

Godfrey, Rob

From: Godfrey, Rob
Sent: Wednesday, June 01, 2011 10:04 AM
To: 'sbrook@thestate.com'
Cc: Pearson, Tim
Subject: FW: Returned your call

After missing John Monk's call at 9:35 PM last night, I called him back twice (at 9:43 PM and 9:44 PM) and emailed him twice (at 9:50 PM and 11:09 PM) in order to see whether he needed something from me for a story he was writing about the Inspector General's resignation. I heard nothing back.

Then, I read here (<http://www.thestate.com/2011/06/01/1841291/scs-first-inspector-general-resigns.html>) that, "Haley's spokesman could not immediately be reached for comment." I'm not sure how much more accessible I could have been to talk about this issue.

We're making every effort to work with your news organization, but I'd be remiss if I failed to mention that setbacks like this continue to make it difficult.

Rob

-----Original Message-----

From: Godfrey, Rob
Sent: Tuesday, May 31, 2011 11:10 PM
To: 'jmonk@thestate.com'
Cc: 'sbrook@thestate.com'
Subject: Returned your call

John,

I have called you back twice tonight after missing a call of yours at 9:35 PM. In the voicemail you left me, you said you had questions about the Inspector General's resignation. Please let me know if there is anything you need from me...but please understand I'm headed to bed shortly. Thanks.

Rob

Godfrey, Rob

From: Godfrey, Rob
Sent: Wednesday, June 01, 2011 1:31 PM
To: 'jmonk@thestate.com'
Subject: IG

For attribution to Rob Godfrey, Haley press secretary: "We pulled Mr. Schroeder out of retirement, and we are grateful for his willingness to help us get the office of Inspector General off the ground. But in the end, George decided he wanted to go back into retirement, and we can't blame him - his long career of service to our state speaks for itself. We're interviewing candidates for his replacement.

"As we have always said, we believe that a statute is the best way to approach an Inspector General, but that the right person can absolutely be effective under an executive order. It's a critical position that allows state employees - and others - to reach out about fraud and corruption in government without fear of retribution, and until we get it in statute, we will keep the office of the Inspector General up, running, and serving the people of South Carolina."

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Rob Godfrey
Press Secretary | Office of Governor Nikki Haley
O: 803.734.5074 | C: 803.429.5086

Godfrey, Rob

From: Godfrey, Rob
Sent: Wednesday, June 01, 2011 10:47 AM
To: 'mbenning@wltx.gannett.com'
Subject: IG

For attribution to Rob Godfrey, Haley press secretary: "We pulled Mr. Schroeder out of retirement, and we are grateful for his willingness to help us get the office of Inspector General off the ground. But in the end, George decided he wanted to go back into retirement, and we can't blame him - his long career of service to our state speaks for itself. We're interviewing candidates for his replacement.

"As we have always said, we believe that a statute is the best way to approach an Inspector General, but that the right person can absolutely be effective under an executive order. It's a critical position that allows state employees - and others - to reach out about fraud and corruption in government without fear of retribution, and until we get it in statute, we will keep the office of the Inspector General up, running, and serving the people of South Carolina."

Rob Godfrey
Press Secretary | Office of Governor Nikki Haley
O: 803.734.5074 | C: 803.429.5086

June 16, 2011

Spoke with Roger Heaton of SLED. He was marked for anonymous letter of March 7, 2011. Roger stated that he had been in touch with FBI regarding this matter since it involved the transfer of funds to another state, NC.

Roger stated at this time his understanding was that the FBUI was not actively pursuing this matter.

SOUTH CAROLINA PUBLIC INTEREST FOUNDATION

Box 25999
Greenville, SC 29616

voice and fax 864 451 7290

DRAFT March 23, 2011

.....
.....
Charleston, SC 294...

Dear

Thanks for your undated 30-page anonymous letter postmarked March 21 about MUSC employing Dr. Etta Pisano in 2010 and associated matters.

Generally, SCPIF abstains from involving itself with government policy. SCPIF is interested in violations of law such as the ones you mention. This matter appears to be complex beyond SCPIF's ability to deal with unassisted. You wrote that you have given your information to multiple law enforcement agencies. South Carolina now has an Inspector General. You might consider adding him to your list.

Reading the Ethics Commission's November 21 Order, SCPIF was dismayed to see:

The Commission's Complaint C2011-019 was submitted to the Commission;

The Commission adjudicated the Complaint when it was a Party to the controversy, hardly a disinterested tribunal; and

The Commission found that Pisano did not violate the law.

SCPIF thinks adjudicating and finding should be an exclusive function of the judicial department. If the judiciary tries Pisano for violating that or a related law, no doubt she will strenuously contend double jeopardy.

The Ethics Commission might or might not be operating legally.

Yours very truly:

SOUTH CAROLINA PUBLIC INTEREST FOUNDATION

E.D. Sloan, Jr.
President

Hello,

I mailed this letter to Mr. Sloan's home address, but I want everyone at the South Carolina Public Interest Foundation to be aware of this situation. I think South Carolina taxpayers are being cuckolded by financing the commercialization of a North Carolina biotechnology company. If my theory is correct and if this behavior is legal, we must urge our representatives to stipulate that SC CoEE money can only be used to support South Carolina start-up companies because SC taxpayers should not subsidize NC businesses. This is a complex situation, but here is the short version:

In 2010, MUSC recruited a new Dean of the College of Medicine, and President Greenberg hired Dr. Etta Pisano of UNC-Chapel Hill. Dr. Pisano is a renowned radiologist and breast cancer researcher, and she is also the co-owner of NextRay, Inc., a biotech company headquartered in Chapel Hill.

NextRay is a UNC start-up company, which is producing a better imaging machine than the traditional x-ray machine. UNC owns NextRay's commercial licensing rights, which means UNC will share the profits with NextRay stockholders when the company is finally commercialized. But launching a biotech company is expensive and NextRay needs an infusion of money to bring the machines to market...

According to a Nov 2010 SC State Ethics Commission Decision and Order, Dr. Pisano "needed" and "required" MUSC to hire her husband and NextRay/UNC scientists in order for her to accept the MUSC Deanship. Why would a potential Dean of a medical school demand that the same medical school hire radiology researchers employed by her previous university? And why would Dr. Pisano, who earned \$508,000 at UNC, pursue the MUSC Deanship where she earns only \$220,000?

I speculate Dr. Pisano came to MUSC to qualify NextRay (perhaps illegally) for South Carolina Center of Economic Excellence (SC CoEE) funds. According to Dr. Pisano's own projections, \$5 million in SC CoEE funding would be enough to commercialize NextRay. If I'm correct, SC taxpayers will finance the development of a NC biotech company, and after NextRay is commercialized and the machines are sold to hospitals and airports, the profits will be diverted back to UNC and NextRay stockholders.

The internal MUSC stuff may be boring for you to read (HR complicity & suspicious CVs & employee profiles), but the lack of disclosure about this potential conflict-of-interest is a red flag that the UNC-NextRay connection is being intentionally concealed from the MUSC community and SC taxpayers. And if the plan all along was to secure South Carolina tax money in order to subsidize the commercialization of a NC/UNC business, Dr. Pisano's motive for that lack of disclosure makes perfect sense.

The *Post & Courier* will not report that the State Ethics Commission dismissed their own complaint against Dr. Pisano. (She used her influence to secure MUSC jobs for her husband and business associates before she became a SC state employee). Although they routinely publish stories about dismissed ethics complaints involving far less public money, the P&C won't touch this story. More importantly, the larger story about Dr. Pisano's demand that MUSC hire NextRay researchers "as conditions of her employment" -which triggered the involvement of the State Ethics Commission -is being ignored.

Last week, I reported this situation to Attorney General Wilson, St.ED, the Columbia division of the FBI, the MUSC Board of Trustees, and federal compliance agencies (when federal funds are involved it becomes a federal matter because most universities receive federal funding, primarily through the NIH). Could you please find out if any of these authorities are investigating? Thank you.

March 7, 2011

The Honorable Alan Wilson
Office of the Attorney General
PO Box 11549
Columbia, SC 29211

Reginald I. Lloyd, Director
South Carolina Law Enforcement Division
PO Box 21398
Columbia, SC 29221

Dear Attorney General Wilson and Mr. Floyd,

I have concerns about possible violations of state and federal law at the Medical University of South Carolina (MUSC), as well as the possibility that South Carolina tax dollars are being diverted to finance a North Carolina biotechnology company.

This is a complex and tangled situation involving state and perhaps federal NIH and stimulus funds. I am reporting it comprehensively because each of you has investigative and/or law enforcement authority and/or stewardship responsibilities and/or compliance oversight for the state of South Carolina and its public institutions.

On November 24, 2010, MUSC's Compliance Office acknowledged receipt of the basic facts contained in this letter. More than three months have elapsed with no apparent action taken; therefore, I am notifying federal authorities of this situation.

Everything stated or implied in this letter is strictly my interpretation of events and their supporting documents. Please review the enclosed documents and links. I believe they substantiate that an investigation of MUSC is warranted.

Please also refer to the attached flowchart as you read the narrative of the complaint. I hope this visual aid helps illustrate the chronology of events and the possible destination of the profits.

Thank you for reading this letter.

Cc: David A. Thomas, Special Agent in Charge
Federal Bureau of Investigations-Columbia

Thomas E. O'Neill, Chief Division Counsel
Federal Bureau of Investigations-Columbia

Office of the Inspector General
Department of Health and Human Services

Pamela B. Quinn, Assistant Director
United States Department of Labor
Office of Federal Contract Compliance Programs

Representative Darrell E. Issa, Chairman
House Committee on Oversight and Government Reform

Representative Elijah E. Cumming, Ranking Member
House Committee on Oversight and Government Reform

Governor Nikki Haley
Office of the Governor

Robert M. Hitt III, Secretary
South Carolina Department of Commerce

Major Roger Heaton, Assistant Director
South Carolina Law Enforcement Division

C-360-9826

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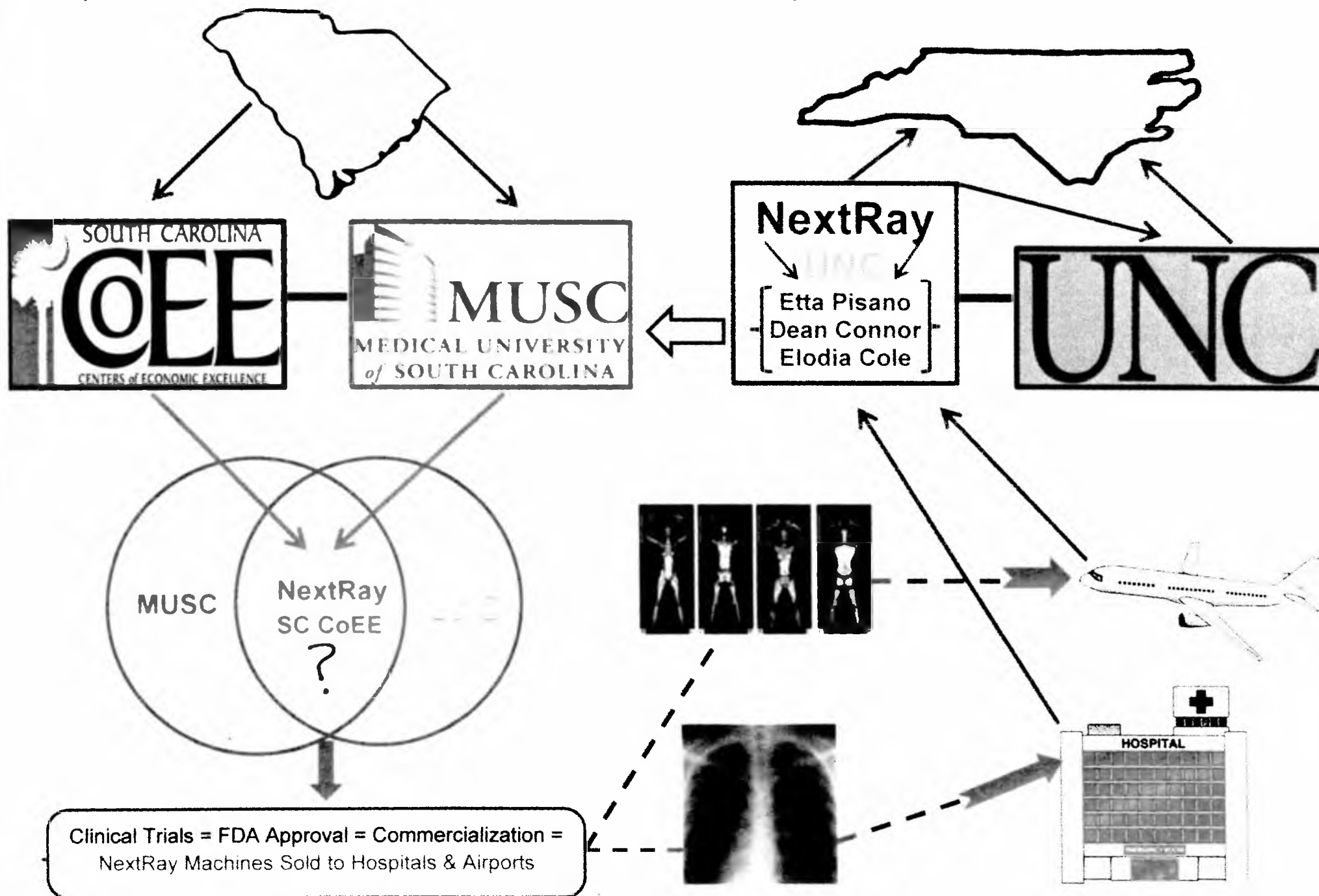
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J. Seth Whipper, District 113

employment, MUSC hires the NextRay research staff. Will an MUSC/UNC Affiliation Agreement allow NextRay to qualify for \$5 million in SC CoEE funds, or will SC CoEE money otherwise finance NextRay, a UNC start-up company? Clinical Trials = FDA Approval = Commercialization. NextRay machines are then sold to hospitals and airports, and the profits are diverted to NextRay stockholders, UNC, and North Carolina.



