UNIVERSITY OF MINNESOTA

BOARD OF REGENTS
Finance & Operations Committee

Thursday, October 11, 2007
4:15 p.m. - 4:45 p.m.

Recital Hall, HFA
University of Minnesota Morris

Board Members
Steven Hunter, Chair
Dean Johnson, Vice Chair
Clyde Allen
Linda Cohen
John Frobenius
Venora Hung

Student Representatives
Nathan Swanson
Mark Torma

AGENDA


2. Consent Report - Review/Action - R. Pfutzenreuter (pp. 7-17)

3. Information Items - R. Pfutzenreuter (pp. 18-28)
Finance and Operations Committee

October 11, 2007

Agenda Item: Resolution Related to Issuance of New Commercial Paper

☑ review/action ☐ action ☐ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☑ policy ☐ background/context ☒ oversight ☐ strategic positioning

In accordance with Board of Regents Policy: Debt Transactions, the Resolution Related to Issuance of New Commercial Paper is being presented for action.

Outline of Key Points/Policy Issues:

The University is requesting approval of the attached financing resolution authorizing the issuance and sale of commercial paper in the principal amount of up to $135,000,000 to finance and/or reimburse the University for purchases of land and buildings, construction and remodeling projects to be undertaken by the University, and acquisition and installation of equipment, together with an additional principal amount to finance the costs of issuance.

Background Information:

• The University implemented a commercial paper program in October 2005 in connection with the defeasance of the Series 1996A general obligation bonds.

• The issuance of commercial paper helps to diversify the University’s debt portfolio because commercial paper is short-term debt issued at variable interest rates, which have been historically more favorable than long-term fixed rates.

• Merrill Lynch is the dealer for the University’s commercial paper program, selected in 2005 through a competitive bidding process.

• The University currently has $205,100,000 in commercial paper outstanding.

• Board approval was granted previously for the following items that are related to this new debt authorization:
o Resolution Relating to the Restructuring of University Debt – November 8, 1996
o Resolution Relating to Refinancing Certain University Debt – September 9, 2005
o Consent Item – Approval of New Commercial Paper Dealer – September 9, 2005
o Resolution Related to Issuance of Commercial Paper – December 8, 2005

• This item responds to the following priority of the Board of Regents 2007-2009 Workplan: Strengthen Long-Term Financial Planning.

**President's Recommendation for Action:**

The President recommends approval of the Resolution Related to Issuance of New Commercial Paper.
WHEREAS, it has been proposed that the University proceed with a plan of financing which involves, among other things, the issuance and sale by the University of general obligation indebtedness of the University in the form of commercial paper to finance purchases of land and buildings, construction and remodeling projects undertaken by the University, the acquisition and installation of items of equipment by the University, and costs of issuance of the commercial paper; and

WHEREAS, the commercial paper is proposed to be issued under the University’s existing commercial paper program, which was authorized by the Board of Regents in resolutions approved unanimously at the meetings of November 8, 1996 and September 9, 2005 (the “Commercial Paper Program”); and

WHEREAS, the commercial paper will be issued pursuant to an Indenture of Trust between the University and a bank or trust company acting as trustee, or pursuant to an Order of the University; and

WHEREAS, the Indenture of Trust or Order pursuant to which the commercial paper will be issued will contain the terms of such commercial paper and agreements and covenants of the University with respect to the payment of the principal of, premium, if any, and interest on such commercial paper;

NOW, THEREFORE, BE IT RESOLVED, by the Regents of the University of Minnesota, as follows:

1. To provide funds to finance and/or reimburse the University for purchases of land and buildings, construction and remodeling projects to be undertaken by the University, and the acquisition and installation of items of equipment by the University, the University hereby authorizes the issuance of additional commercial paper pursuant to the Commercial Paper Program in the principal amount of up to $135,000,000, together
with an additional principal amount to finance the costs of issuance of the Commercial Paper (the additional commercial paper so authorized is herein called “Commercial Paper”). The Commercial Paper shall be general obligations of the University.

2. The land and buildings, construction and remodeling projects, and items of equipment to be financed by the proceeds of the Commercial Paper shall be the land and buildings, construction and remodeling projects, and items of equipment the source of funding of which is designated by the Board of Regents or by the Treasurer as part of the University’s capital planning process as proceeds of indebtedness of the University.

3. The Treasurer is authorized to approve revised terms of the Commercial Paper Program, including but not limited to increasing the maximum principal capacity thereof to $350,000,000. The amortization schedule for repayment of commercial paper issued under such program shall be not longer than 20 years.

4. The Treasurer is authorized to negotiate with one or more banks, investment banking firms or financial institutions acting as the dealer for the Commercial Paper, the terms and conditions upon which the Commercial Paper shall be sold and issued, and to approve the terms of such sale and issuance.

5. In connection with the Commercial Paper Program and the issuance of the Commercial Paper the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order of the University or any supplement or amendment thereto under which the Commercial Paper is to be issued in the form and containing such covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Commercial Paper in accordance with such Indenture of Trust or Order of the University or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer may be made on the Commercial Paper by facsimile.

