

Annual Report

2005 Annual Meeting
Ames Seed Capital LLC
April 6, 2005



Ames Economic Development Commission
1601 Golden Aspen Drive, Suite 110
Ames, Iowa 50010
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www.amesedc.com | www.biotechames.com

FUND 3 – ACTIVE INVESTMENTS

Advanced Analytical Technologies Inc. (AATI)

www.aati-us.com
ISU Research Park
2901 South Loop Drive, Suite 3300
Ames, IA 50010
515.296.6600 (phone)
515.296.6789 (fax)



Contact

Steven J. Lasky, Ph. D., President & COO

Investment

- \$100,000 to purchase 25,000 shares of Series B Preferred Stock (1999).
- \$100,000 to purchase 25,000 shares of Series E Preferred stock (2003).

Key Accomplishments

Advanced Analytical had record sales in 2004, with near \$900,000 in total revenue. We attribute the increase in sales to the following factors:

- Presentations by Johnson & Johnson (California, Dec. 2004) and Procter & Gamble (Amsterdam, Nov. 2004) brought very favorable exposure of our technology and company to technical representatives in our target markets (pharmaceutical and Personal Care Products) resulting in increased interest and sales.
- Users of our technology began purchasing consumables to support routine operation of the instrument. Consumable sales grew at a rate of approximately \$1,000 per month throughout 2004, resulting in consumable revenue of approximately \$68,000.

We are very optimistic about 2005 and continue our quest for market expansion, multiple sales to major clients, and becoming the market standard.

- Buzz continues to grow regarding our flagship product, the RBD 3000, an updated version of our rapid bacteria detector that offers greater sensitivity and automated operation. The RBD 3000 was developed in specific response to client requests for increased throughput and automated procedures for their routine microbial testing protocols. All preparation and analysis steps are now fully automated, allowing hands-free analysis of up to 42 samples. Detection limits and range are also improved with a revised optical system that measures viable organisms from 10 to 1 million cfu/ml. Early users who continue to compile data and present favorable results to the scientific community have enthusiastically received these enhancements. We continue to foster cooperative agreements with key clients to increase our exposure and work toward standardized methods for various industry applications.
- Advanced Analytical has completed distribution agreements for representation in England, Germany, France, Netherlands, Brussels, Denmark, Italy, Spain, Ireland,

Puerto Rico, and South Korea. We also received our CE Mark in 2004, which allows for international shipments. Three instruments were purchased by these distributors in 2005 and shipped to Ireland, Germany and England. We expect international sales to grow with the support of these distribution channels.

ETREMA Products, Inc.

www.etrema-usa.com
2500 N. Loop Drive
Ames, Iowa 50010
515.296.8030 (phone)
515.268.4540 (fax)



Contact Person

Howard Harris, President, and CEO

Investment

\$50,000 investment. A royalty equal to 0.4% of sales on all ultrasonic systems sold, excluding the existing dental industry tool, will be due to ASC LLC on an annual basis until a repayment of \$250,000 has been reached.

Research and Development

R & D efforts for 2004 concentrated on application development using High-Powered Ultrasonics (HPU). In early 2004 HPU was used in the treatment and processing of hog waste by Ag Waste Recovery Systems. The HPU system was demonstrated multiple times to current and possible future investors. Currently AWRS has closed operations due to lack of funding.

Multiple tests were run using HPU in the processing of corn at an ethanol plant. All test showed an increase in ethanol production after HPU was applied. This work continues with one of the ethanol industry players.

Work is currently under way using HPU in the treatment of ship wastewater for the US Navy. This is a multi-year funded development for the treatment of both waste water and ballast water aboard the ship. Funding has also been received to refine the HPU product offering so it can be used in more process related applications.

Revenues from High Powered Ultrasonics were \$69,000 in 2004 and projected to be \$200,000 in 2005.

Edge Technologies currently employs 24 full-time and 3 part-time employees. Company revenues in 2004 totaled \$5.5M. Edge is projecting \$6.9M in revenues for 2006.

Palisade Systems, Inc.

www.palisesys.com
2625 N. Loop Drive, Suite 2120
Ames, IA 50010
515.296.6500 (phone)
515.296.5335 (fax)



Contact

Kurt Shedenhelm, President and CEO

Investment

- \$15,000 to purchase 3,856 at \$3.89 per share adjusted for 20:1 split - 77,120 common shares at \$0.1945 and a warrant to purchase an additional 25,000 shares at \$1.00 per share. Warrants expire on May 15, 2005.
- \$25,000 investment to purchase 12,500 shares at \$2.00 per share purchased in June 2001 (Series C private placement). With the Series E round priced at \$1.00 per share, this investment will be adjusted and we will receive an additional 12,500 shares.

Organization Focus

The organizations focus in the past has been on the K-12 school systems. While this market has been beneficial to the growth of Palisade it has limitations on market size and market revenue opportunity. Palisade has now broadened its markets to include health care, financial services, banking, and education. Palisade products transition completely over to these new markets and give us unlimited growth potential.

2004 revenue came in at the same level as 2003. Considering we came in at the same level with 1 sales rep vs. 5 in 2003, this was quite an accomplishment. From April – December of 2004 we spent time re-aligning the company to achieve future goals. This was all done on cash flow from operations. For 2005 we raised our pricing on our existing products to become more aligned with the competition. In 2004 our average revenue per unit was around \$4,500. With the new pricing it is around \$15,000 per unit. Because we own 100% of the software we can negotiate price downward if needed in price sensitive opportunities. The new products being launched this year will have an average price of \$50,000 per unit. Palisade will now enter the enterprise market space where implementations will range from \$250,000 - \$2,000,000. We are forecasting \$4,800,000 in new revenue this year.

We are launching a new product which is an extension of our current PacketHound and FireBlock technologies. We are renaming this product line and re-pricing at \$50,000 per unit. This will allow Palisade to participate in enterprise content analysis deployments with revenue opportunities between \$250,000 and \$2,000,000.

