

2006-07 ANNUAL REPORT

ndsu research + technology park

A satellite view of the Earth from space, showing the Americas and parts of Europe and Africa. The image is overlaid with a grid of small, semi-transparent globe icons. The text 'A GLOBAL SENSIBILITY' is centered over the image in a large, white, sans-serif font.

A GLOBAL SENSIBILITY

The NDSU Research & Technology Park, Inc. (RTP) is a 501(c)(3) corporation created to provide university researchers and private industry a central location to combine their talents to develop new technologies, methods and systems. It covers 55 acres on the north end of the North Dakota State University campus in Fargo, N.D. The RTP, a member of the Association of University Research Parks, is led by an executive director and a 10-person board of directors.

OUR GUIDING PRINCIPLES



ndsu research + technology park, inc.

MISSION

The NDSU Research & Technology Park operates to enhance the investments in North Dakota State University by the citizens of North Dakota. Through partnerships with international, national and regional centers of excellence, high technology-based businesses, and the research community at NDSU, the RTP will achieve successful technology-based development and broaden the economic base of North Dakota. Scientific and technological advancement will be promoted through the development of facilities and research centers conducive to cutting-edge research. The RTP will establish an innovation accelerator unit, which offers space, facilities and services to technology-based entrepreneurs and businesses.

VISION

The NDSU Research & Technology Park serves as a catalyst for innovation in science and technology leading to discoveries that contribute to North Dakota's economic development.

OBJECTIVES

- To operate for the benefit of NDSU by assisting the university with its teaching, research and public service missions.
- To achieve successful, technology-based economic development.
- To create a technology incubator that will be mutually beneficial to NDSU and North Dakota by assisting entrepreneurs, start-up businesses and existing businesses with new ventures.
- To provide RTP occupants access to research, development and problem-solving resources at NDSU.
- To create a business environment dedicated to applied research and technological discovery for the benefit of NDSU faculty, staff and students.
- To provide a pool of professionals as a resource for teaching and applied research and development at NDSU.
- To facilitate the transfer and application of scientific research to the global economy.
- To promote economic development in Fargo and North Dakota, enhance the value of North Dakota citizen's investment in NDSU and enhance the state's economic base.
- To pay out and distribute funds to NDSU for scientific investigation, research, technological advancement and educational opportunities.

LEVERAGING A GLOBALLY COMPETITIVE MINDSET

The NDSU Research & Technology Park's annual report for 2006-07 is titled "A Global Sensibility," which describes an environment that our nine technology private-sector partners and NDSU consider vital to positioning North Dakota competitively in a global economy. Our first partner, Phoenix International, began operations in the RTP in spring 2001. Since then, we have maintained our focus and strengthened our commitment to creating a world-class environment for global success.

The RTP continues to build on a knowledge-driven environment that provides our clients with immediate connections to NDSU and the services of our Technology Incubator. One thing is certain: much more action will be required in the future to maintain a globally competitive environment. However, the RTP is well positioned for development that will continue to contribute to and enhance economic development in North Dakota.

RTP relationships, programs and services that can help provide your technology company a competitive advantage in the global economy include:

- A growing number of NDSU faculty and staff in key disciplines
- Our newly opened Technology Incubator
- Our location within a Foreign Trade Zone
- Our partnership with the Fargo-Moorhead Angel Investment Fund
- Our partnership with the North Dakota Trade Office
- Legislative support that positions North Dakota with the most aggressive R&D tax credit program in the United States
- The Plus Experience, a workforce initiative

Our vision is to be a catalyst for innovation in science and technology that will contribute to North Dakota's economic development. We are doing it right here, today, in a positive and forward-looking atmosphere with innovators and companies that embrace our global sensibility.

Even as we take pride in our past accomplishments, we look forward to future discoveries and opportunities for providing a knowledge-driven environment for our technology partners. Thank you for your support and for taking time to learn more about our accomplishments.

Sincerely,



Joseph A. Chapman
President, North Dakota State University
Chair, NDSU Research & Technology Park
Board of Directors



Tony Grindberg
Executive Director, NDSU Research
& Technology Park, Inc.