6. In addition, the Treasurer is further authorized to negotiate with one or more commercial banks, insurers or other credit support or liquidity facility providers the terms and conditions of any credit support or liquidity facility for the Commercial Paper, and the Treasurer is authorized to execute and deliver any agreements of the University with the provider of any such credit support facility or liquidity facility. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and the General Counsel.

7. The Treasurer is authorized to approve the Official Statement, Offering Memorandum, Offering Circular or other offering material to be prepared and distributed by the University to any purchaser or potential purchaser of any of the Commercial Paper.
Paper (however so entitled, the “Offering Memorandum”), and the Treasurer is authorized to execute and deliver the Offering Memorandum.

8. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the Commercial Paper Program and the issuance and sale of the Commercial Paper.

9. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of the Commercial Paper certified copies of all proceedings and records of the University as may be required or appropriate to evidence the facts relating to the legality of the Commercial Paper and the Commercial Paper Program as such facts appear from the books and records in the officers’ custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the University as to the truth of all statements contained therein.

10. The execution of any document by the appropriate officers of the University herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Treasurer, any Indenture of Trust, Order, Offering Memorandum, purchase agreement with the initial purchaser or purchasers of the Commercial Paper or any other document to be executed by the President or Treasurer in connection with the Commercial Paper or Commercial Paper Program may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.
Finance and Operations Committee

October 11, 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 four new investment managers: two absolute return hedge funds, one hedged equity fund, and one venture capital fund.

Approval of Expansion of Commercial Paper Facility
In accordance with Board of Regents Policy: Debt Transactions, the expansion of the University’s Commercial Paper (CP) facility and continued use of Merrill Lynch as CP dealer for the University is being presented for approval.

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 Informa Economics, Inc. for $285,966 to conduct a two-part Agricultural Strategic Study during the time period from October 15, 2007 through June 30, 2009 for the Minnesota Agricultural Experiment Station. The funding source is Agricultural State Special funds through the Minnesota Agricultural Experiment Station. The funds are currently available for the strategic study and were included as part of the FY2008 budget process. Vendor was selected through a competitive process.
• To Managed Services, Inc for $509,045 to award a contract to provide preventive maintenance and janitorial services to West Bank Office Building for the period of October 17, 2007 to October 17, 2008. Funding will come from the Operation and Maintenance Budget. Vendor was selected through a competitive process.

• To Pillar Data Systems for an estimated $600,000 to purchase a Mid-Tier Disk Storage Subsystem, including installation services and three years of maintenance and support for all components for Enterprise Application Systems (EAS) in the Office of Information Technology. EAS is a centrally funded organization. EAS’s FY08 budget includes planning and funding for this expense. Vendor was selected through a competitive process.

• To XPEDX for an estimated $433,277 for the purchase of recycled copy paper to be stocked at the University Stores for use in University departments. The contract period is October 15, 2007 through September 30, 2008. Payment for these stock purchases will come from the University Stores Operating Budget. Vendor was selected through a competitive process.

Approval of New Investment Managers

The Office of Asset Management (OAM) proposes engaging four new investment managers to invest target allocations in the Consolidated Endowment Fund. 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.

• **FIXED INCOME PORTFOLIO:** **ABSOLUTE RETURN**

  **Black River Asset Management**
  o $15 million investment
  o Multi-strategy hedge fund
  o Founded in 2003, Cargill spinoff
  o Global focus

  **Angelo Gordon**
  o $15 million investment
  o Multi-strategy hedge fund
  o Founded in 1988
  o Distressed/value biased

• **DOMESTIC EQUITY PORTFOLIO:** **HEADED EQUITY**

  **Paulson & Co.**
  o $15 million investment
  o Merger, Event and Credit Arbitrage
  o 1994
  o Focus on US, Canada and Europe

• **PRIVATE CAPITAL:** **VENTURE CAPITAL**

  **Ignition Venture Partners**
  o $5 million investment
  o Telecom & Software Venture Capital
  o Founded in 2000
  o Focus on Northwestern Unites States
Approval of Expansion of Commercial Paper Facility

- The Board of Regents approved the engagement of Merrill Lynch as the Commercial Paper (CP) dealer for the University on September 9, 2005 following a competitive bidding process for a CP facility.

- The University currently has $205,100,000 in CP Notes, Series A & B outstanding.

- The Treasurer is recommending an expansion of the University’s CP facility to accommodate the issuance of new external debt financing for specified capital expenditures in the approximate amount of $135,000,000.

- The Treasurer, with the advice of the Debt Oversight Group and the Debt Management Advisory Committee, is recommending the issuance of tax-exempt CP notes because:
  - Variable rates remain attractive in the current market and have historically been lower than fixed rates over an extended period of time.
  - The University’s existing outstanding debt is heavily fixed – approximately 92% to 8% variable. Adding an additional $135,000,000 in variable rate debt would move the ratio to approximately 78% fixed to 22% variable, providing more diversity in the University’s debt structure.
  - CP is considered short-term debt with maturities within a period not exceeding 270 days from its date of issue. However, the notes can be continuously rolled over and remarketed. Therefore, this debt can easily be refinanced at some future date to a long-term fixed security when it appears prudent to do so.

