

***An Ideal
PARTNERSHIP***
*Energex and Arbios
Team for Success*

INFORMATION MEMORANDUM
June 2010

I. Executive Summary

This Information Memorandum is intended to engage interested funding sources with an overview of the unique opportunity to combine privately held Energex Systems, Inc and publicly traded Arbios Systems, Inc. (ARBI.PK), two medical technology companies dedicated to improving patient quality of life and reducing cost of care by developing and commercializing novel, proprietary technologies and processes that are intended to provide safer and more effective medical options to patients with substantial unmet medical needs within the fields of ***musculoskeletal pain, organ failure, oncology, and most notably - blood safety and immunotherapy***. Our technologies are the product of a significant evolution of medical research and treatment - a marked shift away from conventional drug therapies and a step toward treatments that are most simply referred to as "***personalized medicine***". Rather than targeting specific pathogens or cancers, our therapies are designed to stimulate powerful immune responses. In short, our unique immunotherapies allow for the patient's own protective systems to counter foreign invaders- regardless of name, strain or origin. The following summary will outline our strategy for becoming the global leader in personalized therapies and pathogen inactivation processes that will ensure the safety of the world's blood supply.

Companies

ENERGEX SYSTEMS, INC.	ARBIOS SYSTEMS, INC.
► Incorporated Delaware 1999	► Reincorporated Delaware 2005
► Private	► Publicly Traded (ARBI.PK)
► 83M Shares	► 50M Shares—5M Float
► Immuno & Blood Therapies	► Blood Filtration Systems

The opportunity to combine the companies is the result of Energex and certain of its shareholders funding the reorganization of Arbios pursuant to Bankruptcy Court Order effective September 21, 2009. Pursuant to the terms of the Chapter 11 Plan, (i) the plan funders invested \$800,000 in the company, (ii) all outstanding securities were canceled, (iii) and the funders were issued 45,000,000 of 50,000,000 newly issued shares.

Subject to the approval of the shareholders of both companies and the successful closing of sufficient funding, Arbios will acquire Energex through a reverse merger after which it will change its name to Immune Response, Inc. (IRI). For the purpose of this Information Memorandum, Energex and Arbios will be referred to by their respective names - while the combined entity will be referred to as "Immune Response", "IRI", "us", "we" or "the company".

Technologies

In the field of immunotherapy we have progressed to human clinical trials of our first-in-class ImmunoModulator (IM) technology that is designed to treat life-threatening RNA viruses such as HIV and Hepatitis C, as well as certain types of cancer and autoimmune diseases. The Energex IM is an extracorporeal blood processing device that provides for the exposure of whole blood to UV energy and reinfusion of it to the patient through a closed loop disposable system. The hypothesis is that UV treated blood, upon reinfusion, will initiate an immune response specific to the patient's condition.

- ▶ Two human Hepatitis C pilot trials completed
Observation: improvement in viral load, liver enzymes, and liver inflammation
- ▶ Human HIV Phase I trial ongoing at Tulane Medical
Observation: reduction in viral load, increase in CD4
- ▶ H1N1 research conducted at request of FDA in mouse model
Observation: inhibited virus induced inflammation in lungs
- ▶ LSU-Tulane NIH COBRE funded proof-of-concept breast cancer research
Observation: significant decrease in growth of Stage IV breast tumors

We are addressing the global need for a method to insure that donated blood is free of any active pathogens before its use. The HemaSterilizer™ is designed to safely and effectively inactivate pathogens in donated whole blood and blood components, e.g. concentrated red cells, by using ultraviolet energy. The technology is targeted for use in blood banks, hospital and other facilities that process donor blood.

- ▶ 1st non-chemical inactivation method for whole blood and red cell concentrates
- ▶ Research being conducted at request of American Red Cross (ARC)
- ▶ Research indicates an achievable 99.999% ($>5\log_{10}$) inactivation with $< 1\%$ hemolysis, $3\log_{10}$ already achieved
- ▶ Not pathogen specific - inactivation of all pathogens, known or unknown
- ▶ Potential to become "method of choice" for pathogen inactivation in donated blood
- ▶ Phase I study approval should attract major strategic partner - ARC interested

The Arbios SEPET™ Liver Assist Device is a novel blood purification therapy that is the subject of a Phase II/III research program that has been approved by the FDA. It comprises a sterile, single-use, disposable cartridge containing microporous hollow fibers with unique permeability characteristics. When blood is passed through these fibers, blood plasma of specific molecular weight and size is expressed through the micropores, thereby cleansing the blood of harmful impurities and toxins such as ammonia, as well as various mediators of inflammation and inhibitors of hepatic regeneration.