STATE OF SOUTH CAROLINA)

COUNTY OF RICHLAND)

IN THE MATTER OF:)

COMPLAINT C2011-019)

State Ethics Commission,
Complainant;

vs.)

Etta Pisano,
Respondent.)

BEFORE THE STATE ETHICS COMMISSION

DECISION AND ORDER

RECEIVED
2010 NOV 24 PM 1:48
STATE ETHICS
COMMISSION

Pursuant to Section 8-13-320(10)(i), Code of Laws for South Carolina, 1976, as amended, the State Ethics Commission reviewed the above captioned complaint on November 17, 2010, charging the Respondent, Etta Pisano, with a violation of 8-13-700 (A) and 8-13-750 (A), Code of Laws for South Carolina, 1976, as amended.

Present at the meeting were Commission Members Priscilla L. Tanner, Edward E. Duryea, G. Carlton Manley, JB Holeman, Jonathan H. Burnett and Richard H. Fitzgerald. Also present were the Commission's Executive Director, Herbert R. Hayden, Jr., and his immediate staff.

The following allegations were considered:

ALLEGATIONS

Section 8-13-700 (A) and (B) of the South Carolina Code of Laws, 1976, as amended prohibit a public employee from participating in an official decision or using their position to influence an official decision if the public employee, a member of the public employee's immediate family or an individual with whom the public employee is associated has a financial

interest in the outcome of that decision.

According to information provided, Dr. Etta Pisano, newly appointed Dean of the College of Medicine at MUSC, allegedly used her position to influence the hiring decisions of her husband, Dr. Jan Kylstra, and three members of her former staff at the University of North Carolina. According to information provided, the staff members are also in business with Dr. Pisano in a private business known as NextRay, Inc. This relationship would make the staff members "individuals with whom associated".

NextRay is reportedly a biotech company which develops and markets a low-dose radiation imaging machine. Dr. Pisano is listed as the Director and Co-owner of NextRay. The staff members also recently employed with MUSC include D.J. Conner, listed as a co-founder of NextRay and co-inventor, and Elodia Cole, shown in several medical articles provided as working with NextRay.

FINDINGS OF FACT

Having carefully reviewed the evidence presented, the Commission finds as fact:

1. When the Respondent was being interviewed by the Medical University of South Carolina (MUSC) for the position of Dean of the College of Medicine, the MUSC President conducted various negotiations with her concerning her requirements and needs for assuming her new position. These negotiations extended over a period of approximately two to three weeks.

2. The discussions concerning the hiring of her spouse and members of her research unit from the University of North Carolina were performed prior to her beginning her employment at MUSC on July 1, 2010, and were agreed with by MUSC as conditions of her employment.
3. The Respondent came within the jurisdiction of the State Ethics Commission upon her employment at MUSC on July 1, 2010.

CONCLUSIONS OF LAW

Based upon the foregoing Findings of Fact, the Commission concludes, as a matter of law:

1. As of July 1, 2010 the Respondent is a public employee as defined in Section 8-13-100 (25).
2. Section 8-13-700 (A) states no public official, public member, or public employee may knowingly use his official office, membership, or employment to obtain an economic interest for himself, a member of his immediate family, an individual with whom he is associated, or a business with which he is associated.
3. Section 8-13-750 (A) states no public official, public member, or public employee may cause the employment, appointment, promotion, transfer, or advancement of a family member to a state or local office or position in which the public official, public member, or public employee supervises or manages.

DISCUSSION

Clearly, the Respondent did participate in negotiations that resulted in the eventual employment of three members of her research staff from the University of North Carolina, at

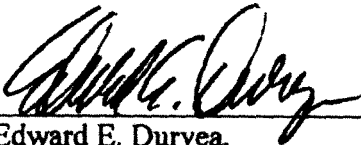
least one of whom is associated with her in a business identified as NextRay, Inc. as well as her husband, Dr. Jan Kylstra. However, these negotiations occurred prior to her becoming a public employee within the jurisdiction of the State Ethics Commission.

DECISION

After consideration of the facts in this matter the Commission finds no violations of Sections 8-13-700 (A) and 8-13-750 (A). THEREFORE, based upon evidence presented, the State Ethics Commission has determined that there is no probable cause to indicate that the Respondent, Dr. Etta Pisano, violated Section 8-13-700 (A) and 8-13-750 (A), S.C. Code Ann., 1976, as amended. The Commission has therefore dismissed the charges in accordance with Section 8-13-320(10)(i), Code of Laws for South Carolina, 1976, as amended, and the rules and regulations promulgated thereunder.

IT IS SO ORDERED THIS 21st DAY OF November, 2010.

STATE ETHICS COMMISSION


Edward E. Duryea,
Acting Chair

COLUMBIA, SOUTH CAROLINA

On April 1, 2010, the *Post & Courier* announced that MUSC President Raymond Greenberg had selected Dr. Etta Pisano of the University of North Carolina-Chapel Hill to be the new Dean of the College of Medicine, pending final approval of the Board of Trustees. The article states Dr. Pisano was selected from a pool of 70 applicants, and that her spouse, Dr. Jan Kylstra, will join MUSC's Department of Ophthalmology.
<http://www.postandcourier.com/news/2010/apr/01/musc-names-dean-of-medicine/>

On July 9, 2010, MUSC's newspaper, *The Catalyst*, said this about Dr. Pisano:
"She's bringing some of her [UNC] staff with her to MUSC, including Jennifer Nall, assistant dean for academic affairs, Elodia Cole, a clinical researcher and laboratory manager, and D.J. O'Connor [sic], Ph.D., a research assistant professor." <http://www.musc.edu/catalyst/archive/2010/co7-9newdean.html>

Dr. Pisano is the co-owner of NextRay, a biotechnology company headquartered in Chapel Hill, NC. NextRay is developing digital imaging machines that are superior to film x-ray machines. By using Diffraction-Enhanced Imaging (DEI) technology, NextRay creates images through the diffraction –instead of the absorption- of x-ray beams. This imaging technique produces better resolution than traditional x-rays with much less radiation.

NextRay is a University of North Carolina start-up company. UNC granted NextRay its commercial licensing agreement, which means UNC will share the global profits with Dr. Pisano and her co-inventors when NextRay obtains FDA approval and is finally commercialized.

The UNC colleagues Dr. Pisano "brought" to MUSC, **Dean Connor and Elodia Cole**, both have a financial interest or association with NextRay and now they both have faculty positions at MUSC.

Dean Connor is identified as a co-inventor of NextRay's patented technology, and Connor, Dr. Pisano, NextRay, and UNC are listed as co-applicants. (1) <http://www.wipo.int/pctdb/en/wo.jsp?WO=2010065532>

In this journal article, Connor discloses his financial relationship with NextRay:
"Dr. Connor...serves as a paid consultant to or is an employee of NextRay, has received research or institutional support from NextRay, and has stock or stock options in NextRay..." <http://www.jaaos.org/cgi/content/full/17/7/473>

Elodia Cole was Dr. Pisano's lab manager at UNC and she is also associated with NextRay.
"...Cole manages the Breast Imaging Research Lab at UNC, and works with NextRay, UNC radiology researcher Etta Pisano's venture to commercialize an innovative new medical imaging technology developed at UNC..."
<http://www.kenaninstitute.unc.edu/centers/cei/index.asp?y=news.20090511&t=News>

On November 17, 2010 the South Carolina State Ethics Commission charged Dr. Pisano with violating SC State Ethics Law 8-13-700 and 8-13-750. (2) According to the Commission, Dr. Pisano "needed" and "required" MUSC to hire her husband and three University of North Carolina research colleagues in order for Dr. Pisano to accept the Deanship. Acting on behalf of MUSC, President Greenberg agreed to Dr. Pisano's demands "as conditions of her employment."

The Commission's investigation and Findings of Fact seem to support the material allegations against Dr. Pisano (that she had used her influence to secure MUSC jobs for her husband and business associates). However, the Commission ultimately dismissed their own complaint because the alleged misconduct occurred when Dr. Pisano was *in the process of becoming* a SC state employee –she was not yet a SC state employee- and therefore South Carolina law has no jurisdiction.

"Clearly, the Respondent [Dr. Pisano] did participate in negotiations that resulted in the eventual employment of three members of her research staff from the University of North Carolina, at least one of whom is associated with her in a business identified as NextRay, Inc., as well as her husband, Dr. Jan Kylstra. However, these negotiations occurred prior to her becoming a public employee within the jurisdiction of the State Ethics Commission."

Did MUSC violate South Carolina employment law?

Although the State Ethics Commission determined Dr. Pisano did not violate 8-13-700 and 8-13-750, their investigation indicates that President Greenberg agreed to appropriate state jobs to Dr. Pisano's husband and three NextRay/UNC associates as "conditions of her employment."

South Carolina courts have ruled that MUSC employees are "government actors." MUSC jobs are state jobs and President Greenberg is both a state employee and the head of a state agency. Did President Greenberg have statutory authority to **lawfully** appropriate state jobs to Dr. Pisano's spouse and three NextRay/UNC associates, before such vacancies existed, and as an inducement for her to accept the MUSC Deanship?

If a state agency head may **lawfully** appropriate bonus state jobs during pre-employment negotiations, where is the statute authorizing this prerogative, and is there a limit? By that I mean what if Dr. Pisano had insisted President Greenberg award state jobs to her brother and daughter -in addition to her husband- as well as to six or ten or twenty additional NextRay/UNC colleagues -instead of three? Would that arrangement be permitted, as long as President Greenberg agreed? These are not sarcastic or rhetorical questions; I'm only trying to follow the logic and the economic consequences of this presumed authority.

I'm unaware of any South Carolina statute that authorizes a state agency head to appropriate bonus state jobs to the relatives and business associates of one potential state employee during pre-employment negotiations. I've searched the SC Code of Laws and the only authorized pre-employment "perk" I can find for public employees is related to the reimbursement of their moving expenses (8-11-130), and the restrictions for that reimbursement are further specified in 8-11-135.

MUSC is a public institution, not a private corporation, and the open application process for state jobs is regulated to ensure that everyone has equal employment opportunity. My understanding is a state agency head cannot appropriate state jobs as part of a "hiring package" any more than he can give away a fleet of state-owned vehicles. But according to Dr. Pisano's own testimony to the State Ethics Commission, South Carolina state jobs were essentially used as bargaining chips by her and President Greenberg.

I realize President Greenberg may recruit out-of-state researchers if that is in the best interests of MUSC. But according to Dr. Pisano's testimony, these colleagues were not openly and independently recruited; her husband and business associates were simply given state jobs because Dr. Pisano "needed" and "required" it in order for her to accept the MUSC Deanship. MUSC's Human Resources Department then posted the pre-appropriated jobs several weeks *after* the deal between Dr. Pisano and President Greenberg was finalized.

Did MUSC violate federal employment law?

MUSC annually receives \$300+ million in federal contracts and grants, and therefore must adhere to federal Equal Employment Opportunity/Affirmative Action principles. Is the awarding of faculty positions in this manner consistent with federal EEO/AA policy?

In 1996, MUSC was cited and penalized for racial and sex discrimination by the U.S. Department of Labor. Since then, MUSC has tried to rectify the harm caused by past discrimination by enacting policies which promote diversity and equal employment opportunity. Here are two sentences from President Greenberg's policy statement on MUSC's Commitment to Equal Employment Opportunity:

"...All employment and promotional decisions are based upon job-related requirements, and must comply with the principles of equal employment opportunity....As a major employer in the area, MUSC recognizes its responsibility to ensure that everyone has access to employment opportunities."

http://academicdepartments.musc.edu/eo/policies/non_discrimination.html

An organization cannot promote itself as an EEO/AA institution and then selectively practice EEO/AA. Does President Greenberg's decision to appropriate MUSC jobs to Dr. Pisano's husband and NextRay/UNC colleagues "as conditions of her employment" expose MUSC to federal civil rights litigation from potential

applicants who were shut out of the hiring process, or from federal agencies responsible for enforcing institutional EEO/AA compliance?

MUSC claims to be an EEO/AA employer, and relies on the financial incentives this distinction confers. Does President Greenberg's decision undermine MUSC's status as an EEO/AA institution?

Did any of these individuals and MUSC engage in conspiracy?

South Carolina Code - SECTION 16-17-410 Conspiracy

The common law crime known as "conspiracy" is defined as a combination between two or more persons for the purpose of accomplishing an unlawful object or lawful object by unlawful means.

To my knowledge, no statute exists which authorizes a state agency head to appropriate state jobs to pre-selected individuals who have yet to apply for those jobs. And the fact that Jan Kylstra, Dean Connor, Eldoia Cole, and Jennifer Nall ultimately applied for their jobs through MUSC's HR Department, as all applicants must, reinforces that President Greenberg did not have the **lawful** authority to *executively* award said jobs.

The subsequent actions of MUSC's HR Department suggest a scheme was devised to deny equal employment opportunity to other potential job applicants, thereby ensuring Dr. Pisano's spouse and colleagues would be installed at MUSC. This pre-determined outcome is consistent with the pre-employment agreement between Dr. Pisano and President Greenberg, as described by the State Ethics Commission.

MUSC's HR Director, Susan Carullo, was asked to provide the dates that the four job postings for Dr. Pisano's spouse and NextRay/UNC associates appeared on the MUSC website. As permitted by the Freedom of Information Act, she was also asked to provide the number of applicants who applied for each position and a copy of the postings as they appeared on the job board. The manner in which Ms. Carullo responded to this request is suspicious and it suggests these individuals received preferential treatment in the hiring process.

Instead of providing the job postings as they appeared on the MUSC website, Ms. Carullo attached an Excel spreadsheet (3). Excel was designed for data sets; it's an awkward format to use for sentences. You can tell this is a created document because if HR stored job posting records in Excel, there would be sequential gaps between the lines because these particular job postings appeared on different days during different months.

Why was information copied from another source document and then pasted into each individual cell on this Excel spreadsheet? Was someone trying to conceal the Requisition ID numbers for these positions, which identifies the person or department who authorized the vacancies? MUSC jobs are not posted in Excel format and they always display the Requisition ID number.

