

SPRINGBOARD LUNCHEON

**Tuesday, August 2, 1994
11:30 a.m.-2:00 p.m.
Hyatt Regency La Jolla**

CONNECT Wishes to Thank

**Arthur Andersen & Co.
Brobeck Phleger & Harrison
Coopers & Lybrand
Girard Capital**

For Their Generous Support of the Springboard Program

**UCSD/ CONNECT
9600 North Torrey Pines Rd.
La Jolla, CA 92093-0176
(619) 534-6114**



The UCSD Program in Technology and Entrepreneurship

August 2, 1994

Dear Friends:

Thank you for joining us today for the first *Springboard* Luncheon. The entrepreneurs you will be seeing this afternoon are among the most promising technology-based start-up companies to have participated in the *Springboard* program over the last year. They are here to share their vision, highlight their technology, discuss their strategy and provide you with an early window on San Diego's newest emerging companies.

CONNECT launched the *Springboard* program last August to provide support for early stage high-tech and biotech entrepreneurs in the San Diego/Baja region. Over the past 12 months, *Springboard* has helped over a dozen entrepreneurs develop their business strategies by assembling select panels of CONNECT sponsors and members to provide expert advice. Since their involvement, many of these entrepreneurs have further defined their strategies and are now seeking funding for their ventures.

Today, you will be seeing brief presentations from the following companies:

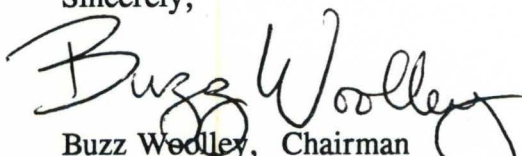
- **Aquam Internacional, S.A. de C.V.**
- **Interactive Simulations**
- **PRISA NETWORKS** (formerly Network Interface Communications)
- **Virage, Inc.**

In addition to the attached information, the presenters and members of their team will also be available after the luncheon to share more detailed information with you.

Since *Springboard* is a new program, we invite your suggestions to better develop and achieve its goals. Please contact CONNECT if you are interested in participating on a panel. In the meantime, don't hesitate to pass along any potential *Springboard* candidates so that we can continue to build this program.

Thank you, once again for being a part of today's luncheon. I hope you find these companies as exciting as we have.

Sincerely,


Buzz Woolley, Chairman
Springboard Advisory Committee

CONTENTS

| | <u>Page</u> |
|---------------------------------------|-------------|
| Agenda..... | 1 |
| Fact Sheet..... | 2 |
| Application..... | 3 |
| Underwriters..... | 4 |
| Advisory Committee..... | 5 |
| Company Profiles..... | 6-23 |
| Interactive Simulations..... | 6-9 |
| PRISA NETWORKS..... | 10-13 |
| Virage, Inc..... | 14-17 |
| Aquam Internacional, S.A. de C.V..... | 18-23 |

AGENDA

11:30 a.m.-12:00 p.m. REGISTRATION

12:00-12:10 p.m. WELCOME
Bill Otterson, Director, CONNECT

12:00-12:30 p.m. LUNCH

12:30-12:45 p.m. INTRODUCTIONS
Barbara Bry, Director of Programs, CONNECT
Buzz Woolley, President, Girard Capital

12:45-2:00 p.m. COMPANY PRESENTATIONS

Interactive Simulations
Dr. Mark Surlles, President

PRISA NETWORKS (formerly Network Interface Corp.)
Marc D. Friedman, President

Virage, Inc.
Dr. Ramesh Jain, Chairman

Aquam Internacional, S.A. de C.V.
Jose Muñoz, President & CEO

2:00 -4:00 p.m. PRIVATE MEETINGS
Companies will have hospitality rooms reserved after the lunch. Please take advantage of this opportunity to meet with each company & to ask further questions.

SPRINGBOARD

Launching Technology Through Entrepreneurship

What is Springboard?

The Springboard program was started to assist high-tech and biotech entrepreneurs who are in the very early stages of developing a concept and strategy for a business. At least once a month, an entrepreneur is invited to make a presentation of his or her idea to a select group of CONNECT sponsors and members. This group will usually include a venture capitalist, accountant, corporate and patent attorneys, marketing professional and an executive from a successful company in the same industry. Experts will also be drawn from insurance, real estate, human resources and other areas as needed. The goals of the 2 hour Springboard meeting are to provide the entrepreneur with candid recommendations for the development of their business plan or concept and to help define the desired outcome of their efforts.

Who can participate?

Prospective Springboard presenters include:

- * UCSD Faculty interested in commercializing their discoveries
- * Large company employees who want help thinking through an idea before presenting it as an internal project
- * Anyone interested in starting a high-tech or biotech company in the San Diego-Baja region

How do I get involved?

Interested entrepreneurs should contact Scott Fassett, Springboard Coordinator at CONNECT. You will be asked to complete a one page application and submit relevant information regarding your proposal. This will include a 1-2 page description of your concept and proposed business strategy. Though not required, it could also include a business plan, pertinent marketing materials or press releases. The application and supporting materials will be reviewed by an Advisory Committee who will advise the Springboard Coordinator which entrepreneurs should be invited to present. Due to the interest in this program, meetings are frequently scheduled as far as 2-3 months in advance.

For more information please call CONNECT at (619) 534-6114.

Springboard Application to Present

Date Submitted: _____

Name: _____

Title: _____

Company Name: _____

Address: _____

Telephone: _____ Fax: _____ Internet: _____

Please complete the following questions (attach a business plan &/or executive summary if available):

Have you formed a company? _____ How many employees? _____

When was it founded? _____ Where? _____

Briefly describe the background and current affiliations of the Founders:

Please list the sources and amounts of capital invested to date:
(i.e., Personal, Private or Venture Capital)

Briefly describe your technology:

Describe your target customer and the market(s) for your product:

Describe the competitive environment & why your product/technology is unique:

Springboard Underwriters

Arthur Andersen & Co. is an international organization providing tax, audit and business consultation services. The world wide organization provides services to its clients through over 307 offices in over 67 different countries, including 70 offices in the United States. They have been assisting local high-tech and biotech companies of all sizes in addressing a wide range of business issues, such as strategic planning, business systems consultation, mergers and acquisitions, and raising capital.

Brobeck, Phleger & Harrison is one of the nation's leading law firms with offices in San Diego, San Francisco, Palo Alto, Los Angeles and Orange County and joint venture offices in New York, London & Prague. The firm represents many of San Diego's most prominent emerging growth companies and venture capital firms. In the past three years, the San Diego office of BP&H has completed more than 50 venture capital financings totaling \$100 million. In 1993, the BP&H served as counsel in one out of every four public offerings for emerging companies on the West Coast. BP&H is also experienced in all forms of mergers and acquisitions, corporate partnering, and licensing and research collaboration.

