

DEC 15 2005

Subject: Option Agreement between the University of Michigan and Powerix Technologies, LLC.

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 which then triggered a review by the OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflict of interest was then developed by the committee and agreed to by the parties involved in this agreement.

This proposed option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Jun Ni and Professor Werner Dahm are both employees of the University of Michigan ("University") and partial owners and members of the Board of Directors of Powerix Technologies, LLC ("Powerix"). 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:

Professor Ni, a Professor in Mechanical Engineering and Professor Dahm, a Professor in Aerospace Engineering, are partial owners of a for-profit company called Powerix Technologies, LLC. Powerix was formed recently to develop portable power systems for the consumer electronics, wireless device, remote power, and military power markets and desires to obtain an option to license the following technology from the University:

UM File No. 2952, entitled: "Rotary Ramjet Turbogenerator," invented by Professor Werner Dahm

Professor Ni is not an inventor on the above referenced invention.

Parties to the Agreement:

The Regents of the University of Michigan and Powerix Technologies, LLC.

Option Terms Include:

Option terms include giving Powerix a one-year exclusive option to negotiate an exclusive license with the right to grant sublicenses. Powerix will reimburse patent costs during the term of the option agreement and would pay a royalty on

sales and reimburse 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 other 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. University procedures for approval of these changes will be followed and additional review by the Conflict of Interest Committee will be done as appropriate.

Pecuniary Interest:

The pecuniary interest of Professors Ni and Dahm arise from their ownership interest in Powerix. They have waived any personal participation in the sharing of revenue received by the University.

Net Effect:

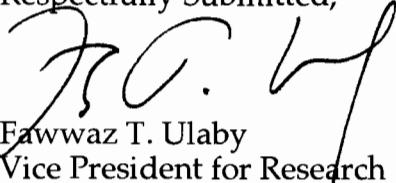
The Office of Technology Transfer has negotiated and finalized the terms of an option agreement for the right to negotiate a world-wide exclusive license for patents related to UM OTT File No. 2952 in the field of use of portable power generation systems.

Powerix will obtain use and commercialization rights to the above listed University technology.

Recommendations:

This matter has been reviewed and approved by 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 Option Agreement between the University and Powerix Technologies, LLC.

Respectfully Submitted,



Fawwaz T. Ulaby
Vice President for Research

December 2005