

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

February 19, 2009

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Armune BioScience, Inc.

Action Requested: Approval of Option Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the technology transfer agreement that then triggered a review by the Medical School Conflict of Interest Board. A plan for management of the possible risks associated with the conflict of interest was then developed by this Board and agreed to by the parties involved in this plan.

The proposed Option Agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professors David Beer, Arul Chinnaiyan, Gilbert Omenn and Dr. Xiaoju Wang, are employees of the University of Michigan ("University") and partial owners of Armune BioScience, Inc. (formerly known as Immunomics, Inc.). The law permits such an Agreement provided it is disclosed to the executive officers and approved in advance by a 2/3 vote of the Regents of the University of Michigan.

Background:

Dr. Beer, a Professor in Surgery, Dr. Chinnaiyan, a Professor in Pathology and Urology, and Dr. Omenn, a Professor of Molecular Medicine and Genetics, are the partial owners of a for-profit company called Armune BioScience, Inc. ("Armune"). Dr. Xiaoju Wang, a Research Investigator in Pathology, both owns stock options in Armune and is a consultant to Armune. Armune was formed to commercialize autoantibody signature biomarker technology and licensed foundation technology in May, 2008. Armune now desires to obtain an option to additional technologies as follows:

UM OTT File No. 2146, entitled: "Expression Profile of Prostate Cancer"
(Chinnaiyan, Arun Sreekumar, Bharathi Laxman, Mark Rubin)

UM OTT File No. 2722, entitled: "Proteomic Alterations in Prostate and Breast Cancer Progression" (Chinnaiyan, Sooryanarayana Lnu)

UM OTT File No. 3557, entitled: "Prognostic Markers for Cancer" (Chinnaiyan, Jindan Yu, Rohit Mehra)

UM OTT File No. 3806, entitled: "Tissue Biomarkers of Prostate Cancer"
(Chinnaiyan and Scott Tomlins)

UM OTT File No. 3947, entitled: "Downstream Target of EZH2" (Chinnaiyan and Yu)

The Office of Technology Transfer selected Armune as a University partner and negotiated the terms of the proposed Agreement in accordance with University policy and its accepted licensing principles.

Parties to the Agreement:

The Regents of the University of Michigan and Armune BioScience, Inc.

Agreement Terms:

Agreement terms include granting Armune an exclusive option to obtain a license to the patent rights with the right to grant sublicenses. Armune will pay an option fee and certain patent costs during the term of the option agreement. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the Agreement. Standard disclaimers of warranties and indemnification apply, and the Agreement may be amended by consent of the parties. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

Pecuniary Interest:

The pecuniary interest of Drs. Beer, Omenn, Wang and Chinnaiyan arise from their ownership interest in Armune.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of an exclusive option agreement for patents related to UM OTT File Nos. 2146, 2722, 3557, 3806, and 3947 for the fields of use of diagnostics and prognostics in human and veterinary applications.

Armune will obtain exclusive rights to obtain a future license agreement to the above listed University technology.

Recommendations:

This matter has been reviewed and approved by the Medical School Conflict of Interest Board. In light of this disclosure and our finding that the Agreement was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve the Agreement between the University and Armune BioScience, Inc.

Respectfully Submitted,

A handwritten signature in black ink, reading "Stephen R. Forrest". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Stephen R. Forrest
Vice President for Research

February 2009

Handwritten text, possibly a signature or name, located in the upper right quadrant of the page.