Coopers & Lybrand is an international accounting and consulting firm with a local ability to serve its clients' needs. The firm has over 41,000 professionals in more than 550 offices in over 100 countries. C&L employs approximately 90 professionals in its San Diego office of which 15 partners and managers are dedicated to meeting the needs of San Diego's high-tech community. C&L regularly advises clients on a wide range of issues, including strategic planning, raising capital, mergers and acquisitions, and systems evaluations.

Girard Capital is a venture capital company that invests in small and medium sized high technology companies that demonstrate outstanding growth potential.

Springboard Advisory Committee

Chairman:

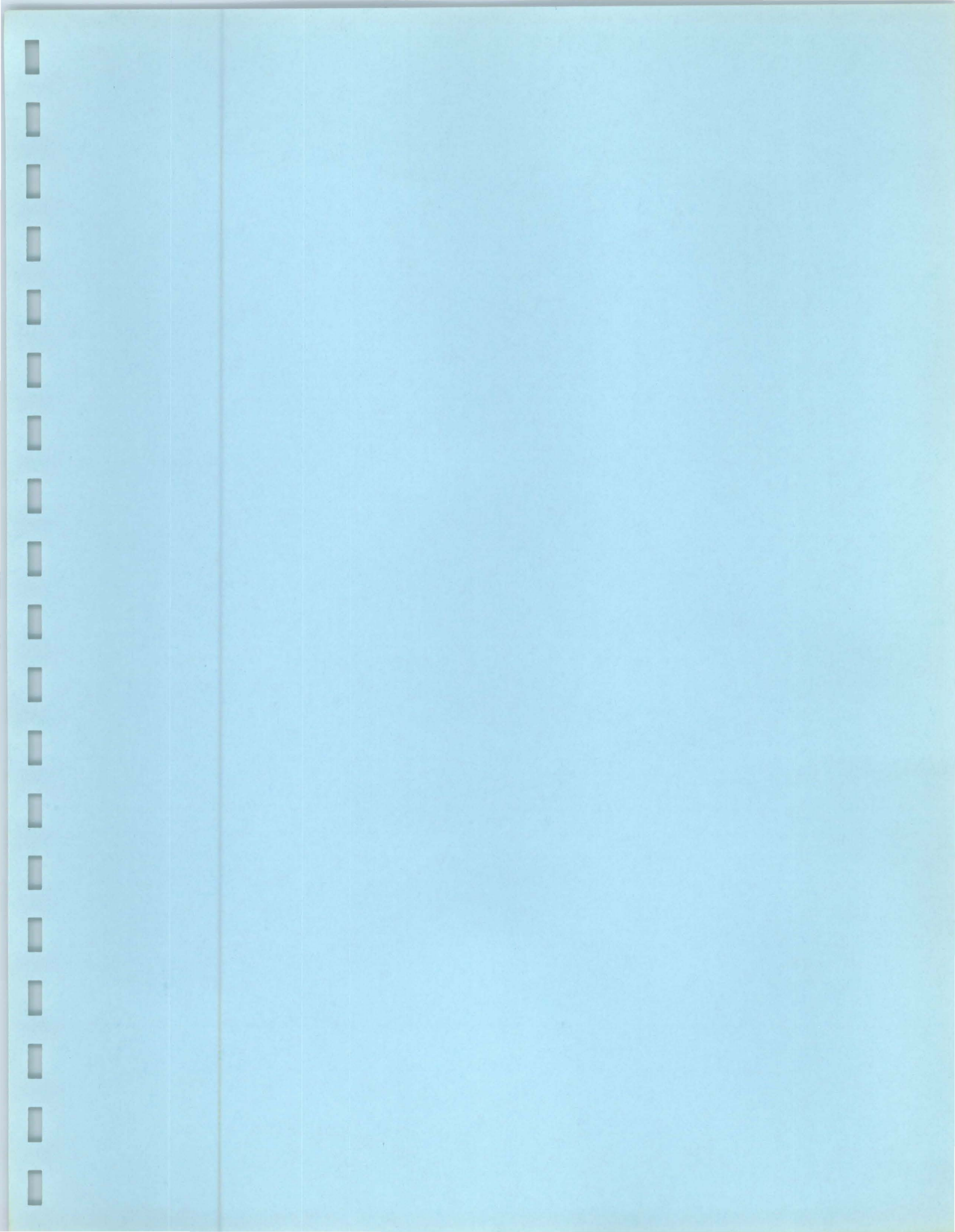
***R.B. "Buzz" Woolley, President
Girard Capital***

Members:

***Jay De Groot, Partner
Brobeck, Phleger & Harrison***

***Robert Shanley, Partner
Arthur Andersen & Co.***

***Patrick T. Sullivan, Partner
Coopers & Lybrand***



INTERACTIVE SIMULATIONS, INC.
3360 Via Alicante
La Jolla, CA 92037
(619) 534-8323

Presenter: Dr. Mark C. Surles, President

COMPANY PROFILE

Legal Form: California Corporation
Date Established: January 1993
Stage of Development: Between seed and first round
Funding Sought: \$3 million over 2.5 years

COMPANY OVERVIEW

Interactive Simulations, Inc. is a software corporation founded in California in 1993 by Dr. Mark C. Surles. Interactive Simulations solves critical scientific problems for the biotechnology and pharmaceutical industries, primarily through the development of innovative software for molecular modeling, simulation, and drug design.

Interactive Simulations products are based on a technical breakthrough in molecular modeling developed by Dr. Surles. This technology lets us quickly penetrate an established \$200M market of expert molecular modelers, and pioneer an emerging, potentially \$1B, software market for PC-based entry modeling systems; and low-end PC-based educational software systems. No competitor can sell in all these markets because they lack our intuitive, powerful techniques.

In addition to Dr. Surles, Interactive Simulations includes two Ph.D. scientists with extensive experience in biological and computational sciences and in management and development of commercial software products for molecular modeling. Interactive Simulations has world renowned scientific advisors including Professors Jane S. and David C. Richardson of Duke University Medical School, who are both widely recognized leaders in the fields of protein

structure determination, molecular visualization, protein engineering, and protein folding, and are members of the National Academy of Science.

STATUS

Interactive Simulations prototype system, called *Sculpt*, is used in over 50 sites in 8 counties.

Interactive Simulations has one Small Business Innovative Research grant funded, another awaiting review, and a third to be submitted in August.

Silicon Graphics is providing no-cost machines for development during the first year.

Major pharmaceutical companies including Genentech, Protein Design Labs, Lilly, SmithKline Beecham, Proctor & Gamble, and Chiron are interested in *Sculpt* and are considering contract development with Interactive Simulations.

Khepri Pharmaceuticals is synthesizing and testing a molecule designed with *Sculpt* for HIV inhibition.

