

2008 Annual Report

Ames Seed Capital LLC
2008 Annual Meeting
April 22, 2008

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Agenda

2008 Annual Meeting Ames Seed Capital LLC April 22, 2008

Welcome/Introductions	Chuck Jons, President
Approve 2007 Minutes	Chuck Jons, President
Financial Statements	Ron Hallenbeck, Vice President AEDC Existing Business & Industry
Annual Report	Ron Hallenbeck, Vice President AEDC Existing Business & Industry
Introduction of Keynote	Dan Culhane, Secretary
Keynote Speaker	Kurt Shedenhelm CEO & President Palisades Systems
Other Business 2007 Investment	Chuck Jons, President iSeek Corporation
Adjournment	

Kurt Shedenhelm

Mr. Shedenhelm is the C.E.O. and president of data loss prevention vendor Palisade Systems, which is based in Ames, Iowa. As one of the country's leading technology firms in the data loss prevention market, Palisade Systems is poised for continued growth under the leadership and direction of Shedenhelm. He joined Palisade in March 2004, with a reputation for developing start-up companies into market leaders. He founded Path Technology Group in 1996 and propelled it into profitability from the beginning. The company was sold in 1999 and he stayed with the company to take on the role of president of the subsidiary. Mr. Shedenhelm holds a bachelor of arts from the University of Northern Iowa.



MINUTES

**Ames Seed Capital LLC
Annual Meeting
April 12, 2007**

- Attendance:** Jim Bocken (Quality Inn); Jami Larson; Ron McMillen (Sigler); Mike Campbell (Ames Tribune); Jim Cickon (First American Bank); Lee Livingston; Betty Baudler Horras; Dick Johnson (Hunziker & Associates) Mike Espeset (Story Construction); Dean Hunziker (Hunziker & Associates); Erb Hunziker (HCS) Marv Walter (Ford Street Development); Kurt Kuta and Troy Strother (Ames Community Bank); Dan Krieger (First National Bank); Shane Zimmerman (Wells Fargo); Bill Whitman; John Russell (US Bank); Chuck Jons; Mark Speck (Speck Plumbing); Mark Hanson (Hanson Homes); Warren Madden (Iowa State University); Tom Pohlman (First National Bank); Scott Randall and Matt Randall (Randall Corporation); Roger Underwood (Becker Underwood); Kim Russel (Mary Greeley Medical Center); Wayne Moore, Steve Carter, Vi Hall, Connie Harris, Dallis Sonksen, Michele Farnham, Mary Ann Black (ISU Research Park); Shazia Manus (Greater Iowa Credit Union); Jim Crickon, Joel Thilges, John Jennett (First American Bank); Reiny Friedrich, Kurt Friedrich, Bob Friedrich Sr., Bob Friedrich Jr. (R. Friedrich & Sons, Inc.), Bill Woodruff (Woodruff Design)
- Guests:** Scott Bauer (Ames Chamber Chair); Steve Carter (AEDC Past Chair); Dave Sly (Proplanner CEO); Pat Brown (State Farm Insurance), Dr Linda Beyea (Ames Community Schools Superintendent), Rick Brehm (Lincoln Way Energy), John Ziegenbusch (Alliant Energy), Matthew Goodman (Ames City Council), Jim Popken (Ames City Council), Bill Dillon (Ames Tribune), James Strohmman (Story County Board of Supervisors), Lauris Olson (Ames365.com) Paul Juffer and Maureen Dockstader (LWBJ, LLP)
- Staff:** Dan Culhane, Amy Mogren, Jennifer Grouwinkel, Stacy Dreyer and Bob Vohs
- Presiding:** Chuck Jons, Ames Seed Capital LLC President, called the meeting to order, made introductions.
- Minutes:** 2006 Annual Meeting minutes were approved (motion by John Russell, second by Tom Pohlman)
- Financials:** Jami Larson reviewed the financials. Larson referred to the detailed financials and commented regarding the Community Investment Transfer to the Ames Economic Development Commission, Royalty payments from Edge Technology. Financial Statements were approved (motion by Warren Madden, second by Kurt Kuta)
- Election:** Chuck Jons informed that the ballots for the slated managers have been received back without any NO votes. Jons then moved for approval of the slated managers. Dean Hunziker moved that the election be closed and that we accept the election results. John Russell seconded the motion, which was approved.
- Report:** Jami Larson reviewed the highlights of the 2007 Annual Report. No new investments were made in the previous year due to the Fundraising for Fund V. Fund III and Fund IV were closed, Fund 5 is now active. The final pledge amount for this fund is \$186,000. Larson recapped the write off of Reality Sports, the merger of Combi-Sep and AATI, selling of the units of Lincoln Way Energy that ultimately returned 3x's the investment.
- Noted the misprint in the Annual Report under the Reality Sports write off.
- Program:** Dr. Robert Brown, Iowa Farm Bureau Director of the Office of Biorenewables Program at Iowa State University gave a fantastic presentation on Biorenewable Energy, the Bio economy and where Iowa fits into the picture.
- Conclusion:** Investors were directed to pick up checks from the sale of the Lincoln Way Energy units on the way out, those who were not present, checks will be mailed today.

