

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

January 18, 2007

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Space Weather Forecasting Technologies

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.

This proposed Option Agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Alex Glocer, Daniel Welling and Jared Bell are both employees of the University of Michigan ("University") and will be partial owners of Space Weather Forecasting Technologies ("SWFT"). 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:

Alex Glocer, Dan Welling and Jared Bell, all graduate students in the department of Atmospheric, Oceanic and Space Science (AOSS), will be partial owners of a for-profit company called SWFT. The company is being formed to commercialize the Space Weather Modeling Framework software project and desires an option to license the following technology from the University:

UM File No. 3386, entitled "Space Weather Modeling Framework" (Tamas Gombosi, Quentin Stout, Kenneth Powell, Igor Sokolov, Robert Clauer, Aaron Ridley, Gabor Toth, Darren DeZeeuw)

Parties to the Agreement:

The Regents of the University of Michigan and SWFT.

Option Terms:

Option terms include giving SWFT a one year option to an exclusive license with the right to grant sublicenses. During the option period, SWFT will perform technical diligence and provide a business plan that describes SWFT's intention and ability to develop and commercialize the licensed technology, which will include: 1) an identified, committed, experienced and capable management team; 2) an appropriate commercialization strategy; and 3) a capitalization plan indicating sufficient access to capital to enable the commercialization plan to be

executed. SWFT is expected to be a service company, and terms of the subsequent license will include a royalty on sales and services provided to customers. 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 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 the changes will be followed and additional conflict of interest review will be done as appropriate.

Pecuniary Interest:

The pecuniary interests of Mr. Glocer, Mr. Welling, and Mr. Bell arise from their ownership interest in SWFT.

Net Effect:

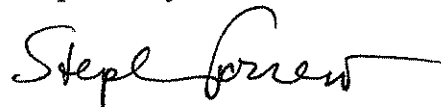
The Office of Technology Transfer has negotiated and finalized the terms of an option to obtain a worldwide exclusive license agreement for software copyrights related to UM OTT File No. 3386 for the field of use of solar system modeling.

SWFT 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 SWFT.

Respectfully Submitted,



Stephen R. Forrest
Vice President for Research

January 2007