

SUBMISSION FORM
University System/Employee Intellectual Property Joint Participation
MUSP 407

This form is to be submitted with any Board of Regents item whereby a campus seeks the approval of an agreement with or arrangement regarding an employee pursuant to 20-25-109 MCA and Regents Policy 407.

When the submission concerns matters of trade secrets or confidential business information, or any other matter entitled to privacy under state or federal law (e.g., the federal statute known as Bayh/Dole) the submitting campus may request consideration of the submission, in whole or in part, in executive session.

The submitting campus should also provide the Commissioner a copy of the contract(s) that form the basis for the cooperative arrangement for which approval is sought. Submission of the contract does not indicate a conclusion that all or part of the contract is a public document and the question of whether it is in whole or in part protected from public disclosure will be evaluated on a case by case basis.

1. Summarize the nature of the intellectual property that was developed by the employee seeking approval. Indicate the sources of funding for the research that resulted in this invention.

The technology uses fungus to produce biofuels by growing on waste straw. It was disclosed to the Montana State University Technology Transfer Office in July of 2009. No specific grant funding for this project was reported.

A 407 was approved by BOR in September 2009. This form serves to provide updates that have occurred since then.

2.

a. Name(s) of the university employee(s) involved.

- Mark Kozubal
 - Inventor of IP
 - MSU grad student at the time of invention
 - Now full time President and Owner of the company
 - No longer associated with MSU
- William Inskeep
 - Inventor of IP
 - Professor of Geomicrobiology in the Department of Land Resources and Environmental Sciences
 - Chief Science Officer at company
- Richard Macur
 - Inventor of IP
 - Research Assistant Professor in the Center for Biofilm Engineering
 - Senior Scientist at company

b. Name(s) of business entity(ies) involved.

Sustainable Bioproducts LLC, formerly Yellowstone Biotech LLC, based in Bozeman, MT

Sustainable Bioproducts was formed by Mark Kozubal as a result of the MSU invention. It is a development stage company with a wide range of products and technologies for industrial and medical applications. Their mission is to bring sustainable products to market for a cleaner healthier, planet.

Sustainable Bioproducts has developed a process for easily converting waste feedstock to valuable commercial products. Their main process is based on an extremophilic fungal strain (MK-7) isolated from fumaroles at Yellowstone National Park. Sustainable Bioproducts won a Phase II NSF SBIR award in September 2014 and continues to make progress on its business plan. The company has also received Phase I SBIRs from the EPA and the USDA, as well as Stage I and II grants from the MTBRCT.

3. The university and employee(s) are seeking approval for (check as many as appropriate):

- a. **The employee to be awarded equity interest in the business entity** (Macur & Inskeep)
- b. **The employee to serve as a member of the board of directors or other governing board of the business entity** (Macur & Inskeep)
- c. **The employee to accept employment from the business entity** (Macur)
- d. **Other. Please explain.**

4.

- a. **Summarize the nature of the relationship between the university and the business entity (e.g., the entity is licensing the intellectual property from the university, the entity is co-owning the intellectual property with the university).**

The intellectual property and its patents are owned by MSU with an Option to License Agreement with Sustainable Bioproducts currently in place. This confidential document is available upon request. Tech Transfer has facilitated numerous Material Transfer Agreements.

- b. **The proposed duration of the agreement or arrangement.**

The most current Option to License Agreement was updated in January 2015. Sustainable Bioproducts will have the opportunity to seek an exclusive license from MSU by October 2015.

c. The conditions under which the agreement may be terminated or dissolved.

The agreement shall terminate at the end of the Evaluation Period unless the option is exercised or declined by company, in which event the agreement will terminate at the end of the stipulated negotiation period or upon execution of a license agreement, whichever occurs first. Upon termination, company will be liable for patent prosecution fees incurred during the evaluation period. Such fees will be paid upon termination.

MSU shall have the right to terminate the agreement immediately, without the obligation to provide notice, if company files a claim, including in any way the assertion that any portion of the patent rights is invalid or unenforceable where the filing is by the company, a third party on behalf of the company, or a third party at the written urging of the company.

5. Explain specifically how the University System or the State of Montana will likely benefit from the agreement or arrangement.

- a. In-state economic development and partnerships spurred by Sustainable Bioproducts
- b. Service available to convert a wide variety of feedstocks
 - Industrial wastes: glycerol, waste oils
 - Agricultural wastes: manure, lignocellulose (e.g., corn stover)
 - Byproducts of cellulosic ethanol production, such as sugar beet pulp and sugar cane bagasse
 - Municipal wastes: solid waste and biosolids from water treatment
 - Waste water treatment: aromatic compounds
- c. Advancements in bioconversion leading to high value products such as
 - Ethanol and biofuels
 - Oils and waxes
 - Enzymes
 - Drug compounds
 - Plant hormones and biofertilizer
 - Volatile esters
- d. Collaborative research with Yellowstone National Park
- e. Collaborative research opportunities for Montana State University and its students

6. Summarize the financial terms of the agreement or arrangement. Include:

a. The value, nature and source of the University's contribution.

MSU Tech Transfer has pursued patent prosecution and filed 6 provisional patents since 2009. These expenses will be reimbursed by Sustainable Bioproducts per the Option Agreement. The TTO has provided marketing services and personnel hours. Given the progress of the company and potential

value of the IP, MSU has continued to pursuing patents.

b. The value and nature of the employee's contribution.

Sustainable Bioproducts will reimburse MSU for patent costs per their written agreements.

c. The anticipated revenue to be generated by the project and the time line for generating such revenue.

There is no way to predict revenue to be generated at this point as this is still an early stage research and development company.

d. The manner in which revenue and expenses will be shared by the parties.

The current Option Agreement will allow the company to negotiate a license which would include royalties among other terms. The option agreement has no provision for royalties as an option holder is not permitted to conduct commercial sales of products or services containing the optioned technology. Any future royalty revenues will be shared by MSU and the inventors after payment of a development fee to MSU and collection of any unreimbursed patent costs. All expense information is detailed in the confidential agreement language.

e. The nature of each party's equity interest in the project. If none, so indicate.

- Inskeep: None currently
- Macur: None currently