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Date : _____

Confidential Offering Memorandum

PEER INSIDE, INC.

peer-in.com

Private Placement
\$2,000,000 Minimum
\$3,000,000 Maximum

November 2005



Established 1877

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AN INVESTMENT IN THE COMPANY IS SPECULATIVE, INVOLVES A HIGH DEGREE OF RISK AND SIGNIFICANT RESTRICTIONS ON TRANSFER, AND SHOULD BE CONSIDERED ONLY BY SOPHISTICATED INVESTORS WHO ARE ABLE TO BEAR THE ECONOMIC RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME AND WHO CAN AFFORD TO SUSTAIN A TOTAL LOSS OF THEIR INVESTMENT IN THE SECURITIES. SEE “*RISK FACTORS*” FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH THE PURCHASE OF THE SECURITIES.

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CONTENTS OF MEMORANDUM

EXCEPT AS OTHERWISE INDICATED, THIS MEMORANDUM SPEAKS AS OF THE DATE INDICATED ON THE FRONT COVER OF THIS MEMORANDUM. NEITHER THE DELIVERY OF THIS MEMORANDUM, NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN OUR AFFAIRS AFTER THE DATE HEREOF.

NO ONE, OTHER THAN OUR EXECUTIVE OFFICERS, HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM IN CONNECTION WITH THE OFFERING. IF ANYONE OTHER THAN ONE OF OUR EXECUTIVE OFFICERS GIVES ANY INFORMATION OR MAKES A REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM, YOU SHOULD NOT RELY UPON IT.

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CERTAIN PROVISIONS OF VARIOUS AGREEMENTS ARE SUMMARIZED IN THIS MEMORANDUM, BUT YOU SHOULD NOT ASSUME THAT THE SUMMARIES ARE COMPLETE. SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE TEXTS OF THE ORIGINAL DOCUMENTS, WHICH WE WILL MAKE AVAILABLE TO YOU UPON YOUR REQUEST.

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IT IS THE RESPONSIBILITY OF ANY PERSON WISHING TO PURCHASE THE SECURITIES TO SATISFY THEMSELVES AS TO FULL OBSERVANCE OF THE LAWS OF THE STATE OF DELAWARE. ADDITIONALLY, THE “DELAWARE SECURITIES ACT”, AND RULES AND REGULATIONS PURSUANT TO THE DELAWARE SECURITIES ACT SHOULD BE CITED AND OBSERVED. NAMELY, PART D (406) OF THE RULES AND REGULATIONS HAS SPECIFIC LANGUAGE REFERRED TO THIS TYPE OF PRIVATE OFFERING.

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IT IS THE RESPONSIBILITY OF ANY PERSON WISHING TO PURCHASE THE SECURITIES TO SATISFY THEMSELVES AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY OR JURISDICTION OUTSIDE THE U.S. IN CONNECTION WITH ANY SUCH PURCHASE, INCLUDING OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER APPLICABLE FORMALITIES.

PRIVATE PLACEMENT PROCEDURES

Peer has retained Jesup & Lamont to act as its exclusive agent in connection with arranging, on a “best efforts” basis, the private placement offering. The Placement Agent will act as a primary contact for, and will be available to consult with, any prospective investor who is a recipient of this Memorandum.

The Company undertakes to make available to every investor, during the course of the transaction and prior to sale, the opportunity to ask questions of and receive answers from the Company concerning the terms and conditions of the offering and to obtain any appropriate additional information (i) necessary to verify the accuracy of the information contained in this Memorandum or (ii) for any other purpose relevant to a prospective investment in the Company.

All communications or inquiries relating to these materials or to a possible transaction involving the Company should be directed to the following representatives at Jesup & Lamont:

Jesup & Lamont
3 Mill Road
Wilmington De 19806
302.777.6877

Barry W. Yerger Jr.
Managing Director
bwyerger@jesuplamont.com

Brian C. Yerger, CFA
Senior Vice President
bcyerger@jesuplamont.com

Under no circumstances should any employee, officer or director of Peer be contacted without the prior approval of Jesup & Lamont’s representatives named above.

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Executive Summary

Introduction

Peer was formed as a Delaware limited liability company by Bozo D. Clown and Ronald McDonald in July 2005.

Peer seeks to commercialize a patented, no-moving-parts, PE-ER spectrograph which is portable, scalable in size, rugged, and has performance characteristics that are superior to those of existing FT-IR instruments to attain 44% IRR through direct sales of mid-infrared spectroscopy laboratory and on-line process monitoring instruments. The invention is comprised of a planar array-infrared (PE-ER) spectrograph including a dual-beam accessory, thermo-electrically cooled focal plane array (FPA) detector, and spectral image recording and curvature correction software, which will interface with existing chemical compound library databases as well as existing mid-infrared spectroscopy accessories.

The technology for this venture was developed at the University of Delaware by Peer founders Bozo D. Clown and Ronald McDonald, along with their colleagues in 2000. The research has been funded with Grant Opportunities for Academic Liaison with Industry and instrumentation grants from the National Science Foundation. The Company intends to license the PE-ER technology from the UD Technology Corporation.

Peer founders plan to operate with the company's core competencies by continuing to develop no-moving-part PE-ER spectrographic technologies that are applicable to niche or specialized applications, including those that require device miniaturization. Peer does not intend to design, manufacture or distribute spectroscopy accessories or chemical compound library databases. There is a well-established accessory market for mid-infrared FT-IR instruments. Peer's ability to enter the spectroscopy instrument market will rely in part on making PE-ER spectrographs that are compatible with customers' existing accessories.

Initial prototypes will be constructed in-house, while volume manufacturing and assembly will be contracted to an outside company. Device components such as the infrared light source, focal plane array detection camera, mirrors, diffraction gratings, prisms, and computer interface are commercially available and will be purchased from existing suppliers. The mounting plate and assembly components will be manufactured by a contract machine shop. Device assembly is relatively simple and requires no specialized skills and will therefore be performed by a contract manufacturer, as well.