- ▶ Indicated for "acute on chronic" liver failure and sepsis
- ▶ U.S. feasibility study consisting of liver failure patients completed
- ▶ 79% had two or more grade ($p=0.0005$) reduction in hepatic encephalopathy
- ▶ Phase II/III trial approved by FDA
- ▶ Potential to extend life... bridge to liver transplant
- ▶ Utilized as co-therapy with ImmunoModulator = better patient outcome

The patented, FDA cleared Energex™ Tissue Stimulation System, has been proven to be safe and effective in the relief of chronic temporomandibular joint (TMJ) dysfunction and chronic anterior knee pain and has entered those markets and providing us with revenue through the sale of hardware coupled with an ongoing procedure royalty.

- ▶ “1st in regulatory class” RF therapy device with unique pin-point delivery method
- ▶ Cleared by FDA for chronic TMJ and anterior knee pain, CE marked
- ▶ 510K’s supported by randomized, double blind, placebo studies at Tufts University
- ▶ Patient and practitioner friendly, therapy administered in 60-90 seconds
- ▶ Razor / Blade marketing strategy

Technology	Description	Intended Use	Regulatory Status
ImmunoModulator™	Immune Stimulation	RNA Viruses / Cancer	Human Clinicals
HemaSterilizer™	Pathogen Inactivation	Blood Sterilization	Preclinical
SEPET™	Blood Filtration	Organ Failure /Sepsis	Phase II/III
Energex™	RF Tissue Stimulation	Musculoskeletal	U.S. Cleared / CE

BUSINESS STRATEGY

Our management team intends to achieve its goal of positioning our company as a leader in personalized therapies and pathogen inactivation by:

- ▶ Advancing our ongoing HIV and HCV human research and obtaining U.S marketing clearance for our ImmunoModulator technology;
- ▶ Obtaining EU marketing approval for our SEPET technology, identify a European marketing partner, and commercially launch SEPET™ in Europe;
- ▶ Partnering with ARC or other strategic partner to establish our HemaSterilizer technology as the standard method for inactivation of pathogens in donor blood;
- ▶ Advancing our breast cancer research to confirm proof-of-concept results;
- ▶ Identifying other indications and explore clinical testing of the ImmunoModulator for the treatment of additional viral, autoimmune diseases and cancers;
- ▶ Continuing to evaluate opportunities for our shareholders through partnerships or the sale or licensing of our technologies.

FUNDS FOR IMPLEMENTATION OF THE BUSINESS STRATEGY

The Company intends to raise \$10 Million in financing to fund the business over the next 24 months and expects to use the funds to:

- ▶ Accelerate our ongoing HIV human research at Tulane Medical Center;
- ▶ Commence the already approved Phase II/III human research - SEPET;
- ▶ Obtain EU marketing clearance for SEPET;
- ▶ Complete our ongoing pathogen inactivation research for the American Red Cross;
- ▶ Commence and complete Phase I psoriasis research;
- ▶ Advance our ongoing “proof of concept” breast cancer research;
- ▶ Position our Energex technology to attract an acquirer;
- ▶ Fund G&A expenses and retire approximately \$900,000 in debt

MANAGEMENT

In an effort to limit and control fixed expenses during our development stage we have made maximum use of outsourced services/consulting and close working relationships within the academic and technical communities. This has provided opportunities to contain and avoid major expenditures for research and clinical trial development. Presently our staff is led by a management team supported by a group of experienced advisors. Our management team is currently comprised of two individuals with a combined history of 50 years in the medical technology industry that share a vision of success:

Thomas J. Fagan (55) is our Founder, Chairman, President and CEO. In addition to his 10 years of employment at Energex, he was employed for 3 years at Arthronix, Inc., an orthopedic device manufacturer.

Thomas R. Petrie (65) is our Director of Research, Development, Engineering and Regulatory Affairs. Mr. Petrie has been employed by us since 2002. Tom has spent his entire career in the medical device industry where he held senior management positions at Becton Dickinson, Datascope, and Personal Diagnostics.

Integral to the success of our plan to merge, grow the company and raise required capital, will be the addition of a Chief Financial Officer and VP of Regulatory Affairs as part of our management team. In order to achieve our goals and fully realize the anticipated growth of the company we will require a strong infrastructure to which these key individuals will contribute significantly. In keeping with our efforts to control and limited fixed expenses, further additions to our management team will be considered as our long term needs continue to grow.

FINANCIAL HIGHLIGHTS

The following financial projections are described in further detail in the Financial Plan section.

