

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

September 18, 2008

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Biomatrix Photonics, 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 Medical School Conflict of Interest Board and 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 these Boards and agreed to by the parties involved.

This proposed option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professors Michael Morris, Blake Roessler and Steven Goldstein are all employees of the University of Michigan ("University") and partial owners of Biomatrix Photonics, 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. Michael Morris, Professor in Chemistry, Dr. Blake Roessler, Associate Professor in Internal Medicine and Dr. Steven Goldstein, Professor, Orthopedic Surgery, are partial owners of a for-profit company called Biomatrix Photonics, Inc. ("Company"). The Company was formed recently to commercialize raman spectroscopy technology for non-invasive diagnostics and desires to option from the University of Michigan the University's rights associated with the following technologies:

UM OTT File No. 2591, entitled: "Raman Spectroscopic Method and Apparatus for Osteoporosis Diagnosis" (Morris, Goldstein, Barbara McCreddie and Tso-Ching Chen)

UM OTT File No. 2947, entitled: "Spectroscopic Analysis of Normal and Abnormal Cartilage" (Roessler, Morris, Abigail Smukler and Nicole Crane)

UM OTT File No. 3117, entitled: "Raman Analysis of Ocular Tissue" (Morris, Roessler, and Karen Dehring)

UM OTT File No. 3152, entitled: "Subsurface Raman Mapping with a Fiber Optic Array" (Morris, William Finney, and Matthew Schulmerich)

UM OTT File No. 3240, entitled: "Biomarker of Extracellular Matrix Turnover" (Morris, Roessler, Dehring, and Gurjit Mandair)

UM OTT File No. 3997, entitled: "Method for Assessing Bone Quality" (Morris, Goldstein, and Jacqueline Cole)

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 Biomatrix Photonics, Inc.

Agreement Terms Include:

Agreement terms include granting the Company an exclusive option 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 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 interests of Drs. Morris, Goldstein and Roessler arise from their ownership interest in Biomatrix Photonics, Inc.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a worldwide exclusive option agreement for patents related to UM OTT File No. 2591, 2947, 3117, 3152, 3240, and 3997 for the fields of use of medical devices.

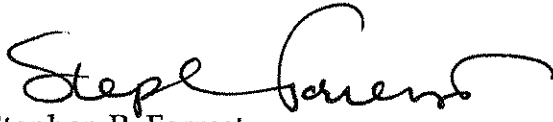
Biomatrix Photonics, Inc. will obtain use and commercialization rights to the above listed University technology.

Recommendations:

This matter has been reviewed and approved by the Medical School Conflict of Interest Board and 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 Agreement between the University and Biomatrix Photonics, Inc.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Stephen R. Forrest". The signature is fluid and cursive, with the first name "Stephen" and last name "Forrest" clearly legible.

Stephen R. Forrest
Vice President for Research

September 2008

