peletex, INC.

The Aqueous Froth, A New Paradigm in Air Filtration
Executive Summary

Company

Peletex, Inc. (www.peletex.net) is a product development company that invents, patents and licenses intellectual property solutions for worldwide markets. Established in May 2000, Peletex is a privately held Hawaii corporation that develops new products to improve quality-of-life. The company has developed a new paradigm in air filtration that is cost effective and orders-of-magnitude more efficient than the current state of the art, HEPA air filtration technology. Applications range from providing relief from airborne contaminants like smog, allergens, and dust to protection from chemical, biological, and radiological weapons of mass destruction.

Current Status

Peletex has patents pending for the Aqueous-Froth air filtration method and a utility vacuum-sanding pole. Both of these patent-pending designs are embodied in a tool for the drywall industry that is marketed as Grabber/Vac-U-Sand (www.vac-u-sand.com). Distribution and sale of the product is being handled by Grabber, (www.grabberman.com), an international construction products manufacturing, marketing, and sales company.

Recently, Peletex entered into an agreement with Sandia National Laboratories in Albuquerque, New Mexico (www.sandia.gov) to collaborate on testing and development of the Aqueous-Froth filtration method as a “countermeasure to chemical and biological weapons (CBWs) of mass destruction”. Three scalable filter prototypes will be tested: portable first responder units, building sized applications, and CBW containment and decontamination application for subway systems.

Inventor and President, Roy Pellegrin and CFO, Jeff Reiss are located on Maui, where Peletex has its laboratory and offices. VP of Sales and Marketing, Dr. Tom Robertson is located in the San Diego office.

Products

The Vac-U-Sand line of drywall tools contain and dispose of the nuisance dust generated during construction, especially in dust-restricted areas such as hospitals, computer rooms, hotels, offices, occupied homes, etc. Following extensive market testing, Vac-U-Sand tools are currently being sold through the Grabber sales network of 28 stores nationwide, the website and outside sales reps, with potential markets in 47 countries.

September 11th and the recent anthrax threats have drawn attention to the critical public safety need for an improved method of air filtration. The Aqueous-Froth air filtration method may be applied in diverse industries including air filtration for
residential, commercial and industrial applications, from small room-sized units to systems for multi-story high-rise buildings. Within the next few months, Dr. Mark Tucker of Sandia National Laboratories will conduct verification testing of the Aqueous-Froth filtration method for protection against chemical and biological weapons (CBW) contamination simulates. Dr. Tucker believes the method is a “perfect fit” with his award-winning bio-chemical decontamination solution and it has “great potential” in a wide variety of applications. The Peletex/Sandia team has prepared two proposals responding to requests from the U.S. Departments of Defense and Energy in their search for countermeasures to chemical, biological, and radiological weapons of mass destruction. The Peletex method; has no moving parts, produces sub-micron filtration not possible with any other method, removes wet and dry contaminants, is self cleaning, energy efficient, inexpensive to manufacture, install, operate, maintain, and it eliminates potentially hazardous maintenance procedures.

Upon completion of the verification testing and award of the patent in the summer of 2002, Peletex will negotiate non-exclusive license agreements for the Aqueous-Froth filter method with strategic business partners who manufacture, market and sell equipment that can utilize our proprietary method of air filtration.

Market

The worldwide market for the Vac-U-Sand product line includes: drywall, painting and remodeling contractors, the tool rental market, building maintenance, modular home manufacturers, home improvement retailers, as well as the concrete and hardwood flooring industries.

The market for the Aqueous-Froth air filtration method includes: government and military buildings, medical isolation, indoor air quality for residential, commercial, industrial, health care, transportation, construction, hazardous waste removal, agriculture, and food processing. In the United States alone, air purification equipment manufacturing combined with fan and blower, HVAC, and heating equipment manufacturing is a $42-billion dollar industry (US Department of Commerce, 2000). The estimated global market is in excess of $100 billion.