New Sales Approach

In 2003 Palisade was a 100% direct sales model company. In 2004 we implemented a channel program. This will allow us to get to market quicker with specific vertical expertise in industries such as health care and financial services. It allows Palisade to bring more credibility to a sales cycle with the partner's expertise. We are hiring solution oriented sales resources that have channel experience.

Palisade has recently engaged the services of a public relations company called Dove Tail located in San Francisco to assist us in getting our brand to market. They focus on small technology companies and have assisted companies like Pest Control who was purchased by Computer Associates and Giant Software who was purchased by Microsoft.

Palisade currently employs 18 individuals in Ames and will add 5-10 resources as revenue builds during the year.

Reality Sports Entertainment, Inc.

www.realitysportsent.com
303 Sondrol Street
P.O. Box 882
Ames, IA 50010
515.232.5023 (phone)
515.232.5036 (fax)



Contact

Don Myers, Chief Operating Officer

Investment

\$48,879 to purchase 48,879 shares of common stock at a price of \$1.00 per share.

Sales Activity

	2003*	2004**
Income from Operations	\$90,934	\$100,323
Income from Stock Issuance	\$423,879	\$257,500
Total Expense	\$490,108	\$338,306
Balance at Year End	\$24,705	\$19,517

*Year Ended Dec. 31, 2003, Audited Financial Statements

**Year Ended December 31, 2004 Unaudited & Internal Profit & Loss Statements

Net Income or Loss for 2004: (237,983)

Additional information

In January of 2005, Reality Sports Entertainment, Inc. founder "Cactus" Jack Barringer resigned his position as CEO, Board of Director Member, and President. Then current Board Member, Steve O'Rourke, was elected President of the Company. Don Myers was elected as Chief Operating Officer. The Company was facing extreme financial difficulty. As part of his resignation, Mr. Barringer sold in excess of 3,000,000 shares of the Company's stock back to the company for a very nominal fee. The Company used these shares under a revised offering for current investors only. Launched at a Special Meeting of Shareholders on February 2nd, 2005, and for a period of six days, the Company raised \$200,000. As a result and under a revised business plan the Company is now fully funded. The Company has taken back control of 2 of the 3 franchises in Iowa and slashed monthly expenses. As a

result the Company will operate a company-owned franchise. Revenues from this company-owned franchise should equal and surpass expenses sometime in Summer 2005. Post breakeven point the company will then focus on franchise sales and the television component of the business plan.

Employees Based in Ames: 2 ½ Full Time Equivalents

FUND 4 - ACTIVE INVESTMENTS

BioForce Nanoscience, Inc.

www.bioforcenano.com
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Ames, IA 50010
515.296.6550 (phone)
515.296.6570 (Fax)



Contact

Laurence Russ, Ph.D., President and CEO

Investment

- \$25,000 investment in 2002 for 25,000 shares of common stock.
- \$50,000 investment in 2004 for 40,000 shares of common stock.

Revenue

In 2004, revenues of our small, existing product line, AFM Solutions, increased to just under \$150,000, a 50% increase over 2003. This increase was, however, less than forecast, due primarily to delay in new hires, focus on NanoArrayer development, and facilities limitations. The forecast is to more than double 2004 sales in 2005.

Overall revenues in 2005 will increase substantially, primarily as a result of the launch of our flagship product, the NanoArrayer™ System, in January 2005. Sales of other products, including our proprietary Sindex™ chips, are forecast, as well as revenues from a licensing/co-development program involving our ViriChip™ viral diagnostic system.

Financing

BioForce successfully completed a \$1.5 million private placement round in Q4/2004. This financing activity included a significant Iowa component, led by Iowa First Capital and Ames Seed Capital. This financing supported the launch of NanoArrayer™ and allowed the company to open 2005 in a good cash position.

A new round of financing was initiated in Mid-February of 2005. This \$8 million financing is designed to carry the company through to profitability in 2006 and to provide capital for significant intellectual property filings, expansion of manufacturing capability and expanded R&D/new product development programs.

Recognition

BioForce Nanosciences announced on January 7, 2005 that it has been selected as a Top 100 Innovator by Red Herring. "Selection for the Innovation 100 puts a company in an elite group. The editors worked hard to identify the companies who will benefit from the important technology trends in the coming year.", said Joel Dreyfuss, Editor-in-Chief of Red Herring. Red Herring's editorial staff evaluated over 1200 submissions from 900 companies. The editors used a careful analysis of financial data as well as subjective criteria, including quality of management, execution of strategy, and dedication to research and development.

New Product Introductions

The NanoArayer™ System, the Company's flagship molecular printing system, was launched at an industrial show in San Diego in January. This proprietary molecular printing system, which lists at \$125,000 is projected to start generating sales by Q2/05; a total of 26 units are forecast to be sold in 2005.

Index™ Chips, a proprietary silicon chip product, has just been launched. Additionally, BioForce will be discussing the ViriChip™ System, the company's viral microdiagnostic test, with potential co-developers/licensees, starting in Q2. The company and its new products are beginning to get national and international recognition, as evidenced by the recent "Red Herring" Award for innovation, a highly prestigious national award in the technology sector.

Intellectual Property

The company has continued to file additional patent applications and has responded to USPTO actions on existing filings. In January, we were notified that all of the claims in our "ViriChip" patent had been allowed; we expect to be notified shortly of the formal U.S. patent issuance. This is a further indication of the strength of our technology position.

Management Additions

In April of 2004, Trisha Newbanks, CPA, MAcc, joined the Company as Controller. Trisha brings substantial private sector accounting and business background to BioForce.

Strengthening of the Board of Directors

The BioForce Board is substantially stronger in 2005 with the addition of two new Board Members, and a Board Observer. One of the Company's new directors is Dr. Larry Gold, Chairman of SomaLogic Inc. of Boulder, Colorado. Dr. Gold is an experienced company founder, financier and a member of the National Academy of Sciences. Our second new director is Mr. Jean-Jacques Sunier of Geneva, Switzerland, consultant to Société Générale, our principal institutional investor. Mr. Sunier is an experienced investment manager/analyst on both sides of the Atlantic. Finally, Mr. Art Christoffersen, representing Iowa First Capital of Cedar Rapids, has joined our board as an Observer. These three gentlemen have already made significant contributions in terms of direction, focus and strategic thinking.