Meeting was adjourned.

Drawdown's

Ames Seed Capital LLC – Round 3

Original Pledges	\$450,000.00
Net Additions and Dropped Pledges	-6,495.61
ACTIVE INVESTMENTS	
1997 Palisade Systems	-14,999.99
1999 Advanced Analytical Technologies	-99,999.96
2000 Etrema Products	-50,000.02
2001 Palisade Systems	-25,000.08
2003 AATI	-99,999.99
2005 Palisade Systems – Warrants	-20,331.43
WRITE OFFS	
2002 Reality Sports	-48,878.96
REDEEMED INVESTMENTS	
1997 RocketChips	-25,000.09
1998 RocketChips	-30,000.01
1999 RocketChips	-25,000.96
Remaining Pledges prior to closing fund in 2005	<u>\$4,293.84</u>

Ames Seed Capital LLC – Round 4

Original Pledges	\$845,000.00
Net Additions and Dropped Pledges	+36,886.64
Active Investments	
2001 NewLink Genetics	-99,999.97
2002 CombiSep	-50,000.05
2002 Bioforce Nanosciences	-24,999.97
2002 NewLink Genetics	-100,000.00
2002 ProPlanner.net	-49,999.99
2003 ProPlanner.net	-49,999.99
2004 Micoy	-49,999.99
2004 MagnaLynx	49,999.99
2004 Proplanner.net	-20,000.02
2004 BioForce Nanosciences	-49,999.98
2004 CADseek (iSeek)	-49,999.98
2005 Palisade Systems	-25,000.02
2005 BioProtection Systems	-49,999.98
WRITE OFFS	
2001 Phytodyne	-50,000.05
2003 Phytodyne	-49,999.99
2003 Shell Shocked Sound	-24,999.97
REDEEMED INVESTMENTS	
2004 Lincoln Way Energy	-49,399.96
Remaining Pledges prior to closing fund in 2006	<u>\$37,486.74</u>

Drawdown's

Ames Seed Capital LLC – Round 5

Original Pledges	\$767,000.00
Net Additions and Dropped Pledges	+98,000.00
ACTIVE INVESTMENTS	
2007 iSeek Corporation	-49,999.98
Remaining Pledges prior to closing fund in 2006	\$815,000.02

Fund 3 - Active Investments

Palisade Systems, Inc.

www.palisadesys.com

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Ames, IA 50010

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515.296.5335 (fax)

info@palisadesys.com



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.
- \$25,000 investment to purchase 20,000 shares at \$1.00 per share in 2005. (Series E Preferred Stock). \$20,331 investment in May of 2005 to exercise warrants to purchase \$20,331 shares of common stock at \$1.00 per share.

Key Accomplishments (2007)

Research and Development

- File "fingerprinting" was added to our PacketSure appliances as another method used to search for specific information our customers do not want leaking from their network.
- HTTP and HTTPS proxy – The PacketSure appliance was equipped with a proxy server so it can now block HTTP and HTTPS communications, if they contain private content.

New Products

- PacketSure CMS – The PacketSure Centralized Management Server (CMS) is an appliance that is used to manage multiple PacketSures and is the central storage point for the data that the PacketSures collect.
- Discovery agent is a service that installs on Windows-based workstations and servers. It looks through the computers local files for credit card numbers, social security numbers, and other private information that may be stored there.

