

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Avert-AF, LLC

Action Requested: Approval of Option 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 Medical School Conflict of Interest Board. A plan for management of the possible risks associated with the conflict of interest was then developed and approved by this Board and agreed to by the parties involved in this plan.

This proposed option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professors Jose Jalife and Bertram Pitt are both employees of the University of Michigan ("University") and partial owners of Avert-AF, LLC. The law permits such an Agreement provided it is disclosed to the Board of Regents ("Regents") of the University of Michigan and approved in advance by a 2/3 vote.

Background:

Dr. Jose Jalife, a Professor in Internal Medicine and Molecular & Integrative Physiology, and Dr. Bertram Pitt, a Professor Emeritus of Internal Medicine, are the partial owners of a for-profit company called Avert-AF, LLC (the "Company"). The Company was formed recently to commercialize a technology for prevention of atrial fibrosis and persistent atrial fibrillation and desires to obtain an option from the University of Michigan for the University's rights associated with the following technology:

UM OTT File No. 5576, entitled: "Prevention of Atrial Fibrosis and Persistent Atrial Fibrillation" (Jose Jalife)

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 Avert-AF, LLC

Agreement Terms Include:

Agreement terms include granting the Company an option to negotiate an exclusive license with the right to grant sublicenses. The Company will pay an option fee and ongoing patent costs. The University may receive equity in the Company at license,

along with the right to purchase more equity. 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 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.

Pecuniary Interest:

The pecuniary interests of Drs. Jalife and Pitt arise from their ownership interest in Avert-AF, LLC.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of an option for a license agreement for patents related to UM OTT File No. 5576 for the fields of use of pharmaceutical therapeutic uses.

Avert-AF will obtain use and commercialization 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 Agreement between the University and Avert-AF, LLC.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen R. Forrest". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Stephen R. Forrest
Vice President for Research

April 2013