THE COMPANY WE KEEP

The RTP and the Technology Incubator are home to fast-paced, high-growth companies that promote economic development in North Dakota. Each of them either has the potential to compete globally or is already doing so effectively. To operate within the RTP, a company must be involved in the advancement and development of new technology, be willing to establish a working relationship with NDSU and work in one or more of the following technology fields:

- Material Sciences
- Biosciences and Life Science Technology
- Information Technology
- Nanotechnology
- Advanced Manufacturing and Sensors/Micro-Electronics



RTP TENANTS

Alien Technology® provides UHF radio frequency identification (RFID) products and services to customers in retail, consumer goods, manufacturing, defense, transportation and logistics, pharmaceuticals and other industries. Organizations use its products and services to improve the effectiveness, efficiency and security of their supply chains, logistics and asset tracking operations. Alien's products include RFID tags, RFID readers and related training and professional services.

NDSU Candlewood Suites, operated by Sonmar Management Corp., is a \$4 million extended-stay hotel with 72 guest rooms intended primarily for visitors conducting business at the RTP or on the NDSU campus. The hotel employs students and includes a classroom for courses in Hospitality & Tourism Management.

NDSU Center for Nanoscale Science & Engineering (CNSE) is the only facility in the nation with all the technologies and equipment necessary for electronic miniaturization under one roof. CNSE scientists and engineers conduct interdisciplinary research and design at the atomic-molecular scale that is focused on practical materials, processes and devices.

TECHNOLOGY INCUBATOR CLIENTS

Appolis Mobile Business Solutions is a software product and services company that uses the latest Microsoft technologies to develop mobile business software specifically for small and medium-sized businesses.

Appareo Systems develops solutions that build on innovations in augmented reality and advanced electronics. The company employs experts in embedded hardware and software, networking, advanced graphics, and large-scale computing platforms.

Bobcat®, an anchor tenant of the Technology Incubator, is a leader in the design and construction of compact equipment for the industrial, construction and agribusiness industries. The company employs 22 people in its research and development facility in the incubator.

Fargo-Moorhead Angel Investment Fund is a Regional Angel Investor Network (RAIN) and Fund for start-up ventures in Fargo-Moorhead established by a group of local investors working with RAIN SourceSM Capital. RAIN Source Capital is a multi-state network of RAIN funds that works with angel investors interested in supporting growing companies. It provides investment capital, a process for due diligence, legal templates, management support, access to deal flow and other resources. The F-M RAIN Fund focuses on growth companies.

Feed Management Systems, an anchor tenant of the Technology Incubator, is the leading application software company for the global feed industry.

NDSU Department of Coatings & Polymeric Materials is a national leader in developing new materials for NASA, the U.S. Department of Defense and private industry. It includes the only Corrosion and Coatings Research Center in North America.

NDSU Office of Research, Creative Activities & Technology Transfer facilitates research and creative activities across campus. It assists faculty in seeking and submitting proposals for research funding and fosters partnerships with government and private business. It includes the Office of Sponsored Programs Administration, the Office of Technology Transfer, the Office of Federal Government Relations and the Center for High Performance Computing.

Phoenix International, a John Deere® company, designs and manufactures highly rugged, customized and integrated electronic components and systems for equipment that needs to function reliably under the most adverse conditions. The company serves original equipment manufacturers in industries such as on-highway, agriculture, heavy construction, industrial control and material handling.

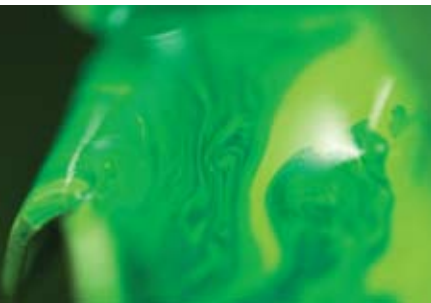
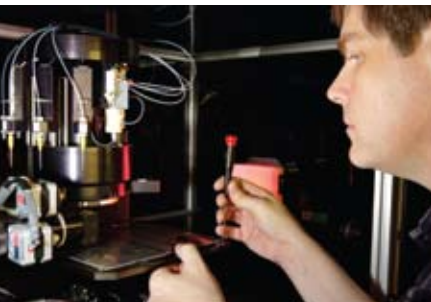
Intelligent InSites, Inc. is a developer of real-time location, communication and workflow solutions for the health-care market. Its flagship offering combines location-sensing hardware, handheld PDAs and hosted software applications that integrate with customers' existing systems to improve organizational efficiency, patient safety and provider effectiveness.

