

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
January 20, 2011

ACTION REQUEST

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

Action

Requested: Authorization for the University of Michigan to Enter into a Lease Agreement and Relationship Agreement with 3D Biomatrix, Inc. (University of Michigan Professor Nicholas Kotov and Associate Professor Shuichi Takayama, partial owners of 3D Biomatrix, Inc.)

Background:

The University of Michigan wishes to enter into a lease agreement for standard modular laboratory space in the North Campus Research Complex start-up accelerator space, located at 1600 Huron Parkway, 2nd Floor, Ann Arbor, Michigan to be leased to 3D Biomatrix, Inc. The space will be utilized as laboratory and office space for research and business operations for 3D Biomatrix, Inc. The parties will also enter into a relationship agreement defining the relationship between the University of Michigan and 3D Biomatrix at the accelerator.

The proposed lease and relationship agreements fall under the State of Michigan conflict of interest statute as Nicholas Kotov and Shuichi Takayama are University of Michigan employees and indirectly a party to the lease and relationship agreements by virtue of their partial ownership of 3D Biomatrix. However, the statute allows university employees to participate in such lease agreements, if the following conditions are met:

- a) The public servant promptly discloses any pecuniary interest in the lease agreement to the official body that has power to approve the lease agreement, which disclosure shall be a matter of record in its official proceedings.
- b) The lease agreement is approved by a vote of not less than 2/3 of the full membership of the approving body in open session without the vote of the public servant making the disclosure.
- c) The official body discloses the following summary information in its official minutes:
 - i) The name of each party involved in the lease agreement.
 - ii) The terms of the lease agreement, including duration, financial consideration between the parties, facilities or services of the public entity included in the lease agreement, and the nature and degree of assignment of employees of the public entity for fulfillment of the lease agreement.
 - iii) The nature of any pecuniary interest.

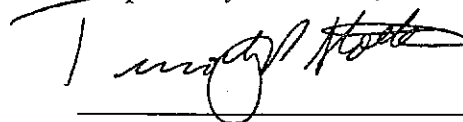
The following information is provided in compliance with the statutory requirements contained in Section (c) above:

- i) The parties to the lease agreement and relationship agreements are the Regents of the University of Michigan and 3D Biomatrix, Inc.
- ii) The service to be provided is the lease of standard modular laboratory and office space in the North Campus Research Complex start-up accelerator space on the second floor of Building 520, located at 1600 Huron Parkway, 2nd Floor, Ann Arbor, Michigan for twelve months. The lease will begin in early 2011 and will use the standard U-M accelerator lease template. Tenant will pay the standard accelerator rates of: \$200 per month for each office (maximum of 8); \$2150 per month for each half bay of laboratory space (maximum of 3); and \$65 per month for each cubicle (maximum of 8). 3D Biomatrix, Inc. will be responsible for providing monthly updates concerning its business progress to the University of Michigan Office of Technology Transfer, and will have access to Office of Technology Transfer personnel for advice concerning obtaining technology assessment, business consulting, technical assistance, capital raising, or other business services.
- iii) The pecuniary interest arises from the fact that Nicholas Kotov (Professor, Chemical, Biomedical, and Materials Science Engineering) and Shuichi Takayama (Associate Professor, Biomedical and Macromolecular Engineering), University of Michigan employees, are owners of an equity interest in 3D Biomatrix, Inc.

Nicholas Kotov and Shuichi Takayama have met state law requirements with the disclosure of their pecuniary interest and their formal appointment arrangements with the University of Michigan.

We recommend that the Board of Regents approve the lease agreement between the University of Michigan and 3D Biomatrix, Inc.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

January 2011