<https://www.jobs.musc.edu/applicants/jsp/shared/frameset/frameset.jsp?time=1298829390231>

Ms. Carullo did not answer any questions about the posting for Dr. Kylstra's job. Was Dr. Kylstra's position created *after* the *Post & Courier* announced he had been hired? Why were faculty positions for Connor and Cole advertised for only one day? Are these practices consistent with MUSC's HR Policies & Procedures? Ms. Carullo also declined to provide the number of applicants who applied for each position. Why?

The interstate relocation of five professionals from four households requires planning and coordination. How did Dr. Pisano know that her husband and three NextRay/UNC colleagues would be receptive to moving to South Carolina and working at MUSC? I think it's reasonable to assume she discussed the prospect with them in order to establish their salary demands, starting dates, etc. so that they could discuss the job opportunity with their families, give adequate resignation notice in North Carolina, and make new housing arrangements.

Then someone must have informed Kylstra, Connor, Cole, and Nall that President Greenberg had, in fact, awarded them state/MUSC jobs. Someone must have directed them to apply for their awarded jobs through MUSC's HR Department. Someone must have created the four vacancies with the Office of Human Resources and the SC Employment Security Commission.

How did Dean Connor know that "his" job would be posted on 5-3-2010 and removed on 5-4-2010? How did Elodia Cole know that "her" job would be posted on 4-27-2010 and removed on 4-28-2010? How did Jennifer Nall know that "her" job would be posted on 5-13-2010 and removed on 5-20-2010? I'm assuming someone must have communicated these important details to each of them.

Besides Dr. Pisano, did any of them travel from Chapel Hill, NC to Charleston, SC for conventional job interviews? If no interviews occurred, why not? And who informed Kylstra, Connor, Cole, and Nall that each of them had - despite the statistical odds- collectively prevailed in the MUSC hiring process? And so on.

The term "conspiracy" may seem hyperbolic, but if Raymond Greenberg and/or Susan Carullo and/or Etta Pisano and/or Jan Kylstra and/or Dean Connor and/or Elodia Cole and/or Jennifer Nall communicated with one another about how to rig, manipulate, or otherwise circumvent MUSC's democratic hiring process "for the purpose of accomplishing an unlawful object" (that is, unlawfully? appropriated state jobs), then the charge of conspiracy may indeed apply.

In pursuit of their awarded MUSC jobs, if the actions of any of these individuals subverted federal Equal Employment Opportunity/Affirmative Action hiring mechanisms, then the federal government may also have a problem with that activity.

Did any of these individuals engage in bribery?

As the State Ethics Commission noted, Dr. Pisano co-owns NextRay and shares the NextRay patent with Dean Connor. Connor's MUSC employee profile states he is currently working on the DEI technology which is unique to NextRay. As the Commission noted, Dr. Pisano admits that she used her influence during pre-employment negotiations with President Greenberg to employ Connor at MUSC as a Radiology professor. Since Dr. Pisano "needed" and "required" MUSC to hire Connor and, in fact, stipulated her acceptance of the MUSC Deanship on this demand, is Connor expected to do anything in return for Dr. Pisano?

As the Commission noted, Elodia Cole also has an association with NextRay. Cole was Dr. Pisano's UNC lab manager and now she will manage clinical trials at MUSC so NextRay can achieve FDA approval. Cole's MUSC employee profile confirms she is currently working on Dr. Pisano's research endeavors, which is the development of NextRay. And as the Commission noted, Dr. Pisano admits that she used her influence during pre-employment negotiations with President Greenberg to employ Cole at MUSC as faculty Instructor in the Radiology Department. These negotiations occurred when Cole was Dr. Pisano's subordinate at UNC, and the MUSC job Dr. Pisano secured for Cole resulted in both a promotion in salary and rank.

Since both Connor and Dr. Pisano are co-inventors of NextRay, they both have a personal and financial interest in commercializing NextRay. And since NextRay cannot be commercialized until clinical trials are completed, lab manager Elodia Cole's promotion to MUSC faculty member seems mutually opportunistic.

Does the reciprocity between Pisano and Connor and Pisano and Cole suggest bribery, or even the appearance of bribery? I realize that even if the scenario of criminal bribery is applicable, North Carolina would probably have jurisdiction because the hypothetical bribery would have occurred when Pisano, Connor, and Cole, were all UNC employees. Nevertheless, this is how South Carolina defines bribery:

South Carolina Code - SECTION 16-17-540

(1) Any person who corruptly gives, offers or promises to an agent, employee or servant any gift or gratuity whatever, with intent to influence his action in relation to his principal's, employer's or master's business;

(2) Any agent, employee or servant who corruptly requests or accepts a gift or gratuity or a promise to make a gift or to do an act beneficial to himself under an agreement or with an understanding that he shall act in any particular manner in relation to his principal's, employer's or master's business;

It's unusual for the presumptive Dean of a medical school to stipulate that the same medical school hire her research team—who happen to be associated with her business - as a "condition of her employment." I also think it's unusual for subordinates to disrupt their personal and professional lives by relocating to another state on their mentor's request, notwithstanding compelling financial incentives.

If criminal bribery does not apply, the possible conflict-of-interest created by NextRay's financial connection to UNC, and MUSC's hiring of NextRay associates at the request of the UNC researcher who founded NextRay (Dr. Pisano) as conditions for Dr. Pisano accepting the MUSC Deanship, merits investigation.

Why is MUSC/South Carolina financing a UNC/North Carolina start-up company?

NextRay is a UNC start-up company. UNC also shares the patent for NextRay's (DEI) technology (4). DEI technology has potential medical imaging applications beyond breast screening; it may be ideal for lungs and other soft tissues as well. Because it emits low radiation, this technology can even be applied to security screening systems in airports around the world, so the financial stakes are significant for Dr. Pisano, NextRay stockholders, and UNC. According to UNC's Office of Technology, a typical profit split for UNC start-up companies is 40% UNC / 40% inventors / 20% North Carolina state treasury.

South Carolina taxpayers have now provided Dr. Pisano, her spouse, and her three NextRay/UNC associates with state jobs at MUSC. MUSC's Breast Imaging Research Faculty in the Division of Radiology lists only three individuals: Pisano, Connor, and Cole—all of whom are associated with NextRay. Their MUSC webpage states, *"We are in the process of expanding our research and development activities of new breast imaging technologies..."* <http://clinicaldepartments.musc.edu/radiology/divisions/breastresearch.htm>

Since NextRay is the only "new breast imaging technology" that Dr. Pisano is promoting in media interviews and since Dr. Pisano is an experienced Principal Investigator (PI), I'm assuming that in addition to paying their salaries, MUSC will also support NextRay's clinical trials.

- But in return, UNC—not MUSC—will profit from NextRay because NextRay is a UNC start-up company.
- In return, North Carolina—not South Carolina—will benefit from NextRay's business taxes because NextRay was incorporated in Chapel Hill, NC and maintains headquarters there.
- In return, California—not South Carolina—will benefit from the engineering jobs NextRay will create because Dr. Pisano has hired a Silicon Valley firm to manufacture the NextRay machines.

Why are South Carolinians financing NextRay when California, North Carolina, and NextRay stockholders will profit from NextRay? Why is MUSC paying the salaries and providing the lab facilities to researchers whose documented objective is the commercialization of a UNC biotechnology company?

At this critical stage in NextRay's development, why did Dr. Pisano leave UNC for MUSC?

The process of commercializing a biomedical device is long and arduous. But during Dr. Pisano's career at UNC, she and her research team had already achieved the following milestones:

- UNC helped create the DEI technology intrinsic to NextRay;
- NextRay's patent had been registered;
- NextRay had been incorporated in NC with initial stock sold;
- Dr. Pisano had hired a venture capitalist to raise money and develop NextRay's business plan
- Dr. Pisano had contracted with a Silicon Valley engineering firm to produce the NextRay machines
- NextRay had won many awards sponsored by government organizations and private industry
- NextRay had attracted positive reviews from the scientific and business communities

Clinical trials are the next step, and as the Director of UNC's state-of-the-art Biomedical Research Imaging Center, Dr. Pisano had all the resources she needed to conduct NextRay's clinical trials on the UNC campus <http://www.bizjournals.com/triangle/stories/2008/04/14/story3.html>

Since NextRay is a UNC start-up company and since the NextRay team was already employed by UNC, and since Chapel Hill is the location of NextRay's incorporation and headquarters, why would Dr. Pisano relocate her NextRay team to MUSC?

Dr. Pisano has implied she accepted the Deanship because few women in U.S. medical schools have achieved that rank. But in recent articles and contemporaneous media interviews, Dr. Pisano's self-expressed ambition is not rising through the ranks of whichever medical school administration –it's launching NextRay.

In addition to private industry funds and awards, NextRay received \$69,255 in 2009 and \$175,224 in 2010 from the state of North Carolina. <http://www.irs.gov/businesses/small/article/0,,id=229005,00.html>

But major financing is still needed to commercialize NextRay. The following articles suggest that the only remaining hurdle for NextRay's commercialization is "acquiring funding" and "raising seed money". And Dr. Pisano's strategy to acquire that funding and raise that seed money coincides with the NextRay team's relocation from UNC to MUSC.

From an April 2009 *CNN Money* article (12 months before Dr. Pisano accepted the MUSC Deanship):
"The company plans to acquire funding and a manufacturing partner within the next two years, hold clinical trials in year three, and launch full-scale production and distribution in year four. It hopes for an acquisition soon after..."
http://money.cnn.com/galleries/2009/smallbusiness/0904/gallery.startup_showdown_2009.smb/3.html (5)

From a Summer 2009 UNC newsletter (10 months before Dr. Pisano accepted the MUSC Deanship):
"The next step for NextRay is to secure funding," says Pisano. She aims to raise \$4.5 million through private investors and grants." http://www.kenaninstitute.unc.edu/news/print/Summer_2009.pdf (6)

From her November 2009 alumni newsletter (5 months before Dr. Pisano accepted the MUSC Deanship):
"...I have started a company, NextRay, Inc, which is commercializing an imaging device that I invented with several physicists and engineers as part of my faculty job here at UNC Chapel Hill. The new device provides high quality x-ray images at a fraction of the dose of conventional images. We are raising seed financing now...The engineering work for the company will be taking place in Silicon Valley, though the company is based in Chapel Hill."
http://dartmouth.org/classes/79/newsletters/Dartmouth_1979_Class_Newsletter_-_2009_November.pdf (7)

From *TechJournal South* in February 2010 (2 months before Dr. Pisano accepted the MUSC Deanship):
"...Pisano said last year that the company is seeking to raise a \$4.5 million round of funding."
<http://www.techjournalssouth.com/2010/02/nextray-scans-in-536k-in-debt-funding-for-x-ray-tech/> (8)

And here is NextRay's long-term business plan, as described by Dr. Pisano herself, in the April 2010 *Wake County Physician*. (April 2010 is the same month Dr. Pisano accepted the MUSC Deanship):
"...University of North Carolina and the other institutions have licensed the technology to a company all of us inventors cofounded – NextRay, Inc. We have hired a contract-engineering firm in Newark, California, Triple Ring Technologies (TRT), to help us develop the prototype into a full-fledged commercial product...We have hired a CEO, Menahim Nassi, PhD, a successful serial entrepreneur. Finally, we have recently secured \$500,000 in seed financing (from Idea Fund Partners, of RTP, and Eagle Green Investors, of Arlington, Virginia). These moneys will help us do some of the early engineering work to move this product to market. We will be seeking \$6 million of Series A financing from venture capitalists in the next six months. Once DEI is developed and commercially available, expected in the next 5 years, we believe, our product will compete very well with conventional machines available through the x-ray medical imaging device market. Our CEO has developed a business strategy beyond breast imaging. Indeed, we aim to replace all medical imaging tests that use x-rays with DEI." <http://www.wakedocs.org/pdfs/WCPApril/WCPApril10FINAL.pdf> (9)

With NextRay on the cusp of commercialization and seeking millions of dollars in "seed financing", why would Dr. Pisano relocate the NextRay team to another university in another state, from a wealthier donor base to a poorer one? And why would she accept a personal salary reduction of \$289,000?

<http://www.collegiatetimes.com/databases/salaries/university-of-north-carolina-chapel-hill-2010?name=pisano>

Will Dr. Pisano secure SC CoEE funds for NextRay via an MUSC/UNC Affiliation Agreement?

Many of you are familiar with the South Carolina Centers of Economic Excellence (SC CoEE) program, an entrepreneurial partnership between state government and private industry. <http://www.sccoee.org/> SC CoEE legislation authorizes the state's three public research institutions (Medical University of South Carolina, Clemson University, and the University of South Carolina) to use state funds to create Centers of Economic Excellence in research areas that will advance South Carolina's economy.

Each CoEE is awarded between \$2 million and \$5 million of South Carolina education lottery money, which must be matched on a dollar-for-dollar basis with non-state funds. Under the aegis of our public research universities, a product or technology is then developed, which results in the creation of a South Carolina start-up company. Ideally, when collaboration between higher education, industry, and government is successful, everyone benefits –taxpayers, public education, our state economy, and entrepreneurial scientists.

It's important to note that SC law authorizes **only** our three public research universities- Clemson, MUSC, and USC- to receive \$2-\$5 million for each CoEE. Sometimes researches at these universities affiliate with each other and so they share the CoEE and its state funding. For example, the overlapping shaded areas below represent a Clemson/MUSC Affiliated CoEE (*Cancer Stem Cell Biology & Therapy*) and an MUSC/USC Affiliated CoEE (*Medication Safety & Efficacy*):



Other South Carolina schools such as the College of Charleston, Coastal Carolina University, and SC State are NOT eligible to independently receive SC CoEE funding. However, they may form satellite affiliations with Clemson, MUSC, or USC, as long as Clemson, MUSC, or USC is the lead institution. The shaded areas below represent a USC/College of Charleston Affiliated CoEE (*Marine Genomics*) and a USC/Coastal Carolina University Affiliated CoEE (*Tourism and Economic Development*).



