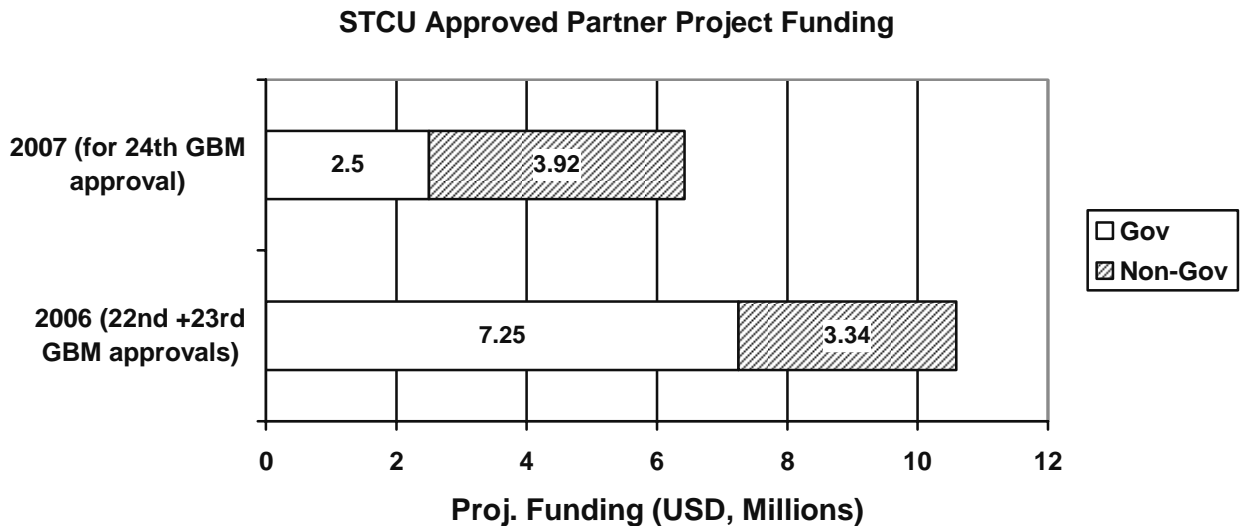




Update on Sustainability and Partners Program Activities

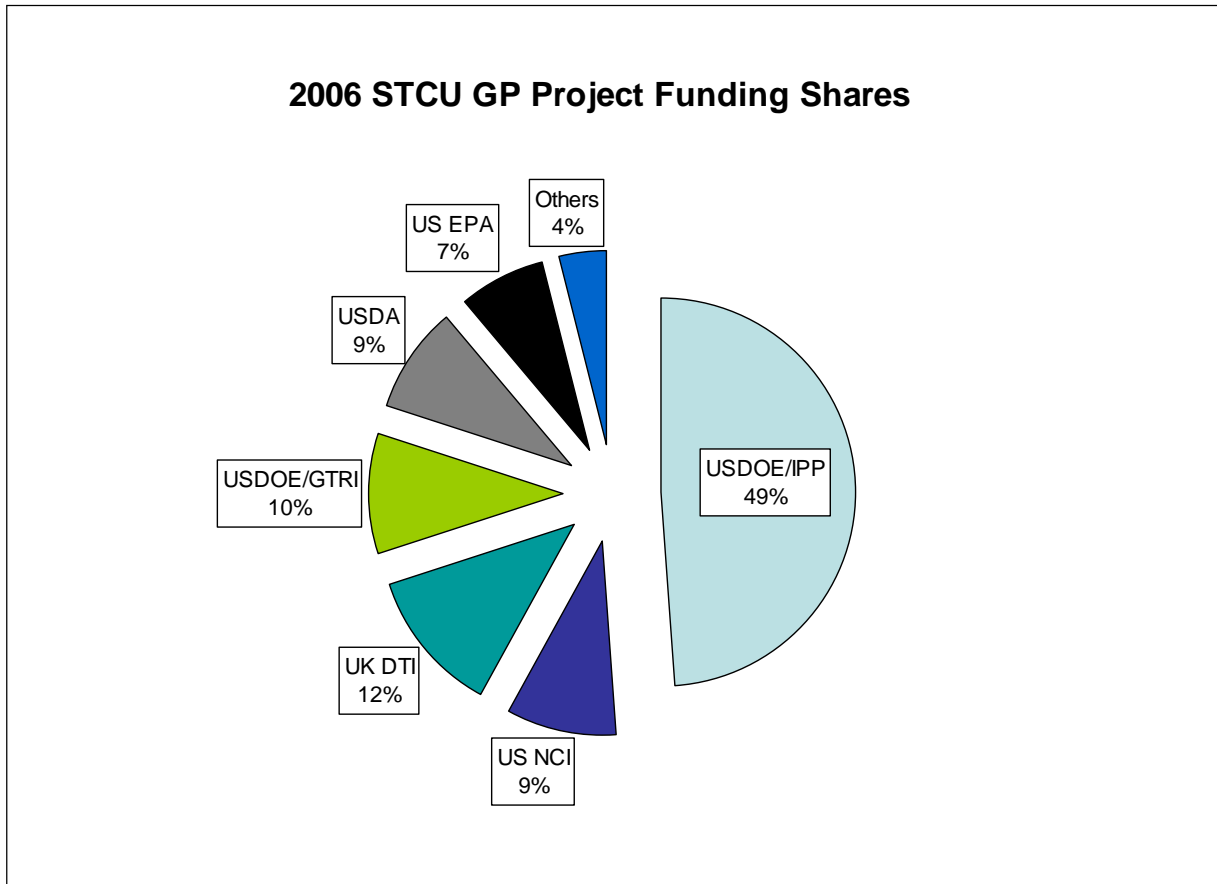
Update on Partners Program Activity

The STCU Partner activity in the first part of 2007 continues at the strong pace that was seen in 2006, when STCU saw all-time highs in approved Partner Project funding. If the current 2007 trends continue, STCU could see another record-setting year for approved Partner Project funding.



Of note, once approved at this 24th GBM, Non-Government Partner (NGP) Project funding will have already exceeded the amount of NGP project funding approved for all of 2006. For new Government Partner (GP) Project funding, the total for 24th GBM approval is about 34% of the all-time STCU high of US\$ 7.25 million approved in 2006. However, currently there are many more GP Projects in the proposal stage than NGP projects; therefore, the Government Partners likely will be the primary Partner activity once again in 2007.

One feature of the current STCU Partner activity is the dominance of a single Government Partner. In the Governmental Partner activity, the U.S. Department of Energy/Initiatives for Proliferation Prevention Program (USDOE/IPP) is the overwhelming leader in GP project funding: US DOE/IPP made up 49% of all the approved GP project funding in 2006, with the next two largest GP participants (UK DTI and US DOE/GTRI) having significantly smaller shares of project funding (10-12% each). Also, U.S. Government Partners made up 88% of all 2006 GP Project Funding. Taking into account that USDOE/IPP currently has six (6) projects in the Agreement Preparation stage (totaling over US\$ 2.18 million), USDOE/IPP (and US. Government Partners in general) likely will continue to dominate the Governmental Partner activity in foreseeable future.



Another feature is the introduction of new Governmental Partners connected with new avenues of global security assistance.

- The U.S. Department of Energy/Global Threat Reduction Office (NNSA NN-21), which is leading U.S. government a global effort to return radioactive material to its original supplier, is financing a US\$ 950,000 multi-year Partner Project in 2006 (and extended in 2007) with the Kharkiv Institute of Physics and Technology to develop laboratory equipment designs using lower enrichments of uranium. DOE/GTRI hopes this STCU project results will encourage KIPT to move away from using highly enriched uranium (HEU) and permit the return of the KIPT supply of HEU to the Russian Federation.
