

THE UNIVERSITY OF MICHIGAN

Approved by the Regents

REGENTS COMMUNICATION

May 14, 2009

ACTION REQUEST

Subject: Subcontract Agreement between the University of Michigan and Arbor Photonics, Inc.

Action Requested: Authorization to enter into Agreement

Preamble:

A statutory conflict of interest situation was identified by the Division of Research, Development and Administration while reviewing the Proposal Approval Form. This then triggered a review by the OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflicts of interest was developed and approved by the Committee and agreed to by the parties involved.

This proposed agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Dr. Almantas Galvanauskas is both an employee of the University of Michigan ("University") and part owner and member of the Board of Directors of Arbor Photonics, Inc. ("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.

Background:

Dr. Galvanauskas is a Professor of Electrical Engineering and Computer Science in the College of Engineering, and is a co-owner with stock and stock options, and a member of the Board of Directors of Arbor Photonics, Inc. Dr. Galvanauskas will be responsible for the overall financial and scientific oversight of the portion of the work to be subcontracted to the University. Dr. Galvanauskas' participation in this project will only be in his capacity as an employee of the University.

Nature of the Agreement:

The Company has been awarded a small Phase I contract under a proposal to the United States Navy under the SBIR program. The Company would like to subcontract a portion of the work under this contract into the University. The University's conduct of this particular work will be under the direction of Dr. Galvanauskas.

Agreement Terms:

Under the project, a total subcontract of \$ 1,100.00 is anticipated to cover several hours of a doctoral student's effort over the period of one week during the six (6) month period of the prime contract between the Navy and the Company. Since agreements are often amended, the contract will include provisions for changes in time, amount, and scope of the project. University procedures for approval of these changes will be followed and additional review by the Conflict of Interest Review Committee will be done as appropriate.

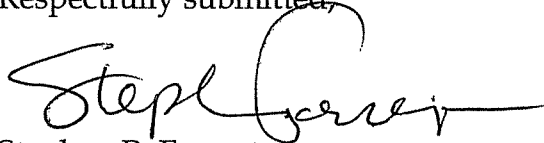
Impact of the Agreement:

The Agreement will enable the University to participate in important research efforts to verify the likelihood of manufacturing success of designs to chirally-coupled-core fibers used as a feed through in a monolithic pump combiner.

Recommendation:

This agreement has been reviewed and approved by the OVPR Conflict of Interest Review Committee. In light of this disclosure and our finding that the agreement will conform to standard University practices, I recommend that the Board of Regents approve of the University's entering into this Agreement with Arbor Photonics, Inc.

Respectfully submitted,



Stephen R. Forrest
Vice President for Research

May 2009