Sources & Use of Funds Projection

Source of Funds	Year 1	Year 2
<i>Development Agreement</i>	\$1,500,000	\$3,000,000
<i>Sale of Asset</i>	1,870,000	1,870,000
<i>Capital Investment</i>	5,000,000	5,000,000
<i>Total Income</i>	\$8,370,000	\$9,870,000
Use of Funds		
<i>Selling, General & Administration</i>	\$2,981,675	\$3,645,470
<i>Research & Development</i>	3,795,000	5,350,000
<i>Total Operating Expenses</i>	\$6,776,675	\$8,995,470
Net Funds Surplus	\$1,593,325	\$874,530

II. Company Overview

Privately held Energex Systems, Inc. was incorporated in the State of Delaware in August 1999 for the purpose of acquiring the rights and title to the Energex technology. Since its organization it has raised approximately \$10 Million in funding and accomplished the following:

2000-2005

- ▶ Raised \$4.8 million in angel funding;
- ▶ Designed and developed the Energex technology;
- ▶ Conducted research at Tufts University to support 510K clearances for the Energex;
- ▶ Obtained 510K clearances – Chronic TMJ and Anterior Knee pain;
- ▶ Obtained Health Canada approval for Energex – musculoskeletal pain;
- ▶ CE mark approved 8/03;
- ▶ Developed regulatory, quality and manufacturing processes;
- ▶ Commenced manufacturing and pilot marketing of the Energex.;
- ▶ Developed proprietary software that enables us to remotely track and charge per use;
- ▶ Designed, developed, and patented the ImmunoModulator technology that is intended for the treatment of RNA viruses such as HIV, Hepatitis C, Influenza, certain cancers and autoimmune diseases;
- ▶ Commenced discussions with FDA to determine the regulatory pathway and completed all lab, safety, animal and other research to support human clinical research approval for the ImmunoModulator;
- ▶ Generated income of approximately \$800,000.00.

2006-2008

- ▶ Raised an additional \$4.3 million in angel funding;
- ▶ Relocated to a leased, mixed-use 11,600 Sq. ft. facility to accommodate improved research laboratory, on-site production capability and increased staff;
- ▶ Restructured and formalized Quality Assurance Procedures in accordance with FDA guidelines by creating on-line training manuals and documentation. Instituted mandatory employee training and standardized reporting;
- ▶ Concentrated our efforts on accelerating the development and research of the ImmunoModulator technology including:
 - Conducted studies at the National Tulane Primate Research Center (NTPRC) and Louisiana State University (LSU) to establish the safety and efficacy of ImmunoModulation.
 - Sponsored NTPRC research utilizing the ImmunoModulator to treat Rhesus monkeys infected with the Simian Immunodeficiency Virus (SIV). It was established that ImmunoModulation safely and effectively stimulates the immune system (cell mediated immunity);
 - Obtained two Investigational Device Exemptions (IDE) from FDA and conducted human clinical trials on subjects infected with the Hepatitis C virus;
 - Obtained an IDE approval from FDA that has allowed us to conduct a human clinical trial on subjects infected with HIV. The participants in this ongoing study are the 1st humans to be treated under an FDA exemption with a non-drug therapy;
 - At the request of FDA, conducted research at LSU on “Influenza A” as a model for pandemic flu that resulted in LSU researchers opining that ImmunoModulation should be safe and effective in treating pandemic influenza.
- ▶ Generated an additional \$800,000.00 in income from sales of Energex Devices, treatment units and accessories.

2009

- ▶ Raised an additional \$500,000.00 in angel funding to support ongoing Energex projects;
- ▶ Continued our human HIV research at Tulane Medical School;
- ▶ Supported researchers at LSU in conducting a pilot study on mice that suggests that ImmunoModulation therapy caused a significant decrease in the growth rate of malignant Stage IV breast tumors when compared to a control group;
- ▶ Orchestrated and funded the reorganization, and acquisition of a 90% controlling interest in Arbios Systems, Inc.

III. Business Model and Development Strategy

Immune Response will focus on developing and commercializing novel technologies and processes and providing solutions to unmet clinical needs in the fields of *musculoskeletal pain, organ failure, oncology, blood safety and immunotherapy*.

Our business model makes maximum use of our technologies to:

- ▶ Provide patients with an effective treatment alternative with an emphasis on reducing the cost of primary and secondary care;
- ▶ Reduce time and cost of regulatory approvals and clinical validation through FDA's streamlined process for medical devices;
- ▶ Minimize investment through out-sourcing manufacturing/distribution of the technologies relatively low complexity and training requirements; and
- ▶ Provide us with residual revenue through the sale of disposables or collection of procedure royalties.

We also have pipeline products and product line extensions that complement each other and can support market share expansion. The technologies also lend themselves to natural strategic corporate partnerships.

In the near term, we plan to build a revenue stream from our Energex technology by increasing marketing and partnering efforts in EU, Asia and Canada, expanding geographically into the attractive US market and building added value by validating the safety and clinical significance of the ImmunoModulator, HemaSterilizer and SEPET technologies. All of these activities are expected to help accelerate the current pace of development.

