

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION  
ACTION REQUEST

EXH	MOTION <i>Brandon</i>
	SECURE <i>White</i>
	ACT APPROVED BY THE REGENTS
NOTE:	APR 21 2005

Subject: Amendment to License Agreement between the University of Michigan and Molecular Therapeutics, Inc.

Action Requested: Approval of Amendment to License Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the technology transfer agreement which then triggered a review by the Medical School Conflict of Interest Board. A plan for management of the possible risks associated with the conflict of interest was then developed by the Board and agreed to by the parties involved in this plan.

This proposed amendment to license agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professors Brian D. Ross and Alnawaz Rehemtulla are both employees of the University and partial owners of Molecular Therapeutics, 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. Brian D. Ross, Professor of Radiology and Biological Chemistry, and Dr. Alnawaz Rehemtulla, Associate Professor of Radiation Oncology and Environmental Health Sciences, are the principal owners, directors and officers of an Ann Arbor start-up company named Molecular Therapeutics, Inc. ("Molecular Therapeutics"). Molecular Therapeutics will make, have made and sell products, including transgenic animals, useful in drug discovery programs related to apoptosis as well as novel peptide-reporter compounds useful for in vivo imaging of tumor vasculature.

Research conducted in the laboratories of Drs. Ross and Rehemtulla resulted in the development of computer software that can serve as an early predictor of therapeutic efficacy of cancer therapeutics by monitoring changes in diffusion weighted magnetic resonance images. In November, 2001 the Regents approved a license for U.S. patents issuing from UM Office of Technology Transfer File No. 1817, now US patent 6,567,684. Drs. Ross and Rehemtulla are inventors on these patent applications. Dr. Thomas Chenevert, Professor of Radiology, Medical School, was a co-inventor on the patent application and he will share royalties per standard University distribution policy but will have no involvement or interest in Molecular Therapeutics.

The Company would now like to add to this Agreement UM OTT File No. 2906, "Noninvasive Detection of Early Therapeutic Response in Brain Tumors." Drs. Ross and Bradford Moffat, Professor of Radiology, Medical School, are listed as contributors in this file. Dr. Moffat will share royalties per standard University

distribution policy but will have no involvement or interest in Molecular Therapeutics.

Parties to the Agreement:

The Regents of the University of Michigan and Molecular Therapeutics, Inc.

License Terms Include:

License terms include giving Molecular Therapeutics an exclusive license with the right to grant sublicenses. Molecular Therapeutics 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 contract may be amended by consent of the parties. University procedures for approval of these changes will be followed and additional review by the Medical School Conflict of Interest Board will be done as appropriate.

Pecuniary Interest:

The pecuniary interests of Dr. Ross arise from his ownership interest in Molecular Therapeutics. Dr. Ross has waived any personal participation in the sharing of revenue received by the University. Dr. Moffat will share royalties pursuant to the standard University distribution policy.

Net Effect:

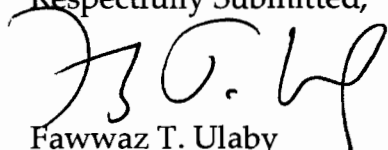
The Office of Technology Transfer has negotiated and finalized the terms of an amendment to the existing license agreement related to UM OTT File No. 2906.

Molecular Therapeutics will obtain use and commercialization rights to the above listed UM technology.

Recommendations:

This matter has been reviewed and approved by the Medical School Conflict of Interest Board and a plan has been developed to manage the potential risks associated with the conflict of interest. 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 Amendment to the License Agreement between the University and Molecular Therapeutics, Inc.

Respectfully Submitted,



Fawwaz T. Ulaby  
Vice President for Research

April 2005