Since NextRay is a UNC start-up company, NextRay is **ineligible** to receive SC CoEE funds. However, I suspect Dr. Pisano may try to circumvent that restriction by establishing a loophole: an MUSC/UNC Affiliation Agreement. With MUSC as the lead institution and UNC as the affiliated institution, NextRay might qualify for another infusion of taxpayer money –this time South Carolina's.

One of the first initiatives Dr. Pisano spearheaded since assuming the MUSC Deanship is the creation of an Affiliations Committee for the ostensible purpose of preparing MUSC for the clinical ramifications of national healthcare reform. http://academicdepartments.musc.edu/com1/news_events/headlines/DeanPisano_08Oct_2010.ht

The following objective from page 2 of the Affiliation Committee Recommendations is interesting when compared to the stated mission of the SC CoEE program:
<http://dl.dropbox.com/u/11318946/AffiliationCommitteeRecommendations.pdf>

"Leverage relationships related to existing Centers of Economic Excellence (COEE) program affiliates see Attachment C."

First, here is the SC CoEE Program Overview, verbatim, from their website:

The S.C. Centers of Economic Excellence Program was established by the South Carolina General Assembly in 2002, funded through South Carolina Education Lottery proceeds. The legislation authorizes the state's three public research institutions, Medical University of South Carolina, Clemson University and the University of South Carolina, to use state funds to create Centers of Economic Excellence in research areas that will advance South Carolina's economy. Each Center of Economic Excellence is awarded from \$2 million to \$5 million in state funds, which must be matched on a dollar-for-dollar basis with non-state funds. The program also supports CoEE endowed chairs, world-renowned scientists who lead the Centers of Economic Excellence. By investing in talent and technology, the CoEE Program is designed to fuel the state's knowledge-based economy, resulting in high-paying jobs and an improved standard of living in South Carolina.

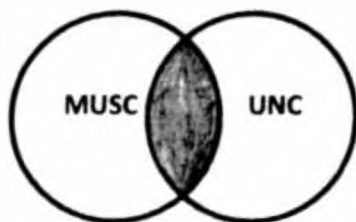
Now please note the Affiliations Committee's/Dr. Pisano's introduction to *Attachment C*: (10)

"The Centers of Economic Excellence (CoEE) program is a statewide initiative which authorizes state and public research institutions **such as** the Medical University of South Carolina, Clemson University and the University of South Carolina, to use state funds to create areas in research will advance South Carolina's economy. Briefly, each CoEE is awarded from 2 to 5 million in state funds, which must be matched on a dollar-for-dollar basis with non-state funds. The program also supports the development of endowed chairs consisting of, **and hence requiring recruitment** of, renowned scientists who lead aspects of each CoEE. Hence, by investing in the juxtaposition of talent and technology, elite programs develop which fuel the state's knowledge-based economy, resulting in high-paying jobs and an improved standard of living in South Carolina."

Why has the phrase "**such as**" been inserted into *Attachment C*'s introduction? The South Carolina legislature explicitly authorized SC CoEEs to award matching state funds to MUSC, USC, and Clemson ONLY, as these are South Carolina's three research universities. Why did the Committee/Dr. Pisano qualify the specific institutions eligible to receive up to \$5 million in SC CoEE funding with "**such as**"? Also, SC CoEE legislation *allows* the recruitment of renowned scientists for the development of endowed chairs, but it does not "**require**" it. I wonder if the insertion of this phrase is a retroactive justification for Dr. Pisano's efforts to install her NextRay colleagues at MUSC, as described by the State Ethics Commission.

Since UNC owns NextRay's commercial licensing rights and shares the patent for NextRay's DEI technology, and since the NextRay team is now employed at MUSC and plans to conduct NextRay's clinical trials at MUSC, is Dr. Pisano trying to "leverage" an *interstate* SC CoEE Affiliation between MUSC and UNC? If so, this could be the solution for NextRay's "seed financing" problem, as a SC CoEE matching allocation of \$2-\$5 million would be enough to commercialize NextRay, based on Dr. Pisano's documented projections.

NextRay?



The creation of Dr. Pisano's "Statement of Policy and Procedures for Affiliations Related to Centers of Economic Excellence" is interesting in light of the exciting bioimaging developments underway on the MUSC campus. This January 14, 2011 *Catalyst* article states:

"In fall 2010, the MUSC board of trustees approved a university center designation for the new Center for Biomedical Imaging (CBI). The CBI will be headed by Joseph A. Helpem, Ph.D., one of the South Carolina Centers of Economic Excellence Endowed chairs in brain imaging recruited to MUSC in late 2010.... To help establish a critical mass of exper-
on campus, both Helpem and Brown have been busy recruiting imaging scientists while enriching the Department of Radiology's NIH research grant portfolio. Already, the program has recruited eight imaging research faculty who have brought along more than \$3 million in research funding.

As director of the CBI, Helpem will report directly to Etta Pisano, M.D., dean of the College of Medicine and vice president of medical affairs." <http://www.musc.edu/catalyst/archive/2011/co1-28biomedical.html>

Since Dr. Helpem is the director of MUSC's newly-created Center for Biomedical Imaging and is the endowed chair of MUSC's CoEE in Radiology and since Dr. Helpem "reports directly to Dr. Pisano", will that relationship facilitate a transfer of federal NIH and/or state CoEE funds into NextRay's commercialization budget?

If Dr. Pisano is attempting to affiliate UNC with MUSC in order to claim SC CoEE funds for NextRay, that is wrong. And if Dr. Pisano intends to allocate MUSC's Radiology Department SC CoEE funds to finance NextRay, that is also wrong.

Our SC CoEE program was designed to sponsor South Carolina start-up companies, not to finance the commercialization of an existing out-of-state invention. I don't think South Carolina lawmakers intended for research institutions such as MUSC to affiliate with out-of-state institutions such as UNC in order for South Carolina taxpayers to subsidize a North Carolina start-up company.

Did Dr. Pisano decline a recent MUSC opportunity due to SC CoEE issues?

When MUSC announced Dr. Pisano had been selected as Dean, her predecessor in the Dean's Office, Dr. Jerry Reves, released this greeting. A sentence from the last paragraph reads:

"Previously, we had Dr. Pisano on our short list of candidates for chair of the radiology department, but she withdrew from that search." <http://academicdepartments.musc.edu/com1/comumaexcellence/Excellograms/Excellogram38.pdf>

Dr. Philip Costello has been MUSC's Radiology Chairman from 2004-present and I can find nothing to indicate that he planned to resign. So I wonder if Dr. Reves meant MUSC recently had Dr. Pisano on the short list of candidates vying for an *endowed chair* in the Radiology Department. Endowed chairs are sponsored by the SC CoEE program, and their business ventures are eligible for \$2-\$5 million in matching state funds.

Was Dr. Pisano's "previous" MUSC recruitment -from which she withdrew her name- the same recruitment that resulted in Dr. Helpem achieving the MUSC Endowed Chair in Radiology? Did she initially compete for this Endowed Chair opportunity with the plan to bring NextRay to MUSC as a SC CoEE? If so, did she withdraw from that recruitment because she realized MUSC lacked the necessary "infrastructure" to affiliate with UNC, which meant NextRay had to remain affiliated with UNC only and therefore wouldn't be eligible for millions in matching SC CoEE funds?

As a mere Professor/Endowed Chair, Dr. Pisano would have no authority to unilaterally expand MUSC's Affiliation Agreements to include out-of-state institutions. But now in the more powerful position as Dean, she has the authority to create an Affiliations Office, hire a Director of Affiliations, and expand MUSC Affiliations

Agreements to include *interstate* institutional affiliations, which may be her strategy for "acquiring funds" and securing "seed financing" for NextRay.

If there is any truth to this speculation, if Dr. Pisano's accepted the MUSC Deanship and insisted MUSC hire the NextRay team in order to divert millions of South Carolina dollars to finance her North Carolina start-up company, I think there is a problem. And if she intends to allocate MUSC's Radiology Department SC CoEE funds to finance NextRay, that is also wrong because NextRay remains a UNC start-up company, despite NextRay's move from UNC to MUSC.

If any improprieties have occurred at MUSC, how responsible is the Board of Trustees?

The MUSC Board of Trustees is the final authority and the governing body for the entire University. I believe each Trustee swears an oath to uphold South Carolina law, to protect the integrity of MUSC, and to practice prudent stewardship of the University's finances. Although the Board is responsible for MUSC, it's conceivable they are unaware of this entire situation because information has been withheld from them in two major ways:

1. Inadequate and inaccurate local media coverage; and
2. Efforts by Dr. Pisano, Connor, and Cole to conceal their connection to NextRay, NextRay's connection to UNC, and the circumstances by which MUSC hired them.

I've submitted articles which document the interest UNC, Dr. Pisano, Connor, and Cole have in NextRay. These associations have been freely disclosed in the national, UNC, and North Carolina press, but local newspapers and MUSC publications have yet to connect the Pisano-Connor-Cole-NextRay-UNC-MUSC dots.

According to the *Post & Courier* article cited on the first page, President Greenberg stated in April 2010 that he expected the Board to approve his decision to hire Dr. Pisano. But the article did not disclose that President Greenberg had also agreed to hire Dr. Pisano's husband and her three NextRay/UNC associates "as conditions of her employment." This detail was only revealed when the State Ethics Commission released their report in November 2010.

Furthermore, the Board may not know about the Commission's investigation because the 'Resolved Complaints' section of their website has been under construction for several months. Local newspapers have not reported on the Commission's dismissal or the conflict-of-interest inherent in the Commission's complaint. This is unusual because newspapers routinely publish stories about dismissed State Ethics Commission complaints involving far less public money (and far less influential public figures) as a matter of public record.

In the July 2010 *Catalyst* article, Dr. Pisano mentions NextRay and the NextRay patent, and she says she's "bringing" two of her UNC researchers to MUSC. But she doesn't share that Connor is a co-inventor of NextRay and a co-creator of the NextRay patent, and that Cole also helped develop NextRay at UNC. Dr. Pisano does not share with the MUSC community that NextRay is a UNC start-up company.

Additionally, this statement from the January 14, 2011 *Catalyst* contains a factual misrepresentation of how Connor and Cole came to be employed by MUSC.

"Among MUSC's new imaging faculty recruited in 2010 include Dr. Fatima Falagola, Dr. Ali Tabesh, Dr. Saeid Tajeri, Dr. Etta Pisano, Elodia Cole, Dr. Joseph Helpem, Dr. Truman Brown and Dr. Jane Joseph. Not pictured are Drs. D.J. Connor and Colleen Hanlon." <http://www.musc.edu/catalyst/archive/2011/co1-28biomedical.html>

The statement that Connor and Cole were "recruited" is deceptive because according to Dr. Pisano's testimony to the State Ethics Commission, Connor and Cole were appropriated state/MUSC jobs by President Greenberg "as conditions of her employment." MUSC was recruiting a Dean for the College of Medicine, not a Radiology team. And according to Ms. Carullo, MUSC's HR Director, the faculty positions appropriated for Connor and

Cole were each posted for only one day and weeks after the deal between Dr. Pisano and President Greenberg was finalized. These circumstances suggest an installation, not an open and fair recruitment.

The CVs and MUSC employee profiles for Pisano, Connor, and Cole also reflect a selective and restrictive transparency about their NextRay connections. Because material details about NextRay have not been disclosed, the Board may be unaware of possible conflicts of interest between MUSC and UNC.

The CV for NextRay co-inventor Dean Connor has been removed from the MUSC website, but enclosed is the first page of his CV which clearly documents his connection to NextRay. (11)

Connor's MUSC faculty profile states:

"Dr. Connor has spent his research career developing a new medical imaging technique called Diffraction Enhanced Imaging...Dr. Connor also co-invented an x-ray tube-based DEI system. The prototype he developed is helping to pave the way to a clinical DEI system." <http://clinicaldepartments.musc.edu/radiology/faculty/connor.htm>

In fact, Connor's contribution to this DEI technology resulted in his NextRay patent and yet he doesn't mention the existence of NextRay. And "clinical DEI system" IS NextRay, so why omit the name of the company?

Unlike Connor's, Cole's CV is posted, but it omits her work experience with NextRay. Cole's CV also omits the following two academic articles in which she is credited with co-authorship and which document her collaboration on the development of NextRay's unique DEI technology.

L. S. Faulconer, Parham C. A., Connor D. M., Kuzmiak C., Koomen M., Lee Y., Cho K. R., Rafoth J., Livasy C. A., Kim E., Zeng D., Cole E., Zhong Z., Pisano E. D., "Effect of Breast Compression on Lesion Characteristic Visibility with Diffraction-Enhanced Imaging," Academic Radiology, Epub ahead of print (December 24, 2009).

L. S. Faulconer, C. Parham, D. M. Connor, Z. Zhong, E. Kim, D. Zeng, C. Livasy, E. Cole, C. Kuzmiak, M. Koomen, D. Pavic and Etta Pisano, "Radiologist Evaluation of an X-ray Tube-Based Diffraction-Enhanced Imaging Prototype Using Full-Thickness Breast Specimens," Academic Radiology, 16(11), 1329-1337 (November 2009).

The academic journals cited above are present on Connor's CV (12) (which has been removed from the MUSC website), but they are absent on Cole's CV (which is posted on the MUSC website). <http://clinicaldepartments.musc.edu/radiology/faculty/cvs/EColeCURRICULUM%20VITAE.pdf>

Both Cole and Connor contributed to this NextRay research -otherwise they wouldn't be listed as co-authors. Why would Cole omit her participation in this innovative 2009 research on her 2010 CV?

Finally, Dr. Pisano's MUSC faculty profile states <http://clinicaldepartments.musc.edu/radiology/faculty/pisano.htm>

"Recently Dr. Pisano co-founded her own company, NextRay, Inc., which will commercialize a device she and the other cofounders invented, a technology which creates medical images using x-rays through diffraction enhanced imaging..."

Once again, NextRay's "co-founders" are not identified, nor is NextRay identified as a UNC start-up company. It is customary and ethical for researchers to credit the universities that share their patents or maintain any proprietary interest in their inventions -often the university requires this. But to my knowledge, Dr. Pisano has never disclosed NextRay's connection to UNC in any local newspaper or MUSC publication.