- The Treasurer is recommending the issuance of additional CP through Merrill Lynch, the existing dealer, in order to maintain consistency in the marketing of the CP issued by the University and to promote administrative efficiencies in the purchase and sale of the CP.

- Annual dealer fees are 0.05% on the average CP balance outstanding. The dealer fees are considered part of the administrative costs of the debt and are paid by either Central Administration or an academic unit as agreed to in their internal repayment agreements for the debt.

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 revised Consent Report.
## General Contingency

### 2007-08 General Contingency:

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Allocation</th>
<th>Balance</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2008 General Contingency</strong></td>
<td></td>
<td>$1,400,000</td>
<td></td>
</tr>
<tr>
<td>Carryforward from FY2007 into FY2008</td>
<td>330,646</td>
<td>1,730,646</td>
<td></td>
</tr>
<tr>
<td>1 Wind to Hydrogen unused FY07 allocation</td>
<td>(261,000)</td>
<td>1,991,646</td>
<td></td>
</tr>
<tr>
<td>2 Office of the President</td>
<td>66,674</td>
<td>1,924,972</td>
<td></td>
</tr>
<tr>
<td>3 Vice President for University Services</td>
<td>18,775</td>
<td>1,906,197</td>
<td></td>
</tr>
</tbody>
</table>

- **New items this reporting period:**
  - **No new items to report this period**

- **Balance as of September 30, 2007**: 1,906,197

* Subject to Board approval due to cost of $250,000 or more
Purchase of Goods and Services $250,000 and over

To Informa Economics, Inc. for $285,966 to conduct a 2-part Agricultural Strategic Study during the time period from October 15, 2007 through June 30, 2009 for the Minnesota Agricultural Experiment Station.

The University of Minnesota's strategic positioning process is focusing new emphasis on developing world class research expertise. As part of this process, the deans of Minnesota Agricultural Experiment Station, University of Minnesota Extension, College of Veterinary Medicine and College of Food, Agricultural and Natural Resource Sciences, have been discussing ways to leverage our current agriculture expertise to create new opportunities. The planned strategic study will guide decisions on leveraging current agricultural research to create new opportunities for the University and our stakeholders. The proposed strategic study will have two parts. The first will look at animal agriculture and the second will focus on plant agriculture. The animal agriculture strategic plan will be a prototype for a similar effort for plant-based agriculture with the planned outcome being developing world class research expertise in plant and animal agriculture.

Using the RFP process through Purchasing Services, several vendor proposals were received and reviewed. Informa Economics provided the best proposal at the best cost. By awarding them both parts of the RFP, substantial cost savings may be recognized through the combining of travel and stakeholder meeting costs.

The funding source is Agricultural State Special funds through the Minnesota Agricultural Experiment Station. The funds are currently available for this strategic study and were included as part of the FY2008 budget process.

Submitted by: Beverly Durgan, Minnesota Agricultural Experiment Station Director
Room 240 Coffey Hall
St Paul Campus
Phone: 612-624-2703
Fax: 612-625-6227

Approval for this item requested by:

VP or Exec VP Signature

Date 9/25/07
Purchase of Goods and Services over $250,000

To Managed Services, Inc for $509,045.00 to award a contract to provide preventive maintenance and Janitorial services to West Bank Office Building for the period of October 17, 2007 to October 17, 2008.

Through a competitive Request for Proposal process, Managed Services was unanimously selected as they provided the best price, service and a comprehensive detailed management plan.

This is a request to renew the contract for one year with the possibility of extending the contract for three (3) additional one-year terms.

Funding will come from the Operation and Maintenance Budget.

Submitted by:

Michael Berthelsen, Associate Vice President
Facilities Management
University of Minnesota
300 Donhowe Building
319 15th Ave. S.E.
Minneapolis, MN 55455

Approval for this item requested by:

Laurie Scheich, Associate Vice President of Auxiliary Services
for
Kathleen O’Brien, Vice President of University Services

Date: 9-30-07
Purchase of Goods and Services over $250,000

To Pillar Data Systems for an estimated $600,000 to purchase a Mid-Tier Disk Storage Subsystem including installation services and three years of maintenance and support for all components for Enterprise Application Systems (EAS) in the Office of Information Technology (OIT).

The new Mid-Tier Disk Storage Subsystem will be integrated into OIT’s Enterprise Storage Area Network (SAN) to provide additional storage capacity for University Enterprise Information Systems (e.g., PeopleSoft Financial System, Campus Solutions, NetFiles, Active Directory) and for colleges using our centrally managed storage services. Besides providing us with newer, faster, and more reliable disk hardware, the purchase includes new software tools which will allow greater flexibility in the use of the disk storage and ability to reallocate disk storage in real-time.

