

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

October 20, 2006

ACTION REQUEST

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

Action Requested: Approval of Research Agreement

Preamble:

A statutory conflict of interest situation was identified by the Division of Research Development and Administration while reviewing the proposed research agreement which then triggered a review by OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflicts of interest was then developed by the Committee and agreed to by the parties involved.

This proposed research agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professors Gary Glick, Anthony Opirari and James Ferrara are both employees of the University of Michigan ("University") and partial owners of Lycera and Dr. Glick serves as a member of the Board of Directors 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 Opirari, 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 and Dr. Glick serves as a member of the Board of Directors. Lycera was formed recently to commercialize benzodiazepene compounds for a variety of therapeutic applications. The Company wishes to support research contracts for further development of the inventions made by Drs. Glick and Opirari. A technology license has been disclosed under separate Regental Action.

Nature of the Agreement:

The Company has received a license from the University that relates to the subject of the research project. The proposed project involves study and testing to further develop leads that may prove useful as mechanistic tools and therapeutic agents for autoimmune disorders such as lupus.

Agreement Terms:

The terms of the proposed agreement will conform to University policy. Dr. Glick, who is an inventor of technology licensed to the Company and has a direct financial interest in the Company, will direct the project over an initial one year

period at an estimated cost of \$300,000. The contract will include a provision allowing extension and modification of the project upon mutual agreement of the parties (collectively "Agreements"). University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

The project does not involve human subjects.


Impact of the Agreement:

The study will provide further information that will assist the Company in developing compounds, obtaining regulatory approvals, and commercializing novel cytotoxic molecules as therapeutic agents.

Recommendation:

This matter was reviewed and approved by the OVPR Conflict of Interest Review Committee. 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 Lycera, 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

October 2006