

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Silicon Kidney

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 and approved by this Board 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 David Humes is both an employee of the University of Michigan ("University") and a partial owner of Silicon Kidney ("Company"). 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. Humes, a Professor in the Department of Internal Medicine, Division of Nephrology is the partial owner of a for-profit company called Silicon Kidney (the "Company"). The Company was formed recently to evaluate and develop artificial kidney devices and wishes to option certain technologies that are jointly owned by the University of Michigan and the Cleveland Clinic Foundation. Specifically, the technologies are as follows (William Fissell was a University of Michigan employee at the time of these inventions):

UM OTT File No. 2118, entitled: "Generation of Ultrafiltrate" (Humes, William Fissell)

UM OTT File No. 3615, entitled: "Silicon Ultrafiltration Membrane (Fissell)

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 Silicon Kidney

Agreement Terms Include:

Agreement terms include granting the Company an option to obtain an exclusive license. The Company will evaluate the technology, pay an option fee and reimburse patent costs. The University will retain ownership of the licensed 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 interests of Dr. Humes arise from his ownership interest in Silicon Kidney.

Net Effect:

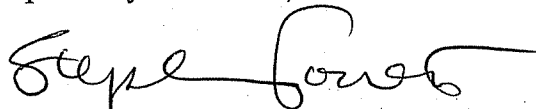
The Office of Technology Transfer has negotiated and finalized the terms of an exclusive option agreement for patents related to UM OTT File No. 2118 and 3615.

Silicon Kidney will obtain evaluation rights 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 Option Agreement between the University and Silicon Kidney.

Respectfully submitted,



Stephen R. Forrest
Vice President for Research

April 2011