Current Status

Peer's founders have constructed a functional no-moving-part PE-ER prototype spectrograph working between 2000 and 975 cm^{-1} and validated its performance. The instrument has demonstrated single frame recording of spectra with peak-to-peak noise levels as low as 2.4×10^{-4} absorbance units (AU) and real-time study with an 8.7 ms time resolution. Simultaneous collection of *s*-polarized and *p*-polarized spectra has been made possible by the large size of the focal plane array.

The founders of Peer have met with Nosey Neighbor Company, Peeping Tom Inc, and Ogle & Stare Co. and have obtained their expressed interest in the proposed PE-ER instrument.

The Company plans to submit a Phase I SBIR application by December 2005, to substantiate the feasibility of the proposed instrument and is pursuing state grant opportunities.

Approximately \$ 20,000 has been invested in Peer to date by the founders as seed capital to initiate formation of the Company.

Market Opportunity / Program Potential

FT-IR has three key advantages¹ over dispersive infrared spectroscopy that have led to the virtual disappearance of dispersive instruments from laboratories. FT-IR multiplexing results in faster data collection, internal wavelength calibration yields superior infrared spectra accuracy and precision, and because there is no need to limit the individual frequency that reaches the sample, FT-IR has higher quality spectra and higher throughput than dispersive IR.

However, the need for thermal stability, mechanical vibration isolation and stringent optical alignment have put severe limitations on where and how an FT-IR instrument can be used, confining it to the laboratory environment.

The inventors of Visionize™ technology recognized that because the PE-ER spectrograph possessed superior speed and sensitivity to FT-IR technology, it could become a viable mid-infrared spectroscopy alternative if the important drawbacks were resolved.

Based on published sources, the mid-infrared instrument market was worth \$500MM in 2004. The mid-infrared market is currently served almost exclusively by FT-IR instruments that are largely unsuitable for in-line and niche market applications. PE-ER technology targets these in-line and niche applications, as well as current routine and research FT-IR applications.

Peer estimates, based on internally generated market analysis, 44% IRR and 4% mid-infrared instrumentation market capture within 10 years.

Summary Financial Projections

		2006	2007	2008	2009
GROSS REVENUES	\$	260,000	535,600	1,379,170	5,682,180
EXPENSES	\$	405,000	418,000	606,090	876,045
EBITDA	\$	(275,000)	(150,200)	83,495	2,533,263
TOTAL SALES (UNITS)	#	5	10	25	100

Sources and Uses of Funds

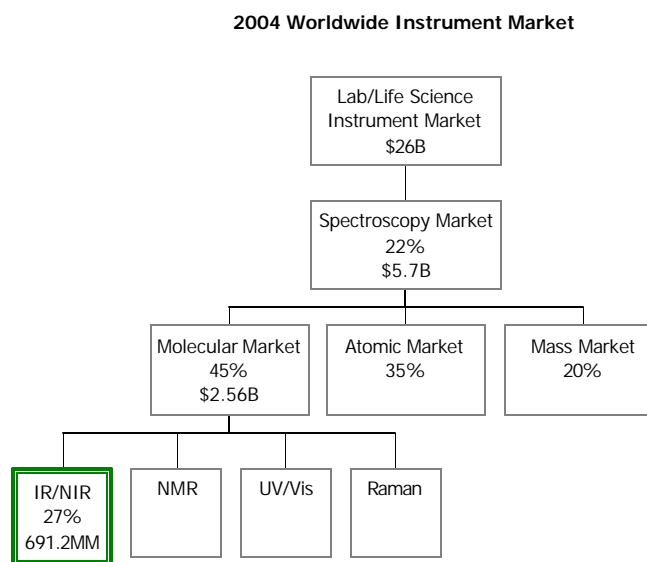
Through this offering (the “Offering”), Peer seeks to raise \$ 2 to \$ 3 million. Primary uses of funds, net of fees and expenses, are as follows:

	Minimum <u>\$2,000,000</u>	Maximum <u>\$3,000,000</u>
Marketing & Promotion	\$1,000,000	\$1,500,000
Operations	450,000	600,000
Infrastructure	200,000	400,000
Inventory	300,000	400,000
Contingency	<u>50,000</u>	<u>100,000</u>
Total	\$2,000,000	\$3,000,000

The pre-money Company equity valuation for the Offering is \$5 million.

Industry Background

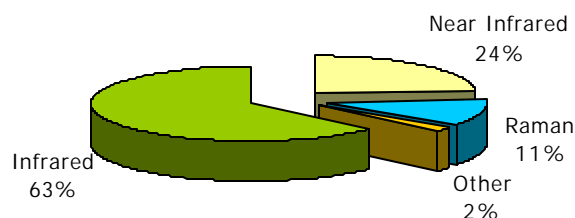
The Laboratory and Life Science Instrument Market totaled \$26B in sales in 2004, and spectroscopy instrumentation accounted for 22 %, or \$5.7B. Molecular spectroscopy techniques comprised the largest portion of the spectroscopy market – 45% – just over \$2.5B. Molecular spectroscopy finds enormous range of application in the life sciences: it is used to determine the molecular composition of samples. The pharmaceutical, bio technology, agriculture, food and beverage industries accounted for 35% of revenues, while organic chemicals, academia, and government sectors accounted for another 30% of revenues last year.²



Infrared (IR) and Near-Infrared (NIR) techniques are based on the absorbance of energy in the IR and NIR light wavelengths by molecular bonds, and are also referred to as vibrational (because chemical bonds have specific vibrational frequencies) and dispersive (because light is dispersed into individual wavelengths). Together, they constitute \$691MM in revenues, or 27% of the molecular spectroscopy market.

