

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

ACTION REQUEST

EXH	MOTION <i>Deitch</i>
	SECRET <i>Newman</i>
	ACTION APPROVED BY THE REGENTS
NOTE	JUL 21 2005

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

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 developed by the 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 Professor Michael Bernitsas is both an employee of the University and 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, Professor of Naval Architecture and Marine Engineering, is the 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 option the following technology from the University:

UM File No. 2973, entitled: "Converter of Current/Tide/Wave Energy"

Parties to the Agreement:

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

Option Terms Include:

Option terms include giving Vortex Hydro Energy LLC a one year exclusive option to negotiate 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 review by the conflict of interest review committee will be done as appropriate.

Pecuniary Interest:

The pecuniary interest of Dr. Bernitsas arises from his ownership interest in Vortex Hydro Energy LLC. He has waived any personal participation in the sharing of revenue received by the University.

Net Effect:

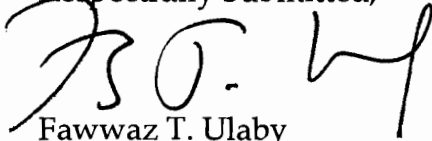
The Office of Technology Transfer has negotiated and finalized the terms of an option agreement for the right to negotiate a world-wide exclusive license for patents related to UM OTT File No. 2973 in the fields of use of Energy Production.

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 and a plan has been developed to manage the potential risks associated with the conflict of interest. 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 Vortex Hydro Energy LLC.

Respectfully Submitted,



Fawwaz T. Ulaby
Vice President for Research

July 2005