & liability exposure arising out of its sponsorship of the Showboat dinner theatre. The boat is moored at the University’s dock on the Mississippi.
III. Cost of Risk

The primary mission of The Office of Risk Management & Insurance is to minimize the University’s long-term cost of risk. For our purposes, we define “cost of risk” as the sum of:

\[ \text{[Commercial Insurance Premiums]} + \text{[Retained Losses]} = \text{“Cost of Risk”} \]

\textbf{The total cost of risk decreased by 8.6\% in FY’06.} This follows a decrease of 4.4\% in the prior year. The five-year annualized percentage increase was just 2.7\%. A five-year summary of this broad cost measure is included on page 27.

The exhibit shows that the University’s total cost of risk has remained relatively consistent for the self-insured lines of coverage. Those lines are not subject to insurance market conditions, which are becoming more volatile. The ability of RUMINCO to absorb variances in year-to-year retained loss experience is one of its many benefits to the University. [Note: For purposes of the cost of risk exhibit, we consider premiums paid into RUMINCO to be “retained losses.”]

Purchased commercial insurance costs decreased by about $424,000 this year. The decrease was due to the University’s receipt of a dividend from the property insurance program in the amount of $560,000. This dividend is effectively a return in premium from a self-insured fund shared by group participating in the MHEC program. At the same time, self-insurance costs decreased by about $423,000, mainly due to a decrease in workers compensation costs. \textbf{The net change in the University’s total cost of risk was a decrease of about $848,000, or nearly 9\%.}

\textit{Incurred Loss Summary}

The table on page 28 shows actual incurred losses by major line of exposure, by policy year. This summary shows both self-insured losses, such as RUMINCO coverages and workers’ compensation, and commercially insured losses, such as property and hull coverages. Many of the commercially insured coverages are subject to deductibles of varying levels. As mentioned in the footnote, the result for FY’05 was adversely affected by the large property loss in Duluth.

The good news is that the Duluth loss was insured, and it had little impact on total property costs due to the University’s participation in the MHEC master property program.

\textit{Estimated Cost Savings of RUMINCO (the University’s Captive Insurance Company)}

Finally, on page 29, we have estimated that the amount of savings generated by operating RUMINCO – \textit{during just the past 5 years} – is about $12.6 million.

Our estimate of what the University might have paid in commercial insurance premiums (about $25.2 million over 5 years) is based on our actuary’s loss forecasts for RUMINCO applied to average insurance industry profit and expense loads. This amount was then netted against $12.6 million of actual RUMINCO premiums to arrive at the estimated $12.6 million of cost savings.
# 5-Year Cost of Risk Summary

