

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

ACTION REQUEST

October 25, 2007

Subject: License Agreement between the University of Michigan and Nephron, Inc.

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

This proposed license agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor H. David Humes is both an employee of the University of Michigan ("University") and a partial owner, director and officer of Nephron, 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. Humes, a Professor in the Department of Internal Medicine, Division of Nephrology, is the partial owner, director and officer of a for-profit company called Nephron, Inc. (the "Company"). The Company was formed recently to commercialize medical devices for treatment of end-stage renal disease and desires to license from the University of Michigan the University's rights associated with the following technology:

UM File No. 3718, entitled: "Selective Cytopheretic Inhibitory Device (Humes)

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 Nephron, Inc.

Agreement Terms:

Agreement terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay a royalty on sales and reimburse patent costs. The University will retain ownership of the licensed 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. 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 interest of Dr. Humes arises from his ownership interest in the Company.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a world-wide exclusive license agreement for patents related to UM File No. 3718 for the fields of use of medical devices for human therapeutics.

The Company 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 Nephron, Inc.

Respectfully Submitted,



Stephen R. Forrest
Vice President for Research

October 2007