New Facilities

On February 1, BioForce began the move into new 6,000 square feet custom-designed facilities in Aspen Business Park, Ames. These long-awaited new facilities provide BioForce with excellent pilot production capability and expanded R&D laboratories, key requirements for the Company's continued growth. An official Grand Opening was held on March 15, with

representative of the State of Iowa, City of Ames and Ames Chamber of Commerce/AEDC participating.

Summary

There is still much work to be done to move BioForce into a position of self-sufficiency and profitability, but much has been accomplished over the past year. We have continued to manage our cash carefully, while moving forward with essential revenue-generating and financing activities. On behalf of BioForce, I would like to express my appreciation for the continuing support of Ames Seed Capital.

CADseek (CMnet)

2501 N. Loop Drive, Suite 1606
Ames, Iowa 50010
515.296.7036 (phone)
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Contact

Dr. Abir Qamhiyah, Founder and President.

Investment

\$50,000 investment as a convertible note in 2005. Interest payments will be made annually at a rate of 7%. The entire principal amount and all accrued but unpaid interest is due in five years. Ames Seed Capital LLC will have, at its sole discretion, the ability to convert all or any portion of the original principal amount at any future round of equity financing. The right to convert shall apply for twelve months after the principal amount of the convertible note has been paid in full.

Research and Development

Funded by a grant from the National Science Foundation, preliminary work was completed to develop and test the basic technology underlying the geometric search engine included in CMnet's software product. This work was accomplished by the end of the spring 2004 semester at Iowa State University.

In March the company received a \$50,000 convertible debt loan from Wellmark to continue development and commercialization of the software package. CMnet purchased the computer equipment needed and moved into its current quarters at the ISU Research Park in June 2004. There programmers created the graphical user interface and internal classification and search capabilities for the product, which was named CADseek.

Demonstrations were presented to key personnel at John Deere, Lockheed-Martin and UGS. Those at all three companies were very impressed by the performance of the software, and plans were formulated to proceed to a testing phase with all three potential customers. During that period the software was upgraded to include a CAD Navigator module, which allows the user to view a 3D representation of an entire database, with clustered families represented by spheres.

Deere provided an initial group of files to CMnet which were coded and classified for search. The test proceeded smoothly, and Deere personnel visited the Ames facility to view the

results. Subsequently, Deere provided another group of files for testing, with plans for an eventual on-site implementation.

Engineers from Lockheed-Martin traveled to Ames to view a demonstration of the software in late 2004. After reporting to management, they extended an invitation to CMnet, Inc. to visit their Minnesota site to plan for an on-site installation and beta test.

UGS also provided a set of parts to test CADseek. They were particularly interested in testing to see if CADseek could handle JT Open format files which are used extensively by their CAD products. The files were coded, classified and tested without difficulty. UGS personnel were pleased by the resulting demonstration and plans were made to move forward with further evaluation and discussion.

Two patent applications were filed by the Iowa State University Research Foundation based on the technology invented by co-founders Abir Qamhiyah and Don Flugrad. These patent applications were filed with the U.S. Patent Office in June 2004. One patent application deals with the coding and classification used in the search engine, and the other addresses the network concept allowing original equipment manufacturers to identify qualified contract manufacturers using the CADseek software and a distributed internet system. CMnet, Inc. negotiated an exclusive license agreement with ISURF for use of the technology in the two patents in September 2004.

Sales Activity

In 2003 the company had not yet developed a product for sale so there were no sales. In 2004, the company developed CADseek as its flagship software product, but no sales were made during the year. The recently updated business plan for CMnet, Inc. projects a total of \$1.08 million dollars in sales for 2005. This will be accomplished by a combination of direct sales and sales through value added resellers (VARs).

Net income or loss for 2004

The company sustained a loss of \$70,272 for 2004.

Employees based in Ames

The company currently has three full time employees based in Ames. We plan to expand to six by September 2005.

Additional Information

CMnet is currently working with John Deere to define a Proof of Concept project that will likely involve an on-site installation. CMnet will be paid for this effort. Talks are also proceeding to identify funds in Deere's budget to purchase CADseek software.

CMnet is also scheduled for an on-site installation at Lockheed Martin within the next month for beta testing. Upon successful completion of that testing phase, we expect them to purchase CADseek for their Minnesota site, paving the way for evaluation and sales at the other 39 Lockheed Martin sites. Discussions are also proceeding with UGS to explore ways of integrating the CADseek software with the UGS CAD products.

Finally, CMnet is recruiting three VARs to begin selling CADseek to a variety of CAD customers. Two of the VARs are also interested in projects to integrate CADseek with software they have developed to serve various needs of the CAD community.

CombiSep, Inc.

www.combisep.com
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 Ames, IA 50010
 515.294.1690 (phone)
 515.294.7141 (Fax)



Contact

Shelley J. Coldiron, Ph. D., CEO & President

Investment

- \$50,000 to purchase 20,000 shares of Series B Voting Convertible Preferred Stock (April 2002).