Infrared, Near Infrared, and Raman spectroscopy are complementary analysis techniques that provide molecular level structural and compositional information. Infrared is the most popular, comprising 63% of the vibrational demand alone³, or over \$500MM. IR technology instrumentation is experiencing moderate growth of 5% to 6% annually. In addition, FT-IR technologies account for 6% of the on-line spectroscopy market related to the Food and Drug Administration's Process Analytical Technology (PAT) initiative, a market expected to see annual growth well above 10% for the foreseeable future.⁴

Worldwide Vibrational Spectroscopy Demand



Peer's Visionize™ product line will directly compete with existing FT-IR instrumentation in the spectroscopy marketplace. The major FT-IR competitors are well-established global companies with diverse life and laboratory product portfolios. Peer's primary competitors are recognized names in FT-IR instrumentation and include: Thermo Electron, PerkinElmer, Varian, ABB, and Bruker Optics.

Market Players**Thermo Electron Corp.:**⁵

Thermo Electron markets a full line of FT-IR spectroscopy products through the Nicolet brand. Formerly recognized business names include Nicolet Instrument or Thermo Nicolet, and Mattson or Thermo Mattson. Thermo Electron boasts over 10,000 FT-IR systems installed, making them the world market leader. The Nicolet product line includes a variety of FT-IR spectrometers, accessories, and software options. The company markets products through a number of distribution channels, including direct sales, distributors, independent sales representatives and agents, and catalogs. Thermo Electron is a global company, with sales outside of North America accounting for 56% for fiscal year 2004.

Thermo Electron 2004 sales totaled \$2.2B, with Laboratory and Life Sciences business accounting for \$1.6B in sales, a 22% increase over 2003. Thermo invested \$134.7MM on research and development in 2004 with no commitment to new products that require investment of a material amount of funds and no definitive plans to enter new businesses. The company's business strategy includes the acquisition of complementary technologies and businesses that augment internal growth.

FTIR Market Leader**\$2.2B Sales****\$1.6B Life and
Laboratory Sciences****\$135MM in R&D****No funds committed to
new products****PerkinElmer:**⁶

With \$1.7B in revenues, and 54% of sales outside of the US, PerkinElmer is a global force. The company markets FT-IR spectroscopy products as part of its \$300MM Environmental and Chemical Analysis business. Chemical analysis is part of the largest business unit – the \$1B Life and Analytical Sciences (LAS) business. LAS also includes drug discovery, genetic screening, medical imaging and life science technology-related services.

Last year, PerkinElmer invested \$87MM in R&D, directed at genetic screening and biopharmaceutical end markets within LAS and at medical digital imaging and Cermax Lighting within the Optoelectronics segment.

**\$1.7B Sales****\$300MM
Chemical Analysis****\$87MM in R&D**

Varian Inc.:⁷

Varian markets a wide range of spectroscopy products through the company's Scientific Instruments business. The company markets the largest portion of its products directly through the company's sales and distribution organizations. Varian is a global company, with sales outside of North America accounting for 46% for fiscal year 2004.

In September 2004 Varian entered the FT-IR spectroscopy instrument market with the acquisition of Digilab, LLC molecular spectroscopy assets. The acquisition was an attempt to strengthen the company's product portfolio with strategic acquisitions of complementary products and technologies. The Varian FT-IR product line includes routine, applied research, and advanced research spectrometers, a dedicated oil analysis station, and FT-IR microscopy and imaging products, as well as a wide range of FT-IR accessories.

Varian 2004 sales totaled \$916MM, with Scientific Instruments business accounting for \$584.9MM in sales, a 6% increase over 2003. Varian invested \$48.7MM on research, development, and engineering in 2004, with an emphasis on Nuclear Magnetic Resonance (NMR), Magnetic Resonance (MR), mass spectroscopy, and consumables with a bias towards life science applications.

*Entered FTIR market
with
Digilab acquisition*



VARIAN

\$916MM Sales

*\$585MM Scientific
Instruments Sales*

\$49MM in R&D

*R&D efforts focused on
NMR and MR*

ABB:^{8,9}

ABB is a global giant serving the electric, gas, and water utilities, as well as commercial and industrial customers. Sales outside of North America accounted for 83% of revenues for fiscal year 2004. ABB serves two primary business segments: Power Technologies and Automation Technologies, with 8.76MM and 11.03MM in 2004 revenues respectively.

ABB sells instrumentation products through Automation Technologies (AT) group; Its Process Analytics offerings include FT-IR and NIR spectrometers. The AT group revenues improved 9% over the previous year.

ABB New Ventures business was established in 2001 to find, develop, and invest in new and mature businesses. Invested \$24MM in new businesses, joint ventures, or affiliated companies last year. R&D expenditures totaled \$690MM, and focus on innovations in robotic manufacturing applications on the Automation Technologies side.



\$20.7MM Sales

\$690MM in R&D

*R&D efforts focused on
robotic manufacturing
applications*

Bruker Optics:¹⁰

Bruker Optics is part of a privately owned group of companies, and specializes in FT-IR, NIR, and Raman spectrometers including routine, research, and life science FT-IR applications. The company is headquartered in Germany, with manufacturing operations in Germany and the United States. Bruker Optics competes worldwide through offices and technical support centers in Europe, Asia, and North and South America.

The company's R&D activities in recent years have focused on Terahertz technologies, and near infrared process monitoring, as well as high-resolution FT-IR applications.



*R&D focused on
Terahertz, NIR process
monitoring, and high
resolution FT-IR
technology*

Competitive Advantage

Fourier transform IR (FT-IR) instruments use a Michelson interferometer to divide the amplitude of the IR source into two beams, which reflect off both a fixed and a moving mirror respectively. When the beams are recombined they generate an interference pattern, which is detected by a single element detector as a variation in intensity as a function of the optical path difference between the two beams. This interferogram must then be Fourier transformed to produce a power spectrum of energy versus frequency. Two separate experiments must be run: one with no sample in the beam (reference) and a second one with the sample in the beam (sample). During and between the two runs the sample chamber must be purged with nitrogen gas so as to displace the water vapor from the instrument.