Total Amounts Paid by Fiscal Year, FY 2002 – 2006

<table>
<thead>
<tr>
<th>COST ITEM</th>
<th>7/1/01-02</th>
<th>7/1/02-03</th>
<th>7/1/03-04</th>
<th>7/1/04-05</th>
<th>7/1/05-06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Self-Insurance (RUMINCO) Premiums</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automobile Liability</td>
<td>$201,000</td>
<td>$201,000</td>
<td>$199,800</td>
<td>$169,000</td>
<td>$192,000</td>
</tr>
<tr>
<td>Excess Automobile Liability</td>
<td>29,130</td>
<td>29,130</td>
<td>19,710</td>
<td>19,000</td>
<td>19,000</td>
</tr>
<tr>
<td>General/Professional Liability</td>
<td>1,461,000</td>
<td>1,463,000</td>
<td>1,467,000</td>
<td>1,510,100</td>
<td>1,572,000</td>
</tr>
<tr>
<td>Non-Profit Organization Liability</td>
<td>800,000</td>
<td>800,000</td>
<td>800,000</td>
<td>800,000</td>
<td>846,000</td>
</tr>
<tr>
<td><strong>Total RUMINCO Premiums</strong></td>
<td>2,491,130</td>
<td>2,493,130</td>
<td>2,486,510</td>
<td>2,498,100</td>
<td>2,629,000</td>
</tr>
<tr>
<td><strong>Self-Insurance (valued as of 6/30/05)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automobile Physical Damage</td>
<td>228,897</td>
<td>125,012</td>
<td>159,772</td>
<td>161,891</td>
<td>124,174</td>
</tr>
<tr>
<td><strong>TOTAL SELF-INSURANCE</strong></td>
<td>$6,497,171</td>
<td>$6,949,796</td>
<td>$6,912,241</td>
<td>$6,816,501</td>
<td>$6,392,690</td>
</tr>
<tr>
<td><strong>Commerical Insurance Premiums</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Risk Property</td>
<td>$1,155,912</td>
<td>$2,481,837</td>
<td>$2,704,912</td>
<td>$2,700,397</td>
<td>$2,578,036</td>
</tr>
<tr>
<td>Less: Property Insurance Dividend</td>
<td>-</td>
<td>-</td>
<td>$48,877</td>
<td>$415,602</td>
<td>($559,722)</td>
</tr>
<tr>
<td>Automobile Liability (out of state)</td>
<td>31,406</td>
<td>104,725</td>
<td>206,000</td>
<td>187,500</td>
<td>185,400</td>
</tr>
<tr>
<td>Boynton Professional Liability</td>
<td>49,343</td>
<td>66,079</td>
<td>67,827</td>
<td>167,041</td>
<td>20,250</td>
</tr>
<tr>
<td>Broadcaster's Liability (12/31)</td>
<td>4,725</td>
<td>5,677</td>
<td>5,677</td>
<td>5,677</td>
<td>5,677</td>
</tr>
<tr>
<td>Child Care Center</td>
<td>979</td>
<td>979</td>
<td>979</td>
<td>1,406</td>
<td>1,406</td>
</tr>
<tr>
<td>Electronic Data Processing [3]</td>
<td>98,294</td>
<td>147,545</td>
<td>148,530</td>
<td>63,483</td>
<td>51,593</td>
</tr>
<tr>
<td>Fidelity &amp; Crime</td>
<td>46,547</td>
<td>46,500</td>
<td>50,645</td>
<td>51,300</td>
<td>50,645</td>
</tr>
<tr>
<td>Fine Arts (2/1)</td>
<td>50,197</td>
<td>50,197</td>
<td>50,197</td>
<td>50,197</td>
<td>50,197</td>
</tr>
<tr>
<td>Intercollegiate Athletics (9/1)</td>
<td>81,814</td>
<td>97,407</td>
<td>104,178</td>
<td>51,300</td>
<td>51,300</td>
</tr>
<tr>
<td>Liquor Liability (1/15)</td>
<td>5,150</td>
<td>5,150</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-Owned Aircraft Liability</td>
<td>25,394</td>
<td>28,250</td>
<td>28,250</td>
<td>20,545</td>
<td>20,545</td>
</tr>
<tr>
<td>Special Events (1/1)</td>
<td>13,310</td>
<td>16,480</td>
<td>26,885</td>
<td>26,885</td>
<td>26,885</td>
</tr>
<tr>
<td>Student Activities Office</td>
<td>5,040</td>
<td>6,241</td>
<td>9,992</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Hull &amp; Liability for Watercraft (4/1)</td>
<td>12,605</td>
<td>14,231</td>
<td>14,800</td>
<td>20,315</td>
<td>18,042</td>
</tr>
<tr>
<td>Excess Marine Liability (4/1)</td>
<td>10,500</td>
<td>11,550</td>
<td>11,870</td>
<td>11,870</td>
<td>9,540</td>
</tr>
<tr>
<td>Pollution (Blue Heron watercraft)</td>
<td>-</td>
<td>900</td>
<td>900</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>Upward Bound AD&amp;D (9/1)</td>
<td>1,400</td>
<td>1,440</td>
<td>1,440</td>
<td>1,440</td>
<td>1,440</td>
</tr>
<tr>
<td><strong>Total Commerical Insurance</strong></td>
<td>$1,624,296</td>
<td>$3,125,688</td>
<td>$3,443,945</td>
<td>$3,079,363</td>
<td>$2,655,308</td>
</tr>
<tr>
<td><strong>GRAND TOTAL COST OF RISK</strong></td>
<td>$8,121,467</td>
<td>$10,075,484</td>
<td>$10,356,186</td>
<td>$9,895,864</td>
<td>$9,047,998</td>
</tr>
<tr>
<td>% Change vs. Prior Fiscal Year</td>
<td>12.9%</td>
<td>24.1%</td>
<td>2.8%</td>
<td>-4.4%</td>
<td>-8.6%</td>
</tr>
</tbody>
</table>

**5-Year Average Annualized % Change** 2.7%

---

[1] Includes WC-related administration costs.

[2] These are property losses falling within department deductibles or overall program deductibles; Beginning in FY 2002, we are tracking retained property losses separate from premiums because the higher deductible levels are expected make this figure a larger % of the total.

[3] EDP coverage was self-insured starting FY 2005-06; figure now shows losses paid by RM Dept.
## 5-Year Loss Summary