NextRay is the creation of Dr. Pisano, her co-inventors, and UNC. When NextRay is commercialized, which state -North Carolina or South Carolina- and which institution -UNC or MUSC - will benefit from South Carolina's and MUSC's investment?



(WO/2010/065532) SYSTEMS AND METHODS FOR DETECTING AN IMAGE OF AN OBJECT USING MULTI-BEAM IMAGING FROM AN X-RAY BEAM HAVING A POLYCHROMATIC DISTRIBUTION

Biblio. Data Description Claims National Phase Notices Documents

Latest bibliographic data on file with the International Bureau



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IPC: G01N 23/087 (2006.01), A61B 6/03 (2006.01), G01N 23/04 (2006.01), G01N 23/20 (2006.01)

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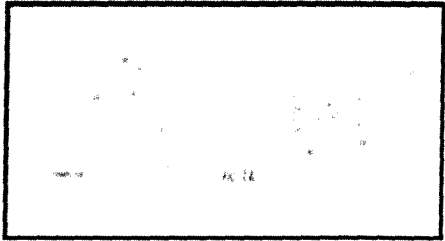
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Priority Data: 61/200,593 01.12.2008 US

Title: SYSTEMS AND METHODS FOR DETECTING AN IMAGE OF AN OBJECT USING MULTI-BEAM IMAGING FROM AN X-RAY BEAM HAVING A POLYCHROMATIC DISTRIBUTION

Abstract: Systems and methods for detecting an image of an object using a multi- beam imaging system from an x-ray beam having a polychromatic energy distribution are disclosed. According to one aspect, a method can include generating a first X-ray beam having a polychromatic energy distribution. Further, the method can include positioning a plurality of monochromator crystals in a predetermined position to directly intercept the first X-ray beam such that a plurality of second X-ray beams having predetermined energy levels are produced. Further, an object can be positioned in the path of the second X-ray beams for transmission of the second X-ray beams through the object and emission from the object as transmitted X-ray beams. The transmitted X-ray beams can each be directed at an angle of incidence upon one or more crystal analyzers. Further, an image of the object can be detected from the beams diffracted from the analyzer crystals



Designated States: AE, AG, AL, AM, AO, AT, AU, AZ, BA, BB, BG, BH, BR, BW, BY, BZ, CA, CH, CL, CN, CO, CR, CU, CZ, DE, DK, DM, DO, DZ, EC, EE, EG, ES, FI, GB, GD, GE, GH, GM, GT, HN, HR, HU, ID, IL, IN, IS, JP, KE, KG, KM, KN, KP, KR, KZ, LA, LC, LK, LR, LS, LT, LU, LY, MA, MD, ME, MG, MK, MN, MW, MX, MY, MZ, NA, NG, NI, NO, NZ, OM, PE, PG, PH, PL, PT, RO, RS, RU, SC, SD, SE, SG, SK, SL, SM, ST, SV, SY, TJ, TM, TN, TR, TT, TZ, UA, UG, US, UZ, VC, VN, ZA, ZM, ZW
African Regional Intellectual Property Org. (ARIPO) (BW, GH, GM, KE, LS, MW, MZ, NA, SD, SL, SZ,

| | |
|--|---|
| Position Title | Associate Academic Program Director |
| Position Type | Unclassified Non-Faculty |
| Department/College | College of Medicine-Dean's Office |
| Typical Duties & Responsibilities | Responsible for advising the Dean on matters with academic affairs. Assess academic policies and recommends improvements. Prepares position papers on critical matters. |
| Minimum Training & Education | The successful candidate will have demonstrated ability to draft and edit complex documents, sometimes under tight deadlines; strong research and analytic abilities; strong communication skills; ability to research, digest, and analyze complex information; ability to communicate and work effectively and diplomatically with a wide range of people including faculty, students, staff, and university officials; experience in and knowledge of higher education, in particular university policy, management, and administrative practices; ability to handle sensitive and confidential information; and the demonstrated ability to work collegially and collaboratively. |
| Job Open Date | 05/13/10 |
| Job Close Date | 05/20/10 ✓ |

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|--|--|
| Position Title | Assistant Professor |
| Position Type | Faculty |
| Department/College | College of Medicine-Radiology |
| Typical Duties & Responsibilities | Candidate must have experience working with synchrotron light sources for breast imaging research and work well in a highly collaborative, multidisciplinary team environment. Will design and conduct animal model experiments assessing the utility of diffraction enhanced imaging using synchrotron light source, and will present and write papers to further knowledge in the field. Candidate must be capable of obtaining external grant funding for their research. |
| Minimum Training & Education | PhD in physics, medical physics, or biomedical engineering required. |
| Job Open Date | 05/03/10 |
| Job Close Date | 05/04/10 ✓ |

| | |
|--|--|
| Position Title | Instructor |
| Position Type | Faculty |
| Department/College | College of Medicine-Radiology |
| Typical Duties & Responsibilities | A multi-center clinical trials Director of Technical Research for the Breast Imaging Section of the Radiology Research Laboratory will collaborate with multiple medical imaging researchers at multiple international sites, providing programming, design and technical expertise in clinical trials. Authorship on publications for national and international meetings and authorship on grant applications are expected from the individual holding this position. Additionally, the Director of Technical Research will train, mentor, and supervise computer science and biomedical engineering graduate research assistants and full-time research associates. This individual will coordinate with other senior project staff in conducting multiple, multi-center basic science research in diagnostic mammography. The Director of Technical Research will collaborate on the development of an integrated scalable testbed of a system that can be used as a national digital mammography archive and network infrastructure to support telemammography using next generation Internet technologies. |
| Minimum Training & Education | Master of Science in Biomedical Engineering. Extensive experience in assessment of medical imaging research and development in breast imaging required. Design of experiments, performance assessment, grant writing, management of staff and lab resources for Breast Imaging Research Division required. |
| Job Open Date | 04/27/10 |
| Job Close Date | 04/28/10 ✓ |

PRINT **HealthImaging**

NextRay to develop UNC defraction-enhanced imaging technology

The University of North Carolina (UNC) at Chapel Hill has granted NextRay an exclusive license to develop and commercialize defraction enhanced imaging (DEI) technology, which creates x-ray images through the defraction instead of the absorption of x-ray beams.

The technology allows images to be made using fewer x-rays, exposing patients to a much lower dose of radiation, according to Etta Pisano, MD, vice dean for academic affairs in the UNC School of Medicine, and professor of radiology and biomedical engineering and director of the Biomedical Research Imaging Center; both located in Durham, N.C.

In DEI, scientists examine how beams pass through the tissue and how they bend and scatter. Because these properties vary more subtly between different types of tissue, the resulting images are clearer and more detailed than conventional x-rays.

"DEI technology could possibly enhance all types of x-ray imaging, including that used for the visualization of soft tissue pathology such as osteoarthritis bone and tendon injury and soft tissue tumors, such as breast cancer," said Pisano, co-founder of the start-up company.

Startup showdown

Medical imaging without the radiation

Company: NextRay

School: University of North Carolina,
Chapel Hill

Core team members: Etta Pisano, DJ
Connor, Zhong Zhong, Christopher
Parham

2nd place winner

Concept: Standard X-ray two-dimensional imaging delivers a significant amount of radiation to the patient. Even a single X-ray exposure may contribute to cancer and affect fetal development. NextRay is developing a relatively inexpensive imaging machine that uses a new type of 2D imaging, Diffraction Enhanced Imaging (DEI), which produces highly detailed images, can image soft tissues, and exposes the patient to less than 1% of the radiation dosage of X-ray machines.



Clockwise from lower left: Director of Business Development Justin Cross, COO John Lerch, Director of Project Management Stephen Jarrett and financial analyst Allen Mask

"The NextRay team is coming to Rice fresh off of a win at the Carolina Challenge, where it took home the \$15,000 first prize award for the commercial track," says interim COO John Lerch. "[The co-founders] have built a prototype DEI device using an off-the-shelf X-ray tube and detector. Previously, the scientific community was skeptical that DEI images could be produced without the use of a large synchrotron facility, which costs hundreds of millions to billions of dollars to build."

Timeline: The company plans to acquire funding and a manufacturing partner within the next two years, hold clinical trials in year three, and launch full-scale production and distribution in year four.

It hopes for an acquisition soon after. "We have primarily been speaking with angel investors, and our discussions have been very positive and encouraging to date," Lerch says. "For the most part they are continuing to look at deals and perform due diligence. Of course, we won't be able to say anything for sure until we have money in the bank." -Rose Fox

UNC PHYSICIAN GETS AN ASSIST FROM THE CAROLINA ENTREPRENEURIAL INITIATIVE TO MARKET NEXT-GENERATION X-RAY TECHNOLOGY

Dr. Etta Pisano spent 20 years developing and evaluating new devices for the detection and diagnosis of breast cancer. When her breakthrough medical-imaging technology began to progress rapidly in recent years, she wanted to create a company to produce it.

The result is NextRay, Inc., a new venture developed by Pisano and four co-founders with the help of student teams from several UNC entrepreneurship programs as well as alumni and partner organizations in the region.

"This is an important new technology—one that will improve medical imaging and safety to patients because it makes better pictures at a lower radiation dose," says Pisano, president and chief scientific officer for NextRay, vice dean for academic affairs at UNC School of Medicine, and director of UNC's new N.C. Translational and Clinical Sciences (TraCS) Institute. TraCS, a National Institutes of Health (NIH)-funded initiative, is part of a consortium of medical research institutions across the country working to speed the process of converting laboratory discoveries into treatments for patients.

Students connect Pisano to resources

NextRay's medical imaging technology produces much more detailed images than current x-rays with less than one percent of the radiation dosage. Its commercialization journey began when Pisano received a grant for her new venture from N.C. Idea, a North Carolina-based nonprofit that provides bridge funding to entrepreneurial companies through grants, loans, and venture capital, and the connection she made with UNC Kenan-Flagler Business School MBA student John Lerch.

Lerch was working as an intern with the N.C. Idea grant partner that funded Pisano's venture. He was placed there by Carolina Venture Fellows, an internship program for Kenan-Flagler MBAs directed by the Kenan Institute's Center for Entrepreneurial Studies. Lerch helped review Pisano's grant, then helped her write a business plan and lay the foundation for raising capital. He also connected Pisano with

other UNC resources, including the Carolina Challenge, a signature program of the Kenan Institute-led Carolina Entrepreneurial Initiative, Kenan-Flagler's Student Teams Achieving Results (STAR) program, and a supportive entrepreneurial community.

"Etta knew the medical applications for the technology but there were other applications we wanted to consider," says Lerch, "and we wanted help optimizing how we took the technology to market."

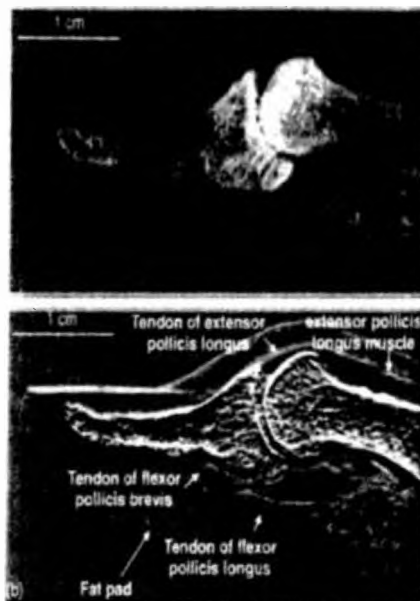
Enter the STAR program, which places teams of top MBA and undergraduate students in corporations and not-for-profits to help them build effective business strategies. Lerch served as STAR team project leader. UNC alumnus Tom Mercolino, vice president of business development for Global Vaccines, Inc., served as faculty advisor.

Winning business plan evolves

As NextRay's business plan evolved, Lerch suggested the team enter the 2009 Carolina Challenge. The competition provides workshops, coaching, and networks to help UNC students, faculty, and staff develop their ideas for new ventures while competing for \$50,000 in prizes. The NextRay team won the \$15,000 John Stedman Commercial Entrepreneurship Award in March.

"We learned something every time we presented the business plan," says Pisano. "The Challenge also helped prepare the team for the Rice competition."

Rice, the largest graduate-level business-plan competition in the world, selected NextRay from 339 entrants to compete against 41 other teams. NextRay turned for help to Ted Zoller, director of the Center for Entrepreneurial Studies, and CEI's Launching the Venture (LTV) program. Zoller put together a team of coaches to review NextRay's pitch prior to the competition. NextRay won



TOP: Traditional x-ray BOTTOM: NextRay image

\$142,000 in prizes at the Rice event in April.

"The help we received from the LTV coaches was fantastic," says Lerch. "Our beginning presentation to them was night-and-day from the final presentation used at Rice." NextRay took second-place at Rice and five other awards, including best medical device and best life science plan.

NextRay moves forward

"The next step

for NextRay is to secure funding," says Pisano. She aims to raise \$4.5 million through private investors and grants. "The competition prize money will help to finance patent and travel costs and allow me to hire more help."

Pisano is now passing on the knowledge and connections in technology transfer she has gained to other entrepreneurial researchers at UNC as director of the new TraCS Institute. Among the institute's first projects is a new center being created by the medical school, Kenan-Flagler, and the Office of Technology Development to help commercialize biomedical discoveries at UNC. She has tapped Mercolino to be one of three new entrepreneurs-in-residence to support that effort.

"CEI does a good job of educating people across campus about what commercialization involves and the role entrepreneurship plays in the process," says Pisano. "TraCS is about building on that to help our community of scientists turn their ideas into tools that can improve health and impact more people."