The contract includes installation and initial configuration of the server by the vendor. In addition, the maintenance and support agreement provides around-the-clock preventive maintenance and problem resolution. Through a competitive bid process, Pillar Data Systems provided the best price for this product and service.

EAS is a centrally funded organization. EAS’s F08 budget includes planning and funding for this expense.

Submitted by: Diane Wollner
Director, OIT Finance
203 Johnston Hall
Phone: 612-626-1311
Fax: 612-626-0076

Approval of this item is requested by:

Vice President and CIO
Purchase of Goods and Services over $250,000

To XPEDX for an estimated $433,277 for the purchase of recycled copy paper, to be stocked at the University Stores, for use in University departments. The contract period is October 15, 2007, through September 30, 2008.

Recycled 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.

XPEDX was chosen as the low bid provider, for recycled copy paper, through the University of Minnesota bid process. This is the third 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.

Submitted by: Laurie Scheich, Associate Vice President, Auxiliary Services (624-0542); Ed Kimmel, Director, University Stores (624-4570); Lynn Hein, Purchasing Manager, University Stores (624-6543).

Approval of the item requested by:

[Signature]
Laurie Scheich, Associate Vice President for Auxiliary Services

Date
9-30-07

For
Kathleen A. O'Brien, Vice President for University Services
## Manager Profile: Black River Asset Management

### Organization and Strategy

<table>
<thead>
<tr>
<th>Investment Manager:</th>
<th>Black River Asset Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address:</td>
<td>Minnetonka, MN</td>
</tr>
<tr>
<td>Contact:</td>
<td>Michael D. Grover</td>
</tr>
<tr>
<td>Year Founded:</td>
<td>2003</td>
</tr>
<tr>
<td>Assets Managed:</td>
<td>$10 Billion</td>
</tr>
<tr>
<td>Fund Inception:</td>
<td>2004</td>
</tr>
<tr>
<td>Invest Professionals:</td>
<td>100</td>
</tr>
<tr>
<td>Style Focus:</td>
<td>Rates, Em Markets, Equities, Com</td>
</tr>
<tr>
<td>Regional Focus:</td>
<td>Global</td>
</tr>
<tr>
<td>Sector / Industry Focus:</td>
<td>Diversified</td>
</tr>
</tbody>
</table>

### University Investment

| Proposed Fund Investment: | $15 Million |
| Previous Fund Investment:  | $0          |

### Past Fund Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Fund</th>
<th>LBA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>3.60%</td>
<td>4.34%</td>
</tr>
<tr>
<td>2005</td>
<td>14.70%</td>
<td>2.43%</td>
</tr>
<tr>
<td>2006</td>
<td>14.90%</td>
<td>4.33%</td>
</tr>
<tr>
<td>2007 (Ytd)</td>
<td>6.50%</td>
<td>1.81%</td>
</tr>
</tbody>
</table>

### Comments

Global Multi-Strategy Fund consists of 15 separate sub funds organized into four categories: Rates, Emerging Markets, Equities, and Discretionary. The Global Multi-Strategy Fund is an umbrella fund which allocates all of its capital to the sub funds. This allocation is done monthly by Investment Committee. The sub funds are independent legal entities. This type of structure eliminates the risk of a single sub fund endangering viability of the GMS Fund. The Fund's objective is to produce consistent absolute returns with low volatility by managing a diversified portfolio across multiple asset classes and multiple geographies.
### Manager Profile: Angelo, Gordon & Co.

#### Organization and Strategy

<table>
<thead>
<tr>
<th>Investment Manager:</th>
<th>Angelo, Gordon &amp; Co.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address:</td>
<td>New York, NY</td>
</tr>
<tr>
<td>Contact:</td>
<td>Jennifer A. Myers</td>
</tr>
<tr>
<td>Year Founded:</td>
<td>1988</td>
</tr>
<tr>
<td>Assets Managed:</td>
<td>$15 Billion</td>
</tr>
<tr>
<td>Fund Inception</td>
<td>1993</td>
</tr>
<tr>
<td>Invest Professionals:</td>
<td>60</td>
</tr>
<tr>
<td>Style Focus:</td>
<td>Distressed, PE, RE, Multistrat</td>
</tr>
<tr>
<td>Regional Focus:</td>
<td>Global</td>
</tr>
<tr>
<td>Sector / Industry Focus:</td>
<td>Diversified</td>
</tr>
</tbody>
</table>

#### University Investment

| Proposed Fund Investment: | $15 Million |
| Previous Fund Investment: | $0          |

#### Fund Details (July 31, 2007)

| Fund Name:                  | AG Super Fund             |
| Fund Size:                  | $3.7 Billion              |
| Sponsor Investment:         | None                      |
| Fund Strategy:              | Multi-Strategy Hedge Fund |
| Targeted Return:            | 10-12%                    |
| Leverage:                   | None                      |
| Redemptions:                | Annually from investment* |
| Lock-up                     | None                      |
| High Water Mark             | Yes                       |
| Mgmt. Fee:                  | 1.50%                     |
| Incentive Fee:              | 20%                       |
| Sharpe Ratio                | 1.89%                     |
| Corr to LBA                 | -0.33                     |
| Mo. High Return:            | 4.92%                     |
| Mo. Low Return:             | -5.80%                    |

