

THE UNIVERSITY OF MICHIGAN

Approved by the Regents
May 20, 2010

REGENTS COMMUNICATION

ACTION REQUEST

Subject: Master Agreement between the University of Michigan and Arbor Photonics, Inc.

Action Requested: Authorization to enter into Master Agreement

Preamble:

A statutory conflict of interest situation was identified by the Division of Research Development and Administration while reviewing the proposed agreement. This then triggered a review by the OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflicts of interest was developed and approved by the OVPR Conflict of Interest Review Committee and agreed to by the parties involved.

This proposed Master Agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Dr. Almantas Galvanauskas is both an employee of the University of Michigan ("University") and part owner and member of the Board of Directors of Arbor Photonics, 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. Almantas Galvanauskas, Professor of Electrical Engineering and Computer Science, College of Engineering, is a co-owner with stock and stock options, and member of the Board of Directors of Arbor Photonics, Inc. ("Company"). The Company wishes to have the University participate in various projects that the Company will support independently, or from awards from federal agencies. The role of Dr. Galvanauskas in each project will be described in a project statement and the conflict of interest management plan.

Agreement Terms:

The terms of the proposed Master Agreement conform to University policy and will cover an initial five-year period with a total authorization not to exceed \$500,000. 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 the requisitioning unit and the Office of Contract Administration. Company has supported several projects at the University since its inception. The Master Agreement will allow the University

and the Company to specify projects that the University will conduct under the terms of the master agreement. Since research projects are often amended, the Master 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 OVPR Conflict of Interest Review Committee will be done on a project-by-project basis.

Impact of the Agreement:

The Master Agreement will enable the University to participate in important research efforts to explore novel spectral combining schemes to short cut current technological limitations and enable very high power fiber laser systems.

Recommendation:

These matters have been reviewed by the OVPR Conflict of Interest Review Committee, 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 acceptance of any individual project. In light of the disclosure made in this document and our finding that the Master Agreement is negotiated in conformance with standard University practices, I recommend that the Board of Regents approve of the University entering into this Master Agreement with Arbor Photonics, Inc.

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 at the end.

Stephen R. Forrest
Vice President for Research

May 2010