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newsletter '79

NOVEMBER 2009

Ted "Scottie" Wills from Houston, TX and email of
(tswills@hotmail.com)

writes: "Marcela and I are living and working happily in Houston, despite the occasional hurricane, tornado, and drought. I continue to organize pledge campaigns for Catholic parishes, most recently for Hispanic ones. Being from Guadalajara, Marcela is always helpful in correcting my Spanish and me in general. I continue to enjoy interviewing candidates, presently with the Houston club. -Scottie" ♡

Etta Pisano writes: "I would like to share that I have started a company, NextRay, Inc, which is commercializing an imaging device that I invented with several physicists and engineers as part of my faculty job here at UNC Chapel Hill. The new device provides high quality x-ray images at a fraction of the dose of conventional images. We are raising seed financing now. I'm enjoying learning more about the business world and reconnecting with old Dartmouth friends, including Carol Muller and Al Henning (both '77s). The engineering work for the company will be taking place in Silicon Valley, though the company is based in Chapel Hill. ♡

Rick Leonardi writes, "Married to Cynthia Kellogg, Vanderbilt '75, Penn neonatologist. 19 years resident in Villanova PA, a stone's throw (and don't think I haven't been tempted!) from the university itself. Two kids: Annie the high school freshman, and Henry (III) the 8th grade shortstop. 29 years drawing comic books; I am somewhere on the cusp between seasoned veteran and grand old man.

As I mentioned, we were all set to come up to Hanover for the thirtieth, but the rainy spring down here pushed the little league post-season into June, and that was that. ♡

<http://www.dartmouth.org/classes/'79/>

Julie Weisman writes about the DOC AT-in-a-Day Event: "Mark, I love the idea of doing something like this again. I loved connecting with Dartmouth people I had never met and reconnecting with some that I have not seen or communicated with for a long time. That was what made the event so special - I hope the students who organized it understand how deep that goes." ♡

Carl Briscoe writes: "Hey Mark, Hope all is well- looking forward to getting together soon. News for you: T Weymouth deserves some big time recognition. T, president of the Zeta Psi alumni association, successfully lead fellow Zeta Psi alumni in an effort to have the house re-recognized by the College. The effort to have the house reinstated included a \$2.7 million renovation. See this link for additional information.

<http://thedartmouth.com/2009/9/28/news/zeta>

Take care. Carl"
Congratulations on job well done! ♡

Beth Blatt (bethblatt@yahoo.com) writes: "We launch *Hope Sings*™ on Nov 4th in Las Vegas, the night before the Latin Grammy's at the BMI Grammy Nominee Celebration. There, we'll present our theme song, written and recorded by Colombian Marta Gomez. I produced the 'single,' and will edit our first music video next week, with footage shot last week in Guatemala. The song, *La Esperanza Canta*, will be available for digital purchase worldwide (iTunes etc) next week. *Hope Sings*™ artists will write songs inspired by the true stories of people whose lives have been transformed in huge ways by the very small loans known as micro-loans. Those songs will, in turn, inspire more individuals to lend money, giving a hand-up – as opposed to a hand-out – to those less fortunate. We are looking for sponsors, whether corporate or foundation. Our website is www.hopesings.net." ♡



Louisa Guthrie, Alumni Council Rep.
(louisaguthrie@comcast.net)

Message to the Class of 1979

I hope that the Fall weather hasn't hit many of you as hard as the periodic low temperatures and rain have hit us in the Midwest. Ah, the waning days of summer.....

Anyway, I wanted to alert you to the fact that I will be traveling to Hanover for the Winter Alumni Council meeting over the December 3-5th week-end, and want to solicit your thoughts, comments and questions. Among a full 2 day agenda, our schedule will include an address from President Kim, as well as members of the Board of Trustees, acting dean of the College Sylvia Spears, and Adam Keller, Executive Vice President for Finance and Administration (with an update on the state of the Budget, etc.).

We will also get a report from the Nominating and Alumni Trustee Search Committee regarding the spring alumni trustee election.

So, please let me know your thoughts and concerns. And before I forget, I want to make sure that you take a look at the report of the Alumni Council's Alumni Liaison Committee (ALC) which has completed its second annual report to the Board of Trustees on the state of relations between the Alumni and the Alumni Council, the Board of Trustees and the College Administration. The report is available at

<http://alumni.dartmouth.edu/news.aspx?id=502>

or you can go to the Dartmouth website, click on Alumni, then Undergraduate Alumni and then the Assn. of Alumni/ Alumni Council site; you'll find the report on the right hand side of the page under Alumni Council News.

I look forward to hearing back from you, and reporting to you in the New Year (egads! We're almost into 2010!) on the December Alumni Council meeting. ♡

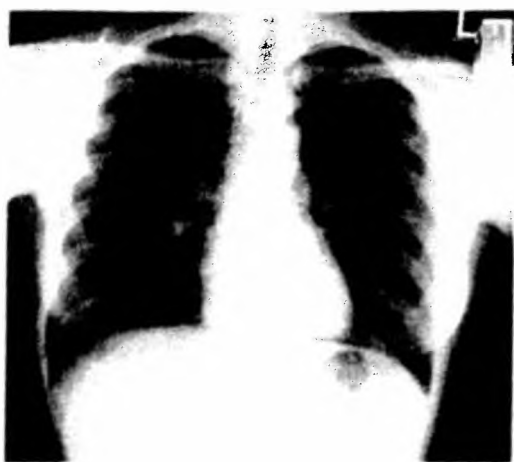
Our community: a mind, heart and voice

NextRay scans in \$536K in debt funding for x-ray tech

February 8th, 2010

CHAPEL HILL, NC – NextRay Inc., a spinout from the University of North Carolina at Chapel Hill developing a breakthrough technology that produces more detailed images with less than one percent of the radiation used by current x-rays, has raised \$536,000 in debt and options funding. The company revealed the financing in a filing with the U.S. Securities and Exchange Commission.

The company was founded by Dr. Etta Pisano, Kenan Professor of Radiology and Biomedical Engineering and director of UNC's Biomedical Research Imaging Center, and four co-founders with the help of teams from several UNC entrepreneurship programs.



Other founders are Dr. Christopher Parham, a former graduate and medical student at UNC, Drs. Zhong Zhong and Dean Connor at Brookhaven National Laboratories in Upton, New York, and Dr. Dean Chapman at the University of Saskatchewan.

NextRay won the \$15,000 John Stedman Commercial Entrepreneurship Award in the 2009 Carolina Challenge last March. It also won second place and more than \$140,000 in prize money at the Rice University Business Plan Competition in April last year. It also received a grant from NC Idea to develop its business plan.

Pisano has said the technology will improve medical imaging and safety because it makes better pictures at a lower dose. The technology works through defraction enhanced imaging, which creates images through the defraction instead of the absorption of x-ray beams.

Pisano said last year that the company is seeking to raise a \$4.5 million round of funding.

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Science

By Etta D. Pisano, MD, FACR*

NEXTRAY

In 1994, Dale Sayers, PhD, Professor of Physics at North Carolina State University, approached me to discuss the potential use of a synchrotron facility for improvement of breast cancer imaging. He had heard of my University of North Carolina research program dedicated to the development and testing of new imaging tools for the improved early detection and diagnosis of breast cancer. He and others were spearheading an effort to build a synchrotron facility in the Triangle. The nearest such facility was on Long Island, at the Brookhaven National Laboratory.

Well, the Triangle never got a synchrotron, and, unfortunately, Dale died suddenly in 2004, but that conversation led to collaboration with a group of scientists at Brookhaven National Laboratory that ultimately caused the development of a new medical imaging modality – Diffraction Enhanced Imaging (DEI).

DEI has been used at synchrotron facilities to determine the structure of proteins and other complicated molecules. Synchrotrons provide high numbers of x-ray photons at a single energy. They function for the development of new x-ray technologies much the way wind tunnels allow the testing of new aerodynamic designs. Dale and myself, along with other Brookhaven scientists started to image breast cancer specimens using DEI at the synchrotron. The images, which we published in the journal *Radiology* in 2000, were incredibly detailed and showed much more pathologically important information about the edges of cancers than was available through conventional mammography.

That paper spawned huge worldwide interest in DEI. The race was on to develop the technology away from a synchrotron – to build a DEI medical imaging system

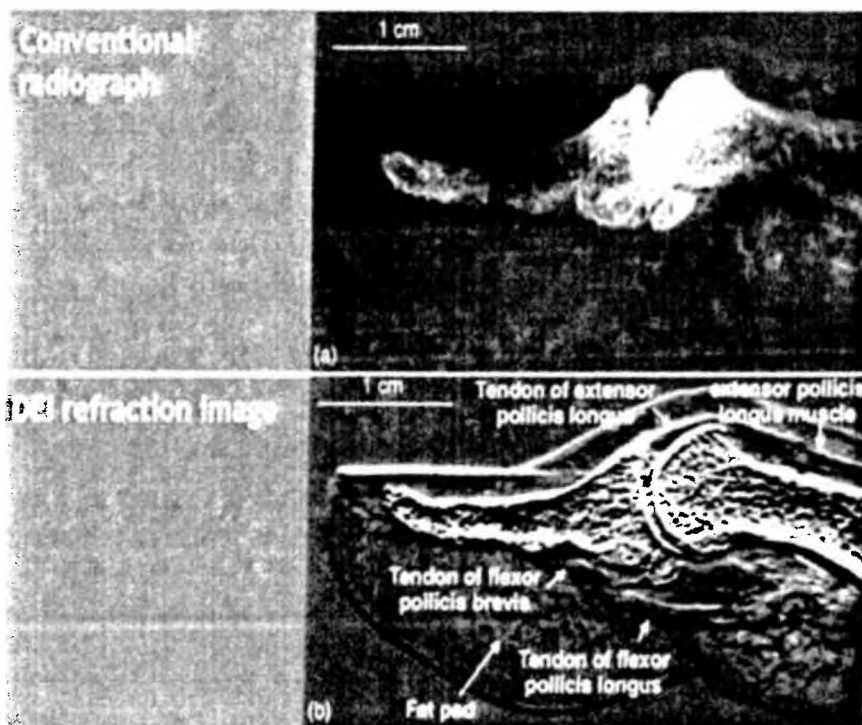
that could be used in doctor's offices.

Enter Chris Parham, a 1997 graduate of North Carolina State University, who had lost his mother to breast cancer when he was 12 years old. He arrived at University of North Carolina School of Medicine in the summer of 1998, with a determination to use his brains to help other women with breast cancer. At first, he was just a student looking for a summer project. He became intrigued by the advantages of DEI over conventional imaging, enrolled in the MD-Ph.D program at University of North Carolina, and decided to take on the development of DEI in a freestanding clinical system. From 2002-2005, he worked as a graduate student and postdoc in my lab, but was based at the synchrotron facility at Brookhaven. Together with Zhong

Zhong, a staff scientist at Brookhaven, his post doc, D. J. Connor (now a University of North Carolina postdoc), and Dean Chapman, now a professor at the University of Saskatchewan, Chris designed and built a prototype clinical DEI system. The image quality, shown here through a DEI image of a human thumb compared with a conventional image, was impressive. Both bone and soft tissue detail surpass regular imaging. More importantly, however, this impressive image quality was achieved at a fraction of the radiation dose required for conventional x-ray imaging – approximately only 1%!

That Parham dissertation system has been patented by the involved institutions. University of North Carolina and the other institutions have licensed the technology ➡

Conventional vs. NextRay



to a company all of us inventors cofounded – NextRay, Inc. We have hired a contract-engineering firm in Newark, California, Triple Ring Technologies (TRT), to help us develop the prototype into a full-fledged commercial product. The chief engineer at TRT is Waldo Hinshaw, Ph.D, a North Carolina native and University of North Carolina alum, who is best known for his role in the early development of MRI. We have hired a CEO, Menahim Nassi, PhD, a successful serial entrepreneur. Finally, we have recently secured \$500,000 in seed financing (from Idea Fund Partners, of RTP, and Eagle Green Investors, of Arlington, Virginia). These moneys will help us do some of the early engineering work to move this product to market. We will be seeking \$6 million of Series A financing from venture capitalists in the next six months.

Once DEI is developed and commercially available, expected in the next 5 years, we believe, our product will compete very well with conventional machines available through the x-ray medical imaging device market. Our CEO has developed a business strategy beyond breast imaging. Indeed, we aim to replace all medical imaging tests that use x-rays with DEI. We expect its price to be similar to what is available now, and that patients and their families will testing at a fraction of the radiation dose. Our first target application is pediatric imaging since lowering dose is most important for children and young adults. §

Readers of Wake County Physician with an interest in hearing more about NextRay and this exciting new technology are welcome to contact me, at etpisano@gmail.com, or NextRay's CEO, Meno Nassi, at mnassi@nextray.com.

**Dr. Etta Pisano is Vice Dean for Academic Affairs at the UNC School of Medicine, Kenan Professor of Radiology and Biomedical Engineering, Director of the UNC Biomedical Research Imaging Center, and Director of the N.C. Translational and Clinical Sciences Institute. She is an expert in breast cancer imaging and, from 1989 to 2005, she served as the Chief of Breast Imaging at UNC Hospitals. Her undergraduate degree in Philosophy is from Dartmouth College. Her medical degree is from Duke University. Her professional interests center around the development, application and testing of imaging technology for the early detection and diagnosis of breast cancer and other breast problems.*

WHAT OTHERS SAY ABOUT US *continued from page 15*

humorously revealing one of his favorite perks as chancellor while extolling the virtues of the UNC Health Care System.

"Since my last regular column," Thorp wrote, "the Thorp family has quite an

exciting ride. We moved from Carrboro to the Chancellor's residence at Quail Hill and we moved from Section 222, Row R at the Smith Center to the third row next the Dick Vitale." §

HOSPICE OF WAKE *continued from page 15*

discharge as a lieutenant, he returned to the University of North Carolina, graduating in 1947. Upon graduation, Mr. Towler pursued a career in

insurance with New England Mutual of Boston, MA. §

Check out WCMS at www.wakedocs.org

ATTACHMENT C

Statement of Policy and Procedure for Affiliations Related to Centers of Economic Excellence.

The Centers of Economic Excellence (CoEE) program is a statewide initiative which authorizes state and public research institutions **such as** the Medical University of South Carolina, Clemson University, and the University of South Carolina to use state funds to create areas in research that will advance South Carolina's economy. Briefly, each CoEE is awarded from 2 to 5 million dollars in state funds which must be matched on a dollar-for-dollar basis with non-state funds. The program also supports the development of endowed chairs consisting of, **and hence requiring recruitment of**, renowned scientists who lead aspects of each CoEE. Hence, by investing in the juxtaposition of talent and technology, elite programs develop which fuel the state's knowledge-based economy, resulting in high paying jobs and improved standard of living in South Carolina.