New Products

CombiSep has introduced several new products including:

- Co-Solvent pKa Buffer Kits
- pKa Estimator Elite™ sold through reseller, MicroSolv, to single capillary CE users
- 21 CFR 11Compliance Module for GMP and GLP environments
- Chiral Buffers and Reagents
- CIEF Buffers and Reagents
- cePRO Manager™ Version 5.0
- pKa Buffers packaged for single CE user
- cePRO 9600™ cooling option

Sales

Current customers through March 31, 2005 are:

<u>Customer</u>	<u>Location</u>	<u>Unit</u>	<u>Application</u>
GSK	Harlow, UK	cePRO 9600	Purity, General CE
Harvard/Mass General	Cambridge, MA	MCE 2000	Oligonucleotides
Himeji Inst. Of Technology	Hyogo, Japan	MCE 2000	Metabolites
Illumina	San Diego, CA	MCE 2000	Oligonucleotides
Integrated DNA Technologies	Coralville, IA	MCE 2000	Oligonucleotide
Integrated DNA Technologies	Coralville, IA	MCE 2000	Oligonucleotides
Integrated DNA Technologies	Coralville, IA	cePRO 9600	Oligonucleotides
LMS	Tokyo, Japan	MCE 2000	Former Distributor
Maxygen/Codexis	Redwood City, CA	cePRO 9600	Process Monitoring
MWG Biotech	Germany	cePRO 9600	Oligonucleotide
Pfizer	Groton, CT	MCE 2000	pKa
Pfizer	Ann Arbor, MI	cePRO 9600	pKa
Procter and Gamble	Mason, OH	cePRO 9600	pKa, Log P
Oiagen/Operon	Alameda, CA	cePRO 9600	Oligonucleotides

Sigma Genosys	The Woodlands, TX	MCE 2000	Oligonucleotides
BioSearch Technologies	Novato, CA	cePRO 9600	Oligonucleotides
MWG Biotech	Bangalore, India	cePRO 9600	Oligonucleotides
MWG Biotech	High Point, NC	cePRO 9600	Oligonucleotides

<u>Customer</u>	<u>Location</u>	<u>Unit</u>	<u>Application</u>
Hort Research	New Zealand	cePRO 9600	dsDNA
BASF	Germany	cePRO 9600	Log P
Illumina	San Diego, CA	cePRO 9600	Oligonucleotides
Illumina	San Diego, CA	cePRO 9600	Oligonucleotides
Eli Lilly	Indianapolis, IN	cePRO 9600	pKa

In addition to instrument sales, revenues included sales of data processing software packages, service contracts and consumables consisting of reagents, application kits, and hardware.

Distributors and Reseller

CombiSep has assigned new foreign distributors in New Zealand, Alpha Tech Systems Ltd. and Germany, Axel Semrau GmbH & Co.

CombiSep has assigned Microsolv Technology Corporation as a reseller for pK_a software and buffers for capillary electrophoresis users who are performing pK_a measurements on single capillary systems.

Intellectual Property

The patent upon which the core technology for CombiSep is founded and licensed from Iowa State University was issued on September 7, 2004, Patent No. 6,788,414.

CombiSep made 4 patent filings on improvements over their core technology and on new developments. These filings further protect the company from competition and the new developments facilitate penetrating new markets such as Proteomics. Two of the U.S. Patent filings issued on December 31, 2004, Nos. 6,822,032 B2 and 6,833,919 B2.

Certifications

CombiSep's software is now 21CFR11 Compliant for FDA Implementation. This enables customers to be 21CFR11 certified. These are standards by which the US Food and Drug Administration will accept electronic records and electronic signatures as equivalent to paper records and handwritten signatures. They are rule which governs electronic records throughout their lifecycle from creation through modification, storage, and final transmission to the FDA.

Awards

Frost & Sullivan presented the 2005 Award for Product Differentiation Leadership in the U.S. absorption, distribution, metabolism, and excretion/toxicology (ADME/Tox) market to CombiSep, Inc. for the cePRO 9600™. The product enables a much higher throughput than traditional methods for measurement of the key physicochemical properties pK_a and logP. These properties have typically been measured early in the lead optimization process, but only for a limited number of compounds due to the low throughput of other technologies.

Solubility, pK_a and logP are three interrelated properties, which are critical in determining bioavailability; thus, these analyses would ideally be run as early as possible.

Management Team

Mr. Mark F. McDonald will become Chief Operating Officer of CombiSep effective April 1, 2005. He is President of Rheodyne LLC, through March 31, 2005. Rheodyne is the largest manufacturer of high performance liquid chromatography sample injectors and multi-channel degassing devices. Prior to joining Rheodyne, McDonald progressed through a series of increasingly important positions at Hitachi Instruments, Inc., including vice president of sales and marketing and then as president of Hitachi. He has also held sales and technical positions with Perkin-Elmer Corporation and Bayer Corporation. McDonald has acquired over 25 years experience in the analytical scientific and technical instrumentation market.

Dr. Ken Ogan joined as Director of Business Alliances in October 2004. Previously, Dr. Ogan was Vice-President of Technology for Hach Company and the Water Quality Group of Danaher Corporation, where he administered the new product development process for business groups in the US and Europe. Dr. Ogan was also responsible for new technology development and ventures for this group. Prior to Hach, Dr. Ogan was with Hitachi Instruments, serving as Director of Business Development, Principal Scientist, and Manager of Technical Applications, working with LC-MS, UV-Vis, and NMR for the pharmaceutical industry. Prior to Hitachi, he spent 12 years in the Applied Research Department at Perkin-Elmer, ultimately as Senior Manager of the group. Dr. Ogan holds a B.S. in Chemical Physics from M.I.T., a Ph.D. in Physical Chemistry from U.C.L.A., and did post-doctoral work in the Harvard-MIT joint program in health sciences. Dr. Ogan has over 25 years of experience in analytical scientific and technical instrumentation.

Lincolnway Energy

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515.382.2417 (fax)



Contact

Bill Couser, President

Investment

\$49,400 for 52 units at \$950 per unit.

Current Events

Since the thought of putting an ethanol plant in the Ames area began for us in November 2003, it has been a stream of fast paced, hard work, and many hours of putting together information for our investors, contractors, newspapers, website and other means to get as much information out as we could. We really do not hit any of the points in which you ask us to highlight for you over the last year, so I will tell you, in relation to them, the pertinent steps we are taking to ensure we meet the projections and expectations of you as an investor.

