

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Photon Affinity, LLC

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 and the Medical School Conflict of Interest Board. A plan for management of the possible risks associated with the conflicts of interest will be developed and approved by the by the OVPR Conflict of Interest Review Committee and/or the Medical School Conflict of Interest Board and agreed to by the parties involved.

This proposed option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professors Theodore Norris, James Baker Jr., and Yunbo Guo are employees of the University of Michigan ("University") and partial owners of Photon Affinity, LLC. 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, a Professor in the departments of Biologic Nanotechnology, Internal Medicine, and Biomedical Engineering and the Director of the MI Nanotechnology Institute for Medical & Biological Science, Dr. Norris, a Professor of Electrical Engineering & Computer Science, and Dr. Guo, a Research Fellow in Biomedical Engineering, are the partial owners of a for-profit company called Photon Affinity, LLC (the "Company"). The Company was formed recently to commercialize photonic crystal sensors and their applications to molecular biology 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. 3406, entitled: "Novel Photonic Crystal Sensor" (Jingyong Ye, Theodore B. Norris, James R. Baker Jr, and Yunbo Guo)

UM OFF File No. 4669, entitled: "Photonic Crystal - Metallic Structures and Applications" (Yunbo Guo, Lingjie Jay Guo, Theodore B. Norris, James R. Baker Jr, and Nils Walter)

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 Photon Affinity, LLC.

Agreement Terms Include:

Agreement terms include granting the Company an option to obtain an exclusive license with the right to grant sublicenses. The Company will pay an option fee and reimburse patent costs. 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 Drs. Norris, Baker, and Guo arise from their ownership interests in Photon Affinity, LLC.

Net Effect:

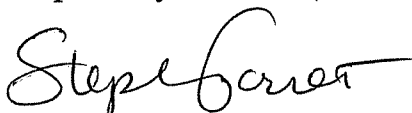
The Office of Technology Transfer has negotiated and finalized the terms of an option to a worldwide exclusive license agreement for patents related to UM OTT File Nos. 3406 & 4669 for the fields of use of biological assays & diagnostics.

Photon Affinity, LLC will obtain use and evaluation rights to the above listed University technology.

Recommendations:

These matters will be reviewed and approved by the OVPR Conflict of Interest Review Committee and/or 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 Photon Affinity, LLC.

Respectfully submitted,



Stephen R. Forrest  
Vice President for Research

June 2012