THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

ACTION REQUEST

Subject: Patent Option Agreement between the University of Michigan and JV Biolabs, LLC

Action Requested: Approval of Patent Option Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the technology transfer agreement that then triggered a review by the Medical School Conflict of Interest Board. A plan for management of the possible risks associated with the conflict of interest was then developed and approved by this Board and agreed to by the parties involved.

This proposed Option Agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professors Kent Johnson and James Varani are both employees of the University of Michigan ("University") and partial owners of JV Biolabs, LLC. 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:

Drs. Kent Johnson and James Varani, both Professors in the Department of Pathology, are partial owners of a for-profit company called JV Biolabs, LLC ("Company"). The Company desires to obtain an option to license the following technology from the University:

UM File No. 4059, entitled: “The Use of Two Botanicals with Complementary Activities for Improvement of Skin” (Varani, Johnson, Roscoe Warner, Adam Barron, Marissa DaSilva, and Narasimharao Bhagavathula)

Parties to the Agreement:

The Regents of the University of Michigan and JV Biolabs, LLC.

Option Terms:

Option terms include giving the Company an option to obtain an exclusive license with the right to grant sublicenses. The Company will pay an option fee
and ongoing patent expenses during the term of the option agreement, and
would pay a royalty on sales and reimbursement of patent costs if the option is
exercised and a license is executed. 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 warrantees 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 conflict of interest review will be done
as appropriate.

Pecuniary Interest:

The pecuniary interests of Professors Kent Johnson and James Varani arise from
their ownership interest in JV Biolabs, LLC.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of an
option agreement for patents related to UM OTT File No. 4059 for all fields of
use.

JV Biolabs, LLC 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. 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 Patent Option Agreement Agreement
between the University and JV Biolabs, LLC.

Respectfully Submitted,

[Signature]

Stephen R. Forrest
Vice President for Research

October 2009