Revenue/Sales Activity

- Sales Revenue for Fiscal Year '07 were \$1.29 M with the 4th Quarter '07 sales showing strong results with \$513,000 Revenue

Manufacturing Activity

- Palisade Systems software is loaded on purchased computer hardware and shipped from our Ames office to end users. Computer hardware, when received from our supplier, is quality tested prior to shipping and units are pre-configured to the end user's specifications.

Financing – New

- No new financing in 2007
- Anticipating \$500K to \$1M bridge loans in Q1 '08 or early Q2 '08. Variables will affect the timing and the amount needed, and the company will have a better understanding of amount needed in mid-March '08.

Net Income or Loss for 2007

- Net loss for '07 = (\$912,962) compared to (\$1,816,780) in '06

Expansion Plans

- Opened sales office in Dallas, TX – Q1 '08

Management Changes

- Vice President of Sales and Channels hired in Q1 '08 with 2 additional sales employees hired in February '08 and 2 additional starting March 1, '08 – all in the Dallas, TX office.

Employees Based in Ames

- 15 which are involved in Research & Development and Administration

Additional Information

- With the addition of the new VP of Sales and Channels, Palisade Systems is implementing new Sales and Marketing Strategies for 2008.
 - a. Sales Strategy introduces a Secure Assessment (SA) which is a 7-10 day trial of our product with a focused approach to shorten the trials and sales cycle. This new strategy is being rolled out to the channel organizations and early tests are producing above the 57% close rate.
 - b. Product Marketing Strategy includes email-generated demand to a landing page with video and call to actions, a series of follow-up emails, with attachments and back-end statistics and call-down lists for sales person follow-up.

Advanced Analytical Technologies Inc. (AATI)

www.aati-us.com

ISU Research Park

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**Contact**

Steven J. Lasky, Ph.D., Chief Executive Officer

Steve Siembieda, Chief Operating Officer

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)
- \$ 50,000 to purchase 20,000 shares of CombiSep Series B Voting Convertible Preferred Stock (2002).
This stock was converted to 10,604 shares (Approx) of AATI Series G Preferred Stock (2006 Private Placement).

Key Accomplishments (2007)**Research and Development**

- Development of the Protein PRO analyzer (Release March 3rd, 2008)
- Development of Micro PRO filer system (Release June 2nd, 2008)

New Products

- Micro Pro – Rapid bacteria detection system
- Oligo Pro 24HT pKa Pro 24 HT

Revenue/Sales Activity

- Finishing strong was what happened in Q4, 2007. One full year after the merger of AATI and Combisep, the last quarter of the 2007 was our best quarter ever.
- Combined revenues of \$1,100,000 and net **profits** of \$272,000

Manufacturing Activity

- The production department showed the biggest changes during this period. In the 4th quarter, it was necessary to increase the production staff by three people and reassign one person to inventory management/purchasing in order to meet the sales orders.

Financing – New

- No finance round necessary
- Wrote a proposal which was awarded \$150,000 from the Iowa Department of Economic Development for the production of 3 demo units of the new Micro PRO filer
- Obtained \$4,400,000 from the Department of Defense for continued development of the dark field detection system, the RAMAM identification system and WFI

Net Income or Loss for 2007

- (\$198,973) - Loss

Expansion Plans

- 3,000 square feet in ISU Research Park

Management Changes

- Mark McDonald resigned, Steve Siembieda New COO

Employees Based in Ames

- 30

Additional Information

- None reported

ETREMA Products, Inc.

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515.268.4540 (fax)

customer.service@etrema-usa.com

**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.

Key Accomplishments (2007)**Research and Development**

- Development of the CU18 was completed in 2007 with the release of the product in mid-year.
- Galfenol research milestone reached by producing large diameter drivers of high crystalline orientation.
- Successful completion of Phase I SBIR for Integrated Amplifier research. Will support a low cost power supply for transducers, including CU18. Phase II award expected in mid 2008.

New Products

- In 2007 Etrema released the new ultrasonic product, CU18. This is a major upgrade to our ultrasonic actuator product line.

