

THE UNIVERSITY OF MICHIGAN

January 20, 2006

REGENTS COMMUNICATION

ACTION REQUEST

Subject: Amendment to Option Agreement between the University of Michigan and Innovative Biotherapies, Inc.

Action Requested: Approval of Amendment to Option Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the technology transfer 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 conflict of interest was then developed by the Board and agreed to by the parties involved.

This proposed amendment agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor H. David Humes is both an employee of the University of Michigan ("University") and a partial owner of Innovative Biotherapies, Inc. ("Innovative Biotherapies"). 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. H. David Humes, a Professor in Internal Medicine, is the partial owner of a for-profit company called Innovative Biotherapies. Dr. Humes also is a Director and Officer of Innovative Biotherapies.

Innovative Biotherapies was formed in 2005 and obtained an option to certain technologies from the University in March 2005. A new invention has been disclosed to the Office of Technology Transfer and Innovative Biotherapies would like to add this technology to its existing option agreement. The specific technology is:

UM OTT File No. 3245, entitled: "Implantable Bioartificial Hemofilter"
(David Humes and David Brown)

Parties to the Agreement:

The Regents of the University of Michigan and Innovative Biotherapies

Agreement Terms:

The current option agreement gives Innovative Biotherapies an exclusive option to the technologies. The company reimburses patent costs and continues evaluation of the technologies. The University will retain ownership of the optioned 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 contract may be amended by consent of the parties. Additional review by the Medical School Conflict of Interest Board will be done as appropriate.

Pecuniary Interest:

The pecuniary interest of Dr. Humes arises from his ownership interest in Innovative Biotherapies. He has waived any personal participation in the sharing of revenue received by the University.

Net Effect:

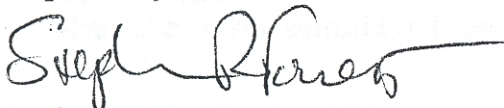
The Office of Technology Transfer has negotiated and finalized the terms of an amendment to the existing option agreement for patents related to UM OTT File No. 3245 for the all fields of use.

Innovative Biotherapies 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 Amendment Agreement between the University and Innovative Biotherapies.

Respectfully Submitted,



Stephen R. Forrest
Vice President for Research

January 2006