- The UK DTI Closed Nuclear Cities Program (originally a Russian-focused program responding to G8 nonproliferation goals) has financed 10 Partner Projects (totaling almost US\$ 1.3 million), including 5 Partner Projects begun in 2006 and 3 more Projects so far in 2007. UK DTI has plans for additional activities with Ukrainian nuclear-related institutes through STCU.
- A U.S.- based medical research consortium, using U.S. DOE financing under the Chorobyl Research and Service Project, started a US\$ 990,000 Partner Project, which will perform medical studies on workers involved in the replacing the deteriorating concrete shelter around the damaged Chorobyl nuclear power reactor. This is intended to be an annually renewable Partner activity with additional Partner Projects anticipated.



- A U.S. software group is working with STCU to solicit research projects for the Technical Support Working Group (TSWG) of the U.S. Government's Program for Combating Terrorism.
- The U.S. Department of Defense/Defense Threat Reduction Agency (DTRA) is preparing to finance targeted STCU Partner Projects (estimated to be as much as US\$ 1.5 Million over the next two years, and possibly extending to 2014) in support of DoD force protection/threat reduction cooperation against biological threats in Ukraine, and possible in Moldova and Azerbaijan.

Yet another feature of the STCU Partner Program is the variability of the Non-Governmental Partner funding. Non-Governmental Partner activity features a cast of entities that vary in the size and timing of their project commitments. Each year, it appears that one or a few Non-Governmental Partners will finance single, large projects, but each year sees a different NGP with a large Partner Project. This contributes to the variability one sees in new NGP Project funding each year since 2000—varying from US\$ 730,000 in 2000 to an all-time high of US\$ 3.56 million in 2002, back down to US\$ 1.0 million in 2005 and then back up to US\$ 3.34 million approved in 2006.

Because of these factors—the increasing share of Partner Projects versus Regular Projects; the singularity of Governmental Partner funding sources; the variability of Non-Governmental Partner funding sources — the Partners Program is becoming a driving factor in STCU activity and a complex planning issue for STCU management. To improve visibility into the Partner Project activity, STCU has implemented an on-line Partner Project processing system that is similar to the system created for managing Regular Project processing. Also, STCU management has tasked its Partnership Promotion staff to track the stages of Partner Project proposals and Project Agreement preparation, so that a “pipeline” of future Partner Projects is created that will aid STCU management in predicting future project workload and administrative needs.

