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KippsDeSanto & Co. Advises Adaptive Materials on its Sale to Ultra Electronics

KippsDeSanto & Co. is pleased to send you the attached press release announcing the acquisition of our client, Adaptive Materials, Inc. ("AMI"), by UK-based Ultra Electronics Holdings plc ("Ultra"). Headquartered in Ann Arbor, Michigan, AMI is a provider of portable power solutions based on miniaturized Solid Oxide Fuel Cell ("SOFC") technology to military and commercial customers. Ultra completed the acquisition to expand into the burgeoning market for portable energy solutions. The transaction closed on December 31, 2010.

AMI designs, develops, and produces sophisticated fuel cells that generate between 50 and 500 watts of power and are capable of replacing energy sources from small batteries to generators and engines. The Company draws on its intellectual property and unique manufacturing capabilities to produce high-density power solutions that rely on readily-available, inexpensive propane fuel and offer increased device runtimes without adding weight, volume, emissions, or noise. AMI fuel cells can be leveraged across a range of applications, including small Unmanned Aerial Vehicles ("UAV"), soldier-portable electronics, remote sensors, emergency response radios, and recreational vehicles.

We believe this transaction demonstrates several key trends in the defense M&A environment:

- Increasing focus on technologies that can disruptively enhance capabilities and performance of existing platforms and assets (e.g. UAV that can fly 10 times longer)
- Strengthened appetite for soldier-portable power solutions that improve warfighter safety and effectiveness by minimizing incremental weight burden
- Keen interest in solutions that alleviate logistical burdens placed on the DoD's supply chain
- Foreign-based defense contractors angling to penetrate the U.S. defense market through acquisitions of targets providing in-demand technologies

KippsDeSanto & Co. is an investment bank focused on delivering exceptional M&A and financing transaction results for leading technology and defense companies. For more information on KippsDeSanto & Co., please visit www.kippsdesanto.com.

We welcome the opportunity to discuss how KippsDeSanto & Co. can help you achieve your strategic objectives. For more information on this particular transaction, please contact one of our senior professionals.



has been acquired by



WE ACTED AS FINANCIAL ADVISOR TO
ADAPTIVE MATERIALS, INC.





Ultra agrees to acquire Adaptive Materials for \$23m

Ultra announces that it has acquired Adaptive Materials Inc. from its founders, Dr Aaron and Michelle Crumm for an initial cash consideration of \$23.0m. A further sum of up to \$5.0m will be payable if certain performance-based measures are achieved by 31 December 2013.

Adaptive Materials designs and manufactures portable power solutions in the 50W - 300W range. Adaptive Materials has developed Solid Oxide Fuel Cells (SOFCs) that run on propane and provide more power in less space than competing technologies. Propane is an inexpensive fuel source which is readily available globally, and can be easily sourced in all current operational areas. Propane fuel cells deliver nine times the energy density of conventional batteries. Its products are suitable for niche applications where the power requirements are too small for conventional generators and too large for batteries.

Applications in the defence market for the fuel cell technology developed by Adaptive Materials include:

- individual soldiers; to power the increasing range of soldier-borne electronic equipment
- Unmanned Air Vehicles and Unmanned Ground Vehicles; to increase endurance compared to batteries and provide near silent operation compared to internal combustion engines
- remote sensors; to enhance the life of unattended sensor systems

Customer confidence in the technology developed by Adaptive Materials has been demonstrated by the award in recent years of over \$45m of engineering funding from the US DoD and other research agencies. Adaptive Materials has a significant IP portfolio and is now preparing to enter volume production. It employs around 50 staff, including 15 engineers, operating from a facility in Ann Arbor, Michigan, USA.

The acquisition of Adaptive Materials will be financed using Ultra's existing facilities and is expected to be earnings enhancing in 2011. Adaptive Materials will continue to operate from its existing facilities as a bolt-on acquisition, reporting to Phil Evans, Managing Director of Ultra's Aircraft & Vehicle Systems division.

Rakesh Sharma, Chief Operating Officer of Ultra, commented:

"Adaptive Materials is an excellent acquisition for Ultra, adding to the Group's range of specialist capabilities in the growing market for innovative energy solutions. Adaptive Materials has excellent IP, endorsed by its customers, and will benefit from Ultra's proven abilities in high quality, volume manufacture as it enters the production phase for its range of fuel cell solutions. I am confident that Adaptive Materials will continue its track record of innovation under Ultra's ownership."

- Ends -

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Further information about Ultra:

Ultra Electronics is an internationally successful defence and aerospace company with a long, consistent track record of development and growth. Ultra businesses constantly innovate to create solutions to customer requirements that are different from and better than those of the Group's competitors. The Group has over one hundred distinct market or technology niches within its twenty four businesses. The diversity of niches enables Ultra to contribute to a large number of defence, aerospace and civil platforms and programmes and provides resilience to the Group's financial performance.

Ultra has world-leading positions in many of its niches and, as an independent, non-threatening partner, is able to support all of the main prime contractors with specialist capabilities and solutions. As a result of such positioning, Ultra's systems, equipment or services are often mission-critical to the successful operation of the platform to which they contribute. In turn, this mission-criticality secures Ultra's positions for the long term which underpin the superior financial performance of the Group.

Ultra offers support to its customers through the design, delivery and support phases of a programme.

Ultra businesses have a high degree of operational autonomy where the local management teams are empowered to devise and implement competitive strategies that reflect their expertise in their specific niches. The Group has a small head office and executive team that provide to the individual businesses the same agile, responsive support that they provide to customers as well as formulating Ultra's overarching, corporate strategy.