AGENDA


2. Issues Related to: Annual Financial Report - M. Volna/D. Seck (p. 5)

3. Update: University Student Fees - R. Pfutzenreuter/J. Tonneson (p. 6)

4. Issues Related to: UMore Park Financing Update - R. Pfutzenreuter (pp. 7-8)

5. Consent Report - Review/Action - R. Pfutzenreuter (pp. 9-19) REVISED

6. Information Items - R. Pfutzenreuter (pp. 20-48)
Finance and Operations Committee  

December 10, 2009

**Agenda Item:** Board of Regents Policy: Targeted Business, UCED & Small Business Programs

☑ review  □ review/action  □ action  □ discussion

**Presenters:** Vice President/CFO Richard Pfutzenreuter  
Associate Vice President Michael Volna

**Purpose:**

☑ policy  □ background/context  □ oversight  □ strategic positioning


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

The proposed amendments to Section II, subd. 1 will bring the policy into conformity with Board of Regents policy language regarding delegations of authority. The policy also has been reformatted and edited to conform to the style of Board of Regents policies. None of the proposed amendments are intended to constitute substantive changes to this policy.

**Background Information:**

The policy was adopted on November 8, 1996.

**President's Recommendation for Action:**

TARGETED BUSINESS, URBAN COMMUNITY ECONOMIC DEVELOPMENT, AND SMALL BUSINESS PROGRAMS

SECTION I. PURPOSE.

Subd. 1. Targeted Businesses. The Board of Regents (Board) strongly believes that the purchasing power of the University of Minnesota (University) should enhance equal employment and business opportunities for minorities, women, and disabled persons. Consistent with the Board’s longstanding policies and achievements in advancing diversity, equal employment opportunity, and affirmative action, the University should continue to act aggressively both to promote the utilization of businesses owned and operated by minorities, women, and disabled persons (“targeted businesses”), and to prevent discriminatory practices against such businesses.

Subd. 2. Public Service Mission. Moreover, the University’s outreach and public service mission mandates that it foster economic growth in the urban communities of which it is a part. Reduction of poverty and unemployment in our urban community is of vital interest to the University. The University should take advantage of opportunities, presented by its construction projects and its contracts for goods and services, to promote the training and employment of urban community residents in skilled trades and professions.

SECTION II. CONTINUATION OF PROGRAMS.

Subd. 1. Charge Delegation of Authority. Accordingly, the Board of Regents directs the Vice President or delegate shall for Finance and Operations to establish and implement (or continue, as applicable) the programs described in subdivisions 2-5.

Subd. 2. Targeted Business Program. Targeted Business Program which requires that a contractor, as a condition of bidding on any construction contract where the aggregate project sum exceeds $100,000, present objective evidence demonstrating:

(1) its past record and continuing commitment to achieve meaningful levels of participation of targeted businesses as subcontractors and suppliers; and

(2) its commitment to achieve meaningful levels of employment of minorities, women and disabled persons.
Subd. 3. Urban Community Economic Development Program. Urban Community Economic Development program which requires, as a condition of any construction contract where the aggregate project sum exceeds $100,000, that the contractor:

1. employ meaningful numbers of residents of our urban communities, such communities designated by the appropriate administrative officer or officer administration based upon levels of poverty and unemployment; and

2. collaborate with the University in the development, funding and implementation of programs designed to train residents of such urban communities and to increase the number of such urban residents who are skilled and union-certified in building trades to participate in construction projects at the University and elsewhere.

Subd. 4. Non-construction Contracts. Programs designed to annually achieve meaningful levels of participation for targeted businesses in non-construction contracts for the purchase of goods and services.

Subd. 5. Outreach. Programs designed to continue and strengthen outreach to small businesses to implement the provisions of Minn. Stat. §137.31, as amended or applicable state law.

SECTION III. OVERSIGHT.

Subd. 1. Monitoring. The Board of Regents further directs that the appropriate administrative officers or officer administration aggressively monitor, and take all reasonable actions necessary to ensure, compliance with the above-stated policy and programs.

Subd. 2. Reporting. The president shall report to the Board of Regents annually regarding the implementation of this policy, and shall recommend additional actions which may be necessary to achieve its purposes.
Finance and Operations Committee

December 10, 2009

Agenda Item: Issues Related to: Annual Financial Report

☐ review   ☐ review/action   ☐ action   ☒ discussion

Presenters: Associate Vice President Michael Volna
Associate Controller Denise Seck

Purpose:

☐ policy   ☐ background/context   ☒ oversight   ☐ strategic positioning

To present an overview of the 2009 Annual Financial Report to the Finance and Operations Committee.

The report is available online at http://www.finsys.umn.edu/controller/controllerhome.html and in the Board Office.

Outline of Key Points/Policy Issues:

The Annual Financial Report presents the financial position and results of operations for the University for FY 2009, with comparative data for FY 2008. This presentation provides the committee with an overview of the report. The presentation will focus on:

• Management’s discussion and analysis as reported in the financial statements;
• An overview of assets, liabilities, and net assets;
• A discussion of revenues and expenses for FY 2009, with comparative results for FY 2008;
• The statement of cash flows; and
• Component unit reporting.

Background Information:

This report is prepared annually and presented to the Finance and Operations Committee in conformance with Board of Regents Policy: Board Operations and Agenda Guidelines.
Agenda Item: Update: University Student Fees

☐ review  ☐ review/action  ☐ action  ☒ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter
J. Tonneson, Budget Director

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

To present an overview of the analysis being conducted on student fees.

Outline of Key Points/Policy Issues:

Each year the President’s annual operating budget to the Board of Regents includes a summary of student fees for approval. In recent years, questions have been raised as to the nature and level of those fees, so the Budget Office is conducting a thorough review and analysis of all fees charged to students. The study focuses on defining and categorizing existing fees; summarizing the metrics around those fees (numbers, types, dollar levels, revenues generated, thresholds, etc.); reviewing the approval processes for the fees; and raising policy and procedural questions associated with existing fees and future fee proposals. The discussion will address the review and analysis completed to date and will identify “next steps” and potential implications of the study.

Background Information:

There are two Board policies that address student fees: Board of Regents Policy: Student Services Fee and Board of Regents Policy: Tuition and Fees. In addition, the annual operating budget presented to the Board each spring contains a listing of specific fees presented for approval. The discussion of this study will present current fees in the context of these policies and the procedures and descriptions used for the annual operating budget. This is the first time this study will be discussed with the Board.
Finance and Operations Committee December 10, 2009

**Agenda Item:** Issues Related to: UMore Park Financing Update

☐ review    ☐ review/action    ☐ action    ☒ discussion

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

**Purpose:**

☐ policy    ☒ background/context    ☐ oversight    ☐ strategic positioning

The Finance and Operations Committee has requested, as part of its annual work plan, an update on the financing of the work associated with the activities of UMore Park.

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

The Board of Regents (BOR) agreed to a goals statement and guiding principles dated February 6, 2006 for the UMore Park project. Subsequently, by resolution dated December 8, 2006, the Board directed the administration to maintain the 5,000-acre UMore Park property as an intact whole parcel in a manner that supports the University's academic mission; to prepare a concept master plan for the entire parcel; and to pursue activities to make the land ready for development.