Milestones

- We began our equity drive on August 9, 2004 in Nevada, Iowa and we had 58 public meetings and did several special invitation meetings to groups, such as yourselves, and closed our equity drive at \$38,124,250 in 53 days and became an operational company as of our new year October 1, 2004.
- We secured commitment from Co Bank to be the lead lender for finance the remainder of the project costs and began construction - dirt work - on November 15th. The work was performed on contract and completed as requested prior to December 31, 2004.
- We secured the required permits for actual structural construction to begin and Fagen, Inc., the design/build contractor, moved on our project in early January 2005. Based off the contract requirements, as you can see on our website, Fagen has done an outstanding job of keeping us on target for a start up in early 2006. Please check out our website for live webcam and some still photos of start up construction under our Photo Gallery.
- We also decided in November to protect our interest and purchase the land, Prairie View Golf Course, adjacent to our existing property to ensure potential for growth and rail expansion needs for our current project. This also raised the question as to whether we were going to open the facility as a golf course in 2005. Upon careful review by the board, it was decided that in the best interest of the company, not to open it up because we could not ensure it to remain open once we began our rail work. Therefore it will not be open as a golf course again.
- We are continually working on contracts, agreements, and labor searches in relation to our plant operation start up that includes many hours of hard work and meetings on the part of our Board Members.

MagnaLynx

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515.663.8820 (phone)
515.663.8821 (fax)



Contact

Scott Irwin, CEO

Investment

\$50,000 investment to purchase 50,000 shares of common stock in 2004.

Research and Development

Initial CAD Setup for Integrated Circuit (IC) Design.....Oct-2003
Complete Integrated Circuit (IC) Development Flow..... Jun-2004
ASE Selected as Package Supplier for SRAM Products..... Jul-2004
Completed MagnaPHY™ Memory Protocol Specification.....Aug-2004
Completed Datasheet for ML1Sxx4 Single-Port SRAM Family..... Nov-2004

10Gb/s Serial Transceiver Design Complete.....Dec-2004

Sales Activity

No sales in 2003 or 2004. All activities were focused on R&D and cultivation of partnerships. Launch of MagnaLynx first SRAM products is scheduled for second half of 2005. No significant SRAM product revenue is projected until 2006, although IP licensing, Engineering Samples and Evaluation "Kit" sales are anticipated, but not likely to exceed \$100k.

Net income or loss for 2004

Last year's efforts focused on research and development. Net loss for the year was \$939,701. Year ending cash balance was \$203,294.

Employees based in Ames

As of the end of 2004, MagnaLynx had 9 employees (8 full-time, 1 half-time). All are based at the company's Ames, IA Corporate Headquarters and Design Center.

Additional Information

- On February 19, 2004, MagnaLynx was awarded \$100,000 in financial aid from the State of Iowa. The award is provided by the Entrepreneurial Ventures Assistance (EVA) program of the Iowa Department of Economic Development (IDED). Of the total award, \$75,000 is in the form of a deferred loan with royalty repayment, while the remaining \$25,000 is a technical assistance grant which is not repaid.
- On April 28, 2004, the company elected an outside member to the Board of Directors, replacing Charles Boecker. Richard C. Perkins is Vice President and Portfolio Manager with Perkins Capital Management, Inc. of Wayzata, Minnesota. Mr. Perkins has over 24 years experience in the investment business. He graduated from Colby College, Waterville, Maine, in 1975 receiving a BA degree with Distinction in two majors: Administrative Science and Mathematics/Economics. He was an Investment Executive with Piper, Jaffray & Hopwood, Incorporated of Minneapolis, Minnesota for twelve years, where he specialized in equity securities.
- On June 25, 2004, one of the eight founders of MagnaLynx, Scott A. Service, left the company. Andrew Jenkins has assumed his responsibilities as Director of CAD Engineering. Per a *Founding Shareholders Agreement*, the remaining seven founders purchased the shares held by Mr. Service.
- On July 1, 2004, John Stafford joined the company as Vice President of Marketing. He is working with the management team to define, brand, position, and market our new line of high-speed serial memory products. Most recently, Mr. Stafford was Assistant General Manager with NEC America working in Irving, Texas. Prior to that he has served as Director of Product Management, Product Line Manager, and Product Manager with NEC America.
- As of July 31, 2004, the company has closed on \$810,000 of its seed round private placement. The company is currently seeking to close out the remainder of that seed round 2Q-05 before launching a follow-on round in mid-2005.
- In August 2004, we completed the build-out of the remainder of our leased office space in the Aspen Business park, nearly doubling our finished space to accommodate up to 16 employees.
- On September 15, 2004, MagnaLynx filed "intent to use" trademark registrations for the **MagnaLynx** and **MagnaPHY** marks. This action will help to insure ownership of these

terms and strengthen our ability to protect our marks. Application for full registration will be made after our first products are shipped.

- MagnaLynx was the subject of an Emerging Technology Company Profile in the November 2004 issue of Inside Chips. Inside Chips is a semiconductor industry newsletter that focuses on new technologies and up and coming companies. (<http://www.insidechips.com/>).
- April 4, 2005 -- Technology Executive Mac Lewis Joins the MagnaLynx Board Minneapolis-based technology executive and investor Mac Lewis recently joined the Board of MagnaLynx Inc., an early-stage semiconductor start-up focused on the high-performance serial chip-to-chip interface market. As a founder of the Sherpa Partners investment firm, Mr. Lewis has been instrumental in helping cultivate growth of technology companies in the Midwest.

Micoy

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515.331.0845 (fax)



Contact

Joe Stevens, CEO

Investment

\$50,000 investment to purchase 200,000 shares of common stock in 2004.

Research and Development

- 1) Completed second-generation camera. Refined and field tested until stable and proven.
- 2) Processing software and production methods significantly improved. Production delivery times decreased, which improves margin.
- 3) Playback technology upgraded significantly, including long-format playback.
- 4) Real-time camera technology completed and modeled in a computer. Provisional patent from 2003 was fully completed.

Intellectual Property

Acknowledging the many unique attributes of Micoy technology, the patent office has allowed all 57 claims in this first of several pending patents (the 58th claim was dropped by Micoy after it was amended into other claims and became redundant). Being awarded all claims is a very rare occurrence with modern, complex patent applications, especially when considering such a broad scope of individual claims.

