

THE UNIVERSITY OF MICHIGAN

Approved by the Regents
June 21, 2012

REGENTS COMMUNICATION

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and EXO Dynamics 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. 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 Dr. Daniel Johnson, Mr. Jorge Sanz-Guerro, Ms. Maren Bean, and Mr. Pat Milligan are employees of the University of Michigan ("University") and partial owners of EXO Dynamics 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. Johnson, a Research Assistant of Mechanical Engineering, in the College of Engineering, Mr. Sanz-Guerro, Visiting Researcher in SM Wu Manufacturing Research Center and Mechanical Engineering, Ms. Bean, a graduate student in the Ross School of Business, and Mr. Milligan, an undergraduate student in Materials Science Engineering, are the partial owners of a for-profit company called EXO Dynamics LLC (the "Company"). The Company was formed recently to commercialize orthotic devices to reduce or prevent the effects of chronic back pain and desires to obtain an option from the University of Michigan for the University's rights associated with the following technology:

UM OTT File No. 5307, entitled: "Active Spinal Orthotic Treatment Method and Device" (Daniel D. Johnson, Albert J. Shih, James A. Ashton-Miller)

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 EXO Dynamic LLC

Agreement Terms Include:

Agreement terms include granting the Company an option to an exclusive license with the right to grant sublicenses. The Company will pay an option fee and reimburse ongoing patent expenses. 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. Johnson, Mr. Sanz-Guerrero, Ms. Bean, and Mr. Milligan arise from their ownership interest in EXO Dynamics LLC.

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.5307 for all fields of use.

EXO Dynamics LLC will obtain 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 EXO Dynamics LLC.

Respectfully submitted,



Stephen R. Forrest
Vice President for Research

June 2012