The total actual expenditures for UMore Park for the period FY2006 through FY2009 plus anticipated expenditures for FY2010 total approximately $9.3 million. These expenditures have been focused in the areas of land use planning, gravel activities, environmental activities, and general operations. Revenues are anticipated to be approximately $3.7 million in FY2010 and $4.6 million in FY2011, primarily related to gravel mining activities. Revenues from mining activity beyond FY2011 are estimated at $3.0 to $4.0 million per year, rising to as much as $7.0 - $10.0 million per year after FY2020. Revenues from mining activities are subject to market conditions.

**Background Information:**

The Board has received updates from the administration and acted as follows:

November 9, 2006 – Received UMore Park Report

December 8, 2006 – Adopted Resolution Related to the Planning for the Development of UMore Park

June 12, 2008 – BOR Work Session - UMore Park: Update and Status

December 12, 2008 – Adopted Resolution on UMore Park: Concept Master Plan, Governance Structure and Legacy Fund

October 9, 2009 – Adopted Resolution on (1) Creation and Organization of UMore Development LLC; and (2) Creation, Capitalization and Use of the UMore Park Legacy Fund

Listed below are specific financial actions taken by the Board regarding financial contracts associated with UMore Park:


July 9, 2008: The Board approved a contract with Barr Engineering for a groundwater assessment and environmental investigation in conjunction with the sand and gravel Environmental Impact Statement. Finance & Operations Committee, July 9, 2008. Ongoing; contract approved at $1,400,000.
Finance and Operations Committee

December 10, 2009

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.

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 Erving Aviation, for $399,892 for charter air service for the football team and staff, marching band, spirit squad, and official party to the Insight Bowl in Tempe, Arizona, in late December 2009. The charter air transportation will be purchased with funds provided to the Department of Intercollegiate Athletics from the Insight Bowl. Vendor was selected through a competitive process.

• To Fisher Scientific LLC for an estimated $523,000 for Falcon Plastic Labware manufactured by BD Biosciences, to be stocked at the University Stores for use in University departments from January 1, 2010, through December 31, 2010. Payment for these stock purchases will come from the University Stores Operating Budget. Vendor was selected through a competitive process.
• To Harlan Teklad for an estimated $1,000,000 for laboratory research diets as needed for the period of January 1, 2010, through December 31, 2013, for the department of Research Animal Resources. The purchases will be made using departmentally budgeted funding. These costs are recovered by charging per diem for the laboratory housed research animals. These per diem costs are paid by the individual researchers making the request for lab animals. Vendor was selected through a competitive process.

• To the Science Products Division of Corning Incorporated for an estimated $457,000 for Corning Plastic Labware, to be stocked at the University Stores for use in University departments from January 1, 2010, through December 31, 2010. Payment for these stock purchases will come from the University Stores Operating Budget. See enclosed documentation regarding basis for vendor selection.

• To Spring Point Project for $2,600,000 to provide source pigs for planned pig-to-human pancreatic islet xenotransplant trials for the period January 1, 2010 through December 31, 2011. This request is fully supported through the Schulze Family Foundation gift received December 2008. See enclosed rationale for exception to competitive bidding.

• To Wilcox Paper, LLC for an estimated $686,000 for the purchase of 100% post-consumer recycled copy paper, 30% post-consumer recycled copy paper, and virgin copy paper, to be stocked at the University Stores for use in University departments. The contract period is December 15, 2009, through December 31, 2010. Payment for these stock purchases will come from the University Stores Operating Budget. Vendor was selected through a competitive process.

Background Information:

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

President's Recommendation for Action:

The President recommends approval of the Consent Report.
# General Contingency

## 2009-10 General Contingency: 

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<th>Allocation</th>
<th>Balance</th>
<th>Purpose</th>
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<td>FY2010 General Contingency</td>
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<td><strong>$1,000,000</strong></td>
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<td>1,729,523</td>
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<td>1,529,523</td>
<td>Director of Assessment position, year 1 of 3.</td>
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<td>3 Assoc. V.P. for Capital Planning and Project Management</td>
<td>90,000</td>
<td>1,439,523</td>
<td>Replacement of boiler in Eastcliff</td>
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<td>5 New items this reporting period:</td>
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<td>7 Vice President for University Relations</td>
<td>131,000</td>
<td>1,308,523</td>
<td>TCF Bank Stadium suite - three year budget</td>
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<td>9 Balance as of November 30, 2009</td>
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* Subject to Board approval due to cost of $250,000 or more
Purchase of Goods and Services over $250,000

To Fisher Scientific Company L.L.C. for an estimated $523,000 for Falcon Plastic Labware manufactured by BD Biosciences, to be stocked at the University Stores for use in University departments from January 1, 2010, through December 31, 2010.

Falcon Plastic Labware is used throughout the University by many research laboratories in a wide variety of laboratory procedures.

The vendor was selected through a competitive process. This is the third year of a possible five-year contract.

Payment for these stock purchases will come from the University Stores Operating Budget. Purchases for stock are included in the Fiscal 2010 University Stores Operating Budget, and will be included in the Fiscal 2011 Operating Budget. The University Stores Operating Budget is approved annually through the Operating Budget Process.

Submitted by: Laurie Scheich, Associate Vice President, Auxiliary Services (624-0542); Mark Teragawa, Director, University Stores (625-3835); Lynn Hein, Purchasing Manager, University Stores (624-6543).

Approval of the item requested by:

[Signature]
Kathleen A. O'Brien, Vice President for University Services

[Signature]
Date

11/19/09
Purchase of Goods and Services $250,000 and over

To Harlan Teklad, for an estimated $1,000,000 for laboratory research diets as needed for the period of January 1, 2010 through December 31, 2013 for the department of Research Animal Resources.

This requirement (laboratory research diets) was placed on competitive bid. The University received 1 response from vendors. Research Animal Resources (RAR) is the centralized unit that provides all of the care, health and well-being of animals used for research and education at the University. RAR is considered a Research Service Organization.

Without a consistent supply of diets, certain research projects results will be jeopardized. In addition, use of the same brand and model of diets will provide an even more reliable test result.

Even though Harlan Teklad was the sole bidder, their pricing, product availability, and quality assurance has been deemed acceptable.

The purchases will be made using departmentally budgeted funding. These costs are recovered by charging per diem for the laboratory housed research animals. These per diem costs are paid by the individual researchers making the request for lab animals.

Submitted by: Cynthia Gillett, DVM
Director, Research Animal Resources
516 Delaware St. SE
B305 PWB
Minneapolis, MN 55455
Phone: 612-624-4625
FAX: 612-625-7632

Approval for this item requested by:

Frank B. Cerra, Senior Vice President for Health Sciences

Date

11/2/09
Purchase of Goods and Services over $250,000

To the Science Products Division of Corning Incorporated for an estimated $457,000 for Corning Plastic Labware, to be stocked at the University Stores for use in University departments from January 1, 2010, through December 31, 2010.

Corning Plastic Labware is used throughout the University by many research laboratories in a wide variety of laboratory procedures.

This is a negotiated, manufacturer direct contract with the Science Products Division of Corning Incorporated, which enables the University Stores to receive distributor pricing, and avoid the additional cost of purchasing through a distributor. This is the fourth year of a possible five-year contract.

