

**SUBMITTED BY:**

**STEPHEN M. LANIER, PH.D.  
VICE PRESIDENT FOR RESEARCH**

**UNIVERSITY CONTRACT TO LICENSE A TECHNOLOGY TO  
QURGEN, INC., A COMPANY CO- OWNED BY A  
SCHOOL OF MEDICINE FACULTY**

**RECOMMENDATION**

The Administration recommends the Board of Governors authorize the President or his designee to contract with QURGEN, INC., to enter into an exclusive license for commercialization of the intellectual property encompassing the Technology entitled “Protein Transduction Using QQ Delivery Reagent and Applications Thereof.”

**BACKGROUND**

Jianjun Wang, Ph.D., associate professor, Department of Biochemistry and Molecular Biology and Qianqian Li, Ph.D., Research Associate, Department of Biochemistry and Molecular Biology, Wayne State University (WSU) have developed methodology related to *in vitro* protein transduction and generation of induced pluripotent stem cells.

The technology has been disclosed to the university and is described in WSU Tech ID 07-831, 07-829 and 11-1017 and embodied in issued patent US 8722348 and patent applications PCT/US 2009/04054, Nationalized PCT/Australia 20009-260528 and PCT/US2012/036051 (collectively, “WSU Technology”). In addition, Drs. Wang and Li, in collaboration with Feng Jiang, Pharm.D., Michael Chopp, Ph.D., and Quan Jiang, Ph.D., from Henry Ford Health System (HFHS) have extended the methodology to *in vivo* protein transduction for clinical applications as described in WSU Tech ID 12-1114, 12-1115 and 12-1116 and Provisional Patent Application Serial Number 61/895,562 (collectively, “WSU-HFHS Co-owned Technology”). WSU Technology and WSU-HFHS Technology are collectively referenced as “Protein Transduction using QQ Delivery Reagent and Applications Thereof” and has benefited from WSU financial, facility and equipment resources as well as from funding from the National Institutes of Health to WSU.

QURGEN, INC. was founded by Drs. Wang, Li, Feng and Chopp and incorporated in Michigan in September, 2012. It is the intent of QURGEN, INC. to further develop the technology for research and clinical applications and to become a leading company in the provision and use of induced pluripotent stem cells for clinical indications including oncology and cardiovascular disease.

Michigan Conflict of Interest law requires specific sunshine procedures in order for a University employee, or a company owned by a University employee, to contract directly or indirectly with the University:

(A) The employee must disclose any pecuniary interest in the contract to the Board and the disclosure must be made a matter of record in the Board’s proceedings.

(B) The contract must be approved by a vote of not less than two-thirds of the full membership of the Board in open session.

(C) The Board's minutes must report:

(i) The name of each party involved in the contract.

(ii) The terms of the contract, including duration, financial consideration between the parties, facilities or services of the public entity included in the contract, and the nature and degree of assignment of employees of the public entity for fulfillment of the contract.

(iii) The nature of any pecuniary interest.

If the Board approves this Recommendation, the minutes will report as follows:

The Board of Governors authorized the President, or his designee, to contract with QURGEN, INC., of which Dr. Jianjun Wang and Dr. Qianqian Li hold an equity position to grant QURGEN, INC. an option to an exclusive license to the Technology known as "Protein Transduction Using QQ Delivery Reagent and Applications thereof."

(i) The parties involved in the contract are Wayne State University and QURGEN, INC.

(ii) The contract will provide:

(a) An exclusive, worldwide royalty bearing license with the right to grant sublicenses

(b) Financial consideration of:

(1) License issue fee of \$3,000.

(2) WSU will receive 4% equity in the form of common stock with a non-dilution threshold of \$3.5M.

(3) Reimbursement of past patent expenses and payment of all ongoing patent expenses.

(4) Royalty on net revenue:

Non-clinical applications: 4% net revenue, years 1 through 3 ; 5% net revenue for years 4 through 5 and 7% net revenue, year 6 and beyond.

Clinical applications: 2% net revenue.

(5) Sublicense fees:

Non-clinical applications: 30%, 2015-2019 and 20% thereafter.

Clinical applications: 30% prior to IND approval; 20% prior to Phase III enrollment and 20% thereafter.

(6) License Maintenance Fees and Minimum Annual Royalties

2017: \$7,500

2018: \$15,000

2019: \$30,000 and \$50,000 each year thereafter until approval of first clinical product

Minimum Annual Royalties after regulatory approval of clinical product

\$125,000, Year 1-2

\$300,000, Year 3-4

\$500,000, Year 5 and thereafter

(7) Diligence milestone payments that include

\$75,000 upon IND approval

\$250,000 upon first enrollment in phase III clinical study

\$1,000,000 upon NDA regulatory approval

(c) No University employees are assigned in connection with the licensing contract.

(iii) Dr. Wang and Dr. Li's pecuniary interest consists of an OWNERSHIP INTEREST, each WSU employee holding 25% equity interest in QURGEN, and will therefore have the potential to financially benefit from the commercial success of the company, including the commercialization of the University's Technology known as "Protein Transduction Using QQ Delivery Reagent and Applications Thereof."