

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Ektapharm, 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 and agreed to by the parties involved in this plan.

This proposed option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Steven Schwendeman is both an employee of the University of Michigan ("University") and a partial owner of Ektapharm, 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. Steven Schwendeman, a Professor in the Department of Pharmaceutical Sciences, in the College of Pharmacy, is the partial owner of a for-profit company called Ektapharm, Inc. (the "Company"). The Company was formed recently to commercialize microencapsulation technology for drug delivery 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. 2151.1, entitled: "Methods for Stabilizing Biologically Active Agents Encapsulated in Biodegradable Controlled-Release Polymers" (Anna Shenderova, Jichao Kang, Wenlei Jiang, Steven Schwendeman, Gaozhong Zhu, Hanne Bentz, Jeffrey Hubbell)

UM OTT File No. 2865, entitled: "Effects on the Controlled Release of Proteins" (Steven Schwendeman)

UM OTT File No. 4518, entitled: "Active Self-Healing Biomaterial System With High Encapsulation Efficiency for Biomacromolecule Delivery" (Steven Schwendeman, Kashappa Goud Desai)

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 Ektapharm, Inc.

Agreement Terms Include:

Agreement terms include granting the Company an exclusive option to obtain an exclusive license with the right to grant sublicenses. The Company will pay an option fee and reimburse ongoing patent expenses. The terms of the subsequent license agreement would include payment of royalty on sales and reimbursement of patent costs. The University may receive equity in the Company, along with the right to purchase more equity. 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, 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 Dr. Schwendeman arise from his ownership interest in Ektapharm, Inc.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a worldwide exclusive option agreement for patents related to UM OTT File Nos. 2151.1, 2865, and 4518 for all fields of use.

Ektapharm, Inc. will obtain use and evaluation 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 Ektapharm, Inc.

Respectfully submitted,



Stephen R. Forrest
Vice President for Research

February 2013