

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and H3D, 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 OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflict of interest was then developed and approved by this Committee.

This proposed option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Zhong He, postdoctoral fellow Weiyi Wang, and graduate students William Kaye and Feng Zhang are all employees of the University of Michigan ("University") and partial owners of H3D, 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. He, a professor in the Department of Nuclear Engineering and Radiological Sciences, postdoctoral fellow Weiyi Wang, and graduate students William Kaye and Feng Zhang are the partial owners of a for-profit company called H3D, Inc. (the "Company"). The Company was formed recently to commercialize gamma-ray detectors and desires to obtain an option from the University of Michigan for the University's rights associated with the following technologies:

UM OTT File No. 3018, entitled: "Data Reconstruction Techniques for 3-Dimensional Position Sensitive Semiconductor and Gas Radiation Detectors" (He, Zhang)

UM OTT File No. 3965, entitled: "Real Time Gamma-Ray Compton Imaging Using the Simple Back-Projection Algorithm" (He, Zhang, Dan Xu)

UM OTT File No. 5010, entitled: "Real Time Event Prioritization and Dynamic Weighting for Intelligent Compton Imaging Detectors" (He, Wang, Kaye)

UM OTT File No. 5174, entitled: "UMImaging Software" (He, Christopher Wahl, Wang, Jason Jaworski, Kaye, Sonal Joshi, Dan Xu, Daniel Lingenfelter)

The Office of Technology Transfer selected the Company 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 H3D, Inc.

Agreement Terms Include:

Agreement terms include granting the Company an option to obtain an exclusive license with the right to grant sublicenses. If the option is exercised, and a license negotiated, the Company will pay a royalty on sales and reimburse patent costs. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally as well as in collaborations with other research institutions. 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, such as adding related technology. 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 interests of Drs. He and Wang and Mr. Kaye and Mr. Zhang arise from their ownership interest in H3D, Inc.

Net Effect:

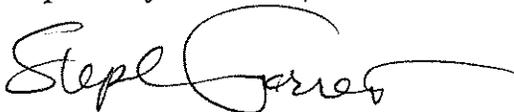
The Office of Technology Transfer has negotiated and finalized the terms of a worldwide exclusive option agreement for patents and software related to UM OTT File Nos. 3018, 3965, 5010 & 5174 for all fields of use.

H3D, Inc. will obtain use and commercialization rights to the above listed University technology.

Recommendations:

This matter has been reviewed and approved by the OVPR Conflict of Interest Review Committee. 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 Option Agreement between the University and H3D, Inc.

Respectfully submitted,



Stephen R. Forrest
Vice President for Research

February 2012