Payment for these stock purchases will come from the University Stores Operating Budget. Purchases for stock are included in the Fiscal 2010 University Stores Operating Budget, and will be included in the Fiscal 2011 Operating Budget. The University Stores Operating Budget is approved annually through the Operating Budget Process.

Submitted by: Laurie Scheich, Associate Vice President, Auxiliary Services (624-0542); Mark Teragawa, Director, University Stores (625-3835); Lynn Hein, Purchasing Manager, University Stores (624-6543).

Approval of the item requested by:

\[\text{Signature}\]  
Kathleen A. O'Brien, Vice President for University Services

\[\text{Date}\]  
11/19/09
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because it is a purchase directly from the manufacturer, which avoids the mark-up charged by the distributors. The University Stores stock plastic labware from eight different companies that compete against each other for the researchers' use. The products from four of these companies are bought direct from the manufacturer, which helps keep the pricing in line from all the companies that provide plastic labware. Corning plastic labware is stocked because of the high demand from the University researchers and labs.

Procedures undertaken to ensure price reasonableness include comparing the pricing offered by this manufacturer to the pricing of other competing like products from other companies. University Stores also analyzes price differences and market fluctuations for lab supplies and in particular plastic labware. University Stores also meets each year with Corning to keep abreast of upcoming changes, and to review pricing. For 2010 we were able to negotiate a 4% reduction in total cost for this contract renewal.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.
Purchase of Goods and Services over $250,000

To Wilcox Paper, LLC for an estimated $686,000 for the purchase of 100% post-consumer recycled copy paper, 30% post-consumer recycled copy paper, & virgin copy paper, to be stocked at the University Stores, for use in University departments. The contract period is December 15, 2009, through December 31, 2010.

100% post-consumer recycled copy paper, 30% post-consumer recycled copy paper, & virgin copy paper is used throughout the University by many departments and laboratories in copiers, printers, and fax machines. These products are purchased as needed by University departments.

Wilcox Paper LLC was chosen as the low bid provider, through the University of Minnesota bid process. This is the first year of a possible five-year contract. Prices are reviewed each year in the renewal process, to assure they remain competitive.

Payment for these stock purchases will come from the University Stores Operating Budget. Purchases for stock are included in the Fiscal 2010 University Stores Operating Budget, and will be included in the Fiscal 2011 Operating Budget. The University Stores Operating Budget is approved annually through the Operating Budget Process.

Submitted by: Laurie Scheich, Associate Vice President, Auxiliary Services (624-0542); Mark Teragawa, Director, University Stores (625-3835); Lynn Hein, Purchasing Manager, University Stores (624-6543).

Approval of the item requested by:

[Signature]
Kathleen A. O'Brien, Vice President for University Services

[Signature]
Date
11/19/09
Purchase of Goods and Services over $250,000

To Erving Aviation, for $399,892 for charter air service for the football team and staff, marching band, spirit squad, and official party to the Insight Bowl in Tempe, Arizona in late December of 2009.

The Department of Intercollegiate Athletics requires charter air service for the University of Minnesota football team and staff, the marching band, spirit squads, and official party to travel to the Insight Bowl in Tempe, Arizona to be held on December 31, 2009. The team charter will depart Minneapolis on December 25 and return January 1. The official party/spirit squad plane will depart Minneapolis on December 28 and return on December 31, and the marching band planes will depart Minneapolis on December 29 and return on January 1.

Through a competitive bid process Erving Aviation provided the best pricing and size of equipment required for the trip.

The charter air transportation will be purchased with funds provided to the Department of Intercollegiate Athletics from the Insight Bowl.

Submitted by: Elizabeth Eull
Intercollegiate Athletics Department
Senior Associate Athletic Director
Suite 270 Bierman Bldg.
Minneapolis campus
Phone: (612) 625-9276
Fax: (612) 626-0020

Approval for this item requested by:

[Signature] 12/9/09
VP or Exec. VP Signature  Date
Purchase of Goods and Services $250,000 and over

To Spring Point Project for $2,600,000 to provide source pigs for planned pig-to-human pancreatic islet xenotransplant trials for the period January 1, 2010 through December 31, 2011 Schulze, Department of Surgery.

A Master Research Collaboration Agreement signed August 12, 2007 established collaboration between the University of Minnesota and Spring Point Project for the development of procedures to transplant pancreatic islets from medical-grade pigs into patients with type 1 diabetes participating in clinical trails.

Spring Point Project is the only vendor available on a global basis to meet the stringent source pig criteria for xenotransplant trials that are detailed in the Food and Drug Administration guidance documents.

The funding for this request is fully supported through the Schulze Family Foundation gift received December 2008.

Submitted by: Faith Mrutu, Chief Financial Officer
405 Masonic Memorial Building
Mpls Campus
Phone: (612) 626-4791
Fax: (612) 626-5855

Approval for this item requested by:

______________________________
VP or Exec. VP Signature

______________________________
Date

12/4/09
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because:

Spring Point Project under a Master Research Collaboration Agreement signed August 12, 2007 established collaboration between the University of Minnesota and Spring Point Project in the development of procedures to transplant into human diabetic islet tissue from pathogen-free pigs.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.
Finance and Operations Committee

Agenda Item: Information Items

☐ review  ☐ review/action  ☐ action  ☒ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

Quarterly Purchasing Report
To provide a quarterly report of purchasing activity as required by Board of Regents policies: Purchasing and Board Operations and Agenda Guidelines.

Quarterly Investment Advisory Committee Update
To provide the Board of Regents with a summary of the quarterly meeting of the Investment Advisory Committee (IAC) held on November 18, 2009.

Quarterly Asset Management Report
To report on the quarterly results of investment performance in the area of asset management for the period ended September 30, 2009. The Office of Investments & Banking (OIB) prepares this report on the invested assets it oversees for review by the Investment Advisory Committee and the Board of Regents.

Outline of Key Points/Policy Issues:

Quarterly Purchasing Report
Detailed reports with brief discussion on the following activity:
• Summary of Purchasing Activity
• Purchases made as Approved Exceptions to Competitive Process
• Purchases made as Preapproved Exceptions to Competitive Process
• Regents Purchasing Policy Violations

Quarterly Investment Advisory Committee Update
Mr. Mason presented the Performance Summary for CEF for the quarter ending September 30, 2009, highlighting the fact that in four of the five asset categories for the last quarter the investment returns have exceeded the benchmarks. In private capital where it
trailed the benchmark for the quarter, it has exceeded it on a year-to-date basis and for each of the previous yearly comparisons. Because private capital is overweighted during the quarter, the overall portfolio performance trails the equally weighted benchmark by 220 basis points.

As in previous meetings, IAC members discussed the futures rebalancing trade that gives the portfolio greater equity market exposure while reducing fixed income exposure through the use of equal levels of long or short equity and treasury note futures. They continue to favor this rebalancing method while the portfolio is constrained by reduced levels of liquidity. Members reinforced the notion of maintaining exposure levels at or near the low end of the strategic equity target and fixed income target. The committee intends to reexamine the strategic targets at the February meeting if Cambridge Associates is able to update its efficient frontier analysis.

Other agenda topics included a preliminary discussion of the elements of a more robust risk monitoring program under development. They also reviewed recent hedge fund exposure, noting that these portfolios are outperforming benchmarks, and also reviewed preliminary materials on a prospective new manager in advance of more complete discussion next quarter.