*60 days notice, quarterly permitted with 5% penalty

#### Past Fund Performance

**As of June 30, 2007**

<table>
<thead>
<tr>
<th>Fund performance (net results)</th>
<th>Fund</th>
<th>LBA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>10.23%</td>
<td>4.34%</td>
</tr>
<tr>
<td>2005</td>
<td>11.30%</td>
<td>2.43%</td>
</tr>
<tr>
<td>2006</td>
<td>14.94%</td>
<td>4.33%</td>
</tr>
<tr>
<td>2007 (Ytd)</td>
<td>4.82%</td>
<td>1.81%</td>
</tr>
</tbody>
</table>

#### Comments

Angelo, Gordon's multi-strategy fund is managed opportunistically: investing in areas, which offer the most compelling opportunities from the risk/reward point of view. It is employing a fundamental, bottom-up approach in its research. Its two predominant strategies are event arbitrage and distressed securities. Beginning January 1, 2006 it started using side pockets for illiquid investments, i.e. real estate or private equity. The total cost basis of side pockets will not exceed 20% of fund's NAV.
## Manager Profile: Paulson & Co.

<table>
<thead>
<tr>
<th>Organization and Strategy</th>
<th>Hedged Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Manager:</strong>  Paulson &amp; Co.</td>
<td></td>
</tr>
<tr>
<td><strong>Address:</strong> New York, NY</td>
<td></td>
</tr>
<tr>
<td><strong>Contact:</strong> Michelle M. Russell</td>
<td></td>
</tr>
<tr>
<td><strong>Year Founded:</strong> 1994</td>
<td></td>
</tr>
<tr>
<td><strong>Assets Managed:</strong> $21.1 Billion</td>
<td></td>
</tr>
<tr>
<td><strong>Fund Inception:</strong> 2004</td>
<td></td>
</tr>
<tr>
<td><strong>Invest Professionals:</strong> 18</td>
<td></td>
</tr>
<tr>
<td><strong>Style Focus:</strong> Merger, Event, Credit</td>
<td></td>
</tr>
<tr>
<td><strong>Regional Focus:</strong> US, Canada, Europe</td>
<td></td>
</tr>
<tr>
<td><strong>Sector / Industry Focus:</strong> Diversified</td>
<td></td>
</tr>
</tbody>
</table>

### Investment Manager

| **Investment Manager:** Paulson & Co. |
| **Contact:** Michelle M. Russell |
| **Year Founded:** 1994 |
| **Assets Managed:** $21.1 Billion |
| **Fund Inception:** 2004 |
| **Invest Professionals:** 18 |
| **Style Focus:** Merger, Event, Credit |
| **Regional Focus:** US, Canada, Europe |
| **Sector / Industry Focus:** Diversified |

### University Investment

| **Proposed Fund Investment:** $15 Million |
| **Previous Fund Investment:** $0 |

### Past Fund Performance

<table>
<thead>
<tr>
<th><strong>Lifetime performance (net results)</strong></th>
<th><strong>Fund</strong></th>
<th><strong>R3000</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>13.14%</td>
<td>31.06%</td>
</tr>
<tr>
<td>2005</td>
<td>0.27%</td>
<td>6.14%</td>
</tr>
<tr>
<td>2006</td>
<td>12.80%</td>
<td>15.74%</td>
</tr>
<tr>
<td>2007 (Ytd)</td>
<td>59.95%</td>
<td>3.45%</td>
</tr>
</tbody>
</table>

### Comments

The fund seeks to generate positive, non-correlated returns over the long term. The fund opportunistically sources, structures and executes investments in merger arbitrage, event and credit situations. The fund invests in public equities with a secondary strategy of using over the counter agreements (CDS). Presently, the fund is positioned to take advantage of credit turmoil including the underperformance of CDO's, unwinding of leverage in fixed income, and the shrinking of mortgage providers. The fund invests in opportunities across the globe.
### Manager Profile: Ignition Partners

#### Organization and Strategy

<table>
<thead>
<tr>
<th>Field</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Manager</td>
<td>Ignition Venture Partners</td>
</tr>
<tr>
<td>Address</td>
<td>Bellevue, WA</td>
</tr>
<tr>
<td>Contact</td>
<td>Robert Headley</td>
</tr>
<tr>
<td>Year Founded</td>
<td>2000</td>
</tr>
<tr>
<td>Total Capitalization</td>
<td>$3.9 Billion</td>
</tr>
<tr>
<td># Prior Programs</td>
<td>3 funds</td>
</tr>
<tr>
<td>Invest Professionals</td>
<td>20</td>
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<tr>
<td>Style Focus</td>
<td>Early Stage Venture</td>
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<tr>
<td>Regional Focus</td>
<td>Northwest - US</td>
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<tr>
<td>Sector / Industry Focus</td>
<td>Telecom/Software</td>
</tr>
</tbody>
</table>