**Total Amounts Incurred by Fiscal Year, FY 2002 - 2006**

### Exposure

<table>
<thead>
<tr>
<th>Coverage</th>
<th>7/1/01-02</th>
<th>7/1/02-03</th>
<th>7/1/03-04</th>
<th>7/1/04-05</th>
<th>7/1/05-06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ruminco Coverages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automobile Liability</td>
<td>$329,365</td>
<td>$248,808</td>
<td>$83,157</td>
<td>$94,640</td>
<td>$85,021</td>
</tr>
<tr>
<td>Excess Automobile Liability</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>General Liability</td>
<td>786,892</td>
<td>293,249</td>
<td>86,381</td>
<td>121,024</td>
<td>183,314</td>
</tr>
<tr>
<td>Professional Liability</td>
<td>1,131,477</td>
<td>883,154</td>
<td>300,128</td>
<td>1,124,826</td>
<td>1,062,537</td>
</tr>
<tr>
<td>Non-Profit Organization Liability</td>
<td>900,862</td>
<td>515,940</td>
<td>353,613</td>
<td>483,448</td>
<td>120,170</td>
</tr>
<tr>
<td><strong>Ruminco Subtotal</strong></td>
<td>$3,148,596</td>
<td>$1,941,151</td>
<td>$823,279</td>
<td>$1,823,938</td>
<td>$1,451,042</td>
</tr>
<tr>
<td><strong>Other Major Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>2,421,980</td>
<td>1,777,055</td>
<td>2,558,740</td>
<td>1,370,306</td>
<td>1,552,583</td>
</tr>
<tr>
<td>Property Losses (gross loss)*</td>
<td>2,937,962</td>
<td>586,599</td>
<td>1,926,107</td>
<td>5,808,200</td>
<td>1,405,000</td>
</tr>
<tr>
<td>Hull &amp; Liability (Watercraft)</td>
<td>13,544</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Electronic Data Processing [1]</td>
<td>58,988</td>
<td>41,973</td>
<td>21,186</td>
<td>63,483</td>
<td>51,180</td>
</tr>
<tr>
<td>Athletic Accident [2]</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Campus Involvement</td>
<td>418</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Liquor Liability</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Excess Liability for Metrodome</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Non-Owned Aircraft</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Automobile Physical Damage</td>
<td>228,897</td>
<td>125,012</td>
<td>159,772</td>
<td>161,891</td>
<td>124,174</td>
</tr>
<tr>
<td><strong>Other Subtotal</strong></td>
<td>5,661,789</td>
<td>2,530,639</td>
<td>4,665,805</td>
<td>7,403,880</td>
<td>3,132,937</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>$8,810,385</td>
<td>$4,471,790</td>
<td>$5,489,084</td>
<td>$9,227,818</td>
<td>$4,583,979</td>
</tr>
</tbody>
</table>

* 7/1/04-05 includes the $5,750,000 UMD Swenson loss.

[1] Loss data shown on 3/1 policy year basis.

[2] Loss data shown on 1/1 policy year basis.

Data Sources: Sedgwick CMS for all lines, except carrier loss runs for EDP and Hull & Liability.

Source for property data: MHEC and Zurich loss run spreadsheets.
## RUMINCO vs. Insurance Industry

Estimated 5-Year Cost Savings, FY 2002 – 2006

<table>
<thead>
<tr>
<th>Exposure</th>
<th>7/1/01-02</th>
<th>7/1/02-03</th>
<th>7/1/03-04</th>
<th>7/1/04-05</th>
<th>7/1/05-06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forecasted Losses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automobile Liability</td>
<td>$219,000</td>
<td>$231,000</td>
<td>$206,000</td>
<td>$192,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>GL &amp; Professional Liability</td>
<td>$1,764,000</td>
<td>$1,869,000</td>
<td>$1,986,000</td>
<td>$1,927,000</td>
<td>$2,115,000</td>
</tr>
<tr>
<td>Non-Profit Organization Liability</td>
<td>$1,864,000</td>
<td>$1,035,000</td>
<td>$1,005,000</td>
<td>$921,000</td>
<td>$891,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,847,000</td>
<td>$3,135,000</td>
<td>$3,197,000</td>
<td>$3,040,000</td>
<td>$3,206,000</td>
</tr>
<tr>
<td><strong>Historical Average Insurance Industry</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit &amp; Expense Load as % of Premium*</td>
<td>30.4%</td>
<td>30.0%</td>
<td>30.0%</td>
<td>30.0%</td>
<td>31.0%</td>
</tr>
<tr>
<td><strong>Expected Cost of Commercially-Purchased Insurance</strong></td>
<td>$5,915,842</td>
<td>$4,792,160</td>
<td>$4,886,934</td>
<td>$4,646,943</td>
<td>$4,974,944</td>
</tr>
<tr>
<td><strong>Estimated 5-Year Total Insurance Premiums</strong></td>
<td>$26,333,189</td>
<td></td>
<td></td>
<td></td>
<td>$25,216,823</td>
</tr>
<tr>
<td><strong>Premiums Paid to RUMINCO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automobile Liability</td>
<td>$201,000</td>
<td>$201,000</td>
<td>$199,800</td>
<td>$169,000</td>
<td>$192,000</td>
</tr>
<tr>
<td>Excess Automobile Liability</td>
<td>$29,130</td>
<td>$29,130</td>
<td>$19,710</td>
<td>$19,000</td>
<td>$19,000</td>
</tr>
<tr>
<td>GL &amp; Professional Liability</td>
<td>$1,461,000</td>
<td>$1,463,000</td>
<td>$1,467,000</td>
<td>$1,510,100</td>
<td>$1,572,000</td>
</tr>
<tr>
<td>Non-Profit Organization Liability</td>
<td>$800,000</td>
<td>$800,000</td>
<td>$800,000</td>
<td>$800,000</td>
<td>$846,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,491,130</td>
<td>$2,493,130</td>
<td>$2,486,510</td>
<td>$2,498,100</td>
<td>$2,629,000</td>
</tr>
<tr>
<td><strong>Actual 5-Year RUMINCO Premiums</strong></td>
<td>$12,597,870</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Estimated 5-Year Total Savings From RUMINCO</strong></td>
<td>$12,618,953</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Assumptions:**
- Aon's loss forecasts are a reasonable basis for insurer's premium quotations for first-dollar coverage.
- Insurers bidding for the University's business would use expense & profit loads close to the industry average.
- Dollars shown are on a nominal basis (not adjusted for inflation).
- Operating costs for RUMINCO, TPA costs for Sedgwick, and University administrative time on RUMINCO are relevant costs that are not shown in this comparison.

