

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents
July 19, 2007

ACTION REQUEST

Subject: Subcontracts between the University of Michigan Adaptive Materials, Inc.

Action Requested: Authorization to enter into Agreements

Preamble:

A statutory conflict of interest situation was identified by the Division of Research Development and Administration while reviewing a proposed research 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.

The proposed subcontract agreements ("Agreements") fall under the State of Michigan Conflict of Interest Statute because Dr. John Halloran is an employee of the University of Michigan ("University") and is the co-founder, Chief Technical Officer and member of the Board of Directors of Adaptive Materials, Inc. ("Company"). 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:

Professor John Halloran, Professor of Material Sciences & Engineering in the College of Engineering at the University of Michigan ("University") is the co-founder, Chief Technical Officer and member of the Board of Directors of Adaptive Materials, Inc. ("Company"). The Company desires to subcontract certain portions of two contracts that it anticipates receiving from the federal government to the University.

Nature of the Agreements:

The Company has applied for and anticipates receiving funding from the Office of Naval Research (ONR) for a project entitled "Low Temperature Portable Solid Oxide Fuel Cell Power System" and the National Institute of Standards and Technology (NIST) for a project entitled "Microconfigured Electrodes for an Efficient Solid Oxide Fuel Cell for Combined Heat and Power" (hereafter referred to as a Project or the Projects). The Company requires access to certain personnel

and expertise of the University to complete the Projects. The proposed Projects will constitute separate subcontracts from the Company to the University.

Agreement Terms:

The terms of the subcontracts will conform to University policy. The subcontracts will call for total funding of \$50,000 and \$358,721 respectively, and are anticipated to cover a period of six (6) months, and two (2) years respectively. The University's standard agreement provisions will apply. Since research agreements are often amended, the Agreement will include provisions for amendments to be made but requiring that they be in writing and signed by authorized representatives of both Company and the University. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

Impact of the Agreement:

These subcontracts enable the Company to do further research on the development of solid oxide fuel cells that may lead to advances in this promising technology.

Recommendation:

This matter has been reviewed and approved by the OVPR Conflict of Interest Review Committee. In light of the disclosure made in this document and our finding that these subcontracts will be negotiated in conformance with standard University practices, I recommend that the Board of Regents approve of the University's entering into these subcontracts with Adaptive Materials, Inc.

Respectfully submitted,



Stephen R. Forrest
Vice President for Research

July 2007