MARKET OVERVIEW

Molecular modeling software lets a user study shapes and movements of interacting molecules by watching animations of pre-computed simulations. The animation is based on equations, solved by the computer, that describe the physical forces that act on the molecules. Molecular modeling software is essential for the new and rapidly growing approach to drug developing known as rational drug design.

Software for molecular modeling was a \$200M industry in 1993. This market is expected to grow 25% annually, but still remain fairly small and competitive. This market consists entirely of so-called "expert" users, who use extensive work-stations and spend most of their time doing molecular modeling. Many of these users are frustrated with existing molecular modeling software, because of its technical limitations and lack of user-friendliness. There is a much broader, and so far, largely untapped market among experimental biochemists and medicinal chemists. These scientists are not computer experts; they use PCs and reject current modeling software as too hard to learn. This broader market is potentially \$1B. No company has tapped this market because no product prior to Interactive Simulations has been both intuitive enough and productive enough for the bench chemist to want to use.

Products that are sufficiently user-friendly for the molecular biology market would also be valuable as educational tools in chemistry and biology classes at the high school and college level. By 1997 most of these students will have access to personal computers at home or at school. This is another untapped, billion-dollar market that Interactive Simulations targets.

PRODUCT OVERVIEW

Interactive Simulations products are based on a radically different approach to molecular simulation that lets a user manipulate a molecule in a direct and intuitive way. The experience is much like holding and shaping a physical plastic model of the molecule, but with continual feedback on the quality of the structure that only a computer-based mathematical model can provide. The essence of the method lies in the continual coupling of the user's manipulations of the structure to a new computational method that is about ten to a hundred times faster than conventional methods. No other commercial products let one directly change the structure in any physically valid manner.

This new paradigm is embodied in *Sculpt*, a version of our first product that is specifically designed for use with proteins. *Sculpt* has proven its value as a research tool at labs such as Cambridge, Oxford, Duke, and UC San Francisco, and as an educational tool at UC Irvine. *Sculpt* has been featured in the *Wall Street Journal* and on the cover of *Science*, and was nominated for Software Innovation of the Year by *Discover* magazine.

Interactive Simulations first commercial product will be an enhanced version of this prototype that is as easy to learn as a top-quality word processor. Soon afterwards we will produce variants of this product to extend the sculpting paradigm to molecules other than proteins. Other products will use *Sculpt's* fast computational method for database searching and protein structure prediction.

Once expert modelers in a company accept our high-end product, Interactive Simulations will then target their general "bench" chemist with a version containing fewer features and running on a PC.

Educational products will begin shipping in early 1997. They will include the interactive sculpting paradigm coupled with multi-media and educational material. These products will cost approximately \$100.

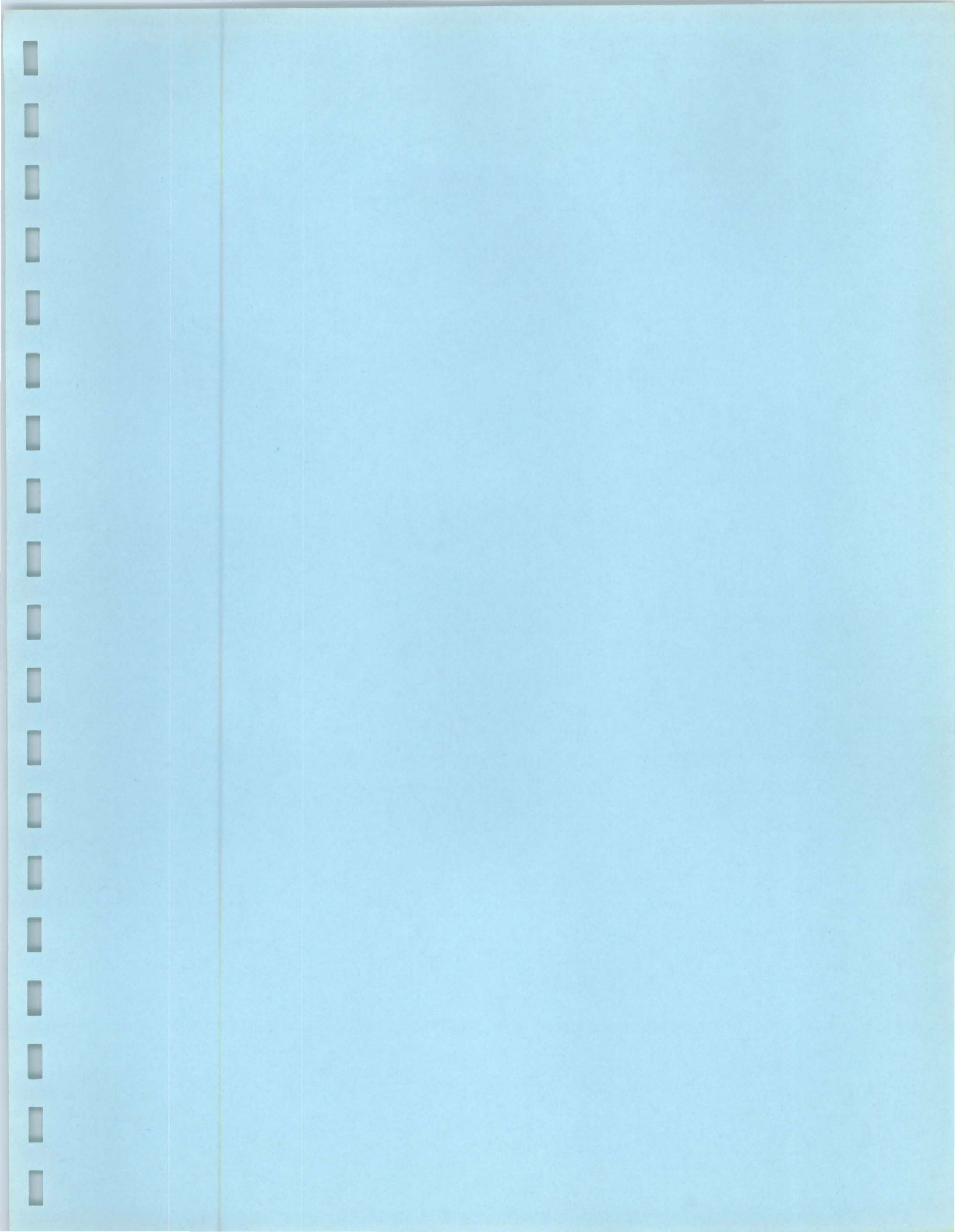
FINANCIAL PROJECTION

The following table shows projected income for five years. Sales growth in 1996 results from our first year of sales; 1997's growth includes introducing PC-based software for bench chemists; 1998 includes educational sales.