Development and maintenance of affiliation agreements within CoEE programs should occur as follows:

- 1) Conceptualization and development of a program which would benefit from or could be turned into a CoEE.

This would be accomplished by the putative principal investigator (PI) of the CoEE.

- 2) Establishment of contact with and obtaining verbal and written endorsement from affiliates, which include state universities, public and private hospital systems, and other related industry entities as permitted by the CoEE program.

The PI in addition to marketing/philanthropy departments at the sponsoring institution would be responsible for these activities.

- 3) Preparation and submission of the CoEE application.

This would be conducted by the PI and the sponsoring institution. Note: typically, the CoEE application requires sign off by the Provost of the sponsoring university.

- 4) Approval of the CoEE application.

Review of the proposals is conducted by a statewide committee chosen by the CoEE Program.

- 5) Production of affiliation agreements with the parties that pledged their support. These agreements will contain specific contract terms, finances, issues of patient and legal confidentiality (as appropriate), and handling of intellectual property.

This step should be accomplished by general legal counsel of the respective participating entities to be affiliated and outside counsel if necessary as directed by the PI.

- 6) Approval and execution of the affiliation agreements.

This would take place through the respective legal counsels of the participating entities.

7) Performance and maintenance of the CoEE. This would take place in the following sequence:

i) **Secure final fundraising and obtain matching state funds.**

This would be accomplished by the PI in addition to the marketing/philanthropy departments and general legal counsel of the sponsoring institution.

ii) **Recruitment of Endowed Chairs to carry out various facets of the approved CoEE program.**

This would be conducted by the PI and appropriate departments/divisions within the sponsoring institution with institutional administrative input.

iii) **Performance of the CoEE Program.**

This would be conducted by the PI and the endowed chairs. It is within this particular aspect that the educational component of the CoEE becomes evident as the various studies proposed within each CoEE will likely be performed by students and research fellows under the guidance of the PI as well as the endowed chairs.

iv) **Accountability for and maintenance of CoEE affiliation agreements.** This would involve annual reports, regular communication with donors and maintenance of collaborations.

These activities would be performed by the PI, the endowed chairs, and possibly through input by a separate department formed by the sponsoring institution charged with development and maintenance of affiliation agreements. This department could also be charged with management of patents, intellectual property issues, and finances related to relationships formed within each CoEE program.

Dean M. Connor, Jr., Ph.D.

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Brookhaven National Laboratory
Upton, NY 11973

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Email: connord@bnl.gov
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EDUCATION

SEPTEMBER 2000 – MAY 2006

Ph.D. in Physics

North Carolina State University, Raleigh, North Carolina

SEPTEMBER 2000 – MAY 2003

M.S. in Physics

North Carolina State University, Raleigh, North Carolina

SEPTEMBER 1996 – MAY 2000

B.S. in Engineering Physics

University of Wisconsin-Platteville, Platteville, Wisconsin

RESEARCH EXPERIENCE

JANUARY 2009 – PRESENT

Postdoctoral research associate

Biomedical Research Imaging Center, University of North Carolina at Chapel Hill

- Designed a method for using the DEI beamline at the NSLS for simulating the system performance of a future clinical DEI system.
- Applying the above method for the imaging of a rat model of lung disease.
- Collaborating with scientists from Stony Brook University, University of Saskatchewan, and Rush University Medical College.

NOVEMBER 2008 – PRESENT

X-ray optics consultant

NextRay, Inc.

- Developed x-ray optics system to significantly reduce imaging time for x-ray tube-based DEI system.
- Wrote research plans for three NIH grant proposals.
- Filed one patent application and three provisional patent applications.

JANUARY 2006 – 2008

Postdoctoral research associate

NSLS, Brookhaven National Laboratory, Upton, NY

- Spearheaded upgrade of diffraction enhanced computed tomography (DECT) system at the NSLS.
- Developed method for determining optimal parameters for DECT imaging.
- With improved DECT system, imaged A β plaques in Alzheimer's model mouse brains.
- Designed and produced a clinically scalable experimental prototype x-ray tube-based DEI system.
- Devised a system for stereotactic, interlaced microbeam radiation therapy at the NSLS.
- Contributed to five separate grant proposals.
- Collaborated with scientists from BNL's Medical and Biology departments, Illinois Institute of Technology, Rush University Medical College, UNC-Chapel Hill, UCSD, University of Saskatchewan, Rutgers University, Los Alamos National Lab, UFRJ (Brazil), Stony Brook University, and several local high school students.

PAPERS, PATENTS, AND PRESENTATIONS

PATENTS

Christopher A. Parham, Etta D. Pisano, Zhong Zhong, Dean Connor, Leroy Dean Chapman, "Systems and methods for detecting an image of an object by use of an x-ray beam having a polychromatic distribution," US, Canadian, and international patents pending, <http://www.wipo.int/pctdb/en/wo.jsp?wo=2007087329>.

JOURNAL ARTICLES AND REPORTS

D. M. Connor, H. D. Hallen, D. S. Lalush, D. R. Sumner, and Z. Zhong, "Comparison of diffraction enhanced computed tomography and monochromatic synchrotron radiation computed tomography of human trabecular bone," *Physics in Medicine and Biology*, **54**(20), 6123-6133 (2009).

D. M. Connor, H. Benveniste, F. A. Dilmanian, M. F. Kritzer, L. M. Miller, and Z. Zhong, "Computed tomography of amyloid plaques in a mouse model of Alzheimer's disease using diffraction enhanced imaging," *NeuroImage*, **46**(4), 908-14 (July 15, 2009).

L. S. Faulconer, Parham C. A., Connor D. M., Kuzmiak C., Koomen M., Lee Y., Cho K. R., Rafoth J., Livasy C. A., Kim E., Zeng D., Cole E., Zhong Z., Pisano E. D., "Effect of Breast Compression on Lesion Characteristic Visibility with Diffraction-Enhanced Imaging," *Academic Radiology*, Epub ahead of print (December 24, 2009).

L. S. Faulconer, C. Parham, D. M. Connor, Z. Zhong, E. Kim, D. Zeng, C. Livasy, E. Cole, C. Kuzmiak, M. Koomen, D. Pavic and Etta Pisano, "Radiologist Evaluation of an X-ray Tube-Based Diffraction-Enhanced Imaging Prototype Using Full-Thickness Breast Specimens," *Academic Radiology*, **16**(11), 1329-1337 (November 2009).

J. Li, Z. Zhong, D. Connor, J. Mollenhauer, and C. Muehleman, "Phase-sensitive X-ray imaging of synovial joints," *Osteoarthritis and Cartilage*, **17**(9), 1193-1196 (September 2009).

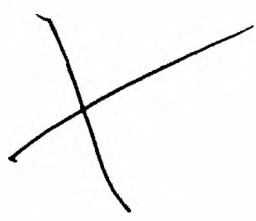
C. Parham, Z. Zhong, D. M. Connor, L. D. Chapman, E. D. Pisano, "Design and Implementation of a Compact Low-Dose Diffraction Enhanced Medical Imaging System," *Academic Radiology*, **16**(8), 911-917 (August 2009).

T. Kao, D. Connor, F. A. Dilmanian, L. Faulconer, T. Liu, C. Parham, E. D. Pisano, and Z. Zhong, "Characterization of diffraction-enhanced imaging contrast in breast cancer," *Phys Med Biol*, **54**(10), 3247-56 (2009).

C. Muehleman, J. Li, D Connor, C. A. Parham, E. Pisano, and Z. Zhong, "Diffraction-Enhanced Imaging of Musculoskeletal Tissues Using a Conventional X-Ray Tube," *Academic Radiology*, **16**(8), Pages 918-923 (August 2009).

Schroeder, George

From: Jock Stender [jock.stender@redacted]
Sent: Thursday, March 17, 2011 8:51 PM
To: Schroeder, George
Cc: MROSE5
Subject: ACFE "Report to the Nations"



George,

If you're not already familiar with the Association of Certified Fraud Examiners' (<http://www.acfe.com/>) bi-annual "Report to the Nations," I recommend that you download its 2010 edition at <http://www.acfe.com/rtnn/2010-rtnn.asp>.

The important points concerning hotlines are below.

Jock

copy to Mike

PS I hope I got your e-mail address correct this time. Mike gave me your contacts as

843-734-4344 office
gerogeschroeder@gov.sc.gov

Summary of Findings, pg. 5:

"Fraud reporting mechanisms are a critical component of an effective fraud prevention and detection system. Organizations should implement hotlines to receive tips from both internal and external sources. Such reporting mechanisms should allow anonymity and confidentiality, and employees should be encouraged to report suspicious activity without fear of reprisal."

Detection of Fraud Schemes, Impact of Hotlines, pg. 16-17:
Impact of Anonymous Reporting Mechanisms (Hotlines)

"While tips have consistently been the most common way to detect fraud, the impact of tips is, if anything, understated by the fact that so many organizations fail to implement fraud reporting systems.

Such systems enable employees to anonymously report fraud or misconduct by phone or through a web-based portal. The ability to report fraud anonymously is key because employees often fear making reports due to the threat of retaliation from superiors or negative reactions from their peers. Also, most third-party hotline systems offer programs to raise awareness about how to report misconduct.

Consequently, one would expect that the presence of a fraud hotline would enhance fraud detection efforts and foster more tips.

This turns out to be true. As seen on page 18, the presence of fraud hotlines correlated with an increase in the number of cases detected by a tip. In organizations that had hotlines, 47% of frauds were detected by tips, while in organizations without hotlines, only 34% of cases were detected by tips. This is important because tips have repeatedly been shown to be the most effective way to catch fraud. The better an organization is at collecting and responding to fraud tips, the better it should be at detecting fraud and limiting losses.

In 67% of the cases where there was an anonymous tip, that tip was reported through an organization's fraud hotline. This strongly suggests that hotlines are an effective way to encourage tips from employees who might otherwise not report misconduct. Perhaps most important, as noted on page 43, organizations that had fraud hotlines suffered much smaller fraud losses than organizations without hotlines. Those organizations also tended to detect frauds seven months earlier than their counterparts."

CHART: Source of Tips

| | |
|-------|----------------------------|
| 49.2% | Employee |
| 18.8% | Customer |
| 13.4% | Anonymous |
| 12.1% | Vendor |
| 03.7% | Shareholder/Owner |
| 02.5% | Competitor |
| 01.8% | Perpetrator's Acquaintance |

CHART: Impact of Hotlines: Detection Method (Organizations with Hotlines)

| | |
|-------|-------------------------|
| 47.1% | Tip |
| 16.5% | Internal Audit |
| 15.7% | Management Review |
| 04.7% | Reconciliation |
| 04.6% | By Accident |
| 03.7% | Document Examination |
| 03.0% | Surveillance/Monitoring |
| 01.4% | External Audit |
| 01.0% | Notified by Police |
| 00.9% | Confession |

FRAUD PREVENTION CHECKLIST (pg. 80)

"2. Is an effective fraud reporting mechanism in place?

-- Have employees been taught how to communicate concerns about known or potential wrongdoing?

-- Is there an anonymous reporting channel available to employees, such as a third-party hotline?

-- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?

-- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?"

Schroeder, George

From: Jock Stender [jock.stender@[REDACTED]]
Sent: Thursday, March 17, 2011 9:21 PM
To: Schroeder, George
Cc: MROSE5
Subject: Information; CD-ROM

George,

I just spoke with Mike who recommended that since we have six days before we meet, I send you relevant, "on point" information that you should know, but not to overwhelm you with small details.

He recommends starting with the hotline.

Regarding hotlines, Mike introduced a bill for one in 2009 and you have the CD-ROM of the Feb. 2009 Senate Judiciary Subcommittee testimony of Gene Ferraro, who is, in my opinion, the nation's leading SME ("subject matter expert"), on that bill.

The CD-ROM is in "RealPlayer" format, and I recommend you download this program and listen to the testimony, which is a real eye-opener.
Some really great questions came up during that hour-long hearing.

I've just put in a call to Reese Smith, Compliance Officer at MUSC regarding their 24-7-356 hotline, and tomorrow afternoon she'll send me data on that, which I will analyze and summarize for you.

I've also got a call in to Gene Ferraro, whose office produced the 2-page document Mike gave you, to ask if he or someone on his staff may be available Wednesday morning should we want to talk with them.

The same goes with Rachel Pauley, who is the hotline expert in the NY State OIG. Her background is in law enforcement. She is smart, diplomatic and "has seen it all." A great resource.

I tell everyone I speak with that "everything is off the record."

That way, they give all the good information. Otherwise, they don't talk.

Jock

copy to Mike

Schroeder, George

From: Jock Stender [jock.stender@[REDACTED]]
Sent: Thursday, March 17, 2011 9:24 PM
To: Schroeder, George
Cc: MROSE5
Subject: Important documents
Attachments: South Carolina state entities subject to jurisdiction of a Statewide Office of Inspector General.doc; Rose Request.xlsx

George,

Attached are two documents important to you.

1. South Carolina State Entities Subject to Jurisdiction of a Statewide Office of Inspector General (MS-Word), 5 pages. It is dated January 11, 2008, and Swati Patel has vetted it. If Mike's legislation goes through, I believe all the entities listed, except for those highlighted in yellow, will be subject to your office.

2. Rose Request. (MS-Excel), produced at my request on February 15, 2011 by Sam Wilkins of the S.C. Office of Human Resources identifying the "current state employee headcount" of some 60,000 full-time and 5,000 part-time employees. I got this data in preparation for Mike's hearing on his hotline bill, S. 174, since third-party hotline providers base their rates on "headcount." MUSC, for instance, has about 5,000 employees and pays about \$5,000 annually for their hotline. These rates are negotiable and are based in large part on how much "marketing" the hotline provider gives the client. My attitude is do all your own marketing and training and bargain for a low price. I have friends in the hotline business who can tell me what is a fair and practical cost and what is not.

