

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents
December 17, 2009

ACTION REQUEST

Subject: Master Subrecipient Agreement between the University of Michigan and NanoBio Corporation

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 proposed agreement. This then triggered a review by the Medical School Conflict of Interest Review Board. A plan for management of the possible risks associated with the conflicts of interest will be developed by the Board.

This proposed Master Subrecipient Agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor James R. Baker, Jr. is an employee of the University of Michigan ("University") and is a part owner, President, Chief Operating Officer, Chairman of the Board, and Chief Science Officer of a for-profit company, NanoBio Corporation ("Company"). 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. James R. Baker, Jr., Professor of Biologic Nanotechnology, Professor of Internal Medicine, Chief, Division of Allergy, Associate Professor of Pathology, and Director, Michigan Nanotechnology Institute for Medicine and Biological Sciences, Medical School, is a part owner, President, Chief Operating Officer, Chairman of the Board, and Chief Science Officer of NanoBio Corporation. The Company was formed to commercialize various technologies, including nanoemulsion, and the University wishes to retain the Company to assist the University on projects sponsored by agreements between the University and various federal and non-federal organizations. These projects will be described from time to time and will be related to the unique capabilities of the Company in the research and development of these technologies.

Agreement Terms:

The University will enter into an Agreement with the Company 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 eight-year (8) period with a total authorization not to exceed \$8,000,000. The University will use standard procedures to justify the placement of projects with the Company and will review the cost of each project. Budgets will be reviewed and approved by authorized representatives of the requisitioning unit and the Office of Contract Administration. 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 Medical School Conflict of Interest Board will be done on a project-by-project basis.

Impact of the Agreement:

The Master Subrecipient Agreement will enable research projects involving the Company to be performed in a timely manner. 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 Medical School Conflict of Interest Board, and a plan will be developed to manage the potential conflict of interest risks associated with each project that will be implemented under the terms of the Master Subrecipient Agreement prior to the University's approval of any individual project. In light of the disclosure made in this document and our finding that the Master Subrecipient Agreement is negotiated in conformance with standard University practices, I recommend that the Board of Regents approve of the University entering into this Master Subrecipient Agreement with NanoBio Corporation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen R. Forrest". The signature is fluid and cursive, with the first name "Stephen" being the most prominent.

Stephen R. Forrest
Vice President for Research

December 2009