Revenue/Sales Activity

- Restructuring of Business Development function and staff to align with technical nature of working with customers to find new business opportunities.
- Awarded multiple SBIR/STTR Phase I contracts to expand R&D activity on specific applications.
- Working with Japanese customer on ultrasonic assisted machining application. Once testing completed in early 2008, expect transition to production in 2009. First real opportunity for CU18.

Manufacturing Activity

- Etrema experienced a personnel change in the resignation and subsequent replacement of the Manufacturing Supervisor.
- We continue to maintain our experience and expertise in the production and machining of Terfenol-D and the manufacture and assembly of Terfenol based devices.

Financing – New

- First American Bank - \$200,000 LOC

Net Income or Loss for 2007

- Net loss (\$312K)

Expansion Plans

- Nothing anticipated

Management Changes

- Edward Huderski, Vice President and CFO

Employees Based in Ames

- 21 full time employees

Additional Information

- None reported

Fund 4 - Active Investments

BioForce Nanosciences, Inc.

www.bioforcenano.com

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Ames, IA 50010

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515.233-8337 (Fax)

info@bioforcenano.com



Contact

Kerry Frey, President and CEO

Eric Henderson, Executive VP and Chief Science Officer

Greg Brown, Executive VP and Chief Financial Officer

Investment

- \$25,000 investment in 2002 for 29,675 shares of common stock.
- \$50,000 investment in 2004 for 47,522 shares of common stock.

Key Accomplishments (2007)

Research and Development

- Proof of concept work on ViriChip pathogen detection system near completion
- Significant support of scientific research conducted by BioForce's customers who use the Nano eNabler research tool

New Products

- Nano eNabler instrument specifically aimed at the cell biology market planned for launch in Q1 2008
- Custom patterned surface offering planned for launch in Q1 2008

Revenue/Sales Activity

- Nine Nano eNabler systems sold during 2007, including five in Q4
- Six of the Nano eNabler systems sold during 2007 were in Europe and Asia

Manufacturing Activity

- 2,000 square feet of manufacturing space added in Ames location

Financing – New

- \$500,000 of equity capital received in August 2007
- \$500,000 of proceeds from warrant exercise received in November 2007

Net Income or Loss for 2007

- Net loss for 9 months ended September 30, 2007 of \$3,412,164 (note – public company and Q4 and annual results for 2007 will be released on or about March 31, 2008)

Expansion Plans

- Expect to significantly expand the sales and marketing organization during 2008

Management Changes

- Kerry Frey named as President and CEO in January 2008.
- Eric Henderson assumes role as Exec VP and Chief Science Officer in January 2008
- Greg Brown joins BioForce as Exec VP and Chief Financial Officer in January 2007

Employees Based in Ames

- 19 as of 2/29/08

Additional Information

- None reported

Micoywww.micoy.com

1523 S. Bell

Ames, IA 50010

515.233.0400 (phone)

info@micoy.com**Contact**

Don Pierce, President

Investment

- \$50,000 to purchase 200,000 shares of common stock at \$0.25 per share (2004)

Key Accomplishments (2007)**Research and Development**

- Micoy will receiving long awaited for IP on March 25th 2008, which will allow us to begin approaching several large camera manufacturers to partner in the development of the "Micoy real-time" camera system
- We have further developed our software technology and playback methods to seamlessly integrate with production studio software and to also have a secure delivery method to protect our IP during distribution.

New Products

- Micoy will be announcing the release of it's 3D image format as a software tool. As follows:
 1. Professional License
 - Single workstation license - (1- workstation key)
 - Network site license - (1-network key – this would be equal to 10+ workstation keys)
 2. Academic License
 - Single workstation license - (1- workstation key)
 - Network site license - (1-network key – this would be equal to 10+ workstation keys)
 3. Industrial – (Keys will be limited to rendering a maximum of 1000 lines of resolution in a fish eye format 1:1)
 - Single workstation license - (1- workstation key)
 - Network site license (1-network key – this would be equal to 10+ workstation keys)
- Micoy is in final discussions with Evans & Sutherland to team together to jointly offer a retrofit package to existing and new Digistar 3 dome theater systems. We will be presenting the first Micoy 3D experiences for the planetarium and science center markets at the World Planetarium conference in Chicago June 2008.

Revenue/Sales Activity

- Based on the past and recent market research we currently have several potential sales once product documentation and packaging is completed.
- We expect to launch our software product in April 2008.