#### University Commitments

- Proposed Fund Commitments: $10 Million
- Previous Fund Commitments: $0 Million

#### Past Performance*

<table>
<thead>
<tr>
<th>Fund</th>
<th>Committed Capital (mil)</th>
<th>Fund Year</th>
<th>Multiple</th>
<th>Net IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ignition Venture Partners I</td>
<td>$135</td>
<td>2000</td>
<td>N/A</td>
<td>-8%</td>
</tr>
<tr>
<td>Ignition Venture Partners II</td>
<td>$290</td>
<td>2001</td>
<td>N/A</td>
<td>0%</td>
</tr>
<tr>
<td>Ignition Venture Partners III</td>
<td>$400</td>
<td>2004</td>
<td>1.3X</td>
<td>20%</td>
</tr>
</tbody>
</table>

*as of June 30, 2007

#### Comments

Ignition Partners Fund IV is a private equity venture capital fund with the goal of providing its investors substantial long-term capital appreciation by making privately negotiated investments primarily in early stage technology companies in the telecommunications and software sectors with a geographic emphasis on the northwest of the United States.

### Private Capital

#### Fund Details

<table>
<thead>
<tr>
<th>Field</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Name</td>
<td>Ignition Venture Partners IV</td>
</tr>
<tr>
<td>Fund Size</td>
<td>$350 Million</td>
</tr>
<tr>
<td>Sponsor Investment</td>
<td>$3.5 Million</td>
</tr>
<tr>
<td>Fund Strategy</td>
<td>Private Capital - Venture</td>
</tr>
<tr>
<td>Targeted Leverage</td>
<td>N/A</td>
</tr>
<tr>
<td>Investment Period</td>
<td>5 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</td>
<td>Annually Budgeted</td>
</tr>
<tr>
<td>Incentive Fee: (w/ catch-up)</td>
<td>25% - 30%</td>
</tr>
<tr>
<td>Preferred Return</td>
<td>2.5x capital for 30% incentive</td>
</tr>
<tr>
<td>Projected Closing</td>
<td>Sept. 2007</td>
</tr>
</tbody>
</table>
Finance and Operations Committee

October 11, 2007

Agenda Item: Information Items

☑ review   ☐ review/action   ☐ action   ☑ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy   ☐ background/context   ☑ oversight   ☐ strategic positioning

Debt Management Advisory Committee Update
To provide a report on the semi-annual meeting of the Debt Management Advisory Committee (DMAC) held on September 5, 2007.

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 September 12, 2007.

Financial Oversight: Key Indicators
To provide a report on key financial indicators to assist the Board of Regents in its fiduciary responsibility for the oversight of all assets of the University.

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

Outline of Key Points/Policy Issues:

Debt Management Advisory Committee Update
The agenda for the meeting held on September 5, 2007 included:

• Future Debt Issuance Strategy
• 2008 Capital Request
• Update: 2006 Special Purpose Bonds
• Update: Future Clinic
Regarding the next debt issuance, DMAC members advised the Treasurer to:

- Issue commercial paper (CP) as the external debt-financing vehicle for the next list of projects to be financed.
- Obtain Board approval to increase the University's CP program by $100,000,000 to a maximum of $350,000,000.
- Obtain an Exception to Bid in order to continue using Merrill Lynch as the University's CP dealer for the additional CP to be issued.

Quarterly Investment Advisory Committee Update

Office of Asset Management (OAM) staff led a portfolio review discussion highlighting that the Consolidated Endowment Fund (CEF) has grown $298 million in the past 12 months, returned 21.1% versus the benchmark of 17.8% and totaled $1.2 billion. Out-performance is largely due to the declining dollar; international equity, especially small cap and emerging markets; and private capital, which produced a 27% return for the period. An update was given on one of the domestic large cap managers who has underperformed and whose portfolio is transitioning to an unleveraged product, which has less tracking error to the benchmark.

Mr. Mason made a presentation and led a discussion about the current status and strategy of the CEF hedge fund portfolio. The IAC then discussed and approved three new hedge fund managers: Paulson & Co., a merger arbitrage/event driven manager, and Black Rock and Angelo Gordon, who are each multi-strategy absolute return managers with long histories of attractive returns. Both have been closed to new investors until recently. The recommended investment for each of the three is $15.0 million.

The IAC then discussed and approved an investment commitment of up to $10 million to Ignition Venture Partners IV. Ignition is a West Coast-based, early stage investment partnership that has been on OAM's target list for several years. Subsequent to the IAC meeting, OAM received notification of a $5.0 million allocation.

Annually, the IAC approves benchmarks for the portfolios and the performance based compensation plan. After discussion, the IAC approved a “total return” benchmark of 70% ML 1-3 year T-bills and 30% three-month T-bills benchmark for the Temporary Investment Pool. For CEF, the IAC approved a benchmark weighted two-thirds to the one-year performance of each of the five sub-portfolios versus their respective benchmarks, and weighted one-third comparing a ten-year performance number to the Board's long-term portfolio target of 9.5%.