The PE-ER instrument passes the IR source through a sample and then uses dispersive optics that break up the IR source into its individual components, which then all impinge on a focal plane array (FPA) detector simultaneously. This multi-frequency approach eliminates the necessity of carrying out a Fourier transformation of the data. In addition, PE-ER has been designed in a true double beam configuration so as to take advantage of the large number of pixels available in the FPA. Hence both beams of the double beam instrument can be incident on the FPA simultaneously providing both a “sample” and “reference” spectrum simultaneously. Since the path length of each of the two beams is identical, the background water vapor can be compensated for directly, thereby removing the need for purging. Since the FPA is capable of less than 100 μ sec integration times, the current speed of the instrument is governed by the electronic readout time (acquisition time), which is already decreasing from its current value of 17ms. In the near future it is anticipated that with improvements in the readout electronics, the acquisition time will approach the integration time providing an IR spectrum in less than 100 μ sec. In addition, because there are no moving parts in a PE-ER instrument, it is rugged, portable and scaleable providing new opportunities for IR spectroscopy in process monitoring, chemical warfare detection and health care evaluation.

Future Markets:

- Customized In-line Process Monitoring
- Hazardous Material Recognition
- Chemical and Biological Weapon Detection
- Airborne Contaminant Detection
- Diagnostic Healthcare Applications:
 - o Early stage detection of proteins present in the lens of the eye that lead to cataract development
 - o Non-invasive diabetic glucose monitoring
 - o Breath, Blood, Saliva, Urine analysis

Peer plans to sell and distribute products to industrial and academic customers directly. Initial customer interest is strong; the technology has already attracted international interest. Detailed information regarding referenced customers:

Nosey Neighbor Company – WI:

Peer founders visited Nosey Neighbor Company, Wisconsin in April 2005 to discuss PE-ER applications. The founders provided preliminary Windex evaporation data to Nosey Neighbor Company representatives. These representatives have requested product purchase availability for the PE-ER instrument. Scientists from Nosey Neighbor Company are scheduled to visit the Company laboratories this fall to conduct preliminary measurements.

Peeping Tom Inc. – NY

Ronald McDonald was invited to visit Peeping Tom Inc. in June 2005 to present PE-ER application to the measurement of liquid crystal reorientation on glass. Peeping Tom Inc research scientists are scheduled to conduct preliminary experiments at the Company laboratories in the fall. Peeping Tom Inc leads the glass market for liquid crystal displays (LCD) with 73% market share, and has a joint venture with Samsung to produce LCD TVs.

Ogle & Stare Co. - UK

Ronald McDonald was approached by Ogle & Stare Co., following a PE-ER technology application presentation in Japan. The presentation described how PE-ER technology could be used to measure organization and order of organic molecules and lipids on a Langmuir trough sold by Ogle & Stare Co. competitor. Ogle & Stare Co. produces Langmuir troughs and would like to sell small PE-ER systems to all customers who purchase Langmuir troughs from their company.

Based on continued moderate annual market growth estimates of 5%, the infrared spectroscopy instrumentation market is expected to grow to \$855MM by the year 2015. Peer estimates sales of 500 units, or a 4% market capture by 2015, following initial launch of the Visionize™ product line in 2006.

Intellectual Property

Infrared spectrometer manufacturers are predominantly using Fourier transform designs instead of dispersive designs today. Peer's novel, planar array infrared, no-moving-parts spectrometer is protected by US Patent 1,234,567: "Apparatus and Method for Real Time Peer-In". The inventors are pursuing a strengthened intellectual property position through pending US Patent Application 987654321: "Simultaneous Multi-Beam Planar Array IR Peer-In". Patents for other adaptations of the PE-ER technology will be forthcoming.

Facilities, Staff*Facility*

Beyond the first year of operations, appropriate space to support Peer's endeavors will be leased. All appropriate avenues will be explored, via federal, state, local, university, or private, to find a location best suited to support the execution of our business plan.

Staff

Peer currently employs 2 people, comprised of the founding members. Starting with first year of operations, appropriate staffing, at all levels, will be achieved. Please see ***Financial Assumptions*** for estimated staffing.

Key Management Profiles

Howdy Doody is currently in negotiations for CEO of PEER Inside Inc.

Howdy Doody has been a Senior Research Associate with the Growth Initiative Division for Global Manufacturing Technology since 1999. He was Director of Research at Nosey Neighbor Company from 1994 until the time he joined Global. His extensive experience as a research scientist prior to being appointed to the Director level includes over 10 years with Global. Howdy Doody received his doctorate from the University of Delaware.

Bozo D. Clown is co-founder of PEER Inside Inc. Bozo D. Clown is a Fellow in the Corporate Center for Analytical Sciences. He was recognized with the IR-100 award for his collaborative development of an FT-Raman spectrometer, which demonstrated the utility of near infrared excitation. He received his Ph.D. in physical chemistry from the University of Delaware.

Ronald McDonald is co-founder of PEER Inside Inc. Ronald McDonald is a professor at the University of Delaware. Ronald McDonald was recently awarded the prestigious Spectroscopy Award from the Spectroscopic Society in recognition of his lifelong contributions to the development of novel spectroscopic techniques. Ronald McDonald received a Ph.D. in Physics from the University of Delaware.

About the founders: Ronald McDonald and Bozo D. Clown have over 60 years of combined industrial experience in the characterization of materials using vibrational spectroscopy. They have authored or co-authored over 300 peer reviewed publications in the field and have given invited talks at most of the major national and international spectroscopy and materials meetings. Ronald McDonald and Bozo D. Clown have a long history of working together, having collaborated on the development of FT-Raman spectroscopy in the mid 1980s while at Global (Bozo D. Clown) and Local (Ronald McDonald). FT-Raman revolutionized the study of “colored” materials and those containing fluorescent impurities and is currently found in over 2000 laboratories worldwide. Ronald McDonald and Bozo D. Clown co-edited a book on this subject which was published by JW and Sons.

Outside Advisors

Mr. Potato Head is Managing Director of the Venture Group at the University of Delaware. Mr. Potato Head is Professor at the University of Delaware, and an affiliated faculty member of the Delaware Biotechnology Institute. He received his Ph.D. from the University of Delaware.

Gumby is President and CEO of BT, Inc., a world leader in providing instrumentation and services to pharmaceutical and biotechnology companies in several niche markets. The company also provides VCD feasibility analysis and consulting services.

