

ACTION REQUEST

Subject: Materials Transfer Agreement between the University of Michigan and NanoBio Corporation

Action Requested: Authorization to enter into Agreement

Preamble:

A statutory conflict of interest situation was identified by the Division of Research Development and Administration while reviewing the proposed 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 conflicts of interest will be developed by the Board.

This proposed research agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Dr. James R. Baker, Jr., is an employee of the University of Michigan ("University") and a part owner, President, Chief Operating Officer, Chairman of the Board, and Chief Science Officer of a for-profit company, NanoBio Corporation (the "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. James R. Baker, Jr., Director, Michigan Nanotechnology Institute for Medicine and Biological Sciences, is a part owner, President, Chief Operating Officer, Chairman of the Board, and Chief Science Officer of the Company. The Company was formed to commercialize various technologies, including nanoemulsion, and desires to use facilities of the University for projects that will be described from time to time related to research and development of these technologies.

Nature of the Agreement:

The proposed project involves provision of proprietary nanoemulsions made by the Company to the University to Michigan for use in various projects to be mutually approved from time to time. No transfer of funds is involved.

Agreement Terms:

The terms of the proposed master Agreement conform to University policy and will be for a 5 year period. The Agreement anticipates that additional projects will be described and added to the work statement from time to time subject to review and approval of the relevant conflict of interest committee. The initial

project will be directed by Dr. Nicholas Lukacs, Associate Professor in the Department of Pathology, over a 12 month period using internal discretionary funds. Provisions in the research agreement are consistent with University policy.

Impact of the Agreement:

The agreement enables follow-on research to be performed promoting use of proprietary nanoemulsions that cannot be supplied by the University for various purposes including development of intranasal vaccines. It also provides for ongoing support and collaboration between the University and a Michigan start-up company.

Recommendation:

This initial project was approved by the Associate Dean for Research of the Medical School. A plan for management of the conflicts of interest described herein will be developed by the relevant Conflict of Interest Review Committee prior to agreement by the University to perform any research project described by the parties. In light of the disclosure made in this document and our finding that the Agreement was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve of the University's entering into this Agreement with NanoBio Corporation.

Respectfully submitted,



Stephen R. Forrest
Vice President for Research

January 2007