

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

March 17, 2006

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and OtoMedicine, Inc.

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Action Requested: Approval of Option Agreement

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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.

This proposed option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Dr. Josef Miller and Dr. Colleen Garbe Le Prell are both employees of the University of Michigan ("University") and partial owners of OtoMedicine, Inc. and Dr. Miller is also Chair of the Board of Directors for OtoMedicine. 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. Josef Miller, Professor of Otolaryngology, and Dr. Colleen G. Le Prell, Research Investigator, Kresge Hearing Research Institute, are the partial owners of a for-profit company called OtoMedicine, Inc. ("OtoMedicine").

OtoMedicine was formed recently to develop pharmaceuticals for the prevention and treatment of hearing disorders and desires to obtain an option to license the following technology from the University:

UM File No. 2213, entitled: "Prevention of Cisplatin Induced Deafness" (Hans Ehrsson, Andreas Ekborn, Joran Laurell and Josef Miller)

UM File No. 2215, entitled: "Auditory Nerve Protection and Re-Growth" (Yeoash Raphael, Richard Altschuler and Josef Miller)

UM File No. 3341, entitled: "Methods and Compositions for Treatment of Noise-Induced Hearing Loss" (Josef Miller and Colleen Le Prell)

UM File No. 3341.1, entitled: "Antioxidant Treatment to Prevent Auditory Nerve Degeneration" (Josef Miller and Colleen Le Prell)

Parties to the Agreement:

The Regents of the University of Michigan and OtoMedicine, Inc.



Option Terms:

Option terms include giving OtoMedicine an option for eighteen months to obtain an exclusive license with the right to grant sublicenses in all fields. The University will retain ownership of the optioned 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. Additional conflict of interest review will be done as appropriate.

Pecuniary Interest:

The pecuniary interests of Drs. Miller and Le Prell arise from their ownership interest in OtoMedicine. They have waived any personal participation in the sharing of revenue received by the University.

Net Effect:

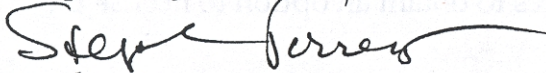
The Office of Technology Transfer has negotiated and finalized the terms of an exclusive option agreement for patents related to UM File Nos. 2213, 2215, 3341 and 3341.1 for all fields.

OtoMedicine will obtain evaluation rights to the above listed University technology.

Recommendations:

This matter has been reviewed and approved by the Medical School Conflict of Interest Board. 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 Option Agreement between the University and OtoMedicine.

Respectfully Submitted,



Stephen R. Forrest  
Vice President for Research

March 2006