

ACTION REQUEST

Subject: Amendment to Option Agreement between the University of Michigan and ElectroDynamic Applications, Inc.

Action Requested: Approval of Amendment

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the technology transfer agreement. This 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 amendment to option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Alec Gallimore and Professor Brian Gilchrist are both employees of the University of Michigan ("University") and partial owners and officers of ElectroDynamic Applications ("EDA"). 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. Alec Gallimore is a Professor of Aerospace Engineering in the College of Engineering and Associate Dean for Academic Program and Initiatives, Rackham Graduate School and Dr. Brian Gilchrist is a Professor in Atmospheric, Oceanic and Space Sciences and Electrical Engineering and Computer Science in the College of Engineering. Both are co-founders and co-owners of EDA. Dr. Gallimore is the Chief Executive Officer and Secretary, and Dr. Gilchrist is the President and Treasurer of EDA. The Company was formed around non-University based technologies, and entered into an option agreement with the University in April 2007. The Company would now like to extend the option and add additional technologies as follows:

UM OTT File No. 4119, entitled: "Nano-Particle Field Extraction Thruster" (Alec Gallimore, Dr. Brian Gilchrist, Dr. Joanna Mirecki-Milunchick, Mr. Thomas Liu, and Mr. Louis Musinski)

Parties to the Agreement:

The Regents of the University of Michigan and ElectroDynamic Applications, Inc.

Agreement Terms:

Terms include giving the Company an 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 contract 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. Alec Gallimore and Dr. Brian Gilchrist arise from their ownership interests in ElectroDynamic Applications, Inc.

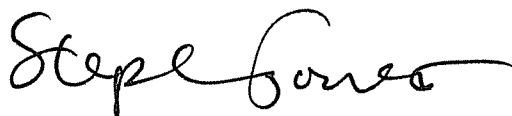
Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of an amendment to the worldwide exclusive option agreement for patents related to UM OTT File Nos. 3176 and 4119 for all fields of use. The Company 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 Amendment to Option Agreement between the University and ElectroDynamic Applications, Inc.

Respectfully Submitted,



Stephen R. Forrest
Vice President for Research

September 2009