Subject: Option Agreement between the University of Michigan and FibrosiX LLC

Action Requested: Approval of the 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 Scott Larsen is an employee of the University of Michigan ("University") and a partial owner of FibrosiX LLC. 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. Scott Larsen, a Research Professor in the Department of Medicinal Chemistry, is a partial owner of a for-profit company called FibrosiX LLC (the "Company"). The Company was formed recently to develop and commercialize small molecules for the treatment of pulmonary fibrosis and other fibrotic diseases, and desires to option from the University of Michigan the University’s rights associated with the following technology:

UM OTT File No. 6202, entitled: “Inhibitors of Myocardin-Related Transcription Factor and Serum Response (Mrtf/Srf)-Mediated Gene Transcription and Methods for use of the Same” (Inventors: Scott Larsen, Walajapet Rajeswaran, Kim Hutchings, Dinesh Khanna, Andrew Haak, Richard Neubig)

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 FibrosiX LLC
Agreement Terms Include:

Agreement terms include granting the Company an exclusive option. The Company will reimburse the University for patent costs. The terms of the option are that under any future license agreement with the University, the Company will pay a royalty on sales, pay back-patent expenses and continue to reimburse all future patent expenses. Moreover, under any such future license agreement, 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. Larsen arise from his ownership interest in FibrosiX LLC.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a worldwide exclusive option agreement for patents related to UM OTT File No. 6202 for the fields of use of treating and of diagnosing human diseases. FibrosiX LLC will obtain use and commercialization rights to the above listed University technology.

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 FibrosiX LLC.

Respectfully submitted,

S. Jack Hu
Vice President for Research

June 2018