RISK FACTORS

An investment in Peer is speculative in nature, involves a high degree of risk and should not be made by an investor who cannot bear the economic risk of its investment for an indefinite period of time and who cannot afford the loss of its entire investment. Each prospective investor should carefully consider the following risk factors associated with a prospective investment in Peer, as well as other information elsewhere in the Memorandum before making an investment.

THE COMPANY IS AN EARLY STAGE COMPANY THAT IS IN THE PROCESS OF BRINGING ITS PRODUCTS TO MARKET.

The Company is in the early stages of bringing its products to market and is subject to all of the risks inherent in the establishment of a new business enterprise. The Company's products and services have just recently begun to generate revenues. As a result, the Company must be evaluated in light of the problems, delays, uncertainties and complications encountered in connection with an early stage business. Because it is an early stage enterprise, the Company's ability to succeed may be hampered by the unforeseen expenses, difficulties, complications and delays frequently encountered in connection with the formation and commencement of operations of a new business. To achieve profitable operations, the Company must continue to successfully develop, introduce and market its products at a profit. The Company is currently not profitable. Failure of the Company to successfully introduce and market its products would have a materially adverse effect on the business, financial condition and results of operations of the Company. Some of the other risks the Company faces include its ability to: attract and retain quality employees and management; attract and maintain a customer base; negotiate and maintain favorable strategic relationships; and plan and manage growth effectively. If the Company fails to manage these risks successfully, its business could be harmed. In order to address these risks, the Company must, among other things: respond to competitive developments; continue to upgrade and expand its product and services offerings; and continue to attract, retain and motivate employees. The Company cannot be certain that it will successfully address these risks.

THE COMPANY'S FINANCIAL STATEMENTS HAVE NOT BEEN AUDITED.

The financial statements that are included with this Offering Memorandum have been prepared by Company employees and have not been audited by an independent accounting firm. An audit would provide a professional review as to the quality of information contained in these financial statements and the appropriateness of the presentation of the information contained therein. Because these financial statements have not been reviewed by an independent accounting firm, there can be no assurance that the financial statements included with this Offering Memorandum comply with generally accepted accounting principles. There also can be no assurance that material adjustments will not be required once an independent accounting firm is engaged to perform an audit. Furthermore, the notes that append the financial statements in this Memorandum are provided for the benefit of the reader, but the notes do not provide all the information that would be normally presented in notes of audited financial statements prepared with the assistance of an independent certified public accounting firm.

THE COMPANY HAS LIMITED OPERATING HISTORY.

There is little operating history upon which an evaluation of the Company and its prospects can be based. Accordingly, potential investors have little historical financial information upon which to make a decision regarding an investment in the Company. The Company's prospects must be considered in light of the risks, expenses, and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets.

THE COMPANY HAS A HISTORY OF OPERATING LOSSES AND ACCUMULATED DEFICIT. THERE IS NO CERTAINTY THE COMPANY WILL ACHIEVE PROFITABILITY.

The Company has incurred operating losses since its inception. The Company expects to incur significant operating losses in 2005 and anticipates to continue to incur significant operating losses into the future. The Company's ability to achieve profitability depends upon the successful adoption by the marketplace of its products and services. There can be no assurance the Company will achieve profitable operations from the sale of its products and services. Even if the Company does achieve profitability, it might not sustain or increase profitability on a quarterly or annual basis. It also might not be able to fund its operations from cash generated by its business.

THE COMPANY'S SUCCESS IS PREDICATED ON ITS CONTINUED ABILITY TO IDENTIFY GROWTH AND EXPANSION OPPORTUNITIES.

The Company's future financial results will depend, in part, on its ability to manage its growth profitably. The Company's business plan anticipates continued identification and initial penetration of the mid-infrared spectroscopy analytical instrument market. To attract new clients the Company may need to develop new products and services to assist clients in the mid-infrared market. The Company may not be able to develop innovative products and services that are attractive to clients. Moreover, although the Company may need to expend significant resources to develop or acquire new products and services in the future, it may not be able to do so. There is no assurance the Company will be able to successfully market its services to customers. There is no assurance the Company will be successful in identifying and penetrating additional customer accounts.

THE COMPANY MAY BE EXPOSED TO LIABILITIES IN EXCESS OF ITS INSURANCE.

The Company's product and professional liability insurance policies to be underwritten will cover individual claims of up to a prescribed limit. A successful product or professional liability claim in excess of the Company's insurance coverage could harm its profitability and liquidity. Various aspects of the Company's business may subject it to litigation and liability for damages including, but not limited to, costs and expenses normally incurred during the formative stage of a start up company. The Company may be subject to damages or defense costs in connection with a claim that is outside the scope of any applicable contractual indemnity or insurance coverage. In addition, the Company's business, profitability and growth prospects could suffer if it faces negative publicity as a result of any such claims.

THE COMPANY MAY BE SUBJECT TO POTENTIAL RISKS RELATING TO COMPLIANCE WITH, OR CHANGES IN, GOVERNMENT REGULATION AND LEGISLATION, INCLUDING, BUT NOT LIMITED TO, MID-INFRARED SPECTROSCOPY ANALYTICAL INSTRUMENTATION AND LEGISLATION GENERALLY APPLIED TO THE INSTRUMENTATION MARKET.

The Company's business is dependent upon its ability to appropriately execute its plans while functioning within the applicable federal and state regulatory structure. The Company is subject to numerous federal and

state regulations. If it fails to comply with all applicable laws and regulations, it could suffer civil or criminal penalties, including the loss of licenses to operate. The Company cannot predict how courts or regulatory agencies may interpret existing laws or regulations or what additional federal or state legislation or regulatory initiatives may be enacted in the future regarding the instrumentation market. Laws and regulations in these areas will continue to evolve. Federal or state governments may impose additional restrictions or adopt interpretations of existing laws directly affecting the Company's operations or the market for its services that could have a material adverse affect on its business, profitability, liquidity or growth prospects.