"This patent fully protects all aspects of the Micoy Camera System, which enables the only known method of capturing spherical stereoscopic video," said Trent Grover, Micoy Chief Technology Officer. "Most importantly, the patent protects the underlying methods upon which our camera systems are based, including the techniques we use to transform large amounts of 2D video data into unified, immersive 3D video."

Recognition

Micoy's three-dimensional immersive experience camera technology has been selected as one of the Top 25 World's Best Technologies, and Micoy has been asked to present at the World's Best Technologies Conference in Arlington, Texas on March 31, 2005. At the conclusion of this conference, Micoy was voted the World's Second-Best Technology and presented with the prestigious Gold award.

Sales: 2003 = \$0 and 2004 = \$54,179. Projections are in the process of being recast. Year end financials are awaiting board approval.

Employees based in Ames: Two

Sales and Revenue Development

Micoy landed another project with QDS and recently completed its filming. The project, which will be delivered in January, involves football plays that are experienced from the quarterback's perspectives. QDS has garnered interest from the NFL as well as several college teams, and appears to have found a hot application for our technology. They are seeking a licensing agreement with Micoy and plan to use them extensively in 2005.

New Product

While developing a real-time technology, they have created a new "virtual camera" product that they plan to announce 1Q05. Essentially a fully functional software version of their fourth-generation real-time hardware technology, this yet-to-be-named virtual camera can render fully immersive computer-generated (CG) and virtual reality (VR) environments in real-time, and in true stereo (3D). From preliminary market feedback, it appears this product is the answer to a number of problems that animators and VR application developers regularly encounter.

Focus for 2005

Micoy's retooled strategy was derived from their strategic planning in November, during which we reflected on the many things we learned during their first year in the marketplace. Their strategic thinking was based on our long-term shareholder objectives, and they took a good look at Micoy's strengths, weaknesses, and what the marketplace has been telling them it wants.

Furthermore, once Micoy patents begin to issue they are able to move beyond their pre-patent revenue model, and begin to emphasize their post-patent strategy. This includes licensing technology and co-developing products with market leaders. They are excited about this retooled post-patent strategy and plan. It starts with their decision to stop proactively pursuing 'custom content' projects via channel partners, which was their main pre-patent revenue strategy. Instead, they are reactively handling new project opportunities as they come to them, while continuing to nurture the opportunities already in their pipeline. Their decision to sell mostly direct to end-customers shortens their sales cycle and puts Micoy in control of the sale. This will allow them to drive creative demand for Micoy technology, rather than waiting for channel partners to do it for them.

The company plans to focus only on the first two points of their new strategy until significant revenues or funding allow otherwise. Assuming they raise at least minimal funding to support this plan, their two primary objectives for the next six months are summarized as follows:

1. **Close one casino by the end of 3Q05 via a strategic customer partnership.**

Micoy is seeking "prototype driven funding" from direct customer partnerships, beginning with one high-profile customer site within six months. They are targeting the largest casinos in Las Vegas, which invest heavily in their attractions to bring more people into their facilities. Every attraction that a major casino commissions is by default a "prototype," in that they want attractions that have never been seen before. Casinos spend tens of millions on their attractions, which includes funding the necessary research and development costs.

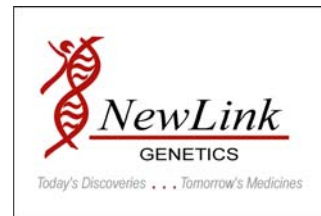
2. **Seek license agreements and form strategic R&D partnerships.**

They are preparing to launch their post-patent licensing strategy and they will be looking for certain licensees to become strategic manufacturing and/or R&D partners. Licensees will no doubt be diverse in their nature and interests, but most will be application licensees or technology licensees.

NewLink Genetics Corporation

www.linkp.com

2901 South Loop Drive
Suite 3900
Ames, Iowa 50010
515.296.5555 (phone)
515.296.5557 (fax)



Contact

Nick Vahanian, Chief Medical Officer

Investment

- \$99,999 to purchase 44,444 shares of Series AAA Preferred Stock at \$2.25 per share (October 2001).
- \$99,999 to purchase 39,999 shares of Series B Preferred Stock at \$2.50 per share (July 2002).

Fall 2004 Update

Their HyperAcute™ Lung cancer vaccine is rapidly approaching the halfway point in Phase 2 clinical trials just as they begin screening patients for their second clinical trial, HyperAcute™-Breast cancer vaccine. They hope to initiate two additional clinical trials in the upcoming months, namely prostate cancer and melanoma.

As a result of this rapid progression, they have added several new members to their staff to assist in their expansion. Furthermore, they have added additional laboratory space to accommodate their growth.

Their bioinformatics team is also making great strides. NewLink Genetics has cosponsored a Phase I/II Small Business Innovation Research grant with Dr. Volker Brendel, a distinguished scientist from Iowa State University. If awarded, these funds would potentially be used to accelerate the completion and marketing efforts of their bioinformatics products. They have successfully licensed our GeneSeqer software to several global customers such as Dupont and BASF.

Finally, they have been working closely with State officials on an economic stimulus package as part of the Grow Iowa Values Fund. Earlier this year the Values Fund Board announced that NewLink had been awarded a substantial sum (\$6,000,000) that would be used to create a significant number of new jobs over the next several years.

Fortunately, the Grow Iowa Values Fund was reinstated by the legislative meeting held this September. Although the Fund was modified, the prior commitments including NewLink's allocations, were honored.

The patent covering our Genomavir target discovery platform was recently issued (U.S. Patent 6,753,142). Two patents covering complementary approaches and technologies derived from Genomavir research have also been recently filed.

Valuable animals, essential for the continuation of preclinical studies of HyperAcute™ vaccines, were procured and transferred from John Stoddard Cancer Research Institute to the Laboratory Animal Resources Facilities at the Iowa State University (ISU) campus. In compliance with University, State and Federal Regulations, NewLink Genetics utilized the ISU Institutional Animal Care and Use Committee (IACUC-COAC).

