

Room Temperature Superconductors Inc. (an MPI Company)

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EXECUTIVE SUMMARY

It has been predicted that a room temperature superconductor will initiate a second industrial revolution. Room Temperature Superconductors Inc. (RTS) holds that its proprietary Ultraconductor technology constitutes the commercial equivalent of a room temperature superconductor. The Company is currently raising the capital needed to revive operations and explore early products. A meter length of wire was, until recently, anticipated in three years.

A new approach, should it prove practical, might achieve that goal before the end of 2008. Future plans include this subsidiary becoming a Division of Magnetic Power Inc., the parent company, which presently contemplates becoming a public company within perhaps three years. Should it make good sense, at an appropriate time, the future RTS Division might be sold to a larger firm.

MARKETS

Cryogenic superconductors have annual sales of three billion dollars per year at present and the markets are projected to increase greatly. Markets for superconductors that can operate at room temperature, i.e. ULTRACONDUCTOR products, have a forecast growth rate of seven times those projected for refrigerated superconductors.

THE COMPANY

ULTRACONDUCTORS are the result of more than twenty years of published, peer reviewed, scientific research, including fourteen years of development. Commercialization of polymer ULTRACONDUCTOR core technologies, such as wire and computer chip applications, is our focus. RTS was incorporated in California in 1993, and is located in Sebastopol, 50 miles north of San Francisco near Santa Rosa.

PATENT POSITION

The Company's first, landmark, U.S. Patent #5,777,292, was followed by U.S. Patents #6,552,883 and #6,804,105. Equivalents are pending worldwide. A very large fourth application has been filed. It will be divided into ten additional patent applications. RTS believes its intellectual property position is analogous to the patents that launched the biotech revolution -- and that our licensing strategy can ensure RTS's position as the market leader in room temperature superconductivity.

SCIENTIFIC ADVISORS

The Company's Scientific Advisory Board includes: Dr. Matt Aldissi, an internationally recognized scientist in electrically conductive polymers, whose Company independently reproduced our ULTRACONDUCTOR polymers for the USAF; Dr. A. Ze'ev Hed, a materials scientist whose specialties include technology assessment and product development; and Dr. William Little, Professor Emeritus at Stanford

University, who anticipated the possibility of a polymer room temperature superconductor in 1964.

KEY PEOPLE

Room Temperature Superconductor's scientific and management team had been working together effectively for more than 12 years, prior to activity slowing dramatically due to the lack of funding for pre-revenue high-tech firms following the dot-com crash. Mark Goldes, Chairman and CEO, is an entrepreneur with more than 25 years of experience in the alternative energy field. He is also Chairman and CEO of Magnetic Power Inc., the parent firm, and was earlier CEO of a financial consulting firm. He afterwards founded SunWind Ltd., a company developing renewable energy systems. Kevin Shambrook, the former President and Director of Science and Technology, was a co-founder and co-inventor of ULTRACONDUCTOR polymers. He will continue to work with RTS as a consultant. Kevin is a Ph.D. Electrical Engineer who has managed large engineering and manufacturing programs as well as new product introduction. His career began with Westinghouse, and he was responsible for the largest Research and Development program with Hughes Aircraft. He was VP of Technology for three different technology development firms. Dmitry N. Rogachev, Ph.D., Senior Scientist, currently on leave of absence, is a polymer physicist specializing in Ultraconductors for the last 18 years. Robert Zendels, the former CFO, and Michael J. Shambrook, the former V.P. of Administration and Marketing, are also on leave of absence. Each has wide business and entrepreneurial experience

COMPETITION

Two small firms have worked with materials covered by the Company's Patents. One was begun by two former senior staff members and is not presently active. The second company's CEO is a member of the RTS Scientific Advisory Council and is winding down operations. He may join RTS. The Company views all potential competitors as eventual ULTRACONDUCTOR licensees.

PRODUCT

Superconductors provide significant commercial advantages over conventional metal conductors because they allow the flow of electric current with little or no resistance or energy loss. They have already found application in the medical (MRI), telecommunications, electronics, power and transportation industries, because products that incorporate superconductors are more compact, energy efficient and have higher performance (and so provide significant cost benefits). However, all of the superconductors that have been, or are being, commercialized are composed of ceramics or metals that must be refrigerated to cryogenic temperatures to operate. This limitation severely restricts their market potential, and significantly adds to their capital and operating costs. A polymer superconductor has been announced by Bell Laboratories, however it must be cooled to 2.4 Kelvin (-456 F), very close to Absolute Zero.

ULTRACONDUCTOR MATERIALS - NEED NO REFRIGERATION

ULTRACONDUCTORS conduct at temperatures as high as 390 degrees F, which is more than 500 degrees F higher than any superconductor presently available. These polymers conduct electricity at least 100,000 times better than gold, silver or copper. For several years, the Company supported a team of scientists with three

floors of laboratories in Moscow. The firm arranged for the Russian scientists to build specialized equipment, which was airlifted and installed in our research facilities in Sebastopol, California.

BUSINESS STRATEGY

The Company's strategy is to build significant asset value (e.g. vital patents), with early revenues resulting from licenses, options and strategic alliances. RTS has targeted selected applications that can establish a high market value for ULTRACONDUCTOR polymers. Like existing superconductor companies, RTS will jointly develop and then license products to strategic partners.

Due to the very large market dimensions, these partners will launch most of the actual production. To maintain the Company's proprietary position, however, RTS will likely carry much of the ULTRACONDUCTOR product and technology developments to the pilot plant level. This approach provides the Company with technical and market assistance, research and development funding, and early access to high value, vertically integrated, potential markets. It also promises to produce significant revenue from advance license fees.

FINANCIALS

RTS has received more than \$5 million in angel investor funding to date - \$4 million directly and approximately \$1 million through Magnetic Power Inc. (MPI), the parent firm. The Company is now raising an additional \$5 million in order to resume full operations and test a new approach to creating wire.

Three Phase I, and a highly competitive Phase II, Department of Defense Small Business Innovation Research (SBIR) contracts, pertaining to near-term applications of ULTRACONDUCTOR materials, have been completed. One contract, covering "patterning", demonstrated the feasibility of a breakthrough fabrication technique.

Revenues are projected at \$2 million, \$8 million and \$15 million in the second, third and fourth years following a \$5 million injection of new funding, climbing to \$100 million in the fifth year. Recent developments in the energy and transmission markets may greatly accelerate these estimates.

MILESTONES

First products will be aimed at utilization of films, such as interposers connecting computer chips with the circuit board. This will carry forward work under way in previous years. The feasibility of replacing wave soldering will also be examined. Wire is the major near-term goal, as it constitutes more than 80% of the current market for superconductors. Transmission line cable will follow.

ENABLING TECHNOLOGY

RTS represents a rare opportunity. Like the transistor, applications will emerge in the future that cannot be foreseen today.

