

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

November 15, 2007

ACTION REQUEST

Subject: Master Agreement between the University of Michigan and Incept Biosystems, Inc.

Action Requested: Authorization to enter into Agreement

Preamble:

A statutory conflict of interest situation was identified by the Division of Research Development and Administration while reviewing the Proposal Approval Form that then triggered a review by the OVPR Conflict of Interest Review Committee and/or the Medical School Conflict of Interest Board. A plan for management of the possible risks associated with the conflict of interest will be developed by the Committee and/or Board.

The proposed agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professors Shuichi Takayama and Gary D. Smith are both employees of the University of Michigan ("University"), partial owners of, and members of the Scientific Advisory Board and Board of Directors for Incept Biosystems, Inc. ("Incept"). 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. Shuichi Takayama, Associate Professor in the Department of Biomedical Engineering and Macromolecular Science and Engineering, and Dr. Gary D. Smith, Associate Professor in the Departments of Molecular and Integrative Physiology, Obstetrics and Gynecology, and Urology, are the founding owners of Incept and members of the Scientific Advisory Board and Board of Directors for Incept. A license agreement with Incept has already been reviewed by the OVPR Conflict of Interest Review Committee and disclosed under separate Regental Action.

Agreement Terms:

The University will enter into the Agreement with Incept that will cover standard procedures for performance of projects as well as provisions implementing University and federal policies related to intellectual property and publication. The Agreement will cover an initial five-year period with a total authorization not to exceed \$500,000. The University will use standard sponsored project accounting procedures to determine the cost of each project. Budgets will be reviewed and approved by authorized representatives of each department and school/college where projects are to be performed. The Agreement will allow the University and Incept to specify projects that the University will conduct under the terms of the Agreement. Since research projects are often amended, the Agreement includes provisions for changes in time, amount,

and scope of each supported project. University procedures for approval of each project will be followed and additional review by the OVPR Conflict of Interest Review Committee and/or the Medical School Conflict of Interest Board will be done on a project-by-project basis.

Impact of the Agreement:

The Agreement will enable research to be performed in a timely manner to explore and further develop the technology licensed to Incept from the University to the engineering of medical applications of microfluidic systems. It also provides for ongoing support and collaboration between the Medical School and a University start-up company.

Recommendation:

These matters will be reviewed by the OVPR Conflict of Interest Review Committee and/or the Medical School Conflict of Interest Board, and a plan will developed to manage the potential conflict of interest risks associated with each project that will be implemented under the terms of the Agreement prior to the University's acceptance of any individual project. In light of the disclosure made in this document and our finding that the Agreement is negotiated in conformance with standard University practices, I recommend that the Board of Regents approve of the University entering into this Agreement with Incept Biosystems, Inc.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen R Forrester". The signature is fluid and cursive, with a large, sweeping initial "S".

Stephen R Forrester  
Vice President for Research

November 2007