Manufacturing Activity

- None presently

Financing – New

- We have operated through 2007 with minimal investment and resources. A total amount of investment into Micoy in 2007 was less than \$75,000 by existing Micoy investors.

Net Income or Loss for 2007

- Nothing reported

Expansion Plans

- We have no firm plans for expansion in 2008

Management Changes

- Joe Stevens and Growth Ventures stepped away from Micoy in the first quarter of 2007.
- Don Pierce has been the sole full-time employee working under accrued salary since that time.
- Trent Grover (CTO), David Rhein and Jim Guisinger work for Micoy as contractors on as-needed basis.

Employees Based in Ames

- Don Pierce (President)

Additional Information

- None reported

MagnaLynx, Inc.www.magnalynx.com

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515.663.8821 (fax)

Public.relations@magnalynx.com**Contact**

Jeffrey May, President and CEO

Scott Irwin, PhD, Chief Technical Officer

Investment

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

Key Accomplishments (2007)**Research and Development**

- Patent issued for serial memory in January 2007
- 2nd patent for a memory interface protocol published in January 2007

New Products

- Signed contract to develop high speed interfaces for next generation of Cray super-computers

Revenue/Sales Activity

- First Revenue in June of 2007
- \$848,642 in total revenue from Cray/Synopsys contract
- Director of Business Development added in July of 2007 to advance our serial memory products

Financing – New

- \$365,000 in convertible bridge financing secured in March 2007
- Contract with Green Holcomb and Fisher (Investment Bankers) terminated in August of 2007

Net Income or Loss for 2007

- Loss narrowed to (\$107,800) for 2007 from (\$747,724) in 2006

Expansion Plans

- Planning to hire an additional design team over the course of the year

Management Changes

- Director of Business Development added in July 2007

Employees Based in Ames

- 8 January 2008

Additional Information

- New web site launched in the fall of 2007
- The revenue from our development contract with Cray allows us enough capital to promote the adoption of our serial memory products and expand our team
- On December 14, 2006, the company elected Jeffrey J. May to it's Board of Directors and appointed him President and CEO. Mr. May has extensive experience in the semiconductor industry spanning more than 25 years. Establishing himself in management at Advantek in 1980, Mr. May transitioned a small importer of capital equipment into a global leader in specialized semiconductor handling materials with revenue in excess of \$130M and more than 650 employees in 5 countries. In 1997 Mr. May formed Gideon Point Capital to provide consulting and angel investing for technology based companies. Mr. May received his B.S. in Electrical Engineering from the University of Minnesota in 1983.

NewLink Genetics Corporation

www.linkp.com

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515.296.5557 (fax)

scarroll@linkp.com



Contact

Nick Vahanian, MD, Chief Medical and Operations 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).

Key Accomplishments (2007)

- During 2007 NewLink Genetics Corporation's two lead Cancer vaccine candidates, HyperAcute®-Lung and HyperAcute®-Pancreas, transitioned into the clinic in multiple clinical trial centers. Our HyperAcute®-Lung cancer vaccine trials are the most advanced of the ongoing investigations and include two Phase II studies, one at the National Cancer Institute (NCI) and the second at Washington University Hospitals in St. Louis. At NCI we have an ongoing Phase-II trial to test the efficacy of our HyperAcute®-Lung Cancer Vaccine as a second line treatment for patients who have failed first line treatment. Evaluation of clinical responses is one of the major objectives of this study. NewLink continues to expand and add new clinical trial sites for the testing and the development of the HyperAcute® Cancer Vaccines.
- Our small molecule Indolemine-2, 3-Dioxygenase inhibitor 1-MT also entered phase-I clinical trials. Our Drug Development Group increased our capacity to move lead compounds through the drug development pipeline. We have developed and validated a battery of different IDO activity assays to evaluate the inhibitory potency of each compound against the human IDO enzyme. Our objective is to enrich our portfolio of lead compounds to identify better molecules for next generation compounds related to the IDO drug development platform.
- An essential component of the research process is the availability of an appropriate physical plant that can support projects of varying complexity. In the case of NewLink Genetics, this includes being able to perform complex chemical reactions to create new drug compounds, as well as to purify and concentrate them. In addition to the on-site manufacture of biologics, NewLink is utilizing contract research organizations to produce pharmaceutical materials at remote sites. Unlike biologics manufacturing, there are many vendors capable of synthesizing and packaging small molecule drugs in compliance with FDA regulations.
- NewLink's close proximity to Iowa State University has proven to be invaluable to our animal program. The University provides services that are vital to our animal program including animal care facilities for our rodent colonies and animal experiments, veterinary support, pathology support, and animal protocol administrative support. Discussions with the University's Director of Laboratory Animal Resources have resulted in possible procurement of additional research space. Mouse models are presently being used in toxicology, pharmacology and drug efficacy studies as well as influenza vaccine efficacy studies.
- As of the end of calendar 2007, we secured approximately twenty million dollars in commitments for our Series-C preferred stock.