In the mid and long term we will increase our revenue stream and build the value of our technologies through:

- ▶ Further clinical validation of our current technologies;
- ▶ Licensing, joint development, or marketing agreements with strategic partners;
- ▶ Expanding our core technologies into additional indications for use;
- ▶ Identifying opportunities to expand upon our current IP portfolio;
- ▶ Development funding, milestone payments, and royalties from partnerships

Our product development strategy is based on (6) key considerations that are never waived. Product candidates for consideration of development must:

1. Have the potential to provide a solution to a substantial unmet medical need;
2. Be as safe and preferably safer than the standard of care;
3. Provide a better outcome for the patient;
4. Innovatively set itself apart from standard-of-care ... "*1st-in-class*";
5. Have the potential to reduce the cost of primary and secondary care;
6. Be conducive to a razor/blade marketing approach.

We are in the process of expanding markets for the Energex Device and entering mainstream launch of our ImmunoModulator and SEPET technologies, pending successful pivotal clinical trials. Our Energex and ImmunoModulator devices are based on the sale of hardware and ongoing residual income from disposables, and/or procedure royalties providing a continuous and growing income stream. The SEPET technology is a disposable system that runs on standard dialysis hardware platforms that are already in place in most medical institutions. Strong and sustainable revenue generation plans have been established for our four primary technologies:

- **Energex™ Device** - We have an innovative pricing and distribution strategy for the Energex Device. The device is sold to the user for \$3995.00, approximately 4 times cost. In addition, we are paid a procedure royalty equal to approximately \$6.00 per application, also known as a "treatment unit"(TU). This strategy provides us with ongoing revenue following the initial sale of the device and will be an important source of funds as the product matures. In effect, each TU purchased constitutes a royalty to use the device. Treatment units can be obtained and paid for via our web site 24 hours a day with minimal processing costs.
- **ImmunoModulator™** - The marketing of the ImmunoModulator is based on the sale of the hardware and disposable single-use treatment kits that provide an on-going revenue stream. Initial pricing for the ImmunoModulator is targeted at \$30,000 (approx. 6 times cost). The disposable administration kits used for processing the blood are targeted for \$120 (approx. 8 times cost). A similar cost and revenue structure is also planned for the HemaSterilizer. Revenue from the ImmunoModulator is based on an assumption of eight treatments per device per day.
- **HemaSterilizer™** - The marketing of the HemaSterilizer will also be based on the sale of the hardware and disposable single-use administration kits that will provide an on-going revenue stream. Initial pricing for the HemaSterilizer is targeted at \$30,000 (approx. 6 times cost). The disposable administration kits used for processing the blood are targeted for \$50 (approx. 5 times cost). Given that the devices and kits for these two technologies share significant commonality, we expect to benefit from joint economies of scale to further drive down unit costs and strengthen profit margins.
- **SEPET™ Liver Assist Device** - Our strategy for realizing sales revenue from SEPET™ is to initially seek marketing authorization in the European Union by obtaining a CE mark. CE marking indicates that the product complies with the essential requirements of the relevant European health, safety and environmental protection legislation and allows sale of the product within the European Union (27 member states) and the European Free Trade Association (3 countries). We believe commercialization of SEPET™ under a CE Mark may be possible by Q3-11. Commercialization of SEPET™ in the United States will only follow successful completion of the pivotal clinical trial of the device, meeting efficacy endpoints that have been agreed to by the FDA.

Revenue of the SEPET device is based solely on the sale of the disposable kits, as the therapy is provided using commercially available dialysis platforms that are already in the institutions. This allows for better utilization of the dialysis equipment and provides prescription opportunities to nephrologists and hepatologists.

The disposable kit pricing is targeted to be sold for ~ \$2,500 (approx. 10 times cost). It is estimated that an average of three (3) kits will be used once daily as the course of treatment.

We currently expect to outsource at least a portion of the sales, marketing and distribution of our products to third parties who specialize in the sales, marketing and distribution of medical products. Alternatively, we may enter into strategic alliances with larger medical companies or license the rights to our product candidates to such larger companies. Our direct marketing and sales operations may, in these cases, eventually be directed towards supporting sales and distribution activities of any future partner.