The Company believes it is in substantial compliance with all existing legal and regulatory requirements material to the operation of its business. However, the application of complex standards to the operation of its business creates areas of uncertainty.

THE COMPANY MAY BE SUBJECT TO RISKS RELATING TO POTENTIAL ADVERSE RESOLUTIONS OF FUTURE LAWSUITS OR INVESTIGATIONS.

Due to the nature of the instrumentation industry, the Company may, in the future, become involved in various claims, legal proceedings and investigations. Any such claims, legal proceedings or investigations could require the Company to pay damages that may be material or could materially limit its business practices.

THE COMPANY MAY BE UNABLE TO PROTECT ITS PROPRIETARY RIGHTS.

In the future, the Company may have to rely on litigation to enforce its intellectual property and contractual rights. In addition, the Company may face claims of infringement that could interfere with its ability to use technology or other intellectual property rights that are material to its business operations. Any litigation of this type, whether successful or unsuccessful, could result in substantial costs and diversions of Company resources. If litigation the Company may initiate is unsuccessful, the Company may not be able to protect the value of its intellectual property. Additionally, in the event a claim of infringement against the Company is successful, it may be required to pay royalties or license fees to continue to use technology or other intellectual property rights that it had been using, or the Company may be unable to obtain necessary licenses from third parties at a reasonable cost or within a reasonable time.

THE COMPANY FACES RISKS RELATING TO THE USE AND PROTECTION OF INTELLECTUAL PROPERTY USED IN ITS BUSINESS.

The Company regards certain of its methods of doing business (and underlying technology) as proprietary. The Company seeks to protect its proprietary rights through a combination of confidentiality agreements and copyright, patent, trademark and trade secret laws. The Company does have one issued patent, assuming technology transfer from the University of Delaware, and it has filed a currently pending patent application in the United States. Future patents, if issued, may be challenged by others and may not provide the Company with any competitive advantages. The Company's competitive position is also dependent upon unpatented trade secrets. Trade secrets are difficult to protect. Competitors may independently develop proprietary information and techniques that are substantially equivalent to the Company's or otherwise gain access to the Company's trade secrets, such as through unauthorized or inadvertent disclosure of trade secrets. In addition, the Company may not be able to deter current and former employees, contractors and other parties from breaching confidentiality agreements and misappropriating proprietary information. Even if such activities by others infringe on the Company's intellectual property rights, there may be no effective way to prevent or stop such infringements.

There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that its competitors will not independently develop similar, substantially equivalent or superseding proprietary information. Furthermore, there can be no assurance that any confidentiality agreements between the Company and its employees will provide meaningful protection of our proprietary information, in the event of any unauthorized use or disclosure thereof. Any legal action that we may bring to protect proprietary information could be expensive and may distract management from day-to-day operations.

THE COMPANY IS DEPENDENT ON KEY EMPLOYEES IN A COMPETITIVE MARKET FOR SKILLED PERSONNEL.

The Company is materially dependent upon its key managers and, in particular, upon the continued services of Ronald McDonald and Bozo D. Clown, the founders. The Company's future business and financial results could be adversely affected if the services of the founders cease to be available. The Company does not have an employment agreement with Ronald McDonald and Bozo D. Clown. Competition for skilled personnel is intense and the Company can not be certain it will be able to retain its key managerial, technical, sales or marketing personnel. The loss of these officers and other or key employees in the future might adversely affect

the Company's business and impede the achievement of its business objectives. The Company may not be able to continue to attract and retain skilled and experienced personnel on acceptable terms. Its ability to hire and retain such personnel will depend in part on the Company's ability to fund the costs associated with such personnel. Failure to attract and retain key personnel will adversely affect the Company's business.

THE COMPANY FACES RISKS RELATING TO NEW OR PROSPECTIVE COMPETITORS IN THE INSTRUMENTATION INDUSTRY.

The Company operates in a very competitive environment, and it may not be able to increase or maintain its fees to compensate for an increase in services or costs. Direct or indirect competition in the marketplace may force the Company to reduce the prices it charges clients for its services. If this were to occur, it could have an adverse effect upon the Company's operations.

AN INVESTMENT IN THE COMPANY IS SUBJECT TO THE RISKS ASSOCIATED WITH INVESTMENTS IN PRIVATE ENTERPRISES.

There is no public market for the Company's stock and, as none should be expected to develop in the foreseeable future, an investor may be unable to liquidate his, her, or its investment and should be prepared to bear the economic risk of an investment for an indefinite period. The shares offered hereby are not being registered under the Securities Act or qualified under applicable state or other securities laws, and may not be resold or otherwise transferred unless they are registered under the Securities Act, or unless exemptions from such registration and qualification requirements are available. The certificates evidencing the shares of stock will bear a legend referring to these restrictions on transfer.

The offering price of the stock in this Offering may not reflect current or any future value for such stock. There can be no assurance that the Company's future valuation will be equal to or higher than the valuation reflected in the shares of stock in this Offering and, indeed, such valuation may be lower. The Company's future valuation could be subject to wide fluctuations in response to variations in operating results, announcements of technological innovations or new products and services by it or its competitors, the operating and stock price performance of other companies that investors deems to be comparable to the Company and other events and factors beyond the Company's control. These broad market and industry fluctuations may adversely affect the Company's valuation, regardless of its performance.

THE COMPANY IS SUBJECT TO RISKS RELATING TO ITS POSSIBLE NEED FOR ADDITIONAL FUNDS.

The Company currently anticipates that the net proceeds from the Offering will be sufficient to meet the anticipated working capital and capital expenditure requirements as they currently exist for the foreseeable future. The Company may not achieve cash flow break-even in the near term, however, and may require additional infusions of capital to commence and maintain its operations. This capital may not be available. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to continue operations, or may not be able to develop or enhance its products, take advantage of future opportunities or respond to competitive pressures, which could have a material adverse effect on its business. Additionally, any future capital raises may result in significant dilution to existing investors.

BECAUSE THE COMPANY'S FOUNDING SHAREHOLDERS COLLECTIVELY OWN AND CONTROL THE VOTING STOCK, THE VOTING POWER OF OTHER STOCKHOLDERS IS LIMITED.