*As published in Best's Aggregates & Averages, 2002 Edition. Figure includes agent commissions. Figures shown for 2003-06 are Aon estimates.
IV. Office of Risk Management Accomplishments & Goals

Organizational Structure

The organizational structure of the Office of Risk Management is shown below. During its tenure, this team has a solid track record of reducing the University’s total cost of property & casualty risk.
IV. Office of Risk Management Accomplishments & Goals (cont’d)

Self-Insurance Continues to Save Cost

The property/casualty insurance environment in 2005-06 was relatively stable, following several years of dramatic rate increases that followed the attacks of 9/11 and subsequent natural catastrophes. Even with this improvement in the market, at a time when most insurance buyers were experiencing rate increases, the University’s the total cost of risk decreased in FY’06 by 8.6%.

As noted in previous reports, one of the best ways an organization can insulate itself from these adverse market conditions is to be largely self-insured. The University does this through its RUMINCO captive, and through taking large deductibles on its workers’ compensation and property insurance.

Even with this focus, the University is not completely immune to market-driven cost increases. **Property insurance** remains the University’s greatest exposure to commercial insurance market conditions.

Major Accomplishments in FY 2005-06

The Office of Risk Management & Insurance reports the following important accomplishments during FY 2004-05:

The Office of Risk Management has worked with University departments to identify opportunities to save money by switching from purchased insurance to self-insurance when and where it is a good financial decision. In FY’05, the Office of Risk Management began the evaluation and implementation of switching to self-insurance for the following insurance programs:

- **Professional Liability Insurance for Boynton Medical Staff:** Boynton’s medical professionals are now covered by RUMINCO, a change that has saved Boynton approximately $147,000. This will be an ongoing / recurring savings for Boynton, assuming no dramatic increase in loss experience.

- **Intercollegiate Athletic Accident Insurance:** This is an insurance policy to cover intercollegiate athletes and other participants for injuries. The policy renewal date was September 1st, and the process of evaluating this coverage was taking place at the end of FY’05. The decision to switch to an insurance program that is partially self-insured with an aggregate that caps the University’s exposure will save the University’s athletic departments about $68,000, and will be recurring in future fiscal years as well.
IV. Office of Risk Management Accomplishments & Goals (cont’d)

- **Electronic Data Processing Coverage (insurance for computers and electronic equipment):** The University’s switch to self-insurance saved $85,000 in FY’05, an additional $96,000 in FY ’06, and the savings will be recurring in future years. The Office of Risk Management self insures for this exposure and handles the claims administration internally.

  The total savings for the three insurance programs listed above will be approximately $311,000 annually. At current premium and loss levels, the cumulative savings to the University over the next five years would be over $1.5 million.

**Dividend from Property Insurance Program Reduced Total Property Costs**

The University participates in the Midwestern Higher Education Compact’s master property program along with 70 other educational institutions. There is a layer of self-insurance above each participant’s deductible that is eligible for returned premium if claims do not deplete the fund each year. In FY’05 the University received a dividend in the amount of $415,602 – despite the large loss on the Duluth campus. The dividend received in FY’06 was $560,000, for a 2-year total of $975,000.

**Workers Compensation Claims Count Reduced**

Reported workers compensation claim counts has steadily decreased over the past five years. The total amount of reported claims in FY’06 was 534, down by 100 claims or 16% from the prior year. Since FY ’02, the total decrease is nearly 300 claims, or 35%. Lowering claim frequency is important, because it not only directly reduces cost and lost productivity, it also reduces the probability of very large losses. Large losses can have a major impact on the University, because we carry a large $1.56M self-insured retention. A combination of improved claims administration and better safety efforts are responsible for the improved results.

**MHEC Property Program Brokerage / Consulting Services Put Out to Bid**

During FY ’06, MHEC put the brokerage and consulting part of its property insurance program out to bid. This included proposals from competing brokerage firms for the overall program management and insurance placement services. The contract was awarded to Marsh, Inc. The MHEC oversight committee expects the program to continue to build on the success that has been experienced over the past several years.
IV. Office of Risk Management Accomplishments & Goals (cont’d)

Goals for 2006-07

- **Maintain Current Programs and Pricing:** With the insurance market stabilizing in general, our goal will be to maintain or reduce our current rates, and attempt to broaden the scope of coverage where possible.