IV. Technology and Research Overview

Technology Development Timelines 2010-2013	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13
(\$ In Millions) / ♦ = Regulatory Clearance												
ImmunoModulator™												
<i>Mechanism of Action Research</i>								\$0.3				
<i>HIV Phase I</i>			\$0.2									
<i>Psoriasis Phase I</i>				\$0.1								
<i>HIV Phase II/III</i>										\$3.0		
<i>Psoriasis Phase II/III</i>									\$0.8			
<i>US clearance HIV</i>												♦
<i>US Clearance - Psoriasis</i>											♦	
HemaSterilizer™												
<i>Pre-clinical</i>			\$1.2									
<i>Phase I study</i>							\$0.25					
<i>Phase II/III Study</i>											\$3.5	
SEPET™												
<i>SEPET CE trial</i>			\$0.175									
<i>CE Mark for SEPET Device</i>					♦							
<i>Phase I sepsis</i>					\$1.25							
<i>Phase II/III- sepsis</i>										\$2.3		
<i>US & CE clearance- sepsis</i>												♦

TECHNOLOGY DESCRIPTION

Energex™ Pulsed Radio Frequency Device

Our patented, FDA cleared Energex Device, has been proven to be safe and effective in the relief of chronic temporomandibular joint (TMJ) dysfunction and chronic anterior knee pain, and it has entered those markets. The Energex utilizes pulsed radio frequency energy to create low-level electronic stimulation of the tissue. The uniqueness of the technology is evidenced in the way the energy is delivered to the tissue. Treatments are administered in just 60-90 seconds.



The Energex device generates radio-frequency energy in the 460 kHz range. The energy is pulsed: rapidly cycled on and off at 660 Hz. The device is a compact tabletop unit with an attached applicator used for applying treatment.

The basic function of the device is to generate a specific high frequency, high voltage electrical signal at the tip of the applicator. This electrical signal induces a "corona discharge" which ionizes the air within the applicator tube and is ground seeking. The unique design of the device allows for treatment to be pinpointed directly to the affected area, thereby ensuring a site specific application of the therapy. Mechanism of action studies conducted at Tuft's University suggest

ImmunoModulator™

Our second patented technology, the ImmunoModulator, is a "1st in class" device intended for the treatment of life threatening hard-to-treat diseases. The technology employs ultraviolet light to inactivate pathogens such as HIV/AIDS, Hepatitis C, H1N1 and other RNA type viruses, as well as certain cancers and autoimmune diseases. The hypothesis is that the ImmunoModulator UV therapy when re-infused to the body will cause a *cell-mediated response*.

The 20-30 minute procedure is administered on an outpatient basis, and involves the drawing of approximately 4% of a patient's infected blood, via a single circuit closed-loop system. The blood is then processed through the ImmunoModulator where it is exposed to a very precise amount of UV light for a very precise amount of time. During that process any pathogen that is exposed to the light is inactivated. After exposure, the blood is re-infused to the body. Remarkably, pathogen inactivation and immune response continues after re-infusion of the treated blood. The end result, as suggested by our extensive research, is a *cell-mediated response*.

ImmunoModulation therapy demonstrates a favorable safety and efficacy profile and is far less expensive than all other therapies, including HAART, the standard treatment for HIV.

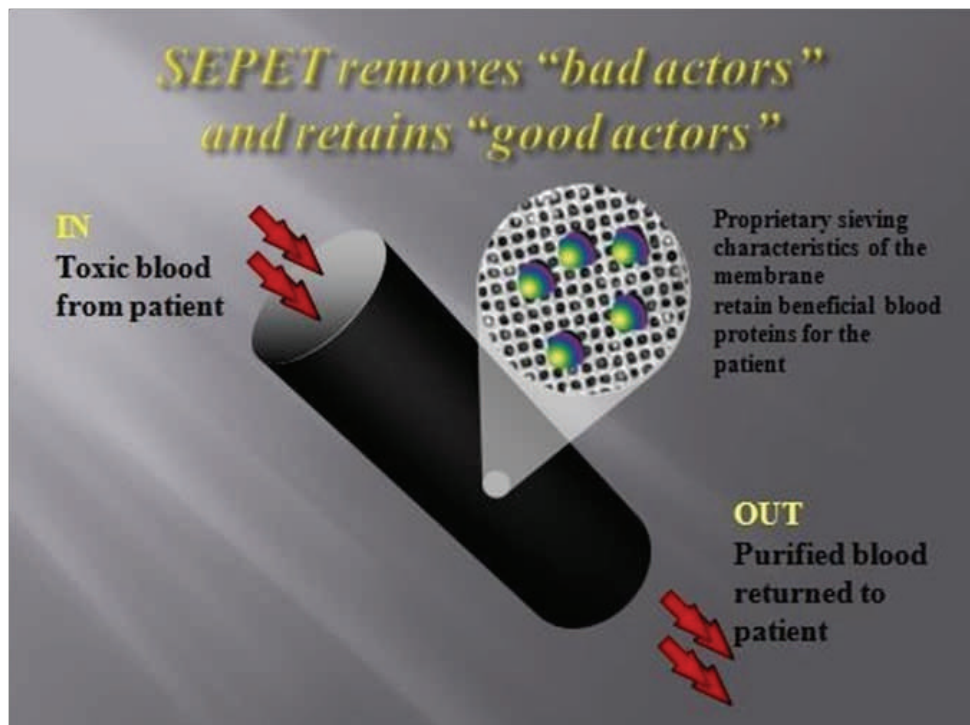
Another advantage is that it is void of any adverse effects. Last, it is impervious to viral mutations, that is, the virus cannot evade the therapy through mutation. Because the ImmunoModulator produces the targeted stimulation from the virus or cancer cells in the patient's blood, it is expected to work with a wide range of pathogens and certain cancers.

