THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: License Agreement between the University of Michigan and Life Magnetics, Inc.

Action Requested: Approval of License Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the technology transfer agreement. This 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 license 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 Magnetics, 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 Biomedical Engineering, is the partial owner of a for-profit company called Life Magnetics, Inc. ("Company"). The Company was formed to commercialize a device for measuring the growth of bacteria and has exercised its option to obtain a license from the University of Michigan of the University's rights associated with the following technology:

UM OTT File No. 2241, entitled: "Modulated Physical and Chemical Sensors" (Martin Philbert, Jeffrey Anker, Eric Monson, and Raoul Kopelman)

UM OTT File Nos. 3428 and 3970, entitled: "Non-Linear Rotation Rates of Remotely Driven Particles and Uses Thereof" (Raoul Kopelman, Brandon McNaughton, Ramon Tores-Isea, and Roy Clarke)

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

UM OTT File No. 4711, entitled: "Rapid Identification of Antimicrobial Susceptibility Testing of Bacteria" (Brandon McNaughton and Duane Newton)

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 license with the right to grant sublicenses. The Company will pay a royalty on sales and reimburse patent costs. 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 a world-wide exclusive license agreement for patents related to UM OTT File Nos. 2241, 3428, 3970, 4503, and 4711 for the fields of use of human and animal diagnostics. The Company will obtain use and commercialization 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 Agreement between the University and Life Magnetics, Inc.

Respectfully Submitted,

[Signature]
Stephen R. Forrest
Vice President for Research

December 2010