After the Offering is completed, the founding shareholders together will beneficially own a controlling interest in the Company's voting stock. These stockholders are therefore in a position to control major decisions about the Company, and could make decisions that are adverse to your interests.

THE COMPANY'S CHARTER DOCUMENTS CONTAIN ANTI-TAKEOVER PROVISIONS.

The Company's certificate of incorporation and bylaws contain the following provisions that may deter a takeover, including one on terms that other stockholders might consider favorable: authority of the board of directors to issue Common Stock and preferred stock and to determine the price, rights (including voting rights), preferences, privileges and restrictions of each series of preferred stock, without any vote or action by stockholders; the existence of large amounts of authorized but unissued Common Stock and preferred stock; and limitations on who may call special meetings of stockholders. The rights and preferences of any series of preferred stock could include a preference over the Common Stock on the distribution of our assets upon a liquidation or sale of the company, preferential dividends, redemption rights, the right to elect one or more directors and other voting rights. The rights of the holders of any series of preferred stock that may be issued in the future may adversely affect the rights of the holders of the Common Stock. The Company has no current plans to issue preferred stock. In addition, certain provisions of Delaware

law may also discourage, delay or prevent a change in control of Company or unsolicited acquisition proposals.

**THE COMPANY'S MANAGEMENT HAS BROAD DISCRETION
IN THE USE OF PROCEEDS FROM THIS OFFERING.**

Management will retain broad discretion to allocate the net proceeds from this Offering to uses with which you may not agree. The Company cannot assure you that any use of proceeds can or will yield a significant return. See *Sources and Uses of Funds*.

**CAUTIONARY STATEMENT ABOUT FORWARD
LOOKING STATEMENTS**

THIS OFFERING MEMORANDUM CONTAINS FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS ARE THOSE THAT REFER TO FUTURE PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS. THESE STATEMENTS MAY BE IDENTIFIED BY THE USE OF THE WORDS SUCH AS "PROJECT," "PROJECTION," "ANTICIPATE," "BELIEVE," "INTEND," "PLAN," "EXPECT" AND SIMILAR EXPRESSIONS. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE DISCUSSED IN, OR IMPLIED BY, SUCH FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CONTRIBUTE TO THESE DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THE RISKS AND UNCERTAINTIES DISCUSSED ABOVE. YOU SHOULD CAREFULLY CONSIDER THESE RISKS AND UNCERTAINTIES AND THE OTHER INFORMATION PROVIDED IN THE OFFERING MEMORANDUM BEFORE DECIDING TO PURCHASE THE SECURITIES. IF ANY OF THE RISKS AND UNCERTAINTIES ACTUALLY OCCUR, THE COMPANY'S BUSINESS, FINANCIAL CONDITION OR OPERATING RESULTS COULD BE MATERIALLY ADVERSELY AFFECTED. THERE ARE OTHER RISKS THAT COULD IMPAIR THE COMPANY'S BUSINESS, FINANCIAL CONDITION OR OPERATING RESULTS THAT HAVE NOT BEEN DESCRIBED BECAUSE THEY ARE NOT PRESENTLY KNOWN TO THE COMPANY, OR BECAUSE THE COMPANY CURRENTLY BELIEVES THEM TO BE IMMATERIAL.

Legal Matters

The validity of the Company's offering and certain other legal matters in connection with this offering will be passed upon for us by Dewey, Cheetum, Howe, NY, NY

Investor Suitability Requirements

General

Investment in the Series X Shares involves significant risks and is suitable only for persons of adequate financial means who have no need for liquidity with respect to their investment and who can bear the economic risk of a complete loss of their investment. This offering is made in reliance on exemptions from the registration requirements of the Act and applicable state and foreign securities laws and regulations.

The suitability standards discussed below represent minimum suitability standards for prospective investors. The satisfaction of such standards by a prospective investor does not necessarily mean that the Series X Shares are a suitable investment for such prospective investor. Prospective investors are encouraged to consult their personal financial advisors to determine whether an investment in the Series X Shares is appropriate. The Company may reject subscriptions, in whole or in part, in its sole discretion.

The Company will require each investor to represent in writing, among other things, that (i) by reason of the investor's business or financial experience, or that of the investor's professional advisor, the investor is capable of evaluating the merits and risks of an investment in the Series X Shares and of protecting its own interests in connection with the transaction, (ii) the investor is acquiring the Series X Shares for its own account, for investment only and not with a view toward the resale or distribution thereof, (iii) the investor is aware that neither the Series X Shares nor the shares of Common Stock into which the Series X Shares may be converted (the "Conversion Shares") have been registered under the Act or any state or foreign securities laws and that transfer thereof is restricted by the Act, applicable state or foreign securities laws, the Stock Purchase Agreement and the absence of a market for the Series X Shares and the Conversion Shares and (iv) such investor meets the suitability requirements set forth below.

Suitability Requirements

Each investor must represent in writing that it qualifies as an "accredited investor" as such term is defined in Rule 501(a) of Regulation D under the Act, and must demonstrate the basis for such qualification. To be an accredited investor, an investor must fall within any of the following categories at the time of the sale of any Series X Shares to that investor:

(1) A bank as defined in Section 3(a)(2) of the Act, or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or

instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of that Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(2) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(3) An organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended; a corporation; a Massachusetts or similar business trust; or a partnership; in each case, not formed for the specific purpose of acquiring the Series X Shares and with total assets in excess of \$5,000,000;

(4) A director or executive officer of the Company;

(5) A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of such person's purchase of the Series X Shares exceeds \$1,000,000;

(6) A natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(7) A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Series X Shares, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; and

(8) An entity in which all of the equity owners are accredited investors (as defined above).

As used in this Memorandum, the term "net worth" means the excess of total assets over total liabilities. In computing net worth for the purpose of (5) above, the principal residence of the investor must be valued at cost, including cost of improvements, or at recently appraised value by an institutional lender making a secured loan, net of encumbrances.

