

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

September 22, 2006

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Lycera, Inc.

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 which 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 option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professors Gary Glick, Anthony Opipari and James Ferrara are employees of the University of Michigan ("University") and partial owners of Lycera. 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. Gary Glick, a Professor in Chemistry, Dr. Anthony Opipari, Associate Professor of Obstetrics and Gynecology and Dr. James Ferrara, Professor of Pediatrics and Communicable Diseases are partial owners of a for-profit company called Lycera. Lycera was formed recently to commercialize benzodiazepene compounds for a variety of therapeutic applications and desires to obtain an option to the following technologies from the University:

- UM File No. 1671, entitled: "Methods for the Treatment of Autoimmune Disorders" (Glick and Opipari)
- UM File No. 1671 c1, entitled: "Pro-Apoptotic Benzodiazepines" (Glick)
- UM File No. 1671 c1p1, entitled: "Methods for Identifying Therapeutically Useful Cytotoxic Agents" (Glick and Opipari)
- UM File No. 1671 c1p2, entitled: "Compositions and Methods Relating to Novel Compounds and Targets Thereof" (Glick and Opipari)
- UM File No. 1671 c1 p3, entitled: "Compositions and Methods Relating to Novel Compounds and Targets" (Glick and Opipari)
- UM File No. 1671 c1p4, entitled: "Compositions and Methods Relating to Novel Compounds and Targets Thereof" (Glick and Opipari)
- UM File No. 1671c1p5, entitled: "Compounds and Methods for Modulating Retinoid-Induced Hyperplasia" (Glick)
- UM File No. 1671c1p6, entitled: "Compositions and Methods relating to Novel Compounds and Targets Thereof"

UM File No. 1978/2294, entitled: "Methods for Identifying Therapeutically Useful Cytotoxic Agents
UM File No. 2606, entitled: "New Cytotoxic and Antiproliferative Agents"
UM File No. 2846/3084, entitled: "Novel Compounds and Targets for Ischemic Disease," (Glick)
UM File No. 2871, "Treatment of Autoimmune Disease and Cancer"
UM File No. 2968/3023, entitled: " New Benzodiazepine Crystal Forms" (Glick and Adam Matzger)
UM File No. 2995, entitled: "New Cytotoxic and Antiproliferative Agents" (Glick)
UM File No. 3148, entitled: "New applications for aziridines and related compounds" (Glick)
UM File No. 3160, entitled: "Compounds and Method for Modulating Albinism"
UM File No. 3204, entitled: "New Heterocyclic analogs of Bz-423" (Glick)
UM File No. 3215, entitled: "New Heterocyclic analogs of Bz-423 (Glick)
UM File No. 3226, entitled: "Novel Inhibitors of a Certain ATPase with Therapeutic Properties (Glick and William Roush)
UM File No. 3248, entitled: "Novel Cytotoxic Benzodiazepines with Therapeutic Potential" (Glick)

Parties to the Agreement:

The Regents of the University of Michigan and Lycera.

Option Terms:

Option terms include giving Lycera a time limited option to obtain an exclusive license with the right to grant sublicenses. Lycera will pay an option fee and reimburse ongoing patent costs. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties. 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. Glick, Ferrara and Pipari arise from their ownership interest in Lycera. They have waived any personal participation in the sharing of revenue received by the University.

Net Effect:

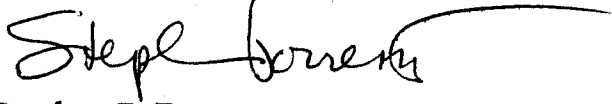
The Office of Technology Transfer has negotiated and finalized the terms of an exclusive option agreement for patents related to the UM OTT File Numbers listed above in all fields.

Lycera will obtain evaluation rights to the above listed University technology.

Recommendations:

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 was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve the Option Agreement between the University and Lycera.

Respectfully Submitted,

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

Stephen R. Forrest
Vice President for Research

September 2006