PROJECTED INCOME STATEMENT \$ IN MILLIONS

| | Fiscal year ending June 30, | | | |
|----------------|-----------------------------|-------------|-------------|-------------|
| | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> |
| Revenues | 0.5 | 4.6 | 16.6 | 43.2 |
| Pre-tax income | (0.4) | 1.5 | 3.6 | 10.7 |

Interactive Simulations anticipates positive cash flow during the second fiscal year. Interactive Simulations seeks \$3M in equity financing over 2.5 years to meet cash-flow requirements. The first \$500,000 covers product development and sales during the first year. Remaining capital expands product development and sales and marketing. Interactive Simulations plans an Initial Public Offering in its fifth fiscal year.



PRISA NETWORKS
P.O. Box 1725
Solana Beach, CA 92075
(619) 793-2429
Fax: (619) 793-1144

Chief Executive: Marc D. Friedmann, President
Presenter: Marc D. Friedmann, President
Other Attendees: Don Deel, Vice-President, Product Development

COMPANY PROFILE

Founders: M. Friedmann, D. Deel
Legal Form: Corporation
Date Established: In formation
Stage of Development: Seed
Funding Sought: \$500,000

COMPANY OVERVIEW

PRISA NETWORKS is focused on high-speed digital networks for video production and broadcast studios. A family of integrated software/hardware interface products based upon a new generation of industry standards, particularly Fibre Channel, will be created to drive revenue growth. Differentiation will be through specialized software tailored for studio networks coupled with PRISA-developed high performance hardware incorporating proprietary architectures implemented in custom integrated circuits. Low development and manufacturing costs will be achieved through key technical and manufacturing strategic alliances. PRISA will develop two complementary, yet distinct customer bases OEM re-sellers and studio network end-users. Both OEM and direct sales channels will be used in reaching targeted customers.

MARKET OVERVIEW

The past decade has seen a major shift from centralized to distributed computing environments. This has generated rapid growth in both Local Area (LAN) and Wide Area (WAN) networked computing. As computer workstation and server performance has risen, network data transfer rates have been forced to increase 100-fold (1 Mbit/s to 100 Mbit/s). The recent trend toward multimedia (i.e., adding video and audio to data) information transfer is rapidly exceeding the limit of current technology, and is driving the need for even higher speed networks (1 Gbit/s). In parallel with this trend, as television expands to 500 channels, and interactive video and special effects become commonplace in games and homes, there is immense pressure for quantum jumps in efficiency and productivity by broadcast and production studios.

The combined impact of these trends is rapid growth in high speed networks, which are forecast to expand from \$678 million to \$7.2 billion between 1994 and 1998. The video/multimedia portion of this market will increase from \$79 million to \$1.9 billion over the next five years, growing from 12% to 26% of the high performance network market. By 1998, Fibre Channel networks will represent \$681 million of the multimedia total. Studio networks implemented with Fibre Channel will rise to \$273 million by 1998.

TECHNOLOGY OVERVIEW

PRISA's revenue will derive from two primary sources: (1) Adapter cards and converters sold on an OEM basis to targeted equipment suppliers, and (2) Sale of integrated network systems to studio and post-production houses. PRISA intends to initially concentrate on network interfaces (adapter cards) for Silicon Graphics, Inc. (SGI) workstations. SGI offers the highest performing workstations on the market and is solidly positioned at the center of the studio computing industry. PRISA intends to combine its deep understanding of Fibre Channel with its proprietary performance-enhancing Multi-Thread Direct Memory Access (MTDMA) technique to deliver the first high-speed (1 Gbit/s) Fibre Channel adapter card usable with SGI's high-end workstations. Installation and protocol software will be an integral part of the product offering, enabling the Fibre Channel interface to rapidly and effectively operate in networked computer environments. PRISA's proprietary MTDMA techniques will be implemented using ASIC technology, allowing the company to build important competitive barriers to entry.

As its second phase of products, PRISA's adapter card architecture, design, and software will be applied to development of adapter cards oriented toward the Peripheral Component Interconnect (PCI) bus. The PCI bus is rapidly gaining popularity and many vendors are adopting it for computer and other equipment. In parallel, PRISA will pursue development of 1 Gbit/s Fibre Channel interfaces and converter capable of being combined with a third-party

switch. This will enable PRISA to deliver an integrated network solution for digital video/multimedia workgroup computing in the third phase of product development.

Competition is expected from the few companies specializing in the high speed I/O area, such as IBM, Interphase, Emulex, Adaptec, Western Digital and Power I/O. All these companies are known to be currently targeting a mass market focused on general purpose computing. None of these possible competitors is expected to be as carefully targeted on the studio network end market as PRISA.

POTENTIAL INVESTMENT OPPORTUNITIES

PRISA is seeking seed funding of \$500,000. Initial funding will be applied primarily to salaries and contract design and manufacturing services. Seed funding is projected to take the company through initial product software and hardware development. Additional funding will be sought for initial product launch and follow-on product development.

MANAGEMENT BIOGRAPHIES

Key management for PRISA NETWORKS are Mr. Marc Friedmann and Mr. Don Deel. For the past 11 years, Mr. Friedmann worked in a variety of marketing positions at Applied Micro Circuits Corporation (AMCC), San Diego, CA, most recently serving as Vice-President of Network Products. Founder of this \$20+ million internal start-up, Mr. Friedmann defined overall product direction, established key marketing programs, and maintained key customer relations. Prior to this, Mr. Friedmann participated in a management rotation program at TRW LSI Products Division, culminating in the position of New Business Development Manager. Mr. Friedmann has a Bachelors degree in Physics from UCLA and an MBA from Harvard. Mr. Friedmann will be Chief Executive Officer of the new enterprise.

For the past 15 years, Mr. Deel has been involved in the definition and development of high speed network and interface products and systems. For the past three years he has been System Engineering Manager at AMCC where he has supervised the definition and development of more than a dozen very large scale integrated (VLSI) circuits oriented toward high speed networking applications. Prior to this he was Senior Engineering Manager at IN-NET Corporation, San Diego, CA where he directed product development and introduction activities for this start-up supplier of Fiber Distributed Data Interface (FDDI) backbone and channel extension systems. Previous to this, as head of the I/O Subsystems Group at Scientific Computer Systems, San Diego, CA, Mr. Deel managed I/O hardware and software development for this start-up mini-supercomputer supplier. Mr. Deel has a BA in Applied Physics and Information Science and a

MS in Computer Science from UCSD. He will be Vice-President of Product Development of the new enterprise.

SCIENTIFIC ADVISORY BOARD

PRISA has formed an Advisory Board of key industry leaders. **Ed Frymoyer** is Fibre Channel Systems Initiative Program Manager, heading a partnership between Hewlett-Packard, Sun Microsystems and IBM Workstation Group. **Gary Demos** is President of DemoGraFX, and has more than 20 years experience in the computer animation, film, and video industries. Mr. Demos has run several companies pioneering digital video production and special effects. He is currently very active in the area of HDTV and participates on numerous SMPTE and ANSI standards bodies.

