

ACTION REQUEST

Subject: Master Agreement between the University of Michigan and Vortex Hydro Energy, LLC

Action Requested: Authorization to enter into an Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Research and Sponsored Projects while reviewing the Proposal Approval Form that then triggered a review by the OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflicts of interest will be developed by the Committee and agreed to by the parties involved.

This proposed master 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 an owner of Vortex Hydro Energy, LLC ("VHE"). 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.

Background:

Dr. Bernitsas, a Professor of Naval Architecture and Marine Engineering in the College of Engineering, is an owner of VHE (the "Company"). The Company wishes to have the University participate in various projects that the Company will support and desires to use facilities of the University for projects related to research and development of technologies to the Company by the University. The role of Dr. Bernitsas in each project will be described in a Project Plan or Purchase Order and shall be subject to an approved conflict of interest management plan.

Agreement Terms:

The University will enter into a Master Agreement with the Company that will cover standard procedures for performance of projects as well as provisions implementing University and federal policies related to intellectual property and publication. The Master Agreement will cover an initial five-year period with a total authorization not to exceed Two Million Dollars. The University will use standard sponsored project accounting procedures to determine the cost of each project under this Master Agreement. Budgets will be reviewed and approved by authorized representatives of each department and school/college where projects are to be performed. The Master Agreement will allow the University and the Company to specify projects that the University will conduct under the terms of the Master Agreement. Since sponsored projects are often amended, the Master Agreement includes provisions for changes in time, amount, and scope of each supported project. University procedures for approval of each project will be followed and additional review by the OVPR Conflict of Interest Review Committee will be done on a project-by-project basis.

Impact of the Agreement:

The Master Agreement will facilitate research and testing that will assist the University in developing and commercializing technology in a transversely oscillating cylinder system. It also provides for ongoing support and collaboration between the University and a University of Michigan start-up company.

Recommendation:

These matters will be reviewed and approved by the OVPR Conflict of Interest Review Committee and a plan will be developed to manage potential conflict of interest risks associated with each project that will be implemented under the terms of the Master Agreement prior to the University's acceptance of any individual project. In light of the disclosure made in this document and our finding that the Master Agreement is negotiated in conformance with standard University practices, I recommend that the Board of Regents approve the University entering into this Master Agreement with Vortex Hydro Energy, LLC.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen R. Forrest". The signature is fluid and cursive, with the first name "Stephen" and last name "Forrest" clearly distinguishable.

Stephen R. Forrest
Vice President for Research

December 2012