Palisade Systems, Inc.

www.palisadesys.com
2625 N. Loop Drive, Suite 2120
Ames, IA 50010
515.296.6500 (phone)
515.296.5335 (fax)



Contact

Kurt Shedenhelm, President and CEO

Investment

- \$25,000 investment to purchase 25,000 shares Series E Preferred Stock for \$1/share purchased in 2005.

Update is included in Fund 3.

Phytodyne Inc.

www.phytodyne-inc.com

2711 South Loop Drive, Suite 4400

Ames, IA 50010

515.296.5513 (Phone)

515.296.0863 (Fax)



Contact

Jon Leafstedt, President

Investment

\$50,000 to purchase 50,000 shares of Series B Preferred Stock (October 2001)

\$50,000 to purchase 40,000 shares of Series C Preferred Stock (February 2003)

Total investment to date \$100,000.

Current Events.

In late November and December 2004, the Company implemented severe cost-cutting measures and a significant reduction in workforce, attempted to renegotiate the terms of long-term liabilities, and sought a business partner to work out a long-term solution for Phytodyne, including the sale of the Company.

In early January 2005, the Company's cash balance was completely depleted after the First American Bank, a secured creditor, utilized its set-off remedies to apply our remaining cash to the loan balance. Also, Phytodyne received a "Notice of Repossession" from First American Bank for the Company's tangible and intangible assets to satisfy the remaining loan obligations. Phytodyne's Board and management have undertaken every effort to procure interim financing for the Company's continued operations. Regrettably, this effort has been unsuccessful.

Phytodyne is now insolvent because its liabilities materially exceed the value of its assets and the Company is unable to pay debts as they become due. A primary asset of the Company is the licenses to intellectual property from Iowa State University Research Foundation and University of Utah Research Foundation. However, in each license agreement, the licensor of the intellectual property can terminate the respective license in the event of Phytodyne's insolvency.

At the Phytodyne Board of Directors meeting on December 17, 2004, it was determined that the Company will fully consider any bona fide offers for the purchase of Phytodyne or assets of Phytodyne. Phytodyne's management has entered into discussions with numerous entities to acquire the Company. To date, the Company is in receipt of one contingent offer to acquire the assets of Phytodyne. Any other purchase offers must be received by February 11, 2005 to be considered by the Board.

In the event the purchase offer received to date is accepted by Phytodyne's Board, please be advised that the proceeds from such a sale will be insufficient to provide any recovery to most secured creditors. No funds will be available for any unsecured creditors or to distribute any proceeds to Phytodyne's preferred and common stockholders.

Proplanner

www.proplanner.com

2321 North Loop Drive
Ames, IA 50010
515.296.9914 (Phone)



Contact

Dave Sly, President and CTO

Investment

\$50,000 to purchase 148,898 shares of Series A Preferred Stock (August 2002).

\$50,000 to purchase convertible debt (October 2003) at \$.50 per share.

\$20,000 to purchase 40,000 shares of Series B Preferred Stock in 2005.

Current Events

2004 FOCUS: Web Apps to Small-Medium Manufacturers – subscription pricing

- Sales
 - 388,336K recognized (Intel, International Truck, Maytag, Case New Holland (over \$100,000 in software and services.)
 - Office in Detroit has 1 in-house staff and 1 support person)
- Marketing
 - Launched extensive marketing website (unique hits from 27,329 in 2003 to 62,156 in 2004.)
 - trade shows, 18,000 postcards mailed, 41000 email blasts with minimal advertising
 - 70% of this activity in 4th Quarter of 2004
 - Direct focus on Universities and Consultants
 - Re-designed website to be product specific
 - Conducting webinars and increasing face to face sales contacts through additional seminars outside the Midwest area – branched to Southern area and Mexico
 - Distributed 3 press releases
 - Enabled Google Search and Yahoo Engine Links
- Development
 - Released 1.5 Proplanner in December
 - Released 1.2 Proplanner in March
- Investment
 - Onyx invested 150,000, Wellmark invested an additional \$50,000 and Series B investments of \$73,900

Q1 2005 Focus: Packaged software and modular pricing to large-medium manufacturers

- Sales
 - Q1 Recognized (approx \$120,000 - Amkor, CNH, International Truck, Production Modeling, Intel)
 - Pipeline (Q2 \$319,000K)
 - Expansion of International resellers including France, Italy and second one in China.

- European sales trip by Proplanner engineer to train and expand the sales opportunities in Europe
- Expanded marketing program to reach Mexican manufacturers via newly established
- Reseller in Mexico

- Marketing
 - 26,000 email blasts and 27,000 direct mail postcards in 1st quarter alone.
 - Google Search Engines (additional web references added weekly)
 - 2 trade shows planned (plus MTM and Modapts)
 - Conducting approximately 8 webinars a week.
 - Detroit office showing sales impact
 - New sales hire expected in July – currently working on commission only

- Operations
 - Current budgeted monthly expense of \$70K
 - First Quarter expenses about \$211,500 with revenues about \$127,500
 - 15 full time equivalents
 - Current cash should be sufficient to attain (cash positive operations)

- Development
 - Released 1.3 Proplanner in March
 - Released 1.6 Workplace Planner in March
 - Released 1.6 Flow Path Calculator in March
 - Developed modular Line Balancing Product
 - Proplanner Material Handling Database 1.0 – specs below

Objectives of Application:

- 1) To store (main repository) material handling logistics information from the dock to the consuming station. With special emphasis on being the central repository for container, receiving dock, storage area(s) and delivery area(s) information.
- 2) To provide materials handling data storage for a company with many plants. Users will have independent view and author access to the data from different plants. The company should be a database with role-based access to data from different plants.
- 3) To allow FPC users to download material handling data for layout and materials handling analysis. In other words, to select a set of data with which to analyze.
- 4) To allow for the comparison of data from multiple plants.
- 5) To provide material handling reports (1 plant at a time) – primarily for indirect labor studies. These reports need to be the same as those generated by the FPC, which means that the business logic of the FPC needs to be available within this application.
- 6) To allow for the entry of process flows and Load-Unload times.