NDSU RFID and Wireless Sensor Laboratory is part of the Center for Nanoscale Science and Engineering. The new lab, which became operational in August 2007, provides testing capabilities and support for research and development partnerships between NDSU, industry and government in RFID technology areas.

Pedigree Technologies is a leader in the field of intelligent asset management systems. The company's "Lineage Services Platform," an advanced software and hardware system, unites wireless and embedded sensor networking technologies with the World Wide Web. It enables organizations to deliver remote, real-time product performance information, as well as post-sale support and response for serviceable machinery and equipment, from anywhere in the world.

Precision Partners, Inc. assembles and assesses grower data to deliver solutions that improve the profitability of its national and international agribusiness customers. The company applies the latest technologies in developing precision crop production practices. It provides solutions in areas such as farm and field planning; variable rate seeding, fertility and chemical application; yield and potential yield mapping; profitability mapping; surface drainage planning; and agronomic training and education.





deal flow

The RTP staff participated in and advised the efforts of LifePump Innovations, which was named one of five InnovateND winners as a student and faculty led electronics research and development project. Staff provided assistance in LifePump's business plan development, strategy discussion and investor presentation.

The RTP staff assisted 19 companies that were seeking angel, venture or Small Business Innovation Research funding.

The RTP successfully recruited Green Square North Dakota, Inc. (GSND), a software developer and consultant for medical insurance processors. GSND is a subsidiary of Green Square, Inc., Chicago, Ill.

The RTP hired four students to advance entrepreneurial outreach and development.

RTP staff members conducted market research projects for two start-up companies.

The RTP linked As One Technologies, Trusted Semiconductor, DataCom, and GSND with university resources. Both As One Technologies and Trusted Semiconductor have expressed interest in the capabilities of the NDSU Center for Nanoscale Science and Engineering. DataCom and GSND have utilized resources of the NDSU Department of Computer Science.

The newly capitalized Fargo-Moorhead Angel Investment Fund hired two interns to work as analysts.

The RTP was involved in recruiting Miocardial Recovery Devices as a client for the Technology Incubator. MRD is a collaboration between NDSU and the University of Louisville to research and develop implantable cardiovascular devices.

The RTP held four 5:01 Entrepreneur Society meetings attended by more than 300 people, as well as two networking events for RTP tenants.

RTP staff members provided technical assistance and private-sector information to NDSU for Centers of Excellence projects.

technical assistance

The RTP created and filled a business development specialist position to assist with entrepreneurial development.

RTP staff members met with representatives of Precision Partners, reviewed the company's business plan and financial projections and recommended changes.

The Technology Incubator staff assisted a troubled company in the Fargo-Moorhead metropolitan statistical area with its recapitalization. Staff recommended funding options, advised on funding requirements and contacted financial groups on the company's behalf.

The RTP staff periodically met with tenant companies to conduct needs assessments.

The RTP provided entrepreneur discussion groups to 13 campus groups during the past academic year.

RTP staff members assisted Pedigree Technologies in developing the company's financial projections, attaining equity and debt financing, government audit and relationships, contract strategies, product commercialization and capitalization strategies.

The RTP staff assisted 21 companies with services in the following areas: business plan development (15); marketing plan development (15); equity or debt financing planning (19); commercialization services (15); strategic alliances (10); and strategic planning (16).

partnerships

The F-M Angel Investment Fund was established as part of the RAIN network with capital from 26 high-net-worth individuals. The Fund seeks to invest in either high- or low-technology companies with great growth potential. The Fund will work with other RAIN funds in the upper Midwest for regional deal flow and syndication.

The F-M Angel Investment Fund selected Gruby Technologies for its first investment. Gruby has since changed its name to Intelligent InSites. The company offers wireless radio frequency identification (RFID) tracking and communication systems for health-care facilities.

The Technology Incubator staff provided ongoing due diligence, deal flow generation and administrative services as part of in-kind support to the F-M Angel Investment Fund.

The RTP continued to work toward the creation of an RFID health-care consortium that will grow its activity within the RFID cluster.

The RTP was a charter partner in the creation of InnovateND, a statewide entrepreneur business plan program.



KEY LEGISLATION ENABLES RTP INITIATIVES

The North Dakota Legislature took action on three initiatives important to the RTP and its tenants in the 2007 session.

