

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Alluvium Biosciences, Inc.

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 UMOR 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 Professor David H. Sherman and Dr. Jeffrey Kittendorf are employees of the University of Michigan ("University") and partial owners with leadership roles in Alluvium Biosciences, Inc. The law permits such an Agreement provided it is disclosed to the Board of Regents ("Regents") of the University of Michigan and approved in advance by a 2/3 vote.

Background:

Dr. Sherman, a Professor in the Department of Medicinal Chemistry, Associate Dean for Research and Graduate Education, College of Pharmacy, and Research Professor in the Life Sciences Institute, and Dr. Kittendorf, Assistant Research Scientist in the Life Sciences Institute, and partial owners with leadership roles in a for-profit company called Alluvium Biosciences, Inc. (the "Company"). The Company desires to option from the University of Michigan the University's rights associated with the following biological materials:

- 1) Extracts of natural products produced by marine microbes harvested from the Caribbean Sea and North Pacific Ocean under an agreement with the government of Costa Rica
- 2) Broad spectrum antibiotics known as baulamycins that were derived from marine microbes as described in OTT invention file #5989, "Structural Class of Broad Spectrum Antibiotics Derived from a Marine Microbial Natural Product" (Inventors: Michael Schofield, Ashootosh Tripathi, Pam Schultz and David Sherman)

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 Alluvium Biosciences, Inc.

Agreement Terms Include:

Agreement terms include granting the Company a non-exclusive option to evaluate the biological materials. The Company will reimburse any ongoing patent costs, perform technical diligence, and provide a business plan that describes the Company's intention and ability to develop and commercialize the licensed technology. Terms of the subsequent license agreement would include a royalty on sales and reimbursement of patent costs.

The University will retain ownership of the biological materials and may continue to further develop and use them 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. Sherman and Kittendorf arise from their ownership interest in Alluvium Biosciences, Inc.

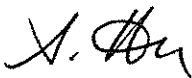
Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a worldwide option agreement for extracts of natural products produced by marine microbes and for baulamycins for limited fields of use. Alluvium Biosciences, Inc. will obtain evaluation rights to the above listed University biological materials.

Recommendations:

This matter has been reviewed and approved by the UMOR 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 Agreement between the University and Alluvium Biosciences, Inc.

Respectfully submitted,



S. Jack Hu  
Interim Vice President for Research

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