CURRENT INVESTORS/CAPITAL INVESTED TO DATE

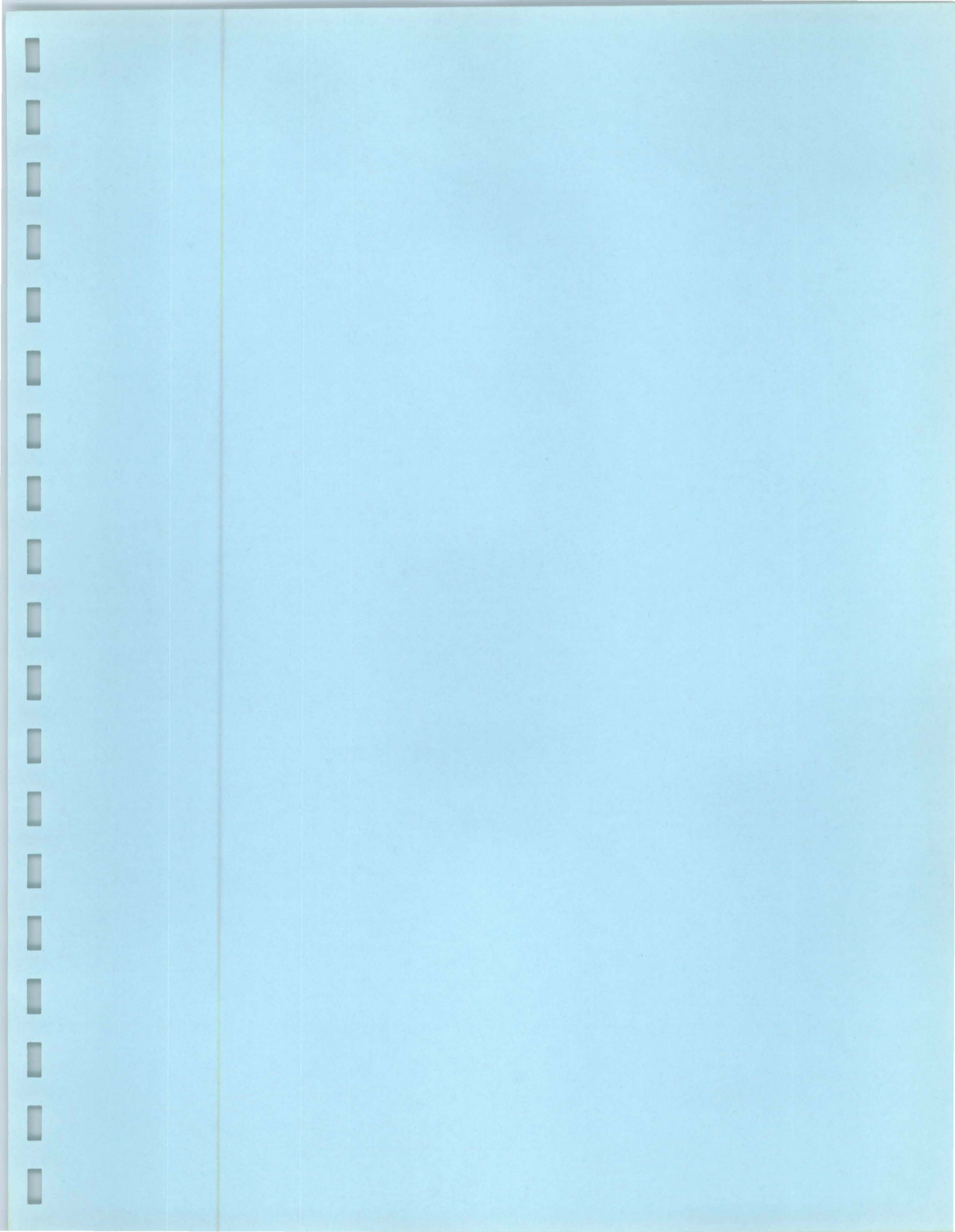
Marc D. Friedmann, from his personal assets.

FINANCIAL OVERVIEW AND PROJECTIONS

Executing the strategies described above will produce the revenue and profit profile reflected below.

| | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> |
|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales | 0 | 500 | 2000 | 6000 | 16000 | 30000 |
| Net Income | (120) | (251) | 214 | 476 | 1552 | 2643 |

(\$ 000's)



VIRAGE, INC.
11230 Sorrento Valley Road, Suite 150
San Diego, CA 92121
(619) 658-0126
Fax: (619) 658-0179

Chief Executive: Dr. Ramesh Jain, Chairman
Presenter: Dr. Ramesh Jain, Chairman
Other Attendees: Charles Fuller, Vice President; Ken Liu, Consultant

COMPANY PROFILE

Legal Form: Corporation
Date Established: Founded 9/93; Incorporated 4/94; spin-off from MI company
Imageware
Number of Employees: 6: 4 full time, 1 part time, 1 summer intern
Stage of Development: Startup, identifying markets, building core technology
Funding Sought: \$2.75 million

COMPANY OVERVIEW

Virage's mission is to be a pioneer and a leader in the exciting, new, multimedia enabling technology of visual information management. Its direct, image-based content retrieval, storage and management technology is a key missing link in the explosive multimedia market. Virage intends to develop and market application tools, components, and user products based on its core technology, independently and with strategic partners.

MARKET OVERVIEW

The explosion of multimedia content generation has created a massive problem for users. They need efficient and effective means of organizing, storing, and retrieving large volumes of multimedia data. Currently, there is no available technology that adequately addresses this critical need. Virage technology provides this missing link.

This technology is broadly applicable for diverse applications including media management, image databases, face matching (biometrics), medical image search, interactive shopping catalogs, scientific imaging, GIS, etc. Virage's strategy is to have a long term focus on the core technology which has broad application; the short term strategy is to focus on one or two initial applications. Our initial market research has identified three market segments with high potential:

1. Electronic publishing applications (including stock photos and clip media management);
2. Face matching problems in police, security and fraud scenarios (biometrics);
and
3. Medical image databases (PACS).

We currently have dialogs with potential strategic partners in all of these areas. Our first planned product family is a suite of image storage and retrieval tools for the electronic publishing marketplace which encompasses the corporate, professional graphic/publishing, and DTP market segments.

TECHNOLOGY OVERVIEW

Virage technology overcomes the difficulties and limitations in traditional information management systems which are based on keywords and alpha-numeric indexing techniques. This technology directly addresses the actual *content* of images which enables faster, more accurate, more creative searching and browsing of large volumes of image data. Keyword mechanisms are severely limited, and cannot address these problems. Our indexing mechanisms utilize color, shape, texture, orientation, and location information about features in the images (or signals) to facilitate rapid search that has perceptual meaning to a human. "Show me other pictures like this one."

