

MAGNETIC POWER INC & ULTRACONDUCTORS

MPI's mission is to supply the world with clean, abundant, and inexpensive electricity.

The company is developing technology it calls Magnetic Power Modules™. Based upon breakthrough discoveries in MPI's labs, Magnetic Power Modules are being designed that operate continuously, without fuel, extracting electricity by converting abundant, renewable, Virtual Photon Flux (VPF), an energy source that exists everywhere in the universe. The process will create no pollution. The cost of electricity is estimated to be significantly less than any competing form of power generation today or in the foreseeable future.

Magnetic Power Modules will be scaled to a wide range of applications. They appear suitable for the relatively small power needs of consumer devices up through the massive needs of power generation plants.

Magnetic Power Modules Range of Applications:

Application	Output
Consumer devices	A few watts
Portable and emergency generators	1kW (Kilowatt)
Homes	4 or more kW
Modular units for distributed power generation (DG)	50 kW or more
Vehicle propulsion	Up to 150 kW

Aerospace industry and power plants	1 mW (Megawatt)
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Following VPF research in several laboratories around the world, and based on recent breakthroughs in MPI laboratories, prototypes are currently being built that the Company expects will soon receive external validation. The first in a substantial series of patent applications was filed in January, 2005. A plug-in hybrid car may be modified, to become a prototype powered by VPF for local driving, within the next year.

The commercial potential of Magnetic Power Modules is huge, with applications throughout the roughly \$1.8 trillion worldwide market for energy. The Company forecasts rapidly growing revenues and profits, with revenues beginning in 2006. Positive impacts on global social, economic, and environmental conditions are anticipated.

After establishing the commercial viability of Magnetic Power Modules in proprietary labs operated by the Company, MPI will implement a global partnering, patenting and licensing strategy - analogous to Genentech in the biotech industry - to catalyze worldwide adoption of the technology. This strategy maximizes chances of ongoing success by:

- 1) generating early contract revenues and investment through key strategic alliances;
- 2) protecting MPI's proprietary technology with a formidable patent portfolio;
- 3) building a foundation to support worldwide market adoption of MPI technology.

Revenues from licenses of Magnetic Power Modules are conservatively projected to exceed \$500 million annually by 2010: 2006: \$10 million; 2007:\$25 million; 2008: \$75 million; 2009: \$225 million; 2010: \$550 million

If market conditions are right, the Company will consider an Initial Public Offering within two or three years, providing investors with an attractive exit strategy.

Virtual Photon Flux -- A Brief Overview

Conventional wisdom suggests we will be dependent on oil, gas, coal and nuclear

power for the foreseeable future. Alternative energy sources are thought to be limited to solar, wind, fuel cells, biofuels, and other solutions with little chance of replacing oil, gas, coal and nuclear power. However, a far more vital family of energy conversion processes has begun to emerge, which we believe may be accurately described as Virtual Photon Flux (VPF) energy conversion. VPF holds the promise of cost competitive electric power and automotive propulsion. VPF extraction processes consume no fuel in the traditional sense and produce no pollution.

Scientists have long been aware the earth is immersed in an extremely dense sea of energy that permeates every nook and cranny of the universe. For many years, only visionaries like Nikola Tesla recognized this huge reservoir could be a source of usable energy. Tesla, the genius who gave birth to alternating current, said in a talk to electrical engineers in 1891: "Ere many generations pass, our machinery will be driven by a power obtainable at any point in the universe. | Throughout space there is energy. A growing number of scientists and engineers consider it possible to tap energy from space for practical use.

MPI engineers have determined that our experiments, which extract energy from what we term Quantum Dynamos, lead directly to practical, cost-effective, technology. We have concluded that our generators are tapping a limitless source of energy, best described by the term, Virtual Photon Flux.

MPI's proprietary technology extracts VPF from the interaction of magnetic fields. This basic concept has long fascinated inventors. Nobel physicist Werner Heisenberg is quoted as stating we: "Could utilize magnetism as an energy source". The first successful example was built by Wesley Gary in 1874 and shown to Harvard and MIT professors. Hans Coler, a German inventor supported by Hitler's Navy, reportedly demonstrated a working 6 Kilowatt, solid-state, magnetic "space energy receiver" in 1937. His work was destroyed by an Allied bomb during WWII. At the time, there was no comprehension as to the source of the energy. Coler wrote: "These fundamental researches|have made the first real and large breach in the citadel of present scientific belief."

