



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: August 14, 2007
TO: Michigan Economic Growth Authority
FROM: Mark Morante, Vice President
Development Finance
Steve Haakenson, Program Specialist
Development Finance

SUBJECT: Briefing Memo - Adaptive Materials, Inc.
High-Technology Look Back MEGA Credit

COMPANY NAME AND ADDRESS:

Adaptive Materials, Inc.
4403 Concourse Drive, Suite C
Ann Arbor, MI 48108

HISTORY OF COMPANY:

Founded in 2000, Adaptive Materials, Inc. (AMI) has quickly become the leader in the development of portable fuel cell technology. Leveraging its patented single step process in the manufacturing of micro-tubular fuel cells, AMI has been at the forefront of portable power innovation. AMI is the first company to develop, demonstrate and deliver a portable, affordable, and fuel flexible solid oxide fuel cell (SOFC) system.

Much of the development for this technology has been funded through the Defense Advanced Research Projects Agency (DARPA) and various other defense agencies as a way to help support the next generation of power sources for the United States Military. The results of these efforts have exceeded the military's expectations, resulting in additional opportunities.

PROJECT DESCRIPTION:

AMI is considering the relocation and expansion of their facility. They need to expand to a facility many times larger than their current 11,000 sq ft Pittsfield Township operation. The company will relocate its current R&D operations and pilot production to a larger leased facility, also located in Pittsfield Township.

As a result of this expansion, AMI anticipates making an investment of approximately \$2.8 million over the term of the lease and anticipates the creation of up to 100 new jobs with an average weekly wage of \$871.

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**BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 187 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$2.4 million (2007 dollars) due to the presence of this facility.

**BUSINESS CASE:**

The company is also considering locating their operations to Columbus, OH. Higher wages in Michigan will cost the company approximately \$700,000 per year once the project is fully staffed. Ohio has also offered AMI a \$6M loan at 0% interest, with an additional \$6M loan at 3% interest.

**OTHER STATE AND LOCAL ASSISTANCE:**

Pittsfield Township has proposed local property tax abatement under Public Act 198 of 1974 for 12 years on new real property. This abatement has an estimated value of \$41,000.

In conjunction with this project, AMI was also awarded a \$6.3 million loan through the 21st Century Jobs Fund.

**QUALIFYING HIGH TECHNOLOGY ACTIVITY:**

The proposed facility is a qualified high-technology business, whose primary business activity is alternative energy technology related to the development of a product, as defined in the Act.

**LOOK BACK AGREEMENT REQUEST:**

Because of delays in the project development process, the Michigan Economic Development Corporation recommends that the Board authorize a look back agreement, which will allow the company to count new jobs created up to 120 days prior to the execution of the MEGA Agreement.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent high technology look back employment tax credit for seven years, for up to 100 net new jobs.