Jock

copy to Mike

Schroeder, George

From: Jock Stender [jock.stender@[REDACTED]]
Sent: Thursday, March 17, 2011 9:38 PM
To: Schroeder, George
Cc: MROSE5
Subject: Hotline numbers currently in SC state agencies
Attachments: Phone call to Attorney General Hotline for Insurance Fraud, 11.28.10.doc; Phone call to Attorney General Hotline for Medicaid Fraud, 11.28.10.doc; Phone call to Dept. of Consumer Affairs Hotline for Mortgage Fraud, 11.29.10.doc; Phone call to DSS Hotline, 11.28.10.doc; Phone call to DHHS Hotline, 11.28.10.doc

George,

The following state entities publish hotlines at their websites:

1. Attorney General - for Insurance Fraud
(See attached "Phone call to Attorney General Hotline for Insurance Fraud, 11.28.10")
2. Attorney General - for Medicaid Fraud
(See attached "Phone call to Attorney General Hotline for Medicaid Fraud, 11.28.10")
3. Dept. of Consumer Affairs -- for Mortgage Fraud
(See attached "Phone call to Dept. of Consumer Affairs Hotline for Mortgage Fraud, 11.29.10")
4. Dept. of Social Services
(See attached "Phone call to DSS Hotline, 11.28.10")
5. Dept. of Health and Human Services
(See attached "Phone call to DHHS Hotline, 11.28.10")
6. Medical University of South Carolina (MUSC)
(See comments below.)

Nos. 1 - 5 are not answered after business hours. No. 5, DHHS, is so unprofessional and bureaucratic as to be laughable if it were not for its \$5 billion budget. You must read the transcript or else dial the number, 1-888-364-3224, after hours, to comprehend how ineffective it is.

No. 6, MUSC, is the only S.C. state government entity that advertises and operates a 24-7-365 hotline.

<http://academicdepartments.musc.edu/uco/reporting.htm>

Compliance Hotline 1-800-296-0269

Compliance Officer, Reese Smith, 843-792-7795 The phone is answered on the first or second ring by MUSC's hotline provider, Global Compliance Services, Inc., Charlotte, NC

(<http://www.globalcompliance.com/Hotline-Solutions/Overview.aspx>)

("GC"). The operator is very professional and quickly began asking questions pertinent to MUSC and any complaint I may have had. (I did not file a complaint.) (Business Control, Inc.'s website is <http://www.mysafeworkplace.com/> and its hotline is 1-800-461-9330.) ("BC") I will send you hotline information from MUSC tomorrow.

***** Differences between hotline providers *****

1. Time before a human being answers the phone. I just dialed both GC and BC:

GC: answered on the third ring by an live operator.

BC: recording answered asking if I want Spanish (press 1), otherwise I held for 20 seconds before an operator answered. During this wait BC's service tells the caller that he/she can also file an web-based incident report, and gives the URL.

2. Does the provider offer hotline AND internet reporting services?

3. Time between filing of an incident report and receipt by client.

GC guarantees 24 hours; BC guarantees 3 minutes. This can be vital in many time-sensitive incidents of waste, fraud and abuse. For instance, with BC an individual can phone in a report that he or she is presently witnessing an unlawful act, and management can intervene within minutes. Day or night. Weekends or holidays. Any day of the year.

4. Report and case management capabilities. What levels of security exist? What levels of reporting exist? What extent of reporting exists? How much customization is possible in and for the various entities? (For instance, what information would be solicited from a caller regarding the Dept. of Transportation? Clemson? PRT? DHHS?

Highway Patrol? State Museum? Managers of each state entity have their own unique "risk profiles" and may want certain unique questions asked.)

5. Technological leadership and investment. BC won Microsoft's 2006 "Technology of the Year" award.

6. Management. My experience with BC has been positive: quick reply to inquiries, helpful data, intuitive managers with years of law enforcement experience. My experience with GC has been negative: slow to no reply to inquiries, poor quality data, replacement of two salespeople in the past year.

7. Experience and clients. My only knowledge is of BC, which serves 23,000 client locations in 130 countries, 24-7-365. They include Fortune 500 companies complying with Sarbanes-Oxley Act as well as many government entities. Ferraro's background is law enforcement, and he is a subject matter expert.

8. Company history. BC owned and operated by the same individuals. GC has changed hands and is owned by venture capitalists.

9. Cost. Both companies will be competitive, with costs depending upon level of customer support, e.g.

- Will members of the public be encouraged to participate by phone and/or Internet?
- Will the vendor provide the "marketing" of the hotline number?
- Will the vendor provide training to the various state entities?

Jock

copy to Mike

Schroeder, George

From: Jock Stender [jock.stender@]
Sent: Friday, March 18, 2011 11:19 AM
To: Thomas, David
Cc: MROSE5; Schroeder, George
Subject: Re: Inspector General

David,

Thank you for your e-mail.

I will be meeting with Inspector General George Schroeder next Wednesday to discuss a wide range of practical issues, especially "best practices" for a new statewide OIG, and want to give him the benefit of the knowledge of the eight other OIGs in the country. Your input will be helpful in making his office successful.

Please advise the following about your hotline usage.

1. On average, how many calls of all types are received during business hours?
2. On average, how many calls of all types are received on your voice machine after business hours?
3. Is there any way to know how many callers after business hours simply hang up?
4. Does your office "log" or "record" calls concerning state agencies/entities that are not under the authority of your office?
And concerning such calls, does your office (a) give the caller the phone number of the appropriate agency, (b) notify the appropriate agency that the call/tip has been made, or some combination of (a) and (b)?
5. Does your office solicit hotline calls from state employees, the public, or both?
6. If from both, what portion of the calls come from state employees?
The public?
7. What methods does your office use to advertise to or notify (a) state employees and (b) the public?
8. What is your opinion of putting a "hotline bumper sticker" on state vehicles (e.g., highway patrol cars, ambulances, transportation department trucks, etc.)?
9. I have been told by all seven of the other state OIGs that "marketing" or "getting the word out" about the existence of the hotline is critical -- absolutely essential -- to the success of the OIG because waste, fraud and abuse that is not reported does indeed exist and very often tips are the only way to stop it. Do you agree, and how much of your office's resources are dedicated to "marketing"?
10. What else would you recommend to a newly-created OIG? Things to avoid? Things to definitely include?

Thank you very kindly.

H.R. Jock Stender, CFE, CIA
Charleston, SC

PS: See

1. "Gov. Haley targets waste and fraud with creation of State Inspector General " Governor's website press release that includes the Executive Order (pdf file) and 10-minute youtube press conference.

<http://www.governor.sc.gov/news/Pages/default.aspx>

2. Bio of S.C. Sen. Mike Rose, who was instrumental in persuading Gov. Haley to sign the EO

<http://www.scstatehouse.gov/members/bios/1581817992.html>

and

text of S.C. Senate bill S. 691, introduced by Sen. Rose on Tuesday to

(a) codify the EO and

(b) expand the OIG's authority to include state colleges and universities

http://www.scstatehouse.gov/secs119_2011-2012/bills/691.htm

copy to Sen. Mike Rose, IG George Schroeder

On 3/18/11, Thomas, David <dathomas@ig.in.gov> wrote:

> Jock, -I never got your email. If you still need some information,

> let me know. David

>

> David Thomas, Inspector General

> Office of the Inspector General

> Indianapolis, Indiana

>

>

Schroeder, George

From: Jock Stender [jock.stender@[REDACTED]]
Sent: Friday, March 18, 2011 4:53 PM
To: Schroeder, George
Cc: MROSE5; dathomas@ig.in.gov; ccarrasco@ig.in.gov
Subject: Info from Indiana OIG
Attachments: IC 4-2-7.columns.doc

George,

Below are my e-mail questions to and answers from David Thomas, who is Statewide IG of the State of Ohio, for your information.

Attached is the very interesting document he sent. Mike should be especially interested in reading it.

Jock

copy to Sen. Rose and with thanks to David and Cyndi

Subject: Inspector General

Thomas, David
<dathomas@ig.in.gov> Attachment Fri, Mar 18, 2011 at 1:31 PM
To: Jock Stender <jock.stender@[REDACTED]>
Cc: "Carrasco, Cynthia (Cyndi)" <ccarrasco@ig.in.gov>

Jock, hope this helps. Having an em helps. Good luck to you, and let me know how you progress. David

-----Original Message-----

From: Jock Stender [mailto:jock.stender@[REDACTED]]
Sent: Friday, March 18, 2011 11:19 AM
To: Thomas, David
Cc: MROSE5; georgeschroeder
Subject: Re: Inspector General

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Please advise the following about your hotline usage.

1. On average, how many ~~calls of all types are received during business hours?~~

ANSWER: We require reports in writing. Telephone reports are problematic and can encourage inaccuracy. We get 300 written requests to investigate per year.

2. On average, how many calls of all types are received on your voice machine after business hours?

ANSWER: About 1/3 come in off hours through the website.

3. Is there any way to know how many callers after business hours simply hang up?

ANSWER: NA

4. Does your office "log" or "record" calls concerning state agencies/entities that are not under the authority of your office?

And concerning such calls, does your office (a) give the caller the phone number of the appropriate agency, (b) notify the appropriate agency that the call/tip has been made, or some combination of (a) and (b)?

ANSWER: No.

5. Does your office solicit hotline calls from state employees, the public, or both?

ANSWER: No.

6. If from both, what portion of the calls come from state employees?
The public?

7. What methods does your office use to advertise to or notify (a) state employees and (b) the public?

ANSWER: Website, bi-annual computerized ethics training, and multiple speeches by invitation each year.

8. What is your opinion of putting a "hotline bumper sticker" on state vehicles (e.g., highway patrol cars, ambulances, transportation department trucks, etc.)?

ANSWER: Minimal impact.

9. I have been told by all seven of the other state OIGs that "marketing" or "getting the word out" about the existence of the hotline is critical -- absolutely essential -- to the success of the OIG because waste, fraud and abuse that is not reported does indeed exist and very often tips are the only way to stop it. Do you agree, and how much of your office's resources are dedicated to "marketing"?

ANSWER: 0% spent on marketing. Our best marketing is our written investigative reports that are followed by many, including the media.

It's a matter of philosophy, like a reputable doctor's patients being flooded with patients because the patients are/aren't satisfied.

10. What else would you recommend to a newly-created OIG? Things to avoid? Things to definitely include?

ANSWER: Obtain a solid statute on jurisdiction and independence. I've attached ours.
FILENAME IS IC 4-2-7.columns.doc

Schroeder, George

From: Jock Stender [jock.stender@]
Sent: Friday, March 18, 2011 5:06 PM
To: Schroeder, George
Cc: MROSE5; smithre@musc.edu
Subject: Fwd: Telecon with Reese Smith

George,

Below is information kindly supplied to us by Reece Smith, who is Chief Compliance Officer at the Medical University of S.C. MUSC is the only state entity using a 24-7-365 hotline.

Note Reese's comment: "Approximately 30% of hotline calls are made outside of regular business hours."

This comports with Gene Ferraro's statement before the Senate Judiciary Subcommittee. People DO call after hours. The most "powerful" (i.e., actionable), according to Gene, are on Thursday nights.

Let me know if you have trouble with the "Testimony CD-ROM." It's not something you can put into your CD player or in your car. It needs "RealPlayer" software.

Jock

copy to Mike and with thanks to Reece

----- Forwarded message -----

From: "Smith, Reece H." <smithre@musc.edu>
Date: Fri, 18 Mar 2011 14:40:31 -0400
Subject: RE: Telecon with Reese Smith
To: Jock Stender <jock.stender@ >

Jock,

Per our conversation yesterday afternoon, below are answers to your questions based on data from calendar year 2010. As we discussed, this information represents hotline calls only. It does not include calls that come directly to the Compliance Office. The large majority of calls come straight into the Compliance Office and do not go through the hotline.

1) Average number of new issues per month: 3.7 These are the calls that are actually referred to us. A number of calls come in each month that the hotline service is able to take care of themselves...i.e. what is MUSC's phone number, who is the compliance officer, who can I talk to about scheduling an appointment? This number also does not include follow-up calls...i.e. I called last week about an issue and I have more information I'd like to provide. 3.7 represents the initiation of new issues.

2) Percentage of calls that are made after hours: Approximately 30% of hotline calls are made outside of regular business hours (8am - 5pm Monday through Friday).


3) Percentage of frivolous calls: As is indicated in #1, the truly frivolous calls never make it to us. Of the calls we do receive, while some may seem frivolous, most of them do belong somewhere in the institution. For instance, if a caller wants to let us know that

they have an issue with the care they received, we do not handle the call in the Compliance Office, but we forward it to our Quality Department where it is resolved. This number is a bit subjective, but after looking over last year's calls I'd say approximately a quarter of them fit in the "frivolous" category.

I hope this information is helpful. If you or Senator Rose have additional questions, don't hesitate to call. -Reece

Reece H. Smith
Chief Compliance Office
MUSC Medical Center
843-792-7795

-----Original Message-----

From: Jock Stender [mailto:jock.stender@
Sent: Thursday, March 17, 2011 6:36 PM
To: mrose5@sc.rr.com
Cc: Smith, Reece H.
Subject: Re: Telecon with Reese Smith

Mike,

Yes, will do. Reese said she'd get it to me before the close of business Friday.

Jock

copy to Reece Smith

On 3/17/11, Michael Rose <mrose5@sc.rr.com> wrote:

> Get this information asap to George Schroeder.

>

> Mike


>

>

>

>

> -----Original Message-----

> From: Jock Stender [mailto:jock.stender@
> Sent: Thursday, March 17, 2011 3:32 PM

> To: MROSE5

> Subject: Telecon with Reese Smith

>

> Just talked with Reese Smith for 20 minutes.

>

> She's going to get together all sorts of data for me and e-mail it to
> me before 5 o'clock tomorrow.

>

> MUSC is paying \$5,000 annually for their 24-7-365 hotline, FYI.

>

>

Schroeder, George

From: Jock Stender [jock.stender@
Sent: Friday, March 18, 2011 5:06 PM
To: Schroeder, George
Cc: MROSE5; smithre@musc.edu
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copy to Mike and with thanks to Reece

----- Forwarded message -----

From: "Smith, Reece H." <smithre@musc.edu>
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Subject: RE: Telecon with Reese Smith
To: Jock Stender <jock.stender@

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