In order to meet the conditions for exemption from the registration requirements under the securities laws of certain jurisdictions, investors who are residents of such jurisdictions may be required to meet additional suitability requirements.

Additional Information

The Company will make available, prior to the closing of the placement, to each prospective investor and such investor's representatives and advisors, if any, the opportunity to ask questions and receive answers covering the terms and conditions of this placement and to obtain any additional information that the Company may possess or can obtain without unreasonable effort or expense that is necessary to verify the accuracy of the information furnished to such prospective investor. Any such questions should be directed to Jesup & Lamont's named representatives identified on page 6 of this Memorandum. No other person has been authorized to give information or to make any representations concerning this placement, and if given or made

Financials

Financial Projections

Statement of Operations

Estimated through 2015

	30-Dec-2005	30-Sep-2006	30-Sep-2007	30-Sep-2008	30-Sep-2009	30-Sep-2010	30-Sep-2011	30-Sep-2012	30-Sep-2013	30-Sep-2014	30-Sep-2015
Net Sales	-	260,000	535,600	1,379,170	5,682,180	6,437,910	7,294,152	8,258,066	15,988,360	16,468,011	33,924,103
Industrial Sales	-	180,000	370,800	954,810	3,933,817	4,457,015	5,049,798	5,717,122	11,068,865	11,400,931	23,485,917
Academic Sales	-	80,000	164,800	424,360	1,748,363	1,980,896	2,244,355	2,540,943	4,919,495	5,067,080	10,438,185
Cost of Goods Sold	-	130,000	267,800	689,585	2,272,872	2,575,164	2,917,661	3,303,226	5,276,159	5,434,444	11,194,954
Gross Profit	-	130,000	267,800	689,585	3,409,308	3,862,746	4,376,491	4,954,839	10,712,201	11,033,567	22,729,149
Operating Expenses											
General & Administrative Expense		5,000	5,000	5,000	50,000	51,500	53,045	54,636	56,275	57,964	59,703
Website & IT Services	75	400	412	424	437	450	464	478	492	507	522
Corporate/Accounting Expense	11,695	5,000	15,000	50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494
Salaries Expense	-	50,000	50,000	200,000	206,000	212,180	218,545	225,102	600,000	618,000	1,000,000
Technology Licensing Expense (5%)	-	13,000	26,780	68,959	284,109	321,896	364,708	412,903	799,418	823,401	1,696,205
Sales & Marketing Expenses	-	100,000	103,000	106,090	218,545	337,654	347,783	358,217	614,941	633,389	1,304,783
Technical Field Support Expense	-	-	-	200,000	412,000	424,360	437,091	675,304	1,159,270	1,194,048	2,459,733
Office Lease Expense	-	-	15,000	15,450	15,914	16,391	16,883	25,000	25,750	26,523	30,000
Research & Development Expenses		250,000	250,000	250,000	400,000	400,000	400,000	600,000	600,000	600,000	600,000
Total Operating Expenses	11,770	405,000	418,000	606,090	876,045	1,002,879	1,020,965	1,239,594	1,872,905	1,911,092	2,966,277
EBITDA	(11,770)	(275,000)	(150,200)	83,495	2,533,263	2,859,868	3,355,527	3,715,246	8,839,297	9,122,476	19,762,872
Income Tax Expense (35%)	-	-	-	29,223	886,642	1,000,954	1,174,434	1,300,336	3,093,754	3,192,866	6,917,005
Net Income (Loss)	(11,770)	(275,000)	(150,200)	54,272	1,646,621	1,858,914	2,181,092	2,414,910	5,745,543	5,929,609	12,845,867
Net Income Values	(31,770)	(1,025,000)	(2,650,200)	54,272	1,646,621	1,858,914	2,181,092	2,414,910	5,745,543	5,929,609	12,845,867
Investments	(20,000)	(750,000)	(2,500,000)								
44% IRR							3,938,626	4,542,820	7,149,063	7,345,535	14,161,231

Financials

Financial Statement Assumptions

- Net sales launch curve for years 1 through 10 is as follows: 5, 10, 25, 100, 110, 121, 133, 250, 250, and 500 units.
- Net Sales are based on 80% industrial unit sales and 20% academic unit sales.
- COGS is based on 50% of revenues, is reduced to 40% of revenues when sales volume reaches 100 units (year 4), and is reduced to 33% of revenues when volume reaches 250 units (year 8).
- General and Administrative Expenses include book keeping salaries.
- Website and IT Services include website maintenance and ISP fees.
- Corporate/Accounting Expenses include company formation legal fees and tax preparation accounting fees.
- Salaries Expenses include executive management salary compensation.
- Technology licensing expense is tentatively estimated at 5% of sales revenues, to be negotiated with and paid to UD Technology Corporation.
- Sales and Marketing Expenses include fully-burdened technical sales salaries, and assumes the following:
 - Year 1-3, 1 employee
 - Year 4, 2 employees
 - Year 5-7, 3 employees
 - Year 8-9, 5 employees
 - Year 10, 10 employees
- Technical Field Support Expenses include fully-burdened salaries, and are based on addition of one field support employee per 50 units sold beyond year 2, resulting in the following:
 - Year 3, 2 employees
 - Year 4-6, 4 employees
 - Year 7, 5 employees
 - Year 8-10, 10 employees
- R&D Expenditures were based on founding partners' estimates through 2015.
- Expenses are adjusted for inflation 3% annually as appropriate.
- Income Tax Expense was estimated to be 35%.
- IRR calculations are based on initial investment of \$20K in 2005 by the founders, and \$770K investment in 2006 from SBIR funding, and \$2.5MM in additional working capital needed in 2007.

Financials***Cap Table******Peer Cap Table ~ As of November 1, 2005***

<u>Shareholder</u>	<u>Number Of Shares</u>	<u>Percent Ownership</u>
<i>Primary Shares</i>		
Bozo D. Clown	400,000	40.0 %
Ronald McDonald	400,000	40.0 %
Employee Incentive Pool	200,000	20.0 %
Total Shares Outstanding	1,000,000	100.0 %

Acknowledgments

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