Expansion Plans

- No specific plans on site expansion

Management Changes

- None

Employees Based in Ames

- Currently there are 41 full-time and 10 part-time

Additional Information

- None reported

Proplannerwww.proplanner.com

2500 North Loop Drive

Ames, IA 50010

515.296.9914 (Phone)

515.296.3229 (fax)

info@proplanner.com**Contact**

Dave Sly, PhD, President

Helena Poist, Vice President of Marketing

Investment

- \$50,000 to purchase 153,123 shares of Series A Preferred Stock (2002)
- \$50,000 for convertible promissory note in 2003 toward Series B Preferred Stock. Converted in 2005 to 114,112 shares of Series B Preferred Stock.
- \$20,000 to purchase 40,000 shares of Series B Preferred Stock (2005).

Key Accomplishments (2007)**Research and Development**

- Modified the release 2.7 (initially authored in 2005) and created a more ERP friendly version which is now called "Assembly Planner 3.0"
- Modifications on layout tools and now releasing version 2.3.5

New Products

- No new products were released

Revenue/Sales Activity

- Generated revenues of \$680K with expenses of \$760K for a loss of \$80K
- Revenues were up \$15K from \$665K in 2006 and expenses were up \$155K from \$603K in 2006
- 2007 higher expenses were due to now paying the executives and termination of an employee

Financing – New

- Company initially in the fall of 2007 started to raise \$1MM for the purpose of expanding sales and marketing in a Series C offering at \$.65 a share
- Temporarily suspended pending potential sale of company

Net Income or Loss for 2007

- Net loss of \$80K

Expansion Plans

- Hiring of additional staff to meet growing sales and development needs

Management Changes

- Hired an executive but was terminated

Employees Based in Ames

- Currently 6 full-time and 4 part-time

Additional Information

- In December of 2007, Proplanner was approached by Autodesk, Inc. a major CAD company for potential acquisition and discussions are currently underway
- Also a promising effort with Oracle is also been discussed

Fund 5 - Active Investments

iSEEK Corporation

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Ames, Iowa 50010

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515.296.5639 (fax)

dflugrad@iseekcorp.com

iSEEK Corporation

Contact

Dr. Don Flugrad, Senior VP and COO

Investment

- Ames Seed Capital LLC invested \$50,000 as a convertible note in 2004 toward the Series A financing round. The group then converted all of the original principal amount plus interest into 101,272 preferred shares of the iSEEK Corporation on the 19th of December 2006.
- Ames Seed Capital, LLC is invested an additional \$50,000 on a convertible note basis in April of 2007 toward the Series B financing round.

Key Accomplishments (2007)

Research and Development

- Products (CADseek and the Digital Catalog) include four main components: (1) a graphical user interface; (2) a coder to determine the signature code for a three dimensional CAD file; (3) an indexer to take a group of signature codes and group them into families of similar shaped parts; (4) a search module that takes the signature code of a target part and finds parts with similar codes and, hence, similar shapes.
- Significant improvements have been achieved in each of these four areas. Some of these improvements have already been incorporated into the products, and others are still being finalized and verified through testing. The end result of this activity are products that are easier to use and understand, and which exhibit significantly greater speed and accuracy.

