REGENTS COMMUNICATION

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and Shepherd Intelligence Systems, LLC

Action Requested: Authorization to enter into Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the technology transfer agreement that 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 and approved by this Committee and agreed to by the parties involved in this plan.

This proposed option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Mr. Jahan Khanna is both an employee of the University of Michigan ("University") and a partial owner of Shepherd Intelligence Systems, LLC. 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:

Mr. Khanna, an undergraduate student in the College of Engineering, is the partial owner of a for-profit company called Shepherd Intelligence Systems, LLC (the "Company"). The Company was formed recently to commercialize vehicle-tracking software, referred to as "Magic Bus," and desires to option from the University of Michigan, the University's rights associated with the following technology:

UM OTT File No. 3408, entitled: "Vehicle Tracking, Monitoring, and Data Distribution System (e.g.: Magic Bus)" (Chris Ruf, Stephen Musko, Prashanth Pandian, Marc Allen, Evan Hsu, Jason Dillaman and various paid student contributors over time, including Jahan Khanna)

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 Shepherd Intelligence Systems, LLC.

Agreement Terms Include:

Agreement terms include granting the Company an option to the software, including the rights to create derivatives and involve third party non-paying beta test partners. 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 or contemplated under the Agreement. Standard disclaimers of warrantees 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 Mr. Khanna arise from his ownership interest in Shepherd Intelligence Systems, LLC.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of an option agreement for software related to UM OTT File No. 3408. Shepherd Intelligence Systems, LLC will obtain development and limited use 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 Shepherd Intelligence Systems, LLC.

Respectfully Submitted,

Stephen R. Forrest
Vice President for Research

July 2009