

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: License Agreement between the University of Michigan and H3D, 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 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 license agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Zhong He and Dr. Feng Zhang are both employees of the University of Michigan ("University") and partial owners of H3D, 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. He, a Professor in Nuclear Engineering and Radiological Sciences, and Dr. Zhang, an Assistant Research Scientist in Nuclear Engineering and Radiological Sciences are the partial owners of a for-profit company called H3D, Inc. (the "Company"). The Company was formed recently to commercialize gamma-ray detectors and now desires to exercise its option to obtain a license from the University of Michigan for the University's rights associated with the following technologies:

UM OTT File No. 3018, entitled: "Data Reconstruction Techniques for 3 Dimensional Position Sensitive Semiconductor and Gas Radiation Detectors" (Zhong He, Feng Zhang)

UM OTT File No. 3965, entitled: "Real Time Gamma-Ray Compton Imaging Using the Simple Back-Projection Algorithm" (Zhong He, Feng Zhang, Dan Xu)

UM OTT File No. 5010, entitled: "Real Time Event Prioritization and Dynamic Weighting for Intelligent Compton Imaging Detectors" (Zhong He, Weiyi Wang, William Kaye)

UM OTT File No. 5174, entitled: "UMImaging Software" (Zhong He, Christopher Wahl, Weiyi Wang, Jason Jaworski, William Kaye, Sonal Joshi, Dan Xu, Daniel Lingenfelter)

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 H3D, Inc.

Agreement Terms Include:

Agreement terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay royalties 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 as well as in collaborations with other research institutions. 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.

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.

Pecuniary Interest:

The pecuniary interests of Drs. He and Zhang arise from their ownership interest in H3D, Inc.

Net Effect:

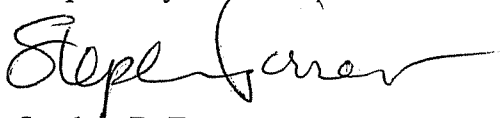
The Office of Technology Transfer has negotiated and finalized the terms of a worldwide exclusive license agreement for patents and software related to UM OTT File Nos. 3018, 3965, 5010 & 5174 for all fields of use.

H3D, Inc. will obtain use and commercialization rights to the above listed University technologies.

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 H3D, Inc.

Respectfully submitted,



Stephen R. Forrest
Vice President for Research

February 2013