- **Examine Deductible Options for Property Insurance:** We will also evaluate various deductible options to determine if self-insuring at some level may be more cost-effective, thereby avoiding unnecessary premium charges.

- **Integrated Return to Work:** The office of Risk Management is working with other University departments to establish an integrated return to work program. The employees that are injured and are part of the workers compensation program will be referred to this program to help facilitate their injury rehabilitation and timely return to the work force.

- **Seek Other Exposures to Self-Insure:** While most of the coverages that can be self-insured have already been converted, we will still selectively consider self-insurance where market pricing remains excessive relative to the risk.

- **Property Risk Control / Prevention:** During the year, a loss control subcommittee was created by the MHEC oversight group to focus on the needs of members and to prevent property losses through preventive measures. It is expected that the subcommittee will better direct the risk control resources of Marsh and the insurance company to reduce future loss frequency and severity.
# CENTRAL RESERVES SUMMARY

As of December 31, 2006
FY 2006-07

<table>
<thead>
<tr>
<th>Resources</th>
<th>Approved Budget FY 2006-07</th>
<th>Actual As Of 12/31/06</th>
<th>Variance To Approved Budget</th>
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</thead>
<tbody>
<tr>
<td>Beginning Balance 6/30/06</td>
<td>$27,029,169</td>
<td>$21,321,616</td>
<td>$-5,707,553</td>
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<tr>
<td>TIP Investment Income/Realized Gains*</td>
<td>26,150,000</td>
<td>0</td>
<td>-26,150,000</td>
</tr>
<tr>
<td>Less Distribution of Income to Participants</td>
<td>-600,000</td>
<td>-57,947</td>
<td>542,053</td>
</tr>
<tr>
<td>Other Investment Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Investment Income/Realized Gains</td>
<td>25,550,000</td>
<td>-57,947</td>
<td>-25,607,947</td>
</tr>
<tr>
<td>Internal Loans Transfer</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Real Estate Sales</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Income</td>
<td>100,000</td>
<td>104,843</td>
<td>4,843</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>52,679,169</strong></td>
<td><strong>21,368,512</strong></td>
<td><strong>-31,310,657</strong></td>
</tr>
</tbody>
</table>

## Expenditures and Transfers Out

<table>
<thead>
<tr>
<th>Transfers Out:</th>
<th>Approved</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Allocations:</td>
<td>343,800</td>
<td>343,800</td>
<td>0</td>
</tr>
<tr>
<td>General Contingency</td>
<td>1,250,000</td>
<td>1,250,000</td>
<td>0</td>
</tr>
<tr>
<td>To O&amp;M</td>
<td>10,948,103</td>
<td>10,948,103</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Expenditures and Transfers Out</strong></td>
<td><strong>12,541,903</strong></td>
<td><strong>12,541,903</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

## Ending Balance, 6/30/07

<table>
<thead>
<tr>
<th>Approved</th>
<th>Actual</th>
<th>Variance To Approved Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>$40,137,266</td>
<td>$8,826,609</td>
<td>$-31,310,657</td>
</tr>
</tbody>
</table>
UNIVERSITY OF MINNESOTA
Office of the Board of Regents
600 McNamara Alumni Center
200 Oak Street S.E.
Minneapolis, MN 55455-2020
612-625-6300 (phone)
612-624-3318 (fax)

December 28, 2006

FACSIMILE

To: President Robert Bruininks

From: Ann Cieslak, Executive Director

Re: Emergency Approval

Pages: 3 (including cover)

By telephone and in person on December 26 and 27, 2006 Chair Baraga, Vice Chair Simmons, and Finance & Operations Committee Chair Allen each approved two of the requested purchases presented in your letter of December 19, 2006. Specifically they approved:

- To MetroConnections for $916,643 for coordination of the conference “Pandemic Influenza: A National Summit” February 4-6, 2007, for the Center for Infectious Disease Research and Policy (CIDRAP); and

- To Leeds Precision Instruments for $288,911.10 for a confocal microscope for the Department of Microbiology.

I understand that these actions will be reported to the Board at the February meeting, as required by Board policy.

Regents Baraga, Simmons, and Allen did not act on the following request: To Leo A. Daly for $1,697,960 for performing a Utility Master Planning Study for the period January 2007 through June 2008 for the Facilities Management Department. As a process issue, they believe that the Board's Facilities Committee should receive information about this contract prior to action by either the Finance Committee or through this emergency approval process.

c: Vice President Richard Pfutzenreuter (w/o attachments)
Vice President Kathryn Brown (w/o attachments)
Purchase of Goods and Services over $250,000

To MetroConnections for $916,643 for coordination of conference “Pandemic Influenza: A National Summit” February 4-6 2007, for the Center for Infectious Disease Research and Policy (CIDRAP).

Pandemic Influenza is a potential national health emergency, and the ability of businesses to respond represents a very real potential economic emergency. This summit needs to happen very quickly, hence the February date.