Virage's core technology is based on the convergence of advancements in signal processing and computer vision with object oriented database technology and knowledge modeling. The technology applies generally to various signal types (images, sound, video, scientific signals, etc.). Our initial efforts are in image database applications as dictated by our initial market opportunities. We can deliver distributed applications in heterogeneous computing and network environments.

INVESTMENT REQUIREMENTS

Virage is seeking approximately \$2.75 million to leverage growth and maintain our technical leadership and develop markets in a critical enabling technology area. \$1.2 million to grow the technical staff to 10-12 engineers, with computing equipment and support for 18 months. \$0.3 million for senior management positions currently vacant (President, VP Marketing, other marketing) and office administration. \$1 million for market development and expansion (18 months). \$0.25 million for facilities, travel, etc.

We also seek strategic partners who can fund development and provide expertise in specific application domains.

MANAGEMENT BIOGRAPHIES

Ramesh Jain, Ph.D., Chairman: Dr. Jain is the founder and Director of the Center for Information Technology at the University of California, San Diego. He is an internationally recognized expert in the area of machine perception, multimedia, artificial intelligence and computer graphics. Dr. Jain is also the founder of Imageware, a Michigan based corporation which is the world leader in surfacing technology for 3D reconstruction of surfaces from scanned data. Since its first product introduction in 1993, Imageware has grown to 40 people and expects to do \$5M in 1994. Formerly, Dr. Jain was affiliated with the University of Michigan, where he founded and directed the Artificial Intelligence Laboratory. Other past affiliations include: Stanford University, IBM Almaden Research Labs, and GM Research Labs. Dr. Jain was founding editor of the Springer-Verlag journal *Machine Vision and Applications*, and the new IEEE publication, *IEEE Multimedia Magazine*.

C.K. Prahalad, Ph.D., Board Member: Dr. Prahalad is the Harvey C. Freuhauf Professor of Business Administration for Corporate Strategy and International Business at the University of Michigan School of Business Administration. He is an internationally recognized expert in corporate strategy. Dr. Prahalad has been named one of the top ten corporate consultants in the world by the *Wall Street Journal* (September 10, 1993), and as one of the world's five most influential strategic consultants by *Business Week* magazine (April 1993). He is co-author of *Competing for the Future*.

Charles Fuller, Vice President, Research and Development: Mr. Fuller was formerly VP of R&D at Deneb Robotics, Inc. where he managed a large development effort for Deneb's line of 3D robotic and manufacturing simulation tools. He is the author of Deneb's patent for their menu technology, and made significant overall contributions to their core technology, including geometric reasoning, advanced 3D rendering, user interface design, and multi-product

development, delivery, and licensing strategies. He is the principle architect of *Quest*, Deneb's new leading edge simulation tool for manufacturing material flow analysis.

ADVISORY BOARD

Alex Pentland, Ph.D., Technical Advisor: Dr. Pentland is currently the Director of the Perceptual Computing Group at the MIT Media Lab. He is a highly respected expert in the areas of computer vision, computer graphics, and physical modeling. He is also well-known for his research in the areas of face recognition and image databases.

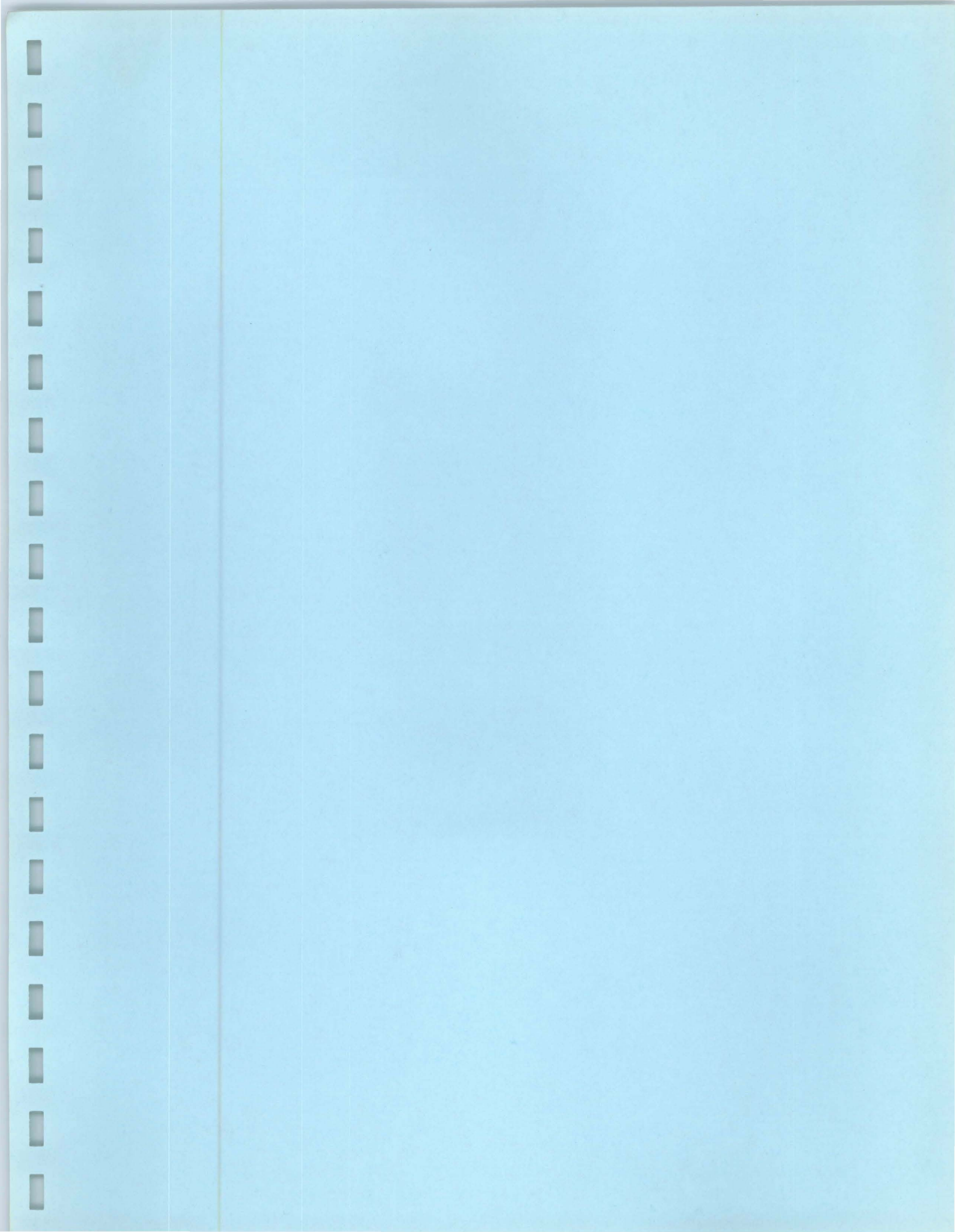
Ken Liu, Marketing Consultant: Mr. Liu is a seasoned management and marketing executive who has managed, grown and restructured technology businesses internationally. He has acted as an independent consultant and served in senior management positions with HNC, Inc., Holographix, Inc. and Codex Corporation. He has broad experience in imaging, software, data communications and related technologies and businesses.