**Quarterly Asset Management Report**

- The invested assets of the University totaled approximately $1.5 billion on September 30, 2009.
- The Consolidated Endowment Fund value as of September 30, 2009, was $861 million, a decrease of $279 million over the last 12 months including distributions. The total investment return of the endowment was -15.0% over the last 12 months compared to a benchmark return of -6.0%.
- The value of the short-term reserves (TIP) was $607 million as of September 30, 2009. This was a decrease of $5 million over the last 12 months. The investment return on the portfolio over the last 12 months was 4.7% compared to a benchmark return of 2.5%.
- Total outstanding debt on September 30, 2009, was $887 million, an increase of $92 million. The effective interest rate on all outstanding debt obligations was 4.12% compared to 3.65% 12 months ago.
November 23, 2009

The Honorable John Frobenius, Chair, Finance and Operations Committee
The Honorable Venora Hung, Vice Chair
The Honorable Clyde Allen
The Honorable Richard Beeson
The Honorable Steven Hunter
The Honorable Patricia Simmons

Committee Members:

Enclosed is Purchasing Services’ report on purchasing activity for 1st quarter, fiscal year ‘10. Regents policy requires that a quarterly purchasing report, including violations of Regents purchasing policy, be submitted to the Finance and Operations Committee of the Board of Regents. This letter provides explanatory background and brief analysis of the report and attachments that follow.

Background
The enclosed report and attachments provide statistics, graphics and some detail on four categories of purchasing activity for the quarter:

- Summary of Purchasing Activity
- Purchases made as Approved Exceptions to the Competitive Purchasing Process
- Purchases made as Preapproved Exceptions to the Competitive Purchasing Process
- Regents Purchasing Policy Violations

“Quarterly Purchasing Activity” represents the total amount of goods and services purchased for the quarter and year-to-date across all funding sources, including construction projects.

“Quarterly Approved Exceptions” refers to purchases where, following proper protocol, the vendor was not selected through a Request for Bid or Request for Proposal process. All of the approved exceptions were justified in writing by the requisitioning department, with the justification reviewed and approved by the Director of Purchasing before the purchase took place. Additionally, the appropriate Vice President and the University Controller approved all exceptions of $100,000 and over, except preapproved exceptions. Section II provides a listing of the transactions that followed this process and were approved as exceptions.

“Quarterly Pre-approved Exceptions” are also purchases where the vendor has not been selected through a competitive process. However, they are exceptions that occur routinely with consistent reasons, so that the approval of the justification has become standardized. Refer to Section III of the report for a listing of transactions processed as pre-approved exceptions during the quarter.
“Regents Purchasing Policy Violations” refers to transactions that were processed which bypassed the competitive process without following proper protocol and without the necessary approvals. Section IV provides a listing of purchasing violations.

Please note on the 1st quarter, 2010 report:

- The first quarter report compares dollars spent on purchases in 1st quarter of the current year to dollars spent on purchases in 1st quarter of the 2 previous years. The same comparison is made for approved exceptions and for preapproved exceptions.

  Subsequent reports, for Quarters 2, 3, 4 will provide the same comparisons year to date, and will become progressively more meaningful with Quarter 4 comparing purchasing activity for 3 complete fiscal years.

- First quarter spending for FY10 appears to be up from first quarter 09, but please note that first quarter 09 marked the implementation of the new Enterprise Financial System. Spending fell off for the first quarter 09 while University departments adjusted to the new system.

  Exceptions, both approved and pre-approved, show an increase over last year’s first quarter for the same reasons as above.

- There were no Regents Purchasing Policy Violations in the first quarter of FY10.

If you have any questions on the report, please do not hesitate to contact Karen Triplett, Director of Purchasing, or me.

Sincerely,

Michael D. Volna
Associate Vice President-Finance & Controller

Cc: Richard Pフトzenreuter, CFO, Treasurer and Vice President for Budget & Finance
    Ann Cieslak, Executive Director and Corporate Secretary, Board of Regents
    Karen Triplett, Director, Purchasing Services
I. Summary of Purchasing Activity

Total Quarterly Purchasing Activity

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<th># of Transactions</th>
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<td>Q1 FY09</td>
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<td>Q1 FY10</td>
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Quarterly Approved Exceptions

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<td>Q1 FY09</td>
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<td>Q1 FY10</td>
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Quarterly Pre-Approved Exceptions

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## II. Purchases made as Approved Exceptions to Competitive Purchasing Process
(Goods, Services & Construction) Under $250,000