SEPET™ Liver Assist Device

SEPET™ is a novel blood purification device designed for use with standard blood dialysis platforms. It comprises a sterile, single-use, disposable cartridge containing microporous hollow fibers with unique permeability characteristics. When a patient's blood is passed through these fibers, blood plasma of specific molecular weight and size is expressed through the micropores, thereby cleansing the blood of harmful impurities (i.e., hepatic and renal failure toxins such as ammonia, as well as various mediators of inflammation and inhibitors of hepatic regeneration). These substances would otherwise progressively accumulate in the patient's bloodstream during liver failure, accelerating damage to the liver and other organs, including the brain and kidneys, as well as suppressing the ability of liver cells to function and to proliferate or regenerate.

SEPET™ is further designed to retain in the circulating bloodstream numerous larger, beneficial molecular weight blood proteins, including a powerful promoter of liver regeneration, Hepatocyte Growth Factor (HGF), various immunoglobulins, such as IgG, IgM, and others, and various complement species that are important for

retaining active immune protection against infection (which often exacerbates liver failure). SEPET™ also retains most of the blood clotting factors which are important for preventing bleeding, another common and potentially lethal complication of liver failure.

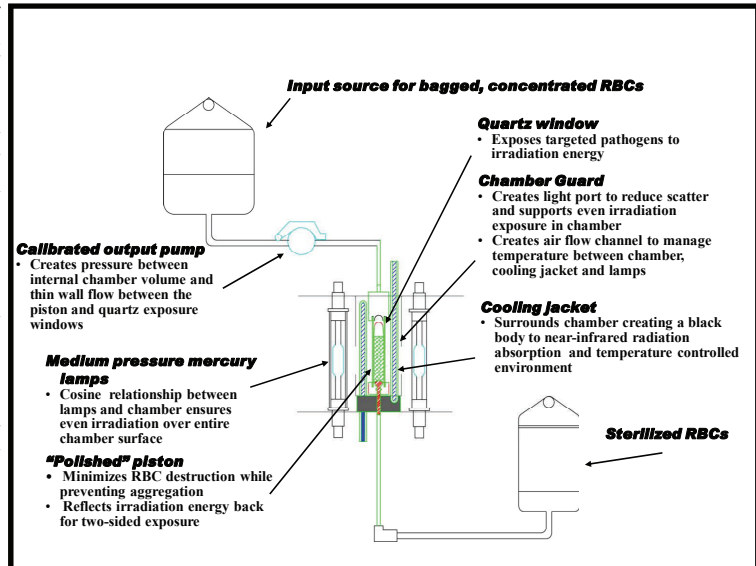


HemaSterilizer™

Pathogen inactivation in donor blood is a continuous undertaking since the emergence of AIDS. Currently there is no inactivation processes commercially available for red cell concentrates and bacterial and emerging new pathogen contamination of red cells remains an ongoing threat to the world-wide blood supply.

The HemaSterilizer™ is designed, based on the known capacity of Ultraviolet (UV) irradiation to inactivate and kill pathogens, to sterilize whole blood or blood products (e.g. red cells concentrates) in a blood bank or hospital blood processing environment.

The HemaSterilizer™ design goal is to achieve sterilization acceptance and to minimize handling and reduce costs. The HemaSterilizer will have an advantage over current methods of blood safety in that it will inactivate all viruses and bacteria in the blood, regardless of whether they have been identified or not. Initially we will propose that the process be adopted as an added safety measure to the tests already being conducted in blood banks and that, over time, replace most of the current tests while providing improved safety and significant savings. The technology may also facilitate an increase in the overall blood supply by enabling participation of previously excluded donors.



The HemaSterilizer™ is a device that uses a single use disposable IV circuit with a universal input connector, proprietary chamber and an end process collection bag. The HemaSterilizer pump is calibrated to deliver a pre-determined flow to the internal processing chamber to optimize irradiation exposure without introducing RBC hemolysis.

Four mercury lamps with a proprietary design, positioned to allow even irradiation exposure over the entire chamber surface, provide the UV source. Chamber guards create a light port that directs UV light, supporting an even and predictable delivery of irradiation exposure to the chamber window.

