

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Life Magnetix, 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 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. Brandon McNaughton is both an employee of the University of Michigan ("University") and a partial owner of Life Magnetix, Inc. 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. Brandon McNaughton, an Assistant Research Scientist in the Department of Biomedical Engineering, is the partial owner of a for-profit company called Life Magnetix, Inc. (the "Company"). The Company was formed recently to commercialize a machine and method for the rapid identification of bacterial growth, and desires to option from the University of Michigan the University's rights associated with the following technologies:

UM OTT File No. 2241p1, entitled: "Brownian Moons" (Martin Philbert, Jeffrey Anker, Eric Monson, and Raoul Kopelman)

UM OTT File No. 3428, entitled: "Remotely Driven Micro/Nanoparticle Slipping" (Raoul Kopelman and Brandon McNaughton)

UM OTT File No. 4503, entitled: "Multi Well Reader for Asynchronous Rotation" (Brandon McNaughton, Paivo Kinnunen, Raoul Kopelman, Roy Clarke and Alan J. Hunt)

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 Life Magnetics, Inc.

Agreement Terms Include:

Agreement terms include granting the Company an exclusive option to obtain an exclusive license with the right to grant sublicenses. The Company will partially reimburse patent costs in the option agreement. The University will retain ownership of the licensed 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. 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. McNaughton arise from his ownership interest in Life Magnetics, Inc.

Net Effect:

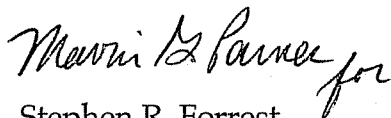
The Office of Technology Transfer has negotiated and finalized the terms of an option agreement for patents related to UM OTT File Nos. 2241p1, 3428, and 4503 for the fields of use of diagnostics.

Life Magnetics, Inc. will obtain use rights for in-house testing 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 Agreement between the University and Life Magnetics, Inc.

Respectfully Submitted,



Stephen R. Forrest  
Vice President for Research

July 2010