For example, currently there are eleven (11) Governmental Partner Projects in the “pipeline” that have reached the stage of Project Agreement Preparation, totaling over US\$ 2.73 million; four (4) Non-Governmental Partner Projects have reached this same stage, totaling about US\$ 165,000. Assuming that all 15 Partner Projects are signed by the Executive Director prior to the Fall 2007 GBM, approximately US\$ 2.9 million in funding will be added to the US\$ 6.42 million being presented for approval at this 24th GBM, making a potential 2007 total of US\$ 9.32 million in approved Partner Project Funding (compared to the 2006 total of US\$ 10.59 million).

Patent Support/IPR Activity

In 2007, 3 patent applications were approved for Patent Support Grants funding, amounting to US\$ 3,250. This brings the total number of grants allocated by the STCU in support of Patent Applications to **239**¹ (including **224** grants for Patent Applications in Ukraine, **3** grants for Patents Applications in Uzbekistan and **12** grants for Patent Applications in the STCU Donor Countries).

The new STCU Patenting Committee held 2 meetings during the period, considering the 3 patent applications noted here.

The new procedures for promoting inventions of CIS scientists were developed. This procedure was first presented to scientists in Kyiv, Dnipropetrovsk and Kharkov during a series of round-table discussions with scientists (approximately 40 in each group).

¹ 236 till 23-d Board



In other related activities, Dr. S. F. Petrenko (Lilieya Small Business Enterprise) signed Intention Agreement with a U.K. investment company to create a start-up company based on Dr. Petrenko's inventions. This will become the first investor-financed start-up company based on research that has its roots in past STCU Regular Projects. In support of this future investor interest in Dr. Petrenko's work, STCU proposed to the Parties a draft standard waiver letter whereby Non-Financing Parties would agree to waive their claim to the IP developed under Dr. Petrenko's STCU Regular Projects. Such IPR waiver procedures are critical to the commercialization of STCU project results and the development of self-sustainability among STCU's participating former weapon scientists

Update on Chief Technology Commercialization Officer (CTCO) Initiative

The Chief Technology Commercialization Officer (CTCO) Program was started in late 2006 to train individuals to become technology transfer experts responsible for international licensing and business development for their scientific institutes. With the aid of an external consultant analysis (performed by the University of Missouri – Columbia/International Technology Commercialization Institute, USA), a set of Ukrainian institutes was invited by STCU to participate in this inaugural sustainability development program. The candidate institutes were determined by STCU to have strong, viable technology or service offerings, but limited success in attracting commercial partners. The CTCO effort is designed to be a cooperative undertaking, with STCU providing the training, consultancy, and hands-on experience to the CTCO candidates in return for commitments from the institute's senior leadership to provide material and organizational support to their new CTCO.

With the support from the National Academy of Sciences of Ukraine (NASU), the CTCO program began with these invited NASU institutes:

1. G.V. Kurdyumov Institute for Metal Physics,
2. I.M. Frantsevich Institute of Problems of Materials Science,
3. O.Ya. Usikov Institute of Radiophysics and Electronics,
4. Institute of Organic Chemistry,
5. A.M. Pidhorny Institute of Mechanical Engineering Problems,
6. Institute of Molecular Biology and Genetics,
7. V.E. Lashkaryov Institute of Semiconductor Physics,
8. Institute of Physics,
9. Space Research Institute under NAS and National Space Agency,
10. Lviv Research Institute of Epidemiology and Hygiene.

CTCO Training Course

The CTCO program started with a training course titled "Technological Management: Commercialization of R&D Results in Scientific Research Institutes". The course was conducted by Kharkiv Technologies Center and Kyiv Institute of Intellectual Property. This training course consisted of 3 modules over a period of 7 weeks. Each module was delivered in a group environment during one week's period, followed by 2 weeks of independent study and home assignments. At the conclusion of this CTCO training course on 13 April 2007, CTCO candidates were awarded certificates at a presentation ceremony led by, Academician B. Paton (President of NASU) and Andrew Hood (Executive Director, STCU).



CTCO Institute Summary Report

As an adjunct to their initial CTCO assessment study, the ITCI consultants also prepared a summary report on all the institutes that were analyzed. These institute profiles give a comprehensive description and analysis and of each institute's commercial R&D strength, potential, and areas where improvement could increase the opportunities for the institute to increase their technology transfer benefits. STCU hopes that these institute profiles will be of value to STCU's Partners Program promotion and commercial matchmaking activities.

CTCO in Georgia and Azerbaijan

With the initial success of the Ukrainian-focused CTCO pilot program, STCU extended the work of the ITCI consultants and initiated a CTCO assessment study for institutes in Georgia and Azerbaijan. STCU and the ITCI consultants have conducted field work for the study by visiting ten institutes in Tbilisi and six in Baku in April. The ITCI assessment for this Georgia and Azeri institutes is expected in the coming month, and STCU intends to follow the same path as with the Ukrainian in initiating a CTCO program for invited Georgian and Azeri institutes. STCU has received positive support from Georgia Ministry of Education and Science and National Academy of Science of Azerbaijan in this effort.