

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

June 16, 2011

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and NanoBio Corporation

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 James R. Baker Jr. is both an employee of the University of Michigan ("University") and an owner, director and officer of NanoBio Corporation ("NanoBio"). 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. Baker, the director of the Michigan Nanotechnology Institute for Medicine and Biological Sciences and a professor in the Departments of Internal Medicine and Biomedical Engineering, is an owner, director and officer of a for-profit company called NanoBio (the "Company"). The University and NanoBio entered into the original license in August 2000 when NanoBio was formed to commercialize therapeutic uses of emulsion-based compositions. NanoBio is interested in new technology invented by Dr. Harry Mobley, Professor of Microbiology and Immunology, related to vaccines for urinary tract diseases and wishes to enter into an exclusive option for the following technology:

UM OTT File No. 3550, entitled: "Vaccine for Urinary Tract Infections" (Mobley)

UM OTT File No. 4649, entitled: "E. Coli Virulence Factors Associated with Urinary Tract Infections" (Mobley)

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 NanoBio.

Agreement Terms Include:

Agreement terms include giving the Company an option to obtain an exclusive license. The Company will sponsor additional evaluation research in Dr. Mobley's laboratory and reimburse patent costs. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. 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 interest of Dr. Baker arises from his ownership interest in NanoBio. Dr. Mobley has no ownership interest in NanoBio.

Net Effect:

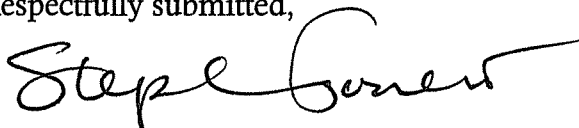
The Office of Technology Transfer has negotiated and finalized the terms of an option agreement for patents related to UM OTT File Nos. 3550 and 4649 for all fields of use.

NanoBio will obtain use and evaluation rights to the above listed University technology.

Recommendations:

This matter has been reviewed and approved by the Medical School Conflict of Interest Board and a plan has been developed to manage the potential risks associated with the conflict of interest. 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 NanoBio.

Respectfully submitted,



Stephen R. Forrest  
Vice President for Research

June 2011