A circulating water cooling jacket surrounds the chamber to create a temperature controlled chamber environment and is an absorption medium for near-infrared energy.

The HemaSterilizer™ is distinguished by two unique design features:

- Pump output that delivers a pre-determined flow to create pressure between the internal chamber volume and the thin film wall flow between the piston and quartz UV exposure window and a flow/speed piston rotation to provide mixing and to ensure even and multiple exposure presentations; and
- A piston surface that creates unique flow dynamics to help prevent hemolysis and maintain appropriate shear forces to prevent cell aggregation

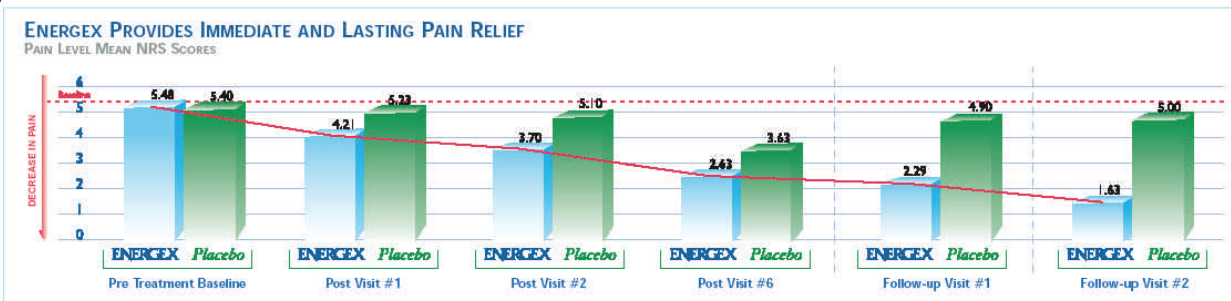
Research and Clinical Data

Our policy is to have all research conducted by researchers and institutions that are highly regarded and respected in their fields of expertise. A second criterion is recognition of that expertise by the National Institute of Health (NIH) and/or the FDA. Tulane University, Cornell, Louisiana State University (LSU) Tufts University, Cedars Sinai Medical Center (CSMC), University of California, San Diego (UCSD) and Albert Einstein University (PA) are just some of the institutions that we have research collaborations with.

Energex - TMJ: A randomized, double-blind, placebo controlled study conducted at Tuft's Dental School established that Energex therapy was safe and highly effective in relieving TMJ pain and increasing range of motion of the jaw. The result of this research led to our first marketing clearance for the temporary relief of chronic TMJ pain.

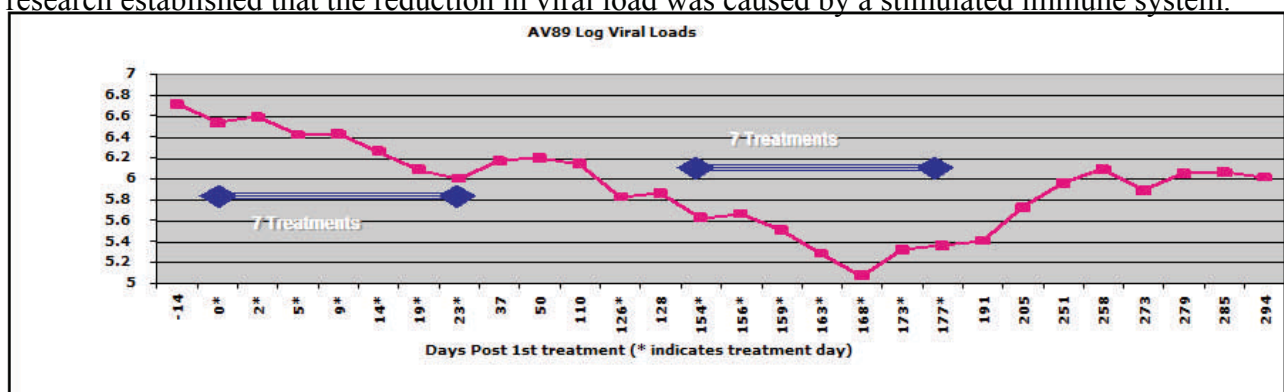


Anterior Knee Pain: A second randomized, double-blind, placebo controlled study conducted at the Pain Center at Tuft's University established that Energex was safe and highly effective in the treatment of anterior knee pain. This research supported the 2nd marketing clearance granted to us by FDA.



ImmunoModulator - HIV: Upon completion of bench testing that established that ImmunoModulation inactivates HIV, Tulane researchers conducted a study on rhesus monkeys infected with Simian Immunodeficiency Virus (SIV), the animal model for HIV/AIDS research.

The chart below illustrates that ImmunoModulation was effective in substantially reducing viral load and sustaining the reduction through day 294, 117 days after the last treatment. Further research established that the reduction in viral load was caused by a stimulated immune system.