<table>
<thead>
<tr>
<th>Price Reasonableness</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,2,7</td>
<td>173712</td>
<td>Hypertension Diagnostics, Inc.</td>
<td>Purchase of 12 HDI/PulseWave CR-2000 Systems tonometer devices to assess arterial elasticity in participants in a HIV/AIDS clinical trial.</td>
<td>$240,000</td>
<td>Biostatistics</td>
</tr>
<tr>
<td>1,2,7</td>
<td>174094</td>
<td>GE Healthcare</td>
<td>Purchase of 53 MAC 1200 resting ECG machines to assess cardiovascular health in participants in a HIV/AIDS clinical trial.</td>
<td>$185,695</td>
<td>Biostatistics</td>
</tr>
<tr>
<td>1,2,3</td>
<td>162266</td>
<td>Marshfield Labs</td>
<td>Diagnostic lab testing that cannot be performed by the Veterinary Medical Center (VMC) Clinical Pathology Laboratory.</td>
<td>$156,000</td>
<td>Veterinary Medical Center</td>
</tr>
<tr>
<td>2</td>
<td>162264</td>
<td>Biovet Canada</td>
<td>Amyloid Precursor Protein (APP) antibody test kits.</td>
<td>$144,000</td>
<td>Veterinary Diagnostic Laboratory</td>
</tr>
<tr>
<td>7</td>
<td>179478</td>
<td>Aperio Technologies, Inc.</td>
<td>Purchase of a whole slide fluorescence scanning system to capture high resolution images of microscopic images that have been stained with one or more fluorescent antibodies.</td>
<td>$134,819</td>
<td>Medicine</td>
</tr>
<tr>
<td>6,8</td>
<td>163122</td>
<td>YBP Library Services</td>
<td>Purchase of catalog records (to be supplied electronically) and physical processing of books.</td>
<td>$125,400</td>
<td>Libraries</td>
</tr>
<tr>
<td>8</td>
<td>166222</td>
<td>Great Plains Network, the Curators or The University of Missouri</td>
<td>Membership to the Internet2 via the regional optical network BOREAS-Net in Chicago and Kansas City.</td>
<td>$121,500</td>
<td>Networking and Telecommunications Services (NTS)</td>
</tr>
<tr>
<td>1</td>
<td>166887</td>
<td>Collier Computing Company, Inc.</td>
<td>Virtualization SAN hardware, embedded software, enterprise licenses, professional services for installation and training.</td>
<td>$109,910</td>
<td>Boynton Health Service</td>
</tr>
<tr>
<td>6</td>
<td>174569</td>
<td>Daktronics, Inc.</td>
<td>Purchase of a scoreboard that has board compatibility with existing equipment.</td>
<td>$96,875</td>
<td>Intercollegiate Athletics - UMC</td>
</tr>
<tr>
<td>1</td>
<td>173239</td>
<td>BioReliance Corporation</td>
<td>Cell line characterization for master cell bank that will be used to create brain tumor vaccine for use in human clinical trials.</td>
<td>$91,575</td>
<td>Pediatrics</td>
</tr>
<tr>
<td>7</td>
<td>178948</td>
<td>Biocare Medical LLC</td>
<td>Purchase of a fully automated and stand-alone slide staining system for the Schacker research laboratory.</td>
<td>$88,350</td>
<td>Medicine</td>
</tr>
<tr>
<td>2,3</td>
<td>176294</td>
<td>NDD Medical Technologies</td>
<td>Purchase of an EasyOne spirometer with required accessories, including spirettes, calibration syringes with syringe adaptors, and computer software.</td>
<td>$86,474</td>
<td>Medicine</td>
</tr>
<tr>
<td>8</td>
<td>174253</td>
<td>MasterGraphics, Inc.</td>
<td>Purchase of Autodesk software and license agreement.</td>
<td>$79,500</td>
<td>Office of Information Technology (OIT)</td>
</tr>
<tr>
<td>8</td>
<td>171169</td>
<td>ConnectSolutions LLC</td>
<td>Purchase of webinar services for the NCFPD's FAS-CAT project which is funded by the Department of Homeland Security.</td>
<td>$68,750</td>
<td>National Center for Food Protection &amp; Defense (NCFPD)</td>
</tr>
<tr>
<td>8</td>
<td>176458</td>
<td>Aon Risk Services Central, Inc.</td>
<td>Purchase of additional Liability Insurance required by Risk Management and the Office of General Counsel (OGC).</td>
<td>$59,641</td>
<td>Biostatistics</td>
</tr>
<tr>
<td>Price</td>
<td>PO #</td>
<td>Supplier</td>
<td>Description</td>
<td>Dollar</td>
<td>Department</td>
</tr>
<tr>
<td>-------</td>
<td>--------</td>
<td>-----------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>---------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>7</td>
<td>168013</td>
<td>InterSense, Inc.</td>
<td>Purchase of a wireless 6 Degree of Freedom (DOF) motion tracking system utilizing inertial and ultrasonic tracking.</td>
<td>$54,300</td>
<td>Supercomputing Institute</td>
</tr>
<tr>
<td>8</td>
<td>174123</td>
<td>McLane Research Laboratories, Inc.</td>
<td>Purchase of sediment traps and additional sensors.</td>
<td>$54,280</td>
<td>Large Lakes Observatory</td>
</tr>
<tr>
<td>2</td>
<td>193427</td>
<td>Edwards Life Sciences LLC</td>
<td>Purchase of eight CE Perimount Magna pericardial aortic bioprosthesis with ThermaFix process valves.</td>
<td>$54,000</td>
<td>Surgical Sciences</td>
</tr>
</tbody>
</table>

$1,951,068

Purchases made as Approved Exceptions to Competitive Purchasing Process

(Professional Services) Under $250,000

<table>
<thead>
<tr>
<th>Price</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>182434</td>
<td>National Center for the Improvement of Educational Assessment (NCIEA)</td>
<td>To complete work set up in an earlier project where the University of Minnesota and NCIEA collaborated on work with Hawaii.</td>
<td>$193,000</td>
<td>College of Education - Human Development</td>
</tr>
<tr>
<td>8</td>
<td>181119</td>
<td>CR Planning, Inc.</td>
<td>To provide overall project direction, scheduling, coordinating project meetings, quality control, management of project team members, and coordination of document production.</td>
<td>$175,000</td>
<td>Water Resources Center</td>
</tr>
<tr>
<td>7</td>
<td>189930</td>
<td>North Dakota State University</td>
<td>An agreement to collaborate and fund the Sugarbeet specialist (50/50).</td>
<td>$132,842</td>
<td>MN Extension Services</td>
</tr>
<tr>
<td>8</td>
<td>193762</td>
<td>Odyssey Group LLC</td>
<td>Hire a conference planning group to plan conferences and make arrangements and payments to vendors for associated goods and services.</td>
<td>$125,000</td>
<td>Centers for Public Health Education and Outreach</td>
</tr>
<tr>
<td>8</td>
<td>169438</td>
<td>Kent State University</td>
<td>Research and development to be conducted by Professor Dr. Yoffe S. Ben-Porath.</td>
<td>$92,000</td>
<td>University Press</td>
</tr>
<tr>
<td>2</td>
<td>175690</td>
<td>Hawthorne Mackenzie</td>
<td>Creation of a web-based reporting system for Minnesota Urolith</td>
<td>$81,376</td>
<td>Veterinary Clinical Sciences</td>
</tr>
<tr>
<td>2</td>
<td>156071</td>
<td>Philip Huntley</td>
<td>Review of existing Risk and Vulnerability Assessment, preventative and protective measures used by the US Government and importers.</td>
<td>$66,350</td>
<td>National Center for Food Protection and Defense</td>
</tr>
</tbody>
</table>

$865,568
Purchases made as Approved Exceptions to Competitive Purchasing Process
(Goods, Services & Professional Services) $250,000 and Over

<table>
<thead>
<tr>
<th>Reasonableness</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,2</td>
<td>166482</td>
<td>Thermo Electron North America LLC</td>
<td>LTQ Orbitrap Velos/H-ESI Bundle.</td>
<td>$ 638,550</td>
<td>Cancer Center</td>
</tr>
<tr>
<td>1,2</td>
<td>192712</td>
<td>Thermo Electron North America LLC</td>
<td>TSQ Vantage HESI II Bundle.</td>
<td>$ 340,700</td>
<td>Cancer Center</td>
</tr>
</tbody>
</table>

TOTAL: $979,250

Reasonableness of Single Price is ascertained by one or more of the following:

1. Cost/Price analysis.
2. Negotiation with supplier.
3. Published catalog price.
4. Price is consistent with independent estimates developed within the University or by credible third party.
5. Comparison to similar purchase(s).
6. Comparison with peer institution contract (including State of Minnesota).
7. Qualified individual's knowledge of market.
8. Other
### III. Pre-Approved Exceptions to Competitive Purchasing

**22 PURCHASES**

**TOTAL: $3,469,190**

#### Exception #4: Closeout or used items which requestor of Purchasing has verified to be at least 30% below comparable new equipment (does not include refurbished or remanufactured furniture).

