

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

July 19, 2007

ACTION REQUEST

Subject: Second Amendment to the Patent Option Agreement  
between the University of Michigan and Vortex Hydro  
Energy LLC

Action Requested: Approval of Amendment

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing a 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 amendment ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Michael Bernitsas is both an employee of the University of Michigan ("University") and is a partial owner of Vortex Hydro Energy 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:

Dr. Michael Bernitsas, a Professor in Naval Architecture and Marine Engineering, is a partial owner of a for-profit company called Vortex Hydro Energy LLC. Vortex Hydro Energy LLC was formed recently to commercialize renewable energy technology and desires to add to its existing Option Agreement the following technology from the University:

UM File No. 3737 entitled: "Enhancement of Vortex Induce Forces and Motion for Energy Production" (Michael Bernitsas and Kamaldev Raghavan)

Parties to the Agreement:

The Regents of the University of Michigan and Vortex Hydro Energy LLC

Option Terms:

Option terms include giving Vortex Hydro Energy LLC an option to an exclusive license with the right to grant sublicenses. Vortex Hydro Energy LLC will reimburse patent costs during the term of the option agreement, and would pay a royalty on sales and reimburse patent costs if the option is exercised and a license is executed. 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 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. Michael Bernitsas arise from his ownership interest in Vortex Hydro Energy LLC.

Net Effect:

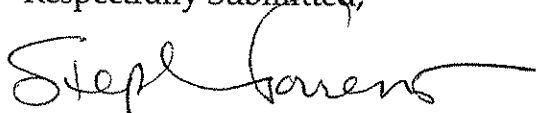
The Office of Technology Transfer has negotiated and finalized the terms of an option agreement for the right to negotiate a world-wide exclusive license agreement for patents related to UM OTT File No. 3737 for the field of use of energy production.

Vortex Hydro Energy LLC 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 Second Amendment to the Patent Option Agreement between the University and Vortex Hydro Energy LLC.

Respectfully Submitted,



Stephen R. Forrest  
Vice President for Research

July 2007