

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

December 13, 2007

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Arbor Energetics

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 this Committee and agreed to by the parties involved.

This proposed option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Ann Marie Sastry, is both an employee of the University of Michigan ("University") and a partial owner of Arbor Energetics. 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. Ann Marie Sastry, professor in the Mechanical Engineering department, is a partial owner of a for-profit company called Arbor Energetics ("Company"). The Company was formed recently to commercialize methods of designing and making micromachined batteries and hybrid power supplies, and desires to license from the University of Michigan the University's rights associated with the following technology:

UM OTT File No. 3633: "Micromachined Deposited Battery (Sastry and Fabio Albano)

UM OTT File No. 3668: "Hybrid Battery Supply for EV, HEV or PHEV" (Sastry, Chia-Wei Wang, Kimberly Ann Cook-Chennault)

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 Arbor Energetics

Agreement Terms:

Agreement terms include granting the Company an exclusive option to an exclusive license with the right to grant sublicenses. If the option is exercised, the Company will pay a royalty on sales and reimburse patent costs. 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 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 Dr. Sastry arise from her ownership interest in Arbor Energetics.

Net Effect:

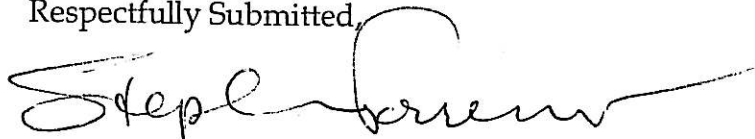
The Office of Technology Transfer has negotiated and finalized the terms of a world-wide exclusive option agreement for patents related to UM OTT File Nos. 3633 & 3668 for all the fields of use.

Arbor Energetics 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 Agreement between the University and Arbor Energetics.

Respectfully Submitted,



Stephen R. Forrest  
Vice President for Research

December 2007