New Products

- Developed and released a new Digital Catalog this past year. This product has many of the same features as CADSEEK, but it can run in a web browser. To highlight this new product, the iSEEK website (www.iseekcorp.com) has been modified so the Digital Catalog is displayed immediately for the visitor. The parts used for this display are ones that have been located in the public domain by the iSEEK internet webcrawler.
- Small to medium sized companies will likely find this product attractive since its cost will be significantly lower than that for CADSEEK. Large OEMs will also be interested in it as a product that they can encourage their suppliers to purchase in order to create a consortium of companies with access to a common dataset of parts. Furthermore, this light-weight version can be used by internet companies and others that need a fast, accurate, shape-based search product running the background.
- The Digital Catalog also provides the foundation for a web portal featuring a number of part suppliers that would place three dimensional models on the internet. The Digital Catalog portal would then provide the means for the general public to locate parts from a variety of suppliers for purchase. Companies that provide the three dimensional models would be charged a nominal annual subscription fee and possibly an additional amount for each purchase completed after a user finds part(s) through the Digital Catalog portal. As in the Google model, revenue could also be generated for advertising on the portal.

Revenue/Sales Activity

- Generated \$400,000 in revenue during 2007. Approximately \$350,000 of that amount came from Deere & Company.
- In early 2007, the initial pilot project was completed, and Deere moved into the production phase. They are now deploying CADSEEK across their global enterprise. We are now discussing with them a project to build a consortium of Deere and its suppliers. This would involve building a framework at Deere for connecting all their suppliers to access a common dataset, and would involve selling the Digital Catalog to each of their suppliers.
- Signed a new contract with MFG.com in early 2008. MFG.com is an Atlanta based company that provides an internet, matchmaking service for OEMs and contract manufacturers. The digital catalog will run in the background to find parts of similar shape in order to identify contract manufacturers that are capable of making newly designed parts.
- An on-site pilot project was also initiated at PACCAR (makers of Peterbilt, Kenworth and DAF trucks) in late 2007. The project is going well and the primary contact at PACCAR expects to seek corporate management approval for purchase in June of this year.
- Thumb Tool and Engineering, a company located in Michigan that produces tooling for aluminum extrusions, is likely to purchase CADSEEK within the next few weeks. They are also interested in helping us sell our products to their customers in the aluminum extrusion industry.
- Several other companies are likely to become customers during 2008, including two or three companies that are competitors of MFG.com. A number of other OEM companies are included in the sales pipeline with Lockheed Martin and Vermeer topping the list.

Financing – New

- A total of \$325,000 was collected during 2007 in the form of convertible loans toward the Series B round of financing. The Series B round is still open with approximately \$750,000 verbally pledged by two smaller VCs. The target is to raise a minimum of \$1.5M to a maximum of \$2.0M, and iSEEK is currently talking to three or four other VCs to identify a lead investor that will complete the round.

Net Income or Loss for 2007

- The net loss for 2007 was (\$666,481), and the projected net loss for 2008 is just over (\$200,000). Financial projections show iSEEK Corporation becoming cash flow positive by the third quarter of 2009.

Expansion Plans

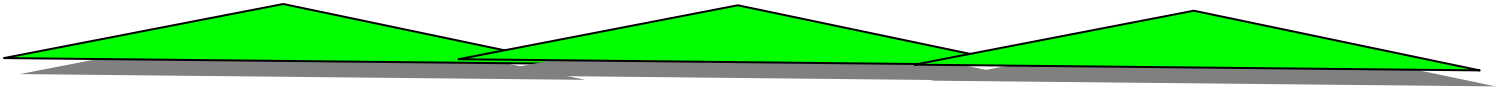
- In November of 2007 iSEEK Corporation moved into larger quarters at the ISU Research Park. The new office space will provide room for an additional 10-15 employees once the Series B round is complete. New personnel will be hired in the areas of sales and marketing, research and development, product development, product implementation and customer support.