1 Angel Fund Tax Credit

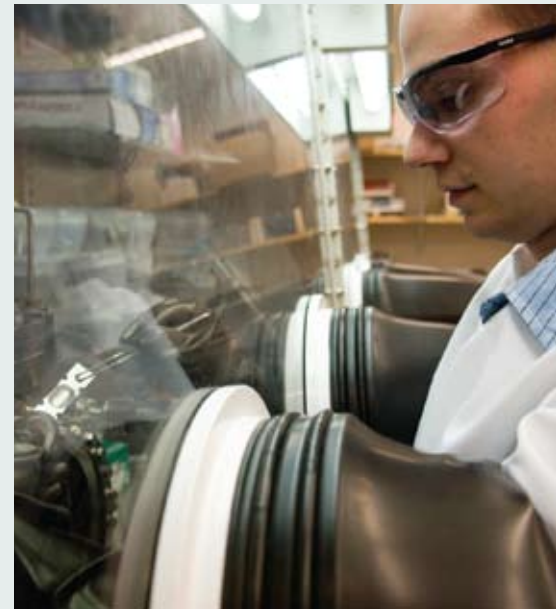
The Legislature enacted a state tax credit that applies to investors who pool their investments with emerging angel funds being created in North Dakota. They can qualify for a 45 percent credit for direct investments, or investments through a pooled fund, of up to \$100,000 in a qualifying North Dakota venture. The investment must be at-risk in a fund for at least three years, and there is a carry-forward provision for up to four years.

2 R&D Tax Credit

The Legislature increased the rates of the Research and Experimental Expenditures Tax Credit (also known as the R&D Tax Credit) to make them the most generous rates in the country. Companies that begin conducting research in North Dakota in the next four years will receive a tax credit of 25 percent of the first \$100,000 in qualified research expenditures and 20 percent of additional qualified research expenditures until the 2017 tax year. In addition, companies with annual gross revenues of less than \$750,000 may sell or transfer up to \$100,000 in R&D tax credits. North Dakota companies that previously have received the R&D tax credit will have it incrementally increased over a four-year period to a rate of 25 percent for the first \$100,000 of qualified research expenditures and 18 percent of additional qualified research expenditures until the 2017 tax year. After 2017, the tax rate will be 25 percent for the first \$100,000 of qualified research expenditures and 8 percent of additional qualified research expenditures.

3 InnovateND

The Legislature allocated \$200,000 for the second round of InnovateND, which began in the fall of 2007. The statewide initiative assists entrepreneurs in advancing innovative concepts into profitable business ventures. InnovateND participants gain access to the venture process, which includes education, business planning, coaching and mentoring. The program is a joint effort between the North Dakota Department of Commerce, the RTP, the NDSU College of Business, the University of North Dakota (UND) Center for Innovation and UND Entrepreneurship.



THE PLUS EXPERIENCE: STUDENT JUMPSTART, BUSINESS MONEY SAVER

The RTP has launched a unique program that will concurrently jumpstart graduates' careers and help businesses save time and money.

The Plus Experience has evolved from the original vision of NDSU Vice President Philip Boudjouk. It is designed to bridge the knowledge-to-experience gap of recent graduates and make them more attractive hires for technology companies. At the same time, it will help develop employees who can produce industry-specific results and impact companies' bottom lines more quickly.

Sharon Miller, RTP talent specialist, developed the program from scratch and will be refining it over the coming year. The vision is to offer a series of courses designed with input from private-sector employers and geared toward developing knowledge and abilities that meet those employers' needs. The pilot curriculum for 2007-08 incorporates input from leaders of technology-driven businesses in industry sectors such as biotechnology, engineering and software development.

Under the direction of Dean Gary Smith, the NDSU College of Engineering and Architecture is funding the pilot program. The Plus Experience requires faculty recommendation for participation. Through an interview process, 10 students were selected for the first session.

The program began in early October. Students are attending class one night a week for eight weeks to learn "soft skills," such as critical thinking, cross-group collaboration, communication skills, working remotely and building relationships, as well as "hard skills," like understanding the lifecycle of a product from conception to market.

Students will not receive any credit for The Plus Experience at this time. However, the goal is to develop it into a three-credit course offered through the scholars programs in various NDSU colleges.

Miller joined the RTP in July 2007 from The Partner Channel, Fargo, N.D. where she was the director of recruiting services. Her expertise includes more than nine years of recruiting experience with companies such as Microsoft Business Solutions, Fargo; the Valley City Economic Development Corp., Valley City, N.D.; and RDO Equipment Co., Fargo. Her position was made possible through a grant from North Dakota Experimental Program to Stimulate Competitive Research (EPSCoR).

