

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

June 18, 2009

ACTION REQUEST

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

Action Requested: Authorization to enter into Loan Agreement

Preamble:

A statutory conflict of interest situation was identified by the Division of Research, Development and Administration while reviewing an Equipment Loan Agreement of an Ultrafast Laser Light System from Arbor Photonics, Inc. This then triggered a review by the OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflict of interest was then developed by this Committee and agreed to by the parties involved.

This proposed Equipment Loan 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. ("Company"). 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.

Background:

Dr. Galvanauskas is a Professor of Electrical Engineering and Computer Science in the College of Engineering, and is a co-owner with stock and stock options, and a member of the Board of Directors of Arbor Photonics, Inc. Dr. Galvanauskas will be responsible for the overall financial and scientific oversight of a portion of work subcontracted to the University by the Company under a contract between the Company and the United States Navy.

Nature of the Agreement:

The Company has been awarded a small Phase I contract under a proposal to the United States Navy under the SBIR program. The Company is subcontracting a portion of the work under the Navy contract into the University under the direction of Dr. Galvanauskas.

This agreement was previously approved by the OVPR Conflict of Interest Review Committee and the Regents in May 2009.

Agreement Terms:

Under the Equipment Loan Agreement, the Company will house the Ultrafast Fiber Laser System ("Equipment") for a period of three (3) years. The Company will be responsible for the cost of transportation, installation and maintenance of the Equipment, other costs and liabilities related to the Equipment, and shall maintain insurance thereon naming the Regents as an additional insured. The terms of the Equipment Loan Agreement will conform to University policy.

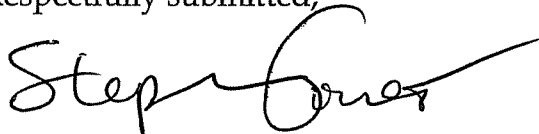
Impact of the Agreement:

The Loan Agreement will enable the University to participate in important research efforts to verify the likelihood of manufacturing success of designs to chirally-coupled-core fibers used as a feed through in a monolithic pump combiner.

Recommendation:

This matter has been reviewed and approved by the OVPR Conflict of Interest Review Committee. In light of this disclosure and our finding that the agreement conforms to standard University practices, I recommend that the Board of Regents approve of the University's entering into this Equipment Loan 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 extending to the right.

Stephen R. Forrest  
Vice President for Research

June 2009