CURRENT INVESTORS

Virage is a spin-off from Imageware, which has provided \$200,000 of seed capital to date.

FINANCIAL PROJECTIONS

| (\$M) | 1,994.00 | 1,995.00 | 1,996.00 | 1,997.00 | 1,998.00 | 1,999.00 |
|------------|----------|----------|----------|----------|----------|----------|
| Sales | - | 1.50 | 5.00 | 9.50 | 15.00 | 25.00 |
| Expenses | 0.40 | 1.28 | 4.01 | 7.46 | 11.70 | 18.75 |
| PBT | -0.40 | 0.23 | 0.92 | 2.04 | 3.30 | 6.25 |
| % Sales | - | 0.15 | 0.18 | 0.22 | 0.22 | 0.25 |
| Net Income | -0.40 | 0.23 | 0.62 | 1.22 | 1.98 | 3.75 |
| % Sales | - | 0.15 | 0.12 | 12.90 | 13.20 | 0.15 |



AQUAM INTERNACIONAL, S.A. DE C.V.
7640 Palmilla Drive, Suite 100
San Diego, CA 92122
(619) 452-5544
Fax: (619) 452-5552

Chief Executive: José E. Muñoz, Jr., CEO, Treasurer, Board of Directors
Presenter: José Muñoz, Jr., CEO, Treasurer, Board of Directors
Other Attendees: Samuel C. Palmer, Founder, Chairman, Board of Directors;
Hugh W. Staton, Director of Operations, Secretary, Board of
Directors; Stephen C. Walker, Administrative Manager

COMPANY PROFILE

Legal Form: Mexican Corporation
Date Established: March 18, 1994
Number of Employees: Five
Stage of Development: latter Stage Startup; Finalization of Investor Base
Funding Sought: Up to \$ 6.7 Million

COMPANY OVERVIEW

Aquam Internacional intends to be the leading producer and marketer of abalone for markets throughout all of the continents of the world. The company believes that its future leading market position will be attributable to its production, distribution and marketing expertise. The breadth of future products sold will result from the company's stated strategies of meeting existing demand, developing new products designed to appeal to more household food budgets, and extending the Aquam Internacional brandnames.

Aquam Internacional, S.A. de C.V. was officially incorporated as a 100% foreign owned company in the Republic of Mexico on March 18, 1994. This incorporation was the fountainhead of a three year effort of thoughtful planning and the commitment of nearly \$500,000

of pre-operative formation capital. Aquam's pre-operative mission was to effectively address and secure maximum dominion and control over the essential production variables (capital, land, technology, operating licenses and feed) for cultivating large quantities of abalone in Mexico.

Aquam has met nearly all of its pre-operative objectives and is now poised to initiate construction of facility that will produce annually, vast commercial quantities of abalone, a treasured resource. Aquam envisioned facility will be capable of spawning, nurturing and marketing 12 million abalone per quarter under full capacity conditions.

MARKET OVERVIEW

The world market demand for abalone is striking. The supply of abalone has steadily declined over the last thirty years while the appetite for abalone has remained consistent; whatever is rendered to market is sold. Present harvesting abalone supply levels are half of what they were in the past. In the 1960's annual harvests consistently approached 20,000 metric tons. Presently, the total worldwide harvest is 10,000 metric tons. Concomitantly, consistent demand coupled to falling supplies has effected a dramatic price increase; \$4.00 per pound in the 1960's to a current market price of \$55.00 per pound. It is Aquam's goal to employ its innovative production technology to market a treasured commodity that seems to be ever-disappearing from the wild.

With a commodity such as abalone that is experiencing ever diminishing supply levels and consistently heightening demand, there has been little incentive to expand the existing market base. Axiomatically, current and potential world demand has yet to be determined. While the conventional marketplace for Aquam's abalone product remains a primary target, Aquam contemplates the development of new abalone products to be introduced to both existing and potential markets.

Virtually all of the world's supply of abalone is commercially harvested from the coastal waters of Mexico, California, Australia, South Africa and the Orient. Total world harvest is currently estimated at 10,325 metric tons per year. Because of strong worldwide demand and the fact that abalone is a very slow growing species, harvests in all fisheries have been well within sustainable levels and today the world harvest is a fraction of historical levels. The California supply scenario is characteristic of the decline experienced in other natural abalone habitats throughout the world. In the 1960's commercial harvest is closer to 700,000 pounds. Supplies of abalone from off-shore California abalone beds are rapidly approaching extinction.

Past abalone culture operations attempted to restore native populations through conservation and restocking programs but these have generally not been successful due to pollution, slow species growth, legal protection of predators and high mortality. The greatest successes have been realized in Asia where cooperative hatchery projects are operated to supply seed for planting in the ocean, or to introduce the species into a controlled marine environment modified for abalone culture.

Despite these efforts to restore native populations, Aquam believes that the world harvest will continue to decline and that successful land based aquaculture will eventually play a major role in satisfying world demand. Aquam's premise and belief is that the growth and interest in aquacultural products produced in clean and monitored environments will soon overshadow demand for traditionally harvested seafood products.

MARKET OUTLOOK

The market for abalone is concentrated in Asia and in North America. Japan is the leading consumer of abalone. In addition include Hong Kong, Taiwan,

Singapore, and Korea with Annual Pan-Asian demand approximating 3 million pounds.

The North American market consists of two distinct markets; steak and canned. Total consumption exceeds 2 million pounds annually with two-thirds of the abalone imported from Mexico and Australia. It should be noted that the market is severely constrained by supply and that if available, substantially greater quantities of abalone could be absorbed by the market.

PRODUCT/TECHNOLOGY OVERVIEW

Red Abalone (Reds), are classified as gastropods ('Stomach Foot'), mollusks which are literally marine snails: genus *Haliotis*. Aquam's initial aquacultural product, to be produced at Ejido Eréndira, Baja California, Mexico is *haliotis rufescans*, red abalone. Evidenced by the price per pound commanded in the fresh markets of Asia, the Americas and Europe, abalone is a treasured species. Indigenous abalone cultures reside throughout the world, mostly along the semi-tropical coastlines of the globe. Only 12-15 species of abalone are considered commercially viable. Because of its universal appeal, Red abalone is Aquam's initial species for commercial inculturation at the company's facility at Eréndira.