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>159763</td>
<td>Penn State University</td>
<td>Used equipment that Dr. Heikal used while at Penn State University and will now use at the University of Minnesota.</td>
<td>$187,525</td>
<td>UMD Chemistry &amp; Biochemistry</td>
</tr>
<tr>
<td>4</td>
<td>161878</td>
<td>Frabonis Wholesale Distributors, Inc.</td>
<td>Miscellaneous food overproduction and closeout items.</td>
<td>$120,000</td>
<td>UMD Food Services</td>
</tr>
<tr>
<td>4</td>
<td>154035</td>
<td>TSI Inc.</td>
<td>Single-Point Interaction System for solving complex problems in chemical, biological and physical studies.</td>
<td>$115,300</td>
<td>Mechanical Engineering</td>
</tr>
<tr>
<td>4</td>
<td>163996</td>
<td>Crookston Implement</td>
<td>Purchase of a John Deere combine.</td>
<td>$92,000</td>
<td>NW Research &amp; Outreach Center</td>
</tr>
</tbody>
</table>

**$514,825**

#### Exception #6: Service or supplies available only from another governmental agency or public entity.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>162342</td>
<td>Committee on Institutional Cooperation</td>
<td>10 gig Internet 2 network connection annual renewal through CIC.</td>
<td>$126,316</td>
<td>Networking and Telecommunications Services (NTS)</td>
</tr>
<tr>
<td>6</td>
<td>174085</td>
<td>Minneapolis Police Department</td>
<td>Enhanced police coverage for FY10.</td>
<td>$60,000</td>
<td>University of Minnesota Police</td>
</tr>
</tbody>
</table>

**$186,316**

#### Exception #7: Service/maintenance agreements with the original manufacturer/developer for equipment and software.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>188421</td>
<td>Oracle</td>
<td>Annual maintenance and support for PS Campus Solutions.</td>
<td>$908,214</td>
<td>Office of Information Technology (OIT)</td>
</tr>
<tr>
<td>7</td>
<td>188376</td>
<td>Oracle</td>
<td>Annual maintenance and support for PS Financials.</td>
<td>$513,476</td>
<td>Office of Information Technology (OIT)</td>
</tr>
<tr>
<td>7</td>
<td>184523</td>
<td>Ex Libris</td>
<td>Annual maintenance for ALEPH software.</td>
<td>$214,832</td>
<td>Office of Information Technology (OIT)</td>
</tr>
<tr>
<td>7</td>
<td>161386</td>
<td>Keyframe, A Division of Daktronics</td>
<td>Video production services.</td>
<td>$140,120</td>
<td>Intercollegiate Athletics</td>
</tr>
<tr>
<td>7</td>
<td>171319</td>
<td>Hewlett Packard</td>
<td>Software maintenance and support for HP Service Center software for FY10.</td>
<td>$83,650</td>
<td>Office of Information Technology (OIT)</td>
</tr>
<tr>
<td>7</td>
<td>183786</td>
<td>Famis Software</td>
<td>Support and maintenance renewal.</td>
<td>$81,633</td>
<td>U Services</td>
</tr>
<tr>
<td>7</td>
<td>169799</td>
<td>DentSim</td>
<td>Maintenance and service agreement for DentSim units in the preclinical simulation area.</td>
<td>$80,000</td>
<td>Dentistry</td>
</tr>
<tr>
<td>Exception</td>
<td>PO #</td>
<td>Supplier</td>
<td>Description</td>
<td>Dollar</td>
<td>Department</td>
</tr>
<tr>
<td>-----------</td>
<td>--------</td>
<td>---------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>7</td>
<td>182432</td>
<td>Siemens Medical Solutions USA, Inc.</td>
<td>Silver service agreement for Phillips Ultrasound machine.</td>
<td>$ 61,620</td>
<td>Veterinary Medical Center</td>
</tr>
<tr>
<td>7</td>
<td>171336</td>
<td>Hewlett Packard</td>
<td>Software maintenance and support for HP PPM software.</td>
<td>$ 58,944</td>
<td>Office of Information Technology (OIT)</td>
</tr>
<tr>
<td>7</td>
<td>171415</td>
<td>Hewlett Packard</td>
<td>Software maintenance and support for HP Quality Center software.</td>
<td>$ 52,016</td>
<td>Office of Information Technology (OIT)</td>
</tr>
</tbody>
</table>

$ 2,194,504

Exception #8: Emergency equipment repairs and parts or emergency facility repairs and parts under $100,000.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>177551</td>
<td>John A. Dalson &amp; Son, Inc.</td>
<td>Repair/waterproof the deck/roof above the mechanical room of Comstock Hall.</td>
<td>$ 68,150</td>
<td>Housing &amp; Residential Life</td>
</tr>
</tbody>
</table>

$ 68,150

Exception #9: Unique specification research animals purchased under guidelines of the Institutional Animal Care and Use Committee (IACUC).

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>162052</td>
<td>Manthei Hog Farm, LLC</td>
<td>Pigs for FY10.</td>
<td>$ 100,000</td>
<td>Research Animal Resources</td>
</tr>
</tbody>
</table>

$ 100,000

Exception #11: Software license renewals and software upgrades purchased from original developer. This includes adding licenses to an existing license agreement.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>179618</td>
<td>Blackboard, Inc.</td>
<td>Software support and maintenance.</td>
<td>$ 220,395</td>
<td>Office of Information Technology (OIT)</td>
</tr>
<tr>
<td>11</td>
<td>171078</td>
<td>Software Touch Corporation</td>
<td>Database, web, query and reporting design, programming and development services for federal funds needs.</td>
<td>$ 60,000</td>
<td>MN Extension Finance and Planning</td>
</tr>
<tr>
<td>11</td>
<td>183047</td>
<td>Ross Group</td>
<td>Enhancements for Veterinary Medical Center hospital/clinic pathology labs software (UVIS) for FY10.</td>
<td>$ 50,000</td>
<td>Veterinary Medicine</td>
</tr>
</tbody>
</table>

$ 330,395

Exception #16: All items on the Direct Pay List (non-purchase order related payments).

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>178018</td>
<td>Veterinary Cremations</td>
<td>Veterinary cremations for FY10.</td>
<td>$ 75,000</td>
<td>Veterinary Medical Center</td>
</tr>
</tbody>
</table>

$ 75,000
Pre-Approved Exceptions to Competitive Purchasing
(Professional Services)

6 PURCHASES
TOTAL: $411,533

Exception #18: Subcontractors previously arranged by Sponsored Projects Administration (SPA).

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>166863</td>
<td>St. Cloud State University</td>
<td>Learning resources and technology services agreement.</td>
<td>$95,288</td>
<td>Minitex</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$95,288</td>
<td></td>
</tr>
</tbody>
</table>

Exception #20: Development, design and/or creation of original artwork.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>180845</td>
<td>Gordon Vanwert</td>
<td>Design, create, manufacture original artwork.</td>
<td>$75,000</td>
<td>UMD International Education</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$75,000</td>
<td></td>
</tr>
</tbody>
</table>

Exception #21: Entertainers, lecturers, speakers, and honoraria.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>172167</td>
<td>Stuart D. Anderson</td>
<td>Instructor for Cost Estimation and Cost Management (CE/CM) training sessions.</td>
<td>$63,200</td>
<td>Center for Transportation Studies</td>
</tr>
<tr>
<td>21</td>
<td>175484</td>
<td>Slamhammer</td>
<td>For sound, staging, lighting at major campus wide events.</td>
<td>$57,000</td>
<td>Student Unions &amp; Activities</td>
</tr>
<tr>
<td>21</td>
<td>181548</td>
<td>Tigerlion Arts</td>
<td>Production of the Buddha Prince.</td>
<td>$55,000</td>
<td>Spirituality &amp; Healing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$175,200</td>
<td></td>
</tr>
</tbody>
</table>

Exception #24: Study Abroad Program Administrators (does not include group airfares).