Financial Oversight: Key Indicators

Regularly scheduled report on key financial indicators in the following areas:
- Asset Management
- Debt
- Balance Sheet
- Operating
- Budget

Details of the report will be presented at the meeting.

Emergency Purchases

Following the early termination of the Regents meeting on September 7, 2007, Regents Simmons, Allen, and Hunter approved the following purchases over $250,000 on September 12, 2007:

- To AT&T for an estimated $390,000 to provide Integrated Switched Digital Network (ISDN) Primary Rate Services for the period of October 1, 2007 through September 30, 2009 for Networking and Telecommunications Services, a division of the Office of Information Technology. This purchase has been budgeted for FY08. The funding for this purchase is from a central allocation for voice services for the Twin Cities campus. Vendor was selected through a competitive process.
• To C.J. Duffey Paper Co. for $317,000 for paper stock as needed for the period of September 10, 2007 through August 31, 2008 for Printing Services for use at their main plant facility and their copy centers. These purchases will be made with Printing Services department funds. Vendor was selected through a competitive process.

• To extend contracts with Computer Concepts & Services Inc and DRC Systems to purchase analysis and programming services in the amount of $550,000 for the period of October 1, 2007 through March 31, 2009 for the University of Minnesota Auxiliary Services. This increase will bring the combined total of the contracts to $1,100,000. Vendor was selected through a competitive process.

• To Dakota Paper Co. for an estimated $263,834 for the purchase of Custodial Papers (paper towels and toilet paper) to be stocked at the University Stores for use in University departments. The contract period is September 15, 2007 through July 31, 2008. Payment for these stock purchases will come from the University Stores Operating Budget. Vendor was selected through a competitive process.

• To FAMIS Software, Inc. for $328,039 for the Office of Space Management to purchase a space management module, Auto Cad interface, and computer programming services. This will be purchased with operational funds currently available in Office of the Vice President for System Academic Administration. See enclosed documentation regarding basis of vendor selection.

• To Harris Health Trends Inc. for the estimated amount of $1,490,000 to provide health improvement services offered through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2008 through December 31, 2008. The funding for these services has been budgeted as a part of the 2008 fringe benefits budget. Vendor was selected through a competitive process.

• To Health Partners Administrators, Inc. for the estimated annual amount of $3,360,000 for administering a self-funded UPlan medical plan option offered through the University of Minnesota, Office of Human Resources Employee Benefits for the one-year period of January 1, 2008 through December 31, 2008. The funding for these services has been budgeted as a part of the 2008 fringe benefits budget. Vendor was selected through a competitive process.

• To Medica for the estimated annual amount of $2,500,000 for administering four self-funded UPlan medical plan options offered through the University of Minnesota, Office of Human Resources Employee Benefits for the one-year period of January 1, 2008 through December 31, 2008. The funding for these services has been budgeted as a part of the 2008 fringe benefits budget. Vendor was selected through a competitive process.

• To Midwest Assurance Co. (HealthPartners, Inc.) and National Benefits Resources, Inc. to renew a contract for stop loss insurance for the UPlan Medical Program for a total $1,050,000 for the period of January 1, 2008 through December 31, 2008 on behalf of the Employee Benefits Department. This contract will be funded out of the Fringe Benefits Recovery. Vendor was selected through a competitive process.

• To ProSource Technologies, Inc. for $768,154 for a Geological Assessment at University of Minnesota Outreach, Research & Education (UMore Park) Rosemount, Minnesota, for the Statewide Strategic Resource Development Department. Vendor was selected through a competitive process.

• To RxAmerica for the estimated amount of $480,000 to provide Pharmacy Benefits Management for the one-year period of January 1, 2008 through December 31, 2008 for the self-funded UPlan program offered through the University of Minnesota, Office of Human Resources Employee Benefits. The funding for these services has been budgeted as a part of the 2008 fringe benefits budget. Vendor was selected through a competitive process.
• To Unisource for $546,600 for paper stock as needed for the period of September 10, 2007 through August 31, 2008 for Printing Services for use at their main plant facility and their copy centers. Payment for these purchases will be purchased with Printing Services department funds. Vendor was selected through a competitive process.

• To U.S. Census Bureau for $440,983 for data recovery and new data products from the 1960 census over the period September 17, 2007 to September 16, 2011 for the Minnesota Population Center. The awarded budget for the National Institute of Child Health & Human Development grant includes the full amount of funds for this work. See enclosed documentation regarding basis of vendor selection.

• To Varian, Inc. for $9,990,000 for Ultrahigh field MR Imaging and spectroscopy system housed in the Center for Magnetic Resonance (CMRR). Payment for the purchase will be provided by the Dean’s Office, Medical School, and by an internal loan from the University. Vendor was selected through a competitive process.

