

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

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

Action Requested: Authorization to amend and extend Master Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Research and Sponsored Projects while reviewing the Master Agreement that expired on December 31, 2012. This then triggered a continuing review by the Medical School Conflict of Interest Board. A plan for management of the possible risks associated with the conflict of interest will be developed and approved by this Board and agreed to by the parties involved.

This proposed amendment to the master agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Dr. James R. Baker, Jr. is both an employee of the University of Michigan ("University") and a part owner, President, Chief Operating Officer, Chairman of the Board, and Chief Science Officer of NanoBio Corporation (the "Company"). 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. James R. Baker, Jr., a Professor Emeritus of Biomedical Engineering and Internal Medicine and actively engaged at the University, is a part owner, President, Chief Operating Officer, Chairman of the Board, and Chief Science Officer of the Company. The Company was formed to commercialize various technologies, including nanoemulsion. The Company wishes to continue to support research projects at the University and desires to use facilities of the University for projects related to research and development of these technologies. The role of Dr. Baker in each project will be described in and shall be subject to an approved project-specific conflict of interest management plan.

Agreement Terms:

The University will enter into an Amendment to extend the Master Agreement with the Company that will continue to cover standard procedures for performance of projects as well as provisions for implementing University and federal policies related to intellectual property and publication. The Amendment will cover a second five-year period with a total authorization not to exceed \$5,000,000. The University will continue to use standard sponsored project accounting procedures to determine the cost of each project under this Master Agreement. Budgets will be reviewed and approved by authorized representatives of each department and school/college where projects are to be performed. The Master Agreement as amended will continue to allow the University and the Company to specify projects that the

University will conduct under the terms of the Master Agreement. Since sponsored projects are often amended, the Master Agreement continues to include 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 Agreement will facilitate research and testing that will assist the University in developing and commercializing technology in the important field of nanoemulsion. It also provides for ongoing support and collaboration between the University and a University of Michigan start-up company.

Recommendations:

These matters will be reviewed and approved 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 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 Agreement has previously and will again be negotiated in conformance with standard University practices, I recommend that the Board of Regents approve of the University entering into this Amendment to extend the Master Agreement with NanoBio Corporation.

Respectfully submitted,

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

Stephen R. Forrest
Vice President for Research

April 2013