MetroConnections is a national conference planner with the ability to put on a business conference of this scale in less than two months. Without their assistance the conference would not be possible.

MetroConnections needs to have a contract in place in order to go forward and contract for space, catering, speakers, etc. for this conference.

This contract will be paid from conference fees. It is expected that the conference will have 500 attendees, and that the University will realize a net profit from the activity.

Submitted by: Ann Roberts, CIDRAP Financial Manager
MMC 263 Mayo, 420 Delaware St. SE
Phone: (612) 624-2495
Fax: (612) 624-2157

Approval for this item requested by:

[Signature]
Frank Cerra, Senior Vice President for Health Sciences

12/6/06
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because a competitive process would take weeks, and fulfilling the urgent need for emergency preparedness information expressed by leaders from business, health care and government would be delayed. The University expects to recoup the entire cost of the event from attendee registration fees and realize a net profit.

Procedures undertaken to ensure price reasonableness included reviewing the cost breakdown from the selected vendor for food, audio-visuals, speakers, etc. The Academic Health Center and Purchasing have concluded that the price is reasonable for all of the services being provided.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.
December 6, 2006

Karen Triplett
Director, Purchasing Services
University of Minnesota
Room 560 WBOB
1300 S 2nd Street
Minneapolis, MN 55454

Dear Karen:

Thank you for assisting us with our request to secure the University of Minnesota Board of Regents’ approval on an emergency basis for a contract exceeding $250,000 related to our February 4-6, 2007 “A National Summit on Business Planning for Pandemic Influenza.”

This time sensitive meeting represents the second national effort to bring together international leaders of the business community, public health, and federal and state government officials to address the critical and urgent need for business continuity planning for pandemic influenza. We are very proud that our Center is recognized for its international leadership in this area. Also, we’re currently in discussions with organizations such as CNN and Deloitte as major cosponsors and are securing speakers such as Senator Barack Obama, New York Times journalist Tom Friedman, former Treasury Secretary Robert Rubin.

This meeting is highly unusual for being such a high profile national meeting in that we only decided to hold another summit several weeks ago. This decision is related to the ongoing, urgent and escalating risk of an influenza pandemic and the world’s continued level of inadequate preparedness. Many of the largest companies in the world have expressed their strongest support for our efforts and encouraged us to hold this summit as soon as possible. However, it also means we have less than two months to plan for this highly visible and critical summit. We have no doubt that we can make this a successful summit from both content delivery and financial perspectives, however time is of the essence.
We realize the important need for appropriate oversight and approval for contracts by the University of Minnesota. However, given the extraordinary circumstances of this meeting, we are hopeful you will act favorably. Thank you for your consideration. Please let me know if I can provide you with additional information or in any other way I can assist you.

Sincerely yours,

Michael T. Osterholm, PhD, MPH
Director, Center for Infectious Disease Research and Policy
Professor, School of Public Health
Adjunct Professor, Medical School
Purchase of Goods and Services over $250,000

To Leeds Precision Instruments for $288,911.10 for a confocal microscope for the Department of Microbiology for the period ending December 31, 2006.

As necessary equipment for work that will be funded by the International AIDS Vaccine Initiative (IAVI), the Department of Microbiology will need its own confocal microscope to be located in room 1535 Mayo Building.

IAVI is funding a project to determine the correlates of protection of a live attenuated vaccine that protects monkeys from monkey AIDS caused by HIV-1’s simian relative, simian immunodeficiency virus (SIV). Determining those correlates involves an extensive and labor-intensive collection of images of the immune cells in tissues that are thought to be involved in protection. The purchase of the confocal microscope is required to collect these images.

Through a competitive bid process, Leeds Precision Instruments provided the best price and availability for the funding period.

The funds for the purchase are coming from the sponsored project’s budget that were specifically provided by IAVI for this purpose. IAVI’s fiscal year runs through December 31, 2006. They require that we make this purchase by the end of their current fiscal year.

Submitted by: Ashley T. Haase, M.D.
Regents’ Professor and Head
Department of Microbiology
Medical School
1460 Mayo Memorial Building
Minneapolis Campus
Phone: 612-624-2468
Fax: 612-626-0623

Approval for this item requested by:

[Signature]

Date 12/18/06
December 15, 2006

Ms. Karen Triplett  
Director, Purchasing Services  
University of Minnesota  
Room 560 WBOB  
1300 S. 2nd Street  
Minneapolis, MN 55454

RE: Request for emergency approval for purchase on RX 628-00007003

Dear Ms. Triplett,

Thank you for your help with our request to secure the University of Minnesota Board of Regents’ approval on an emergency basis for a purchase in excess of $250,000 of a confocal microscope that is a critical component of work that will be funded by the International AIDS Vaccine Initiative (IAVI).

