

ACTION REQUEST

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

Action Requested: Authorization to enter into Agreement

Preamble:

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

The proposed research agreement (Agreement) falls under the State of Michigan Conflict of Interest Statute because Dr. Michael Bernitsas is an owner, CEO and CTO of Vortex Hydro Energy, LLC ("Vortex") and an employee of the University. 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 (Regents).

Background:

Dr. Michael Bernitsas is Professor of Naval Architecture and Marine Engineering in the College of Engineering and is an owner of Vortex. Vortex desires to fund a project in the College of Engineering under the direction of Dr. Bernitsas.

Nature of the Agreement:

The proposed project is a fabrication piece and will involve the "Fabrication of a Multi-Modulo VIVACE Converter." All of the work will be carried out by undergraduate and graduate students who are members of the VIVACE team with help from the Marine Hydrodynamics Laboratory staff under the direction of Dr. Bernitsas.

Agreement Terms:

Vortex has issued a check to fund the research and will not require the University to sign a research agreement. The period of performance for the project is one (1) year and the amount of funding support is \$11,490.

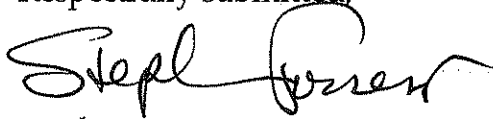
Impact of the Agreement:

The Agreement will support an effort by Dr. Bernitsas to test the VIVACE Converter and fabricate and test a multi-modulo converter scaled prototype.

Recommendation:

This matter has been reviewed and approved by the OVPR Conflict of Interest Review Committee and by the Office of the Dean for the College of Engineering. In light of the disclosure made in this document and our finding that the agreement was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve of the University's entering into this Agreement with Vortex Hydro Energy.

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 legible.

Stephen R. Forrest
Vice President for Research

December 2006