

ACTION REQUEST

Subject: Amendment to License Agreement between the University of Michigan and Arbor Photonics, 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 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 amendment to the license agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Almantas Galvanauskas is both an employee of the University of Michigan ("University") and a partial owner of Arbor Photonics, 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. Almantas Galvanauskas, a Professor in Electrical Engineering and Computer Sciences (ECE Division), is the partial owner of a for-profit company called Arbor Photonics, Inc. (the "Company"). The Company was formed in 2008 to commercialize fiber optic components for laser systems and desires to add to its existing license the University's rights associated with the following technology:

UM OTT File No. 5464, entitled: "Beam Propagation Software Package – Fiber Simulator with Torsion and Stress" (Almantas Galvanauskas, Xiuquan Ma)

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 Arbor Photonics

Agreement Terms Include:

Agreement terms include granting the Company a non-exclusive license without the right to grant sublicenses and the right to create derivative works of the software covered under OTT File No. 5464. The Company will pay a royalty on sales. The

University may receive equity in the Company, along with the right to purchase more equity. 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, 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. Galvanauskas arise from his ownership interest in Arbor Photonics, Inc.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a worldwide non-exclusive license agreement for copyrights related to UM OTT File No. 5464 for all fields of use.

Arbor Photonics, Inc. will obtain use and commercialization rights to the above listed University technology. Pursuant to the Michigan Investment in New Technology Startups program ("MINTS") approved by the Regents on December 15, 2011, the University may invest up to \$1,000,000 per qualifying financing round up to, for purposes of this approval, a total of \$2.5 million in this Company.

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 Arbor Photonics, Inc.

Respectfully submitted,



Stephen R. Forrest  
Vice President for Research

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