ARDESTA OPERATING HISTORY

FORMATION AND GOALS OF ORGANIZATION

Ardesta was formed in October, 2000, as an operating company designed to support and accelerate the commercialization of Small Technology by:

- Starting new businesses to develop commercial/industrial applications:
- Investing in developing Small Tech companies;
- Helping create an efficient channel of distribution for microsystems technologies by developing relationships and strategic partnerships with other companies along the entire microsystems value chain, from basic research to manufacturing and marketing products.

Under this initial business plan, Ardesta anticipated operating in the following areas:

- It would invest capital in startups and early stage companies;
- It would provide business and technical resources and services to support these companies;
- It will also develop industry-building resources such as prototype/pilot fabrication facilities, a trade publication, a web site, trade shows, and a microsystems-focused recruiting company.

Ardesta raised a Series A Preferred round of million in cash and also received in-kind contributions from Avalon Technology (equity interests in three companies) valued at . All investors received Series A Preferred membership interests. In addition, two classes of Common membership interests were established: Class A voting common, which was issued to Ardesta founders, and Class B non-voting common, which was to be issued (as grants or as options) to employees, consultants and business partners of Ardesta. The current outstanding capital of Ardesta is as follows:

Because it was formed as an operating company, Ardesta established a board of directors, consisting of representatives of three Series A Preferred investors as well as two members of Ardesta management. This continues to be the structure of organization of Ardesta.

OPERATING HISTORY OF ARDESTA

Starting Up Companies

Ardesta has been instrumental in the start-up of several companies. Ardesta negotiated the licensing of technology from several universities and research organizations and helped form three operating product companies in early 2001:

Sensicore, Discera and Translume. All three companies were formed with the founding technologists and were housed on Ardesta's physical campus, where they remain today.

Ardesta also formed the company Sensicast with the employee/founders of that company, and provided initial funding for TheraFuse along with that company's three co-founder professors.

Investing in Developing Companies

Ardesta also served as a more typical venture investor in ten companies, with some as the sole investor and some as part of a syndicate. Ardesta also made a small, short term loan to another company which was later redeemed at face value and no additional investment was made.

Small Tech Industry Building

One of Ardesta's stated goals was to play a leading role in developing the nascent but burgeoning Small Tech industry. Ardesta worked toward this goal in a number of ways:

- **Small Times Media** - Ardesta established a subsidiary designed to become the leading media outlet for the promotion of the Small Tech industry. Small Times indeed established itself as the leading online and print resource for small technologies. The amount of capital required by Small Times was considerable (approximately $7.9 million), but the organization did not generate the anticipated cash flow and was ultimately sold by Ardesta to Pennwell Publishing Co. in 2005.
- **Fabrication/Packaging** – Ardesta commissioned several studies on the need for business proposition for creating a fabrication and/or packaging entity. Ardesta ultimately determined that, because of industry manufacturing overcapacity and pricing pressures, creating and funding such an operation was not a sound business proposition and that it was preferable to form business relationships with outside vendors in these areas. Successful relationships have been built with a number of independent fabs that have assisted Ardesta's portfolio companies.
- **Integration** - Ardesta formed the subsidiary Ardesta Integrated Systems (AIS) for purposes of integrating disparate small technologies and incorporating them into commercial and military products. The subsidiary received a government contract for integration services before being merged into Translume, an Ardesta portfolio company, as the integration arm of that company.
- **Incubation** – Ardesta hired employees to provide back end services to young small tech companies which Ardesta founded or in which it had invested, with such services ranging from human resources to facilities management to intellectual property and government funding assistance. These services were provided on market-based pricing and were instrumental in helping Ardesta's start-up portfolio companies work through early-stage organizational issue and better positioned them for outside funding.

Because of unfavorable market conditions for creating and investing in start-ups during the period of 2002-3, beginning in 2003 Ardesta curtailed its company formation work and dissolved its service organization through staff reductions and placements of Ardesta employees into existing portfolio companies. It sold Small Times Media and merged AIS into Translume.

By the beginning of 2005, Ardesta was functioning as a traditional venture capital firm of six individuals, with the management team that will be working to raise the Ardesta II venture capital fund.