Although we have been in discussions with IAVI over several months about potential funding of my research as part of IAVI’s Neutralizing Antibody Consortium, we just recently learned that IAVI would be able to fund the required equipment purchases during their current fiscal year which ends on December 31, 2006. Sponsored Projects Administration notified us on November 16 that they had received an award notice from IAVI. With such short notice, we weren’t able to collect quotes and prepare the necessary purchasing documents in time for the November 20 deadline for the December Regents’ meeting. In retrospect, we probably could have started the process sooner without a definite award but unfortunately we did not.

Via a short turnaround process, we received bids from four vendors and have selected the low bidder, Leeds Precision Instruments, as vendor for the microscope. Their bid meets all our specifications and includes a one-year warranty.

In calendar year 2007, IAVI will provide operational funding for a project to determine the correlates of protection of a live attenuated vaccine that protects monkeys from monkey AIDS caused by HIV-1’s simian relative, simian immunodeficiency virus (SIV). Determining those correlates involves an extensive and labor-intensive collection of images of the immune cells in tissues that are thought to be involved in protection. The purchase of the confocal microscope is required to collect these images. Work on this project will add significantly to our knowledge of SIV pathogenesis and lead us further along in developing an SIV vaccine which we hope will ultimately lead to development of an AIDS vaccine for humans.
December 15, 2006
Ms. Karen Triplett
Page Two

We realize the importance of the bidding process and appropriate oversight and approval for major equipment items. If we had received earlier notice that we would definitely receive the funds for this equipment, we would have started the bid process earlier and in time to meet the Regent’s docket schedule. We hope you will appreciate the importance of this purchase and our limited timeline to encumber the funds and bring this purchase proposal forward to the Regents for approval.

Sincerely,

[Signature]

Ashley T. Haase, M.D.
Regents’ Professor and Head

ATH/clo

enclosures
SMALL BUSINESS REPORT
EXPENDITURES WITH WOMEN, MINORITY AND DISABLED BUSINESSES (WMBD)
2002-2007 5 YEAR-COMPARISON 2ND QUARTER CUMULATIVE TOTALS


$23,560,861
$16,333,226
$15,252,580
$12,253,965
$11,038,193
$10,000,000.00
$15,000,000.00
$20,000,000.00
$25,000,000.00
$0.00

$23,560,861
$16,333,226
$15,252,580
$12,253,965
$11,038,193
SMALL BUSINESS REPORT
2ND QUARTER CUMULATIVE TOTALS

EXPENDITURE BREAKDOWN BY PROTECTED CLASS GROUP

- African American
- Asian
- Hispanic
- Native American
- Minorities
- Other
- Women
- Disabled

$10,798,937
$1,510,793
$1,871,411
$10,000,000.00
$2,000,000.00
$0.00

$8,000,000.00
$6,000,000.00
$4,000,000.00
$2,000,000.00
$0.00

$26,793

$2,000,000.00
$4,000,000.00
$6,000,000.00
$8,000,000.00
$10,000,000.00
$12,000,000.00

$957,283

$1,023,714

$1,510,793

$1,871,411

$26,793

$0.00
<table>
<thead>
<tr>
<th>Classification</th>
<th>Dollars Awarded</th>
<th>Percent Total WMDB Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American</td>
<td>$957,283</td>
<td>5.86%</td>
</tr>
<tr>
<td>Asian</td>
<td>$1,510,793</td>
<td>9.25%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>$144,295</td>
<td>0.88%</td>
</tr>
<tr>
<td>American Indian/Alaska Native</td>
<td>$1,023,714</td>
<td>6.27%</td>
</tr>
<tr>
<td>Woman</td>
<td>$10,798,937</td>
<td>66.12%</td>
</tr>
<tr>
<td>Disabled</td>
<td>$26,793</td>
<td>0.16%</td>
</tr>
<tr>
<td>Minority Other</td>
<td>$1,871,411</td>
<td>11.46%</td>
</tr>
<tr>
<td>Total</td>
<td>$16,333,226</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
## SMALL BUSINESS REPORT
### BREAKDOWN BY GROUP
#### 2ND QUARTER CUMULATIVE TOTALS

<table>
<thead>
<tr>
<th>Classification</th>
<th>Dollars Awarded</th>
<th>Percent of Total WMDB Expenditures</th>
<th>Percent of Total WMDB Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Goods and Services</td>
<td>WMDB Expenditures</td>
<td>Construction</td>
</tr>
<tr>
<td>African American</td>
<td>$658,665</td>
<td>4.03%</td>
<td>$298,618</td>
</tr>
<tr>
<td>Asian</td>
<td>$1,239,015</td>
<td>7.59%</td>
<td>$271,778</td>
</tr>
<tr>
<td>Hispanic</td>
<td>$99,295</td>
<td>0.61%</td>
<td>$45,000</td>
</tr>
<tr>
<td>American Indian/Alaska Native</td>
<td>$145,836</td>
<td>0.89%</td>
<td>$877,878</td>
</tr>
<tr>
<td>Woman</td>
<td>$3,173,334</td>
<td>19.43%</td>
<td>$7,625,603</td>
</tr>
<tr>
<td>Disabled</td>
<td>$26,793</td>
<td>0.16%</td>
<td>$0</td>
</tr>
<tr>
<td>Minority Other</td>
<td>$1,175,961</td>
<td>7.20%</td>
<td>$695,450</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,518,899</strong></td>
<td><strong>39.91%</strong></td>
<td><strong>$9,814,327</strong></td>
</tr>
</tbody>
</table>