Competition

The Aqueous-Froth air filtration method is the first new paradigm for this growing worldwide industry in over two decades. Restrictions of HEPA filtration technology include; dry contaminants only to 0.3 micron (the smallest CBW agent is 0.01 micron), high airflow resistance and bag-in, bag-out maintenance. The Aqueous- Froth filter will be developed to provide; wet or dry filtration to one-nanometer, (or 0.001 micron), low airflow resistance, automated maintenance, disinfecting and CBW decontaminating capabilities, and protection against radiological contaminants.
Management Team

The management team for Peletex, Inc. is seasoned with over 140 years combined experience in all aspects of business.

Roy Pellegrin, Inventor and President. Roy comes from a family of patent holders, inventors and engineers. He grew up with the space program, and is formally educated in math, science, and engineering.

Jeff Reiss, CFO. Jeff has over twenty-five years business experience including work in: research and development, commercial real estate and finance, manufacturing, construction, technical writing and sales.

Tom Robertson, PhD., VP Sales and Marketing. Tom owned and managed Circle, Inc., a 150 person, Washington, DC based consulting firm for over a decade. His clients included; The White House, the Department of Health and Human Services, the Department of Education and the National Institute of Justice.

The Board of Directors includes: Roberta Harada, PhD., who was recognized as the 1992 Asian American business woman of the year by the U.S. Small Business Administration; William L. Henry, former CEO of the Stroh Brewery Company (fourth largest brewery in the U.S.); Lang Morris, fighter pilot (Distinguished Flying Cross, Air Medal), former CEO and currently a consultant to CEO’s; R. Clay Sutherland, Attorney at Law; and Andrew Benson, business coach with many years of diversified business experience.

The focus of the Peletex management strategy is to limit the size of the organization’s full time infrastructure and outsource where possible. This outsourcing will include specialized accounting, legal, and consulting engineering services. A small management and sales team will provide full time support to the company’s primary and ongoing product development focus.

Financial

Peletex will derive its revenues from three primary sources:

1. Licensing fees will be charged for the right to utilize our patented methods. When the Aqueous-Froth air filtration method is validated by Sandia National Laboratories, we will negotiate non-exclusive licensing agreements and fee structures with strategic partners worldwide. They will manufacture and distribute products using the Aqueous-Froth filter method in commercial, industrial, residential, health care, homeland defense, and transportation markets.

2. By establishing and operating companies that have been created around a specific product or method, Peletex creates a second revenue stream. Vac-U-Sand is an example of this. Currently, we are in discussions with Grabber to license the manufacturing and marketing rights for Vac-U-Sand worldwide. Peletex would retain
the long term licensing revenues from the sale. The capital infusion and cash flow from this agreement will help to fund expansion into the air filtration market without having to sell additional equity in Peletex. Although the construction market for the Aqueous-Froth filter represents a small percentage of its potential, value of Vac-U-Sand is estimated to be as high as $5 million.

3. Revenue may come from the outright sale of certain patent rights to products developed by Peletex, such as the vacuum-sanding pole. To date, Peletex has been capitalized with approximately $200,000 from the sale of equity and $100,000 in debt financing. Vac-U-Sand wholesale revenues from two production runs have totaled over $80,000. A third production run is expected this spring.

We estimate capital needs in the amount of approximately $500,000. This would allow us to complete the validation testing of the Aqueous-Froth filtration method and begin the process of producing three prototypes. Potential sources of this investment include: private investment in exchange for equity, the sale of the Vac-U-Sand company, governmental funding through our partnership with Sandia and/or strategic partnerships with companies in the HVAC, air filtration and bio-chemical counter measures. Projections for both Vac-U-Sand and Peletex are shown below. The profit margin for the licensing of the Aqueous-Froth method is large, due to very low overhead costs.

### Vac-U-Sand and Aqueous-Froth Filtration Licensing

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<th>Vac-U-Sand</th>
<th>Aqueous-Froth</th>
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<tr>
<td></td>
<td>Year 3</td>
<td>Year 5</td>
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<tr>
<td>Revenue (000’s)</td>
<td>$5,495</td>
<td>$6,000</td>
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<td>Market Share</td>
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<td>EBITDA Margin</td>
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<td>54%</td>
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Peletex is positioned and focused to realize the unlimited potential of proprietary products in a global market. Advancements to the state-of-the-art in air filtration technology, provided by the Aqueous-Froth filter, arrive at the precise moment when national security interests are asking government, industry, and academia the question, "How can we more effectively filter an air stream?"