

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

March 20, 2008

ACTION REQUEST

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

Action Requested: Approval of Research Agreement

Preamble:

A statutory conflict of interest situation was identified by the Division of Research Development and Administration while reviewing the proposed master 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 conflicts of interest will be developed by the Board.

This proposed master agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Dr. Josef Miller is an employee of the University of Michigan ("University") and partial owner and Chair of the Board of Directors of 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, is a partial owner of a for-profit company called OtoMedicine, Inc. ("OtoMedicine"). OtoMedicine was formed recently to develop pharmaceuticals for the prevention and treatment of hearing disorders. OtoMedicine wishes to have the University participate in various projects that OtoMedicine will support independently or from grants from federal agencies related to technology licensed or optioned to OtoMedicine by the University. The role of Dr. Miller in each project will be described in a project statement and a conflict of interest management plan will be developed. An option to the Company to license technology related to this research has been disclosed under separate Regental Action.

Nature of the Agreement:

The University will enter into an Agreement with OtoMedicine 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 master agreement will cover an initial five-year period with a total authorization not to exceed \$1,000,000. 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 OtoMedicine to specify projects that the University will conduct under the terms of the master 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 Medical School Conflict of Interest Board will be done on a project-by-project basis.

Agreement Terms:

The Agreement will enable research to be performed in a timely manner to explore and further develop the technology licensed to OtoMedicine from the University regarding methods and applications of the licensed technology for the prevention of hearing loss.

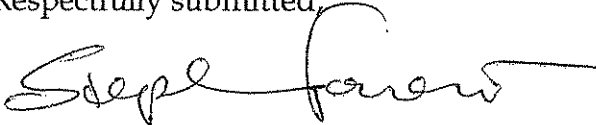
Impact of the Agreement:

This Agreement will facilitate support for projects that will assist the University and OtoMedicine in assessing and further developing certain compounds, obtaining regulatory approvals, and commercializing treatments and preventions for noise-induced hearing loss.

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 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 OtoMedicine, Inc.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Stephen R. Forrest".

Stephen R. Forrest  
Vice President for Research

March 2008