**Total WMDB Expenditures** $16,333,226
SMALL BUSINESS REPORT
BREAKDOWN BY MINORITY, WOMEN AND DISABLED BUSINESSES
2ND QUARTER CUMULATIVE TOTALS

- Minority: 66.12%
- Women: 33.72%
- Disabled: 0.16%
**SMALL BUSINESS REPORT**  
**TOTAL PURCHASING & CONSTRUCTION EXPENDITURES**  
**2ND QUARTER CUMULATIVE TOTALS**

### CONSTRUCTION EXPENDITURES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Construction Expenditures</td>
<td>$93,415,086</td>
</tr>
<tr>
<td>Total WMDB Construction</td>
<td>$9,814,327</td>
</tr>
<tr>
<td>Percent of Total Construction</td>
<td>10.51%</td>
</tr>
</tbody>
</table>

### PURCHASING EXPENDITURES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Goods &amp; Services Expenditures</td>
<td>$313,335,166</td>
</tr>
<tr>
<td>Total WMDB Goods &amp; Services Expenditures</td>
<td>$6,518,899</td>
</tr>
<tr>
<td>Percent of Total Goods &amp; Services</td>
<td>2.08%</td>
</tr>
</tbody>
</table>

### GRAND TOTAL

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Goods, Services &amp; Construction Expenditures</td>
<td>$406,750,252</td>
</tr>
<tr>
<td>Total WMDB Expenditures</td>
<td>$16,333,226</td>
</tr>
<tr>
<td>WMDB Percent of Totals</td>
<td>4.02%</td>
</tr>
</tbody>
</table>
SMALL BUSINESS REPORT
TOTAL EXPENDITURES WITH SMALL BUSINESSES
2ND QUARTER CUMULATIVE TOTALS

Total Small Business Expenditures $12,065,842
Total WMDB Expenditures $16,333,226
Total Expenditures with WMDB & Small Businesses $28,399,068
Percent of Total University Expenditures 6.98%
Total University Expenditures $406,750,252
## 2006-2007 WORKFORCE UTILIZATION REPORT

<table>
<thead>
<tr>
<th></th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
<th>Total (Annual)</th>
<th>Total Hours (Annual)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Minority Hours</td>
<td>9,690</td>
<td>4,998</td>
<td>-</td>
<td>-</td>
<td>14,688</td>
<td>100%</td>
</tr>
<tr>
<td>Total Minority Male Hours</td>
<td>8,672</td>
<td>4,998</td>
<td>-</td>
<td>-</td>
<td>13,670</td>
<td>93%</td>
</tr>
<tr>
<td>Total Minority Female Hours</td>
<td>1,018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,018</td>
<td>7%</td>
</tr>
<tr>
<td>Total Disabled Hours</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
</tbody>
</table>

### TOTAL MINORITY HOURS BY TRADE (ANNUAL)

- **100%**: Total Minority Hours
- **93%**: Total Minority Male Hours
- **7%**: Total Minority Female Hours
- **0%**: Total Disabled Hours
### 2006-2007 WORKFORCE UTILIZATION REPORT

<table>
<thead>
<tr>
<th></th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
<th>Total (Annual)</th>
<th>% of Total Empl. (Annual)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total All Employees</td>
<td>952</td>
<td>1,109</td>
<td>-</td>
<td>-</td>
<td>2,061</td>
<td>100%</td>
</tr>
<tr>
<td>Total Male</td>
<td>917</td>
<td>1,055</td>
<td>-</td>
<td>-</td>
<td>1,972</td>
<td>96%</td>
</tr>
<tr>
<td>Total Female</td>
<td>35</td>
<td>54</td>
<td>-</td>
<td>-</td>
<td>89</td>
<td>4%</td>
</tr>
<tr>
<td>Total Minority (Male &amp; Female)</td>
<td>108</td>
<td>109</td>
<td>-</td>
<td>-</td>
<td>217</td>
<td>10%</td>
</tr>
<tr>
<td>Total Disabled</td>
<td>3</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>0%</td>
</tr>
<tr>
<td>Total Minority Male</td>
<td>102</td>
<td>108</td>
<td>-</td>
<td>-</td>
<td>210</td>
<td>10%</td>
</tr>
<tr>
<td>Total Minority Female</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>0%</td>
</tr>
</tbody>
</table>

#### NUMBER OF EMPLOYEES

- **Total All Employees**: 96%
- **Total Male**: 96%
- **Total Female**: 4%
- **Total Minority (Male & Female)**: 10%
- **Total Disabled**: 0%

- **Univ. Target**: 96%