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>183566</td>
<td>Rosenfeld Group, Inc.</td>
<td>To provide logistical service on a study abroad program.</td>
<td>$66,045</td>
<td>Carlson School of Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$66,045</td>
<td></td>
</tr>
</tbody>
</table>

IV. Regents Policy Violations

0 PURCHASES
TOTAL: $0

<table>
<thead>
<tr>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
</table>
## Value of Funds

<table>
<thead>
<tr>
<th>U of M Managed Funds</th>
<th>Sept 2009</th>
<th>June 2009 ($ in mil)</th>
<th>June 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Endowment Fund (CEF) * **</td>
<td>861.4</td>
<td>827.2</td>
<td>1,140.3</td>
</tr>
<tr>
<td>Long-Term Reserves (GIP) ***</td>
<td>32.0</td>
<td>32.3</td>
<td>33.9</td>
</tr>
<tr>
<td>Short-Term Reserves (TIP) *** (market value)</td>
<td>606.8</td>
<td>595.7</td>
<td>612.0</td>
</tr>
<tr>
<td>Invested Assets Related to Indebtedness</td>
<td>44.0</td>
<td>58.4</td>
<td>76.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,544.2</td>
<td>1,513.6</td>
<td>1,862.5</td>
</tr>
</tbody>
</table>

Other

| U of M Foundation Managed Funds                          | 1,105.5   | 1,057.9             | 1,384.7   |
| MN Medical Foundation Funds                              | 192.3     | 181.9               | 248.8     |
| RUMINCO Ltd.                                             | 30.2      | 28.3                | 31.9      |
| Basic Faculty Retirement Plan                            | 2,330.2   | 2,168.8             | 2,401.3   |

* Includes the market value of the Permanent University Funds
** Includes $94.6 million TIP and $8.8 million GIP investments (market value)
*** Balances exclude investment in CEF
Highlights – CEF

• Total Assets: $861.4 million*

<table>
<thead>
<tr>
<th>Quarterly Return</th>
<th>5.6%</th>
<th>Benchmark (1)</th>
<th>7.8%</th>
<th>Benchmark (2)</th>
<th>12.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year Return</td>
<td>-15.0%</td>
<td>Benchmark (1)</td>
<td>-6.0%</td>
<td>Benchmark (2)</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

– $34.2 million increase over the previous quarter

*CEF balance includes $94.6 million TIP and $8.8 million GIP investments (market value)

Benchmark (1): CEF Custom Index
Benchmark (2): 70% Russell 3000/30% BC AGG

Sept 30, 2009
Office of Investments & Banking
Highlights – TIP, GIP

• **TIP Market Value:** $606.8 Million *(excludes CEF Investment)*
  
  | Quarterly Return | 1.6% | Benchmark(1) | 0.6% |
  | One year Return  | 4.7% | Benchmark(1) | 2.5% |

  – $11.1 million increase over the previous quarter

  (1) TIP Benchmark: 70% ML US Treasuries, 30% 91 day T-bill

• **GIP Total Assets:** $40.7 million *(includes $8.8 million CEF Investment)*
  
  | Quarterly Return | 3.8% | Benchmark(2) | 3.7% |
  | One year Return  | 0.6% | Benchmark(2) | 10.6% |

  – $0.2 million decrease over the previous quarter

  (2) GIP Benchmark: 100% BC AGG

Sept 30, 2009
Office of Investments & Banking
Highlights – RUMINCO, LT Debt

- **RUMINCO Total Assets:** $30.2 Million

<table>
<thead>
<tr>
<th>Quarterly Return</th>
<th>Benchmark(1)</th>
<th>8.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year Return</td>
<td>6.5%</td>
<td>Benchmark(1)</td>
</tr>
</tbody>
</table>

  – $1.9 million increase over the previous quarter

(1) RUMINCO Benchmark: 40% ACWI, 30% BC AGG, 30% ML Gov 1-3 Years

- **Long Term Debt:**
  Total Outstanding Debt Obligation of the University

  | University Issued Fixed Rate Debt* (Adjusted for interest rate swaps) | $609.8 million |
  | University Issued Variable Rate Debt* (Adjusted for interest rate swaps) | $104.7 million |
  | State Issued Infrastructure Development Bonds (IDBs) | $45.7 million |
  | State Supported Debt (2006) Revenue Bond | $126.9 million |
  | TOTAL | **$887.1 million** |
Portfolio Returns

CEF

- CEF
- Benchmark

TIP

- TIP
- Benchmark

* Excludes CEF Investment

Sept 30, 2009
Office of Investments & Banking

University of Minnesota
Portfolio Returns

GIP
- GIP
- Benchmark
* Includes CEF Investment

RUMINCO
- RUMINCO
- Benchmark

Sept 30, 2009
Office of Investments & Banking
## CEF Analysis
### Asset Allocation

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>9/30/09</th>
<th>6/30/09</th>
<th>06/30/08</th>
<th>06/30/07</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>40.0%</td>
<td>20.6%</td>
<td>17.6%</td>
<td>34.5%</td>
<td>50.0%</td>
<td>35-45%</td>
</tr>
<tr>
<td>Private Capital</td>
<td>20.0%</td>
<td>31.5%</td>
<td>30.5%</td>
<td>24.1%</td>
<td>15.2%</td>
<td>15-25%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>20.0%</td>
<td>21.3%</td>
<td>21.7%</td>
<td>21.0%</td>
<td>16.5%</td>
<td>15-25%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>20.0%</td>
<td>26.6%</td>
<td>30.2%</td>
<td>20.4%</td>
<td>18.3%</td>
<td>15-25%</td>
</tr>
</tbody>
</table>

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>16.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int’l Equity</td>
<td>4.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Assets</td>
<td>21.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int’l Equity</td>
<td>-3.9%</td>
<td>-15.5%</td>
<td>11.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Assets</td>
<td>1.3%</td>
<td>6.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Weights Relative to Target**

- **U.S. Equity**
  - Target: 38%
  - 9/30/09: 20.6%
  - 6/30/09: 17.6%
  - 06/30/08: 34.5%
  - 06/30/07: 50.0%
  - Range: 35-45%

- **Int’l Equity**
  - Target: 4.5%
  - 9/30/09: -3.9%
  - 6/30/09: -15.5%
  - 06/30/08: 11.5%
  - 06/30/07: 1.3%
  - Range: 6-14%

- **Private Capital**
  - Target: 20.0%
  - 9/30/09: 20.6%
  - 6/30/09: 31.5%
  - 06/30/08: 30.5%
  - 06/30/07: 24.1%
  - Range: 15-25%

- **Real Assets**
  - Target: 20.0%
  - 9/30/09: 21.3%
  - 6/30/09: 21.7%
  - 06/30/08: 21.0%
  - 06/30/07: 16.5%
  - Range: 15-25%

- **Fixed Income**
  - Target: 20.0%
  - 9/30/09: 26.6%
  - 6/30/09: 30.2%
  - 06/30/08: 20.4%
  - 06/30/07: 18.3%
  - Range: 15-25%

