

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents
November 19, 2009

ACTION REQUEST

Subject: Option Agreement between the University of Michigan
and Alluvium Bioscience, 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. 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 and approved 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 Professor David Sherman and Dr. Jeffrey Kittendorf are both employees of the University of Michigan ("University") and partial owners of Alluvium Bioscience, 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 of the University of Michigan.

Background:

Dr. David Sherman, a Professor of Medicinal Chemistry in the College of Pharmacy, Professor of Microbiology and Immunology in the Medical School, Professor of Chemistry in the College of Literature, Sciences and the Arts, and Research Professor of the Life Sciences at the Life Sciences Institute and Dr. Jeffrey Kittendorf, a Research Fellow, Life Sciences Institute, College of Pharmacy, Department of Medicinal Chemistry, are partial owners of a for-profit company called Alluvium Bioscience, Inc. The Company was formed to commercialize certain antibiotic therapeutic technologies and desires to option the following technologies from the University:

UM File No. 2863, entitled: "Nucleic Acids and Polypeptides Involved in the Production of Cryptophycin" (Sherman, Zachary Beck)

UM File No. 3487, entitled: "Cryptophycin Biosynthetic Cluster DNA and Cryptophycin Epoxidase" (Sherman, Beck Yousong Ding)

UM File No. 3851, entitled: "Solid Phase Synthesis of Cryptophycins" (Sherman, Beck, Wolfgang Seufert)

UM File No. 3878, entitled: "Engineering Self Sufficient Biosynthetic Cytochrome P450s" (Sherman and Shengying Li)

UM File No. 4472, entitled: "Method for Enzymatic Production of Decarboxylated Polyketides" (Sherman, Liangcai Gu, Jennifer Gehret, Janet Smith)

UM File No. 4516, entitled: "Antibiotics Bearing a Deosamine Deoxysugar" (Sherman, Li, John Montgomery, Mani Chaulagain, Allison Knauff)

Parties to the Agreement:

The Regents of the University of Michigan and Alluvium Bioscience, Inc.

Option Terms:

Option terms include giving the Company an exclusive option with the right to obtain an exclusive license with the right to grant sublicenses. The Company 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. 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 contract may be amended by consent of the parties. University procedures for approval of these changes will be followed and additional review by the OVPR Conflict of Interest Review Committee will be done as appropriate.

Pecuniary Interest:

The pecuniary interests of Dr. Sherman and Dr. Kittendorf arise from their ownership interest in Alluvium Bioscience, Inc.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of an exclusive option agreement for patents related to UM OTT File No. 2863, 3487, 3851, 3878, 4472 and 4516 for all fields of use.

The Company will evaluate the above-referenced technology in order to determine if it wishes to obtain a license.

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

Respectfully Submitted,



Stephen R. Forrest
Vice President for Research

November 2009