Management Changes

- Dr. Abir Qamhiyah stills serves as President and CEO, with Dr. Don Flugrad as Senior Vice President and COO. Curt Carlson, who was Executive Vice President of Sales and Business Development, left iSEEK in October of 2007 to pursue other career options.
- Dr. Qamhiyah and Dr. Flugrad are actively seeking additional management personnel and are in contact with two highly qualified individuals who are interested in positions of Vice President of Sales and Vice President of Business Development. Once the Series B round is closed, these two individuals are expected to join the team

Employees Based in Ames

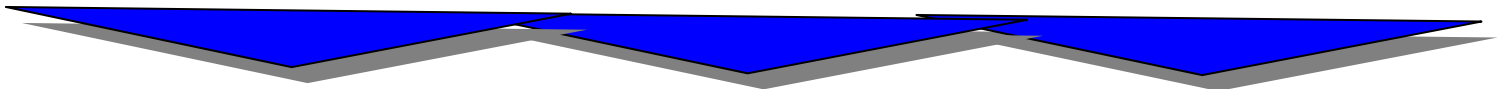
- There are 6 full time employees and one consultant based in Ames.
- Vice Presidents of Sales and Business Development will likely remain on the east coast, where they can more effectively perform their respective functions for the company.
- Some added sales personnel will be located in Ames along with development, implementation and support employees.
- The company is expected to at least double in size by the end of 2008.



REDEEMED INVESTMENTS

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

No Redemptions in 2007



WRITTEN-OFF INVESTMENTS

No Write-offs in 2007



Fund 4 - Investors

Betty Baudler Horras	Warren Madden
Richard Clem	Brad Manatt – Manatt's Inc.
Reinhard Friedrich	Shane Zimmerman – Wells Fargo Bank, NA
Reinhard Friedrich – R. Friedrich & Sons, Inc.	Ron McMillen
Steve Goodhue – First American Bank	James & Katherine Melsa – James L. & Katherine S. Melsa JTWROS
Harlan Hanson	Fredrick Miller
Dean Hunziker	Wayne Moore
Erben Hunziker – Erben A. Hunziker Revocable Trust	Carroll Nikkel
Richard Johansen	Harold Pike
Dick and Gene Johnson	Scott Randall – Randall Corporation
Richard Johnson – Story Construction	Steven Risdal – Risco
Charles Jons – Charles and Carolyn Jons Trust	Julie Harris – U.S. Bank, N.A.
David Klatt – Grand Investors LLC	Jerry Smith
Tom Pohlman – First National Bank	Mark Speck
Daniel L. & Sharon Krieger – Daniel L. Krieger 2000 Revocable Trust	Roger Underwood
John Langeland	Marvin Walter – Ford Street Development Co., L.C.
James Larson, II – Larson Development Corporation	William Whitman – Antoinette C. Whitman and William V. Whitman JTWROS
James Larson, II	Chuck Winkleblack
Lee & Patricia Livingston	Bill Woodruff – Woodruff Construction

Fund 5 - Investors

Kurt Kuta—Ames Community Bank	Lee & Patricia Livingston
Jerry Smith	John Russell—Bankers Trust
Betty Baudler Horras	Warren Madden
Robert J Gelina	Brad Manatt—Manatt's
Kim F. Christiansen—Dobiz Foods, Inc.	Jon Mullenbach
Jim Smith—Exchange State Bank	Carroll Nikkel
Steve Goodhue—First American Bank	David & Bonnie Orth
Tom Pohlman—First National Bank	Harold Pike
Marvin Walter—Ford Street Development Co., L.C.	Jim Bocken—Ackerman Investments Quality Inn & Suites
Kurt / Reinhard Friedrich	Scott Randall – Randall Corporation
Mark Hanson—Hanson Homes	Julie Harris – U.S. Bank, N.A.
Dean Hunziker	Roger Underwood
Erben Hunziker	Kevin Geis—Valley Bank
Dickson Jensen—The Jensen Group	Donald Wandling—Wandling Engineering
Richard & Gene Johnson	Mark Speck
Charles Jons	William Whitman – Antoinette C. Whitman and William V. Whitman JTWROS
Kevin Kinzler—Kinzler Construction Services	Chuck Winkleblack
Daniel & Sharon Krieger	Bill Woodruff – Woodruff Construction
John Langeland	Ken McCuskey
Jami Larson	John D. Shierholz

2008 Ames Seed Capital Board of Managers

Steve Goodhue

Dean Hunziker

Dick Johnson

Chuck Jons

Dan Krieger

Jami Larson

Lee Livingston

Wayne Moore

John Russell

Steve Schainker, Ames City Manager (ex-officio)

John Shierholz

Roger Underwood

Marvin Walter

Don Wandling

2008 Ames Seed Capital Officers

Chuck Jons, Chair

Jami Larson, Vice Chair

Dan Culhane, Secretary