Past abalone culture operations attempted to restore native populations through conservation and restocking programs but these have generally not been successful due to pollution, slow species growth, legal protection of predators and high mortality. The greatest successes have been realized in Asia where cooperative hatchery projects are operated to supply seed for planting in the ocean, or to introduce the species into a controlled marine environment modified for abalone culture.

Despite these efforts to restore native populations, Aquam believes that the world harvest will continue to decline and that successful land based aquaculture will eventually play a major role in satisfying world demand. Aquam's premise and belief is that the growth and interest in aquacultural products produced in clean and monitored environments will soon overshadow demand for traditionally harvested seafood products.

MARKET OUTLOOK

The market for abalone is concentrated in Asia and in North America. Japan is the leading consumer of abalone. In addition to Japan's modest domestic harvest, it is also the leading importer of abalone from Australia and several other Asian countries. 1987 consumption in Japan was 13.7 million pounds. Other critical Asian markets include Hong Kong, Taiwan, Singapore, and Korea with Annual Pan-Asian demand approximating 3 million pounds.

The North American market consists of two distinct markets; steak and canned. Total consumption exceeds 2 million pounds annually with two-thirds of the abalone imported from Mexico and Australia. It should be noted that the market is severely constrained by supply and that if available, substantially greater quantities of abalone could be absorbed by the market.

PRODUCT/TECHNOLOGY OVERVIEW

Red Abalone (Reds), are classified as gastropods ('Stomach Foot'), mollusks which are literally marine snails: genus *Haliotis*. Aquam's initial aquacultural product, to be produced at Ejido Eréndira, Baja California, Mexico is *haliotis rufescans*, red abalone. Evidenced by the price per pound commanded in the fresh markets of Asia, the Americas and Europe, abalone is a treasured species. Indigenous abalone cultures reside throughout the world, mostly along the semi-tropical coastlines of the globe. Only 12-15 species of abalone are considered commercially viable. Because of its universal appeal, Red abalone is Aquam's initial species for commercial inculturation at the company's facility at Eréndira.

Prior attempts have been made to revitalize market stocks of abalone with little success. Aquam's technology has come from the earliest academic work published. "Abalone Science and Its Propagation in Japan" was published in 1963 by Dr. K. Ino, who discussed in detail the various natural phases of abalone's metamorphosis; from the point of conception and the associated critical chemical properties involved during zygosis, the between stages of larval development, progressing into the settling stages of metamorphosis, and then finally into full commercial maturity. Aquam's research and development team have individually and collectively advanced and development and, more importantly, the application of Dr. Ino's early research.

Tidal surge technology expressed in what Aquam calls its proprietary hatchery-raceway circuit technology, hosts individual inculturated red abalone in an environment where the animals feed initially on diatoms, and as the red abalone population matures, the animals will convert to feeding on brown kelp, as their predecessors once did in vast numbers under pristine conditions in the wild.

USE OF FUNDING

Aquam will commit all recruited capital into the construction and operation of its abalone culture facility.

MANAGEMENT BIOGRAPHIES

José E. Muñoz, Jr., *President and CEO*. President of his own company (**JEM, Inc.**) specializing in international seafood and fisheries related business projects, utilizing his strong financial and operating background. Partner and Director of two industry-related businesses; A&M Ventures and Clipper Oil. Served as President, Chief Executive Officer, and member of the Board of Directors of **Van Camp Seafood Company**, a full-line canned seafood company with its familiar and dolphin-safe **Chicken of the Sea** label with the distinctive mermaid logo. Mr. Muñoz has nearly twenty years of experience in the tuna and seafood industry in various capacities: Consultant and Industry Representative (President, **JEM, Inc.** and Executive Vice President, American Tunaboat Association 1981-1988), and Vessel Operator (Vice President, Financial Administration, Zapata Ocean Resources, Inc., 1974-1976).

Samuel C. Palmer, IV, *Founder and Chairman of the Board*. Bachelor of Science in Agricultural and Managerial Economics, University of California, Davis. Master's of Science in Agricultural Economics, California State University, Fresno. Joined Merrill, Lynch, Pierce, Fenner and Smith in October 1983. Built a client base of over two hundred trust and individual

accounts. Gathered and managed \$US 25 million in cash-equivalent assets. Founder and endowed in 1988 the California-Baja Economic Zone Authority (CABEZA) Foundation. Researched U.S.-Mexico Transborder infrastructure issues.

Hugh W. Staton, Director of Operations and Board Secretary. From 1984 to 1990, Mr. Staton functioned as President and Director of Hatchery Operations, Abalone Unlimited, Inc.; established and directed operation of pilot hatchery which produced more than 2,000,000 red abalone; instituted sales of product and guided to completion the arduous California Costal Commission (CCC) permit process for the Corporation. Permit was granted by CCC with a 12-0 in favor decree. Outside contract work led to the institution of an abalone culture operation for the Icelandic Government utilizing geothermal heat for water warming. As General Partner, CEO and Co-founder, between 1967 and 1983, Mr. Staton organized Estero Bay Mariculture. There Mr. Staton initiated, developed and directed the successful operation of the first viable abalone culture operations in the U.S. Staton navigated research, development and commercial development to marketable product size. Outside projects included leading large research project with ARCO Oil and Gas Corp., using Platform Holly in the Santa Barbara Channel.

BOARD OF DIRECTORS

Samuel C. Palmer, Founder and Chairman of the Board
José E. Muñoz, Jr., Chief Executive Officer and Board Treasurer
Hugh W. Staton, Director of Operations and Board Secretary

CURRENT INVESTORS

Currently there are over 40 private investors that have committed capital to Aquam Internacional.

FINANCIAL OVERVIEW AND PROJECTIONS

To complete the proposed abalone culture facility in Aquam's business plan, \$6.7 million will be deployed over five years. Aquam is in an enviable position with regard to full-scale development. By graduating the build out of Aquam's facility capacity at a slower pace, Aquam can ultimately develop a full capacity facility through internally generated financing. Under an eight year facility build-out strategy, Aquam's near term capital requirements shrink to \$3.5 million.

An important factor in Aquam's ability to self-finance a great portion of its operation comes from the company's ability to foment and acquire customer deposits within the context of advance purchase contract commitments. Aquam has already been approached by trading companies from Japan, Hong Kong, Taiwan and Singapore who have all expressed strong interest in securing abalone product. Axioms' conservative estimate of customer deposits approach \$3.0 million.

Aquam's management is committed to fund the development of the company's abalone culture facility with equity and internally generated financing. More traditional debt financing structures are likely to surface by the third year. Those lower cost traditional credit facilities are likely to include inventory-backed working capital lines of credit; accounts receivable financing and/or longer term real estate collateralized debt funding. The objective of recruiting said bank debt would be to preserve non-dilution of shareholder equity.

Aquam's medium term (four to five years) objective is to take public its private shares. Naturally, under this scenario Aquam investors would be afforded greater liquidity with respect to the share positions.