VPF conversion devices have been prototyped in laboratories throughout the world. MPI has a team of outstanding engineers developing pre-commercial generators

leading to the development of Demonstration Devices and toys to illustrate the feasibility of practical designs. Prototype one kilowatt Modules aimed at the market for homes and portable generators might be completed by the close of 2006. Modules can be combined for greater power output, in a manner analogous to solar cells. Compact automotive power systems, as well as megawatt modules and small battery replacements, powering laptop computers, will follow.

If MPI and others developing related technologies succeed, this heralds the beginning of a profound transition in the global economy and the quality of life on earth. Great numbers of new jobs will emerge. Energy independence is likely to be realized by all countries, large and small, rich and poor. Reversing the rising prices of gas and oil, as well as reducing air pollution -- and slowing very dangerous global warming, is inherent in the achievement.

MPI management believes this is likely to be a near-term event.

A Brief History of MPI

In recent decades, the search for clean, commercially viable sources of energy has been the goal of many inventors, scientists and visionaries, including MPI founder, CEO and Chairman, Mark Goldes.

In 1984, a magnetic system that seemed promising came to the attention of Mark Goldes. MPI began that year, and was incorporated in 1987, to acquire and commercialize breakthrough technologies for electricity generation and distribution. MPI engineers and scientists have closely scrutinized many technologies and devices claiming such advances. From the hundreds examined in this rigorous process, only two have survived to become core MPI technologies: Magnetic Power Modules, described above, and superconducting polymers the Company calls Ultraconductors™, a product now being developed in an MPI subsidiary company called RTS (Room Temperature Superconductors, Inc.).

Ultraconductors are the commercial equivalent of a room temperature superconductor. They result from more than twenty years of published, peer reviewed, scientific research, including thirteen years of development. Scientific American has said the development of such a superconductor would "surely initiate a second industrial revolution." Potential markets are estimated in multiple billions of dollars.

In 1995, MPI was awarded a Phase I, Small Business Innovation Research (SBIR) contract by the U.S. Air Force to identify early commercial applications of Ultraconductors. Following Ultraconductor tests by the USAF, a Phase II SBIR contract was awarded to MPI. The two MPI contracts - and two additional SBIR awards which went to RTS - were completed by the RTS scientific team. Ultraconductors have now been independently reproduced and tested in the U.S. by Fractal Systems, under a USAF contract.

More information about RTS, along with a business plan in a password protected area, can be found on the website: www.ultraconductors.com MPI and RTS technologies are highly synergistic. Plans for the RTS subsidiary include a sale to a strategic partner, a larger firm, or perhaps even an IPO, within two to three years. Until recently, MPI and RTS shared management and staff, but each firm now has its own team.

Some Key MPI People

Mark Goldes - Chairman and CEO - Mr. Goldes began full-time work to uncover practical alternatives to fossil and uranium fuels in 1973. He earlier served as Chairman and CEO of the Aesop Company, a specialized financial consulting firm, and later founded SunWind Ltd., a renewable energy company. Mr. Goldes is also Co-Founder, Chairman and CEO of [Room Temperature Superconductors Inc.](#), MPI's subsidiary. Henry Waxman - President and Chief Operating Officer - Named Entrepreneur of the Year in 1991 by Ernst and Young, Mr. Waxman has spent the last 20+ years in entrepreneurial ventures with positive social and environmental impact. In 1995 he created his third company, MM Reserves, Ltd. (MMRL), a consulting firm focusing on startups, pre-revenue or turn-around situations. Dr. Kevin Shambrook - Scientific Consultant - Dr. Shambrook was previously a Senior Project Manager with

Hughes Aircraft Co. and a Vice President at Doric Scientific Inc. His work experience spans 30 years and includes the management of diverse engineering and manufacturing projects, corporate planning, and new product introductions. Dr. Shambrook earned his Ph.D. at UCLA. He is also President, Chief Scientist, and co-founder of MPI's subsidiary company, Room Temperature Superconductors Inc.

Funding Status

MPI and RTS together have raised a total of more than \$7.6 million in capital from private Angel investors. Of this amount, over \$4 million was directly, and another \$1 million indirectly, invested in RTS. Additional funding has been provided by four completed U.S. government contracts related to Ultraconductors. A \$5 million investment and an unrelated \$6 million commitment are pending. A Strategic Partner has signed an agreement to provide an additional investment of \$5 million to support early, pilot plant, production of Magnetic Power Modules in cooperation with MPI.

If you would like to receive email updates concerning our progress please send us your request to:

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