"THIS PROGRAM
WILL PROVIDE
THE COMBINATION
OF ACADEMIC
INSTRUCTION AND
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MANY COMPANIES
SEEK IN THEIR
WORKFORCE."

Dr. Philip Boudjouk, NDSU Vice President
for Research, Creative Activities and
Technology Transfer and Co-Chair
of North Dakota EPSCoR.



RTP, INCUBATOR BOOST STUDENT OPPORTUNITIES

Students are making a difference for tenants of the Technology Incubator, and the experience is making a difference in their educational and professional development.



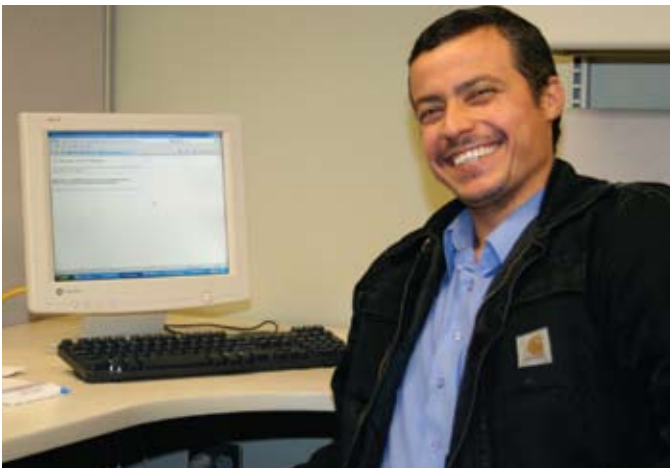
CRYSTAL SISTAD

Hometown: Fosston, Minn.

NDSU Senior in Criminal Justice

Business Operations Assistant, NDSU Research & Technology Park

"This internship has been an amazing experience. As I work with the staff and assist tenants of the Technology Incubator, I'm meeting great people and making connections I know will make a difference when I start my career. I'm also learning about entrepreneurship and handling real-life, day-to-day work issues. As a criminal justice major, I never thought I would be interested in starting my own company. But after seeing the process here and learning about the people who are doing it, I am more interested and prepared to start a company myself some day."



IZZAT M. ALSMADI

Hometown: Jerash, Jordan

NDSU Doctoral Candidate in Software Engineering

Software Quality Engineer, Feed Management Systems

"As a software quality assurance engineer, I am responsible for testing FMS products. Specifically, my research is in software test automation. I feel lucky to be doing work for a great company in an area that correlates so well with my studies and research interests. What I am doing here allows me to both enhance my abilities and relate what I'm doing to my future career. I also think the Research Park has provided a very good opportunity to communicate with area businesspeople and companies so I will have a better chance of finding a job in my field."



DEREK ANDERSON

Hometown: West Fargo, N.D.

NDSU Sophomore in Electrical Engineering

Electrical Engineer at Bobcat Co.

"My internship has been great. It is improving my critical thinking skills and enabling me to apply what I've learned in school to everyday work situations and more complicated challenges. It's also given me a better understanding of how operations take place in the workplace and an appreciation of the importance of working as a team. Every day brings something new and I'm having a lot of fun on the job. There's no doubt the experience will make me more valuable to a company in the future."



2006-07 financials

The RTP ended the 2006-07 fiscal year on a strong note. Total revenues, which include income from rent, grants and pledges, exceeded total expenses by \$3,004,833. Grant and pledge income of \$2,808,038 was used specifically for the construction and operation of the Technology Incubator. Total assets for the fiscal year equaled \$35,382,804, an increase of \$6,339,906 over the previous year. The majority of this increase was due to the near completion of the Technology Incubator at 1854 NDSU Research Circle North. In addition to the Incubator building, total assets included the Research I and Research II buildings located at 1735 NDSU Research Park Drive and 1805 NDSU Research Park Drive, respectively.

RTP BOARD

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North Dakota State University
Chair
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Jan Sobolik
Executive Assistant

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Talent Specialist

Jaclyn Lokken
Administrative Assistant

Michael Olson
Business Operations Assistant

Crystal Sistad
Business Operations Assistant

NDSU
researchTECHNOLOGYPARK, INC.

1854 NDSU Research Circle North

Fargo, ND 58102

701-499-3600 (phone)

701-499-3610 (fax)

www.ndsuresearchpark.com