---

**Sept 30, 2009**
Office of Investments & Banking

**University of Minnesota**
## CEF Returns

### as of 09 30 2009

<table>
<thead>
<tr>
<th>Asset Class &amp; Benchmark Returns (%)</th>
<th>Quarter</th>
<th>1 year</th>
<th>3 year</th>
<th>5 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russell 3000</td>
<td>19.20</td>
<td>-2.17</td>
<td>-3.66</td>
<td>2.13</td>
</tr>
<tr>
<td>International Equity</td>
<td>20.07</td>
<td>-3.77</td>
<td>-6.75</td>
<td>4.87</td>
</tr>
<tr>
<td>MSCI EAFE</td>
<td>19.69</td>
<td>5.89</td>
<td>-1.24</td>
<td>8.11</td>
</tr>
<tr>
<td>Private Capital</td>
<td>4.76</td>
<td>-13.54</td>
<td>5.51</td>
<td>25.26</td>
</tr>
<tr>
<td>State Street PE Qtr Lag</td>
<td>5.48</td>
<td>-24.33</td>
<td>1.47</td>
<td>10.05</td>
</tr>
<tr>
<td>Real Assets</td>
<td>-3.06</td>
<td>-25.12</td>
<td>-8.13</td>
<td>1.06</td>
</tr>
<tr>
<td>NCREIF Property Index Qtr Lag</td>
<td>-5.20</td>
<td>-19.57</td>
<td>0.98</td>
<td>7.60</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>4.88</td>
<td>-8.80</td>
<td>-2.75</td>
<td>0.83</td>
</tr>
<tr>
<td>BC Aggregate</td>
<td>3.74</td>
<td>10.56</td>
<td>6.41</td>
<td>5.13</td>
</tr>
</tbody>
</table>

### CEF Total Return (%)

<table>
<thead>
<tr>
<th>CEF Total Return (%)</th>
<th>5.59</th>
<th>-14.99</th>
<th>-4.23</th>
<th>4.23</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEF Custom Index</td>
<td>7.81</td>
<td>-5.93</td>
<td>0.53</td>
<td>5.70</td>
</tr>
<tr>
<td>70 Russell 3000/ 30 BC AGG</td>
<td>12.45</td>
<td>-0.76</td>
<td>-1.34</td>
<td>2.91</td>
</tr>
</tbody>
</table>
CEF Analysis

Returns Analysis – Returns Relative to Benchmarks (%)

Quarter 1-yr 3-yr 5-yr

Domestic Equities
2.9 4.3 1.4 0.6

Int’l Equities
-9.7 -5.5 -3.2 -0.7

Private Capital
10.8 4.0 15.2

Real Assets
-5.6 -9.1 -6.5 2.1

Fixed Income
1.1 -9.2 -19.4 -4.3

Sept 30, 2009
Office of Investments & Banking
CEF Analysis
Actual CEF vs. Payout Based Trailing Average Market Value

* Payout was based on a three-year trailing average before June 04, and was gradually moved to a 5-year trailing average.

Sept 30, 2009
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CEF Analysis
Value of $1 dollar invested since June 30, 2002

CPI Index Plus Distribution rate  CEF Portfolio

Office of Investments & Banking

Sept 30, 2009
TIP Analysis
Market Value: $606.8 Million

Portfolio Characteristics
- Average duration: 0.94
- Average credit rating: AA
- Current Yield: 1.39%

Total Return

<table>
<thead>
<tr>
<th>QTR</th>
<th>TIP</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>QTR</td>
<td>1.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>1-YR</td>
<td></td>
<td>4.7%</td>
</tr>
<tr>
<td>3-YR</td>
<td>2.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>4-YR</td>
<td></td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Office of Investments & Banking
Sept 30, 2009
University of Minnesota
TIP Analysis

Credit Quality

- AAA: 84%
- AA: 4%
- A: 2%
- BBB: 4%
- Other*: 6%

*Other includes “below investment grade bonds” and unrated money market funds

Sector Exposure

- Agency Bonds: 31%
- Money Market Funds: 46%
- Corporate Bonds: 15%
- MBS& GS Arm Fund: 8%
## TIP Returns

<table>
<thead>
<tr>
<th>Asset Class (% of portfolio)</th>
<th>Quarter</th>
<th>1 year</th>
<th>3 year</th>
<th>4 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Equivalents (0.9%)</td>
<td>2.2</td>
<td>3.8</td>
<td>4.3</td>
<td>4.4</td>
</tr>
<tr>
<td>Agency Bonds (31.3%)</td>
<td>1.0</td>
<td>5.0</td>
<td>4.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Mortgages (MBS) (5.2%)</td>
<td>1.8</td>
<td>9.9</td>
<td>7.4</td>
<td>6.5</td>
</tr>
<tr>
<td>Corporate Bonds* (13.7%)</td>
<td>5.0</td>
<td>10.3</td>
<td>2.0</td>
<td>2.8</td>
</tr>
</tbody>
</table>

* Includes Commercial Paper

<table>
<thead>
<tr>
<th>TIP Total Return (%)</th>
<th>1.6</th>
<th>4.7</th>
<th>3.5</th>
<th>3.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIP Index **</td>
<td>0.6</td>
<td>2.5</td>
<td>4.5</td>
<td>4.3</td>
</tr>
<tr>
<td>3 Month T-Bill</td>
<td>0.1</td>
<td>0.4</td>
<td>2.8</td>
<td>3.2</td>
</tr>
</tbody>
</table>

** 70% - ML Treasury 1-3 year, 30% - 3 mo. T-Bill
GIP Analysis
Total Assets: $40.9 Million.

GIP CEF, 20.9%
Cash, 4.4%
Core Bond, 45.9%
Absolute return, 28.8%

<table>
<thead>
<tr>
<th>QTR</th>
<th>GIP</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>3.8%</td>
<td>3.7%</td>
</tr>
<tr>
<td>2%</td>
<td>0.6%</td>
<td>2.0%</td>
</tr>
<tr>
<td>4%</td>
<td>6.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>6%</td>
<td>10.6%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

100% BC AGG

Sept 30, 2009
Office of Investments & Banking
RUMINCO Analysis
Total Assets: $28.3 Million

- Cash: 3.3%
- Equity: 22.1%
- Fixed Income: 74.6%

RUMINCO vs. Benchmark:
- QTR: 7.3% vs. 8.6%
- 1-YR: 6.5%
- 3-YR: -1.9%
- 5-YR: -2.6%

Sept 30, 2009
Office of Investments & Banking

Office of Investments & Banking
# Long Term Debt Analysis

## Total Debt: $887.1 million

<table>
<thead>
<tr>
<th>Long term Debt</th>
<th>In $ millions</th>
<th>Weighted Average rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Issued Fixed Rate Debt</td>
<td>609.8</td>
<td>4.61%</td>
</tr>
<tr>
<td>University Issued Variable Rate Debt</td>
<td>104.7</td>
<td>1.19%</td>
</tr>
<tr>
<td><strong>Total University Issued and Supported Debt</strong></td>
<td>$714.5</td>
<td>4.11%</td>
</tr>
<tr>
<td>State Issued Infrastructure Development Bonds (IDBs)</td>
<td>45.7</td>
<td>5.06%</td>
</tr>
<tr>
<td><strong>Total University Supported Debt</strong></td>
<td>$760.2</td>
<td>4.17%</td>
</tr>
<tr>
<td>University Issued, State Supported Debt (Revenue Bonds)</td>
<td>126.9</td>
<td>3.82%</td>
</tr>
<tr>
<td><strong>Total University Debt</strong></td>
<td>$887.1</td>
<td>4.12%</td>
</tr>
</tbody>
</table>