I/O Requirements:

- 1) To allow for the upload of the layout transport network to the database. So that reports can be run without needing access to an AutoCAD license. Of course, no layout graphics or flow diagrams will be available within this application.
- 2) To allow for the upload and download of Routings (CSV), Products/Parts (PRD), Locations/Groups (LOC) and Methods (MTH) with the Flow Path Calculator or MS Excel spreadsheets.

- 3) Only one user should be allowed to author within a plant at a time. Many users could view and query information for a plant or plants.
- 4) User data entry should have a spreadsheet look and feel with copy and paste capabilities.
- 5) Database can be deployed via the web in an Intranet or Internet (ASP) fashion. It can also be deployed in a client-server environment.

Future Requirement:

- 1) Provide for a web-services and perhaps API level of functionality to provide for integration with other applications.
 - 2) Allow management of multiple transport networks (i.e. existing and planned), as well as multiple routings/products/parts (i.e. existing and planned) per plant.
 - 3) Provide for origin/destination properties of parts coming in and out of docks.
- Investment
 - Received \$100K CEBA ventures grant
 - Received \$223,500 in Series B investment
 - Currently meeting with 2 VC's for closure of Series B
 - Cedar Valley already committed to \$150,000

S3i Sound

www.S3isound.com
1531 Airport Road Suite 3 (effective April 15, 2005)
Ames, Iowa 50010
515.296.8030 (phone) (will be changing with office move)
515.268.4540 (fax)



Contact

Hal Fallert, President and CEO

Investment

\$25,000 to purchase 12,500 shares of common stock.

Current Events

Important research and development milestones achieved in 2004. The core product, the X and D drives, were branded with a marketing partner called Induction Dynamics. ID made some electronic enhancements to the devices and launched the product into the commercial audio market place. S3i filed two patents in 2004; one for the application of the audio transducer and a second for the design of a bracket system to hold the devices. S3i dropped research on the folded shell technology after several attempts to locate a marketing partner for the product.

2003 sales activity was \$223,129; 2004 sales activity was \$741,499. S3i is projecting sales of \$1,000,000 for 2005. Net income or loss for 2004 was (\$1,122,292) due to significant marketing expenses and recognition of some prior year expenses.

Two people are currently employed in Ames – down from 5 in 2004. Expense management and we expect to start building our staff back up with the next 9 to 12 months. S3i has engaged in an expense management process including relocating our offices to get to a

breakeven position. The company expects to reach that milestone within the next 9 to 12 months.

REDEEMED INVESTMENTS

The following Ames Seed Capital LLC investments have been successfully redeemed and distributed to investors

COMPANY: Engineering Animation, Inc.
 Investment (Fund 2): \$100,000 loan repaid in 2000.
 Comments: Loan repaid along with \$25,437 in interest income.

COMPANY: RocketChips, Inc.
 Investment (Fund 3): \$80,000 Equity
 Comments: Company purchased by Xilinx. Ames Seed Capital LLC received 21,389 shares, with 18,491 shares distributed to investors in June 2001. The 2,898 shares held in escrow were sold (\$41 per share) and the \$119,109.83 in proceeds were distributed to investors in March 2002.

LLC MANAGERS

MANAGERS	OFFICERS
Dick Clem	Marv Walter, President
Steve Goodhue	Chuck Jons, Vice President
Dean Hunziker	David Maahs, Treasurer
Dick Johnson	David Maahs, Secretary
Chuck Jons	
Dan Krieger	
Jami Larson	
Lee Livingston	
David Maahs	
Wayne Moore	
John Russell	
Marvin Walter	
Steve Schainker, ex officio	

FUND 3 INVESTORS

ACI Mechanical	KASI
Ames Ready Mix Concrete	Lee Livingston
Proliant	Manatt's
Jeff Becker	McFarland Clinic
Robert Boecke	Fred Miller
Brenton Savings Bank	Wayne Moore
Central States Roofing	Nelson Electric
Dick Clem	Newbrough, Johnston, Brewer, Maddux & Howell
Con-Struct	Nikkel & Associates
Dasher Management	John Parks
Keith Denner	Iowa Newspapers, Inc.
Engineering Animation, Inc.	Randall Corporation
F&M Bank	Risco, Inc.
First American Bank	Roseland Architects
First National Bank	Rudi/Lee/Dreyer Architects
Firststar Bank	Warren Sargent
Ford Street Development	Sevde Transfer
Fox Engineering	Sigler Printing
Don Furman	Joel Snow/Barbara Kashian-Snow
Friedrich/Iowa Realty	Mark Speck
Gateway Insurance	Stenberg Concrete Construction
Home Furniture	Story Construction
Dean Hunziker	Ted Tedesco
Erb Hunziker	Roger Underwood
Dickson Jensen	Donald Wandling
Dr. Chuck Jons	Wells Fargo Bank Iowa
Kapaun & Brown	

FUND 4 INVESTORS

Betty Baudler	Lee & Patricia Livingston
Richard Clem	Warren Madden
Reinhard Friedrich	Manatt's Inc.
R. Friedrich & Sons, Inc.	Ron McMillen
First American Bank	James L. & Katherine S. Melsa, JTWROS
First National Bank	Fredrick Miller
Ford Street Development Co., L.C.	Wayne Moore
Grand Investors LLC	Carroll Nikkel
Harlan Hanson	Harold Pike
Dean Hunziker	Randall Corporation
Erben A. Hunziker Revocable Trust	Risco, Inc.
Richard Johansen	US Bank, N.A.
Gene Johnson	Jerry Smith
Dick Johnson	Joel and Barbara-Kashian Snow
Charles and Carolyn Jons Trust	Speck Plumbing Inc.
Daniel Krieger Trust Fund	Roger Underwood
John Langeland	Wells Fargo Bank Iowa, N.A.
James R. Larson, II	Chuck Winkleblack
Larson Development Corporation	Antoinette and William Whitman, JTWROS
	Woodruff Construction