• To Watson Wyatt & Co. doing business as Watson Wyatt Worldwide for $205,000 to exercise the option to extend the data warehouse services contract for the third and final year through December 31, 2008. In addition, this request is to add an additional $25,000 to the amount approved for 2007, bringing the total contract for 2007 to $175,000. The source of funds is revenue to the U Plan. If these two increases are approved, the total for the life of this contract will be $885,000. Vendor was selected through a competitive process.

• To WiscNet, a division of the University of Wisconsin – Madison, Department of Information Technology, for $378,535 for Membership fees and Network Operation Services to operate BOREAS-Net for the period March 1, 2007 through June 30, 2008 for Networking & Telecommunications Services, a division of Information Technology. See enclosed documentation regarding basis of vendor selection.

In support of using this emergency process,

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.

**Background Information:**

**Debt Management Advisory Committee Update**
The Board Resolution for Issuance of New Commercial Paper is being presented as an action item in the Finance & Operations Committee this month. The request for the increase in the CP program and the Rationale for Exception to Bid are included in the Consent Report in the Finance & Operations Committee this month.

**Financial Oversight: Key Indicators**
This item responds to the following priority of the Board of Regents 2007-2009 Workplan: Regularly monitor agreed-upon metrics of the University's performance.

**Emergency Purchases**
Board of Regents summaries and other materials in support of these purchases were included in the September 2007 docket for the Finance and Operations Committee, which reviewed and recommended approval of all items on September 6, 2007.
September 12, 2007

FACSIMILE

To: President Robert Bruininks
From: Ann Cieslak, Executive Director
Re: Emergency Approval
Pages: 7 (including cover)

Today in person or by telephone, Chair Simmons, Vice Chair Allen, and Finance & Operations Committee Chair Hunter each approved the request from you for the following purchases (as described in your attached letter):

- To AT&T for an estimated $390,000 to provide Integrated Switched Digital Network (ISDN) Primary Rate Services for the period of October 1, 2007, through September 30, 2009, for Networking and Telecommunications Services (NTS), a division of the Office of Information Technology (OIT). This purchase has been budgeted for FY08. The funding for this purchase is from a central allocation for voice services for the Twin Cities Campus. Vendor was selected through a competitive process.

- To C.J. Duffey Paper Co. for $317,000 for paper stock as needed for the period of September 10, 2007, through August 31, 2008, for Printing Services for use at their main plant facility and their copy centers. These purchases will be made with Printing Services department funds. Vendor was selected through a competitive process.

- To extend contracts with Computer Concepts & Services Inc, and DRC Systems, to purchase analysis and programming services in the amount of $550,000 for the period of October 1, 2007, through March 31, 2009, for the University of Minnesota Auxiliary Services. This increase will bring the combined total of the contracts to $1,100,000. Vendor was selected through a competitive process.
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- To WiseNet, a division of the University of Wisconsin-Madison, Department of Information Technology, for $378,535 for Membership fees and Network Operation Services to operate BOREAS-Net for the period March 1, 2007, through June 30, 2008, for Networking & Telecommunications Services (NTS), a division of Information Technology (OIT). See enclosed documentation regarding basis of vendor selection.

I understand that these actions will be reported to the Board of Regents at the October 2007 meetings, as required by Board policy.

Attachment

c: Kathryn Brown, Vice President & Chief of Staff (w/o attachment)  
Richard Pfutzenreuter, Vice President & CFO (w/o attachment)
September 10, 2007

The Honorable Patricia Simmons
The Honorable Clyde Allen
The Honorable Steven Hunter

Dear Members of the Board:

As you know, the policy on Board Operations and Agenda Guidelines stipulates that Board approval is required before the University makes any purchase of goods or services in the amount of $250,000 or more. This approval is also required by the Regents policy on Purchasing.

Due to the early adjournment of your meeting on Friday, September 7, 2007, no approvals for large purchases are possible until October under normal procedures. However, the Board Operations and Agenda Guidelines allow for an emergency procedure if an emergency situation exists as defined in the Guidelines. Specifically, in Section II, Subd. 10, the policy reads as follows:

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.

Upon the request of the Director of Purchasing, the Controller, and the Vice President and Chief Financial Officer, I am recommending use of this emergency process for Board approval of the following large purchases, which were reviewed and recommended for approval by the Finance and Operations Committee on Thursday, September 6, 2007:

- To AT&T for an estimated $390,000 to provide Integrated Switched Digital Network (ISDN) Primary Rate Services for the period of October 1, 2007, through September 30, 2009, for Networking and Telecommunications Services (NTS), a division of the Office of Information Technology (OIT). This purchase has been budgeted for FY08. The funding for this purchase is from a central allocation for voice services for the TC Campus. Vendor was selected through a competitive process.

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Emergency Purchases
September 7, 2007
Page 3

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I am recommending that these purchases be approved on an emergency basis to assure that the purchases are made as economically as possible, and to avoid interruption of the related projects.
Attached is additional information and supporting documentation for the purchases themselves and justification for handling them under the emergency approval process.

Sincerely,

[Signature]

Robert H. Bruininks
President

RB:jes

Enclosures (16)