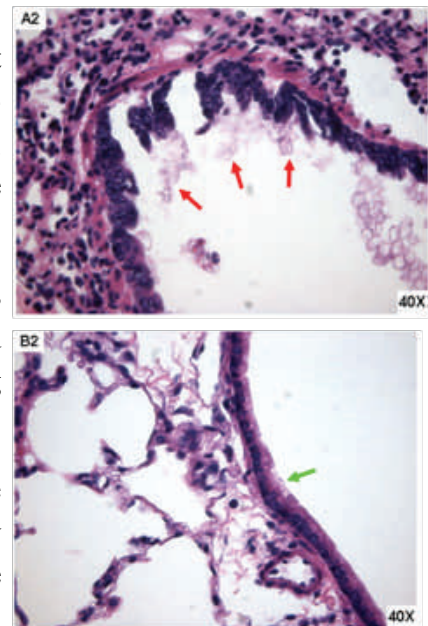
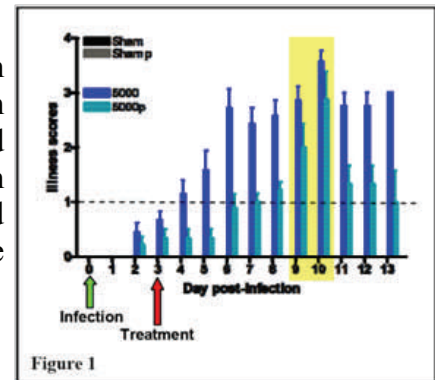


The combined results of these studies caused Tulane researchers to opine, "they are unprecedented in AIDS immunotherapy."

CONFIDENTIAL

Influenza A: A pilot study conducted at the Center for Experimental Infectious Disease Research at LSU compared mice infected with influenza virus (H1N1) and treated with the ImmunoModulator to a randomly assigned control group that received sham treatment (the exact treatment protocol was followed, except that the blood was not irradiated). Overall, LSU researchers concluded: “these experiments showed significant improvement of all measured parameters when the highest dose of infectious virus (5,000 TCID₅₀) was used.” Among their major findings were:

- ▶ Minimal illness was seen 9 days post-infection in ImmunoModulator treated animals compared with severe clinical illness by day 6 in sham-treated animals. Later, the effects of ImmunoModulation were obviously apparent. At day 13, the treated group showed little or no clinical signs whereas the other group was severely ill.
- ▶ The ability to breathe was significantly better in ImmunoModulator treated animals compared with the sham-treated controls.
- ▶ Pathological examination showed that ImmunoModulation significantly inhibited virus-induced inflammation resulting in airways that were, for the most part, clear with little to no damage to the cells lining the airways. (Fig B2).
- ▶ In contrast, the sham-treated controls had airways filled with inflammatory cells and blood and exhibited substantial destruction of the cells lining the airways (Fig A2).
- ▶ Finally, ImmunoModulation appears to modulate specific arms of the immune response thereby limiting the scope and severity of clinical disease normally associated with influenza infection.



- ▶ ***“ImmunoModulation therapy may be effective irrespective of the virus’ antigenic subtype or susceptibility to antiviral medications.”***

This last statement is emphasized in bold, because elsewhere LSU researchers state that “the ability to modulate influenza-associated clinical disease and pulmonary distress, irrespective of the virus’ antigenic subtype or susceptibility to antiviral medications, will be paramount in limiting the devastating effects of current and future influenza outbreaks.” In short, if the result obtained in animal studies is reproduced in human studies, ImmunoModulation will become a potent new weapon in the fight against influenza epidemics. This study will be the basis for an IDE application that will be filed with FDA, seeking to treat humans hospitalized with viral pneumonia.

Hepatitis C: The FDA has granted us two approvals (IDE) that have allowed us to conduct trials on humans infected with Hepatitis C that were non-responders to conventional drug therapies. The first trial established enough safety and efficacy data to cause the FDA to grant the 2nd trial approval.

- In the 1st trial, 10 subjects were administered 5 treatments over a 3-week period, while the 10 subjects in the 2nd trial received 15 treatments
- There were no adverse events during or after either trial that were attributed to the treatment
- A majority of subjects responded to the treatment
- Viral load and liver enzyme reductions were seen in a majority of subjects
- Quality of life issues improved
- Post treatment liver biopsies suggested that there were significant reductions in inflammation in 3 of the 10 subjects

Cancer: In February 2009 we initiated a proof-of-concept breast cancer research study at Louisiana State University. The purpose of the study was to begin characterizing the effectiveness of the ImmunoModulator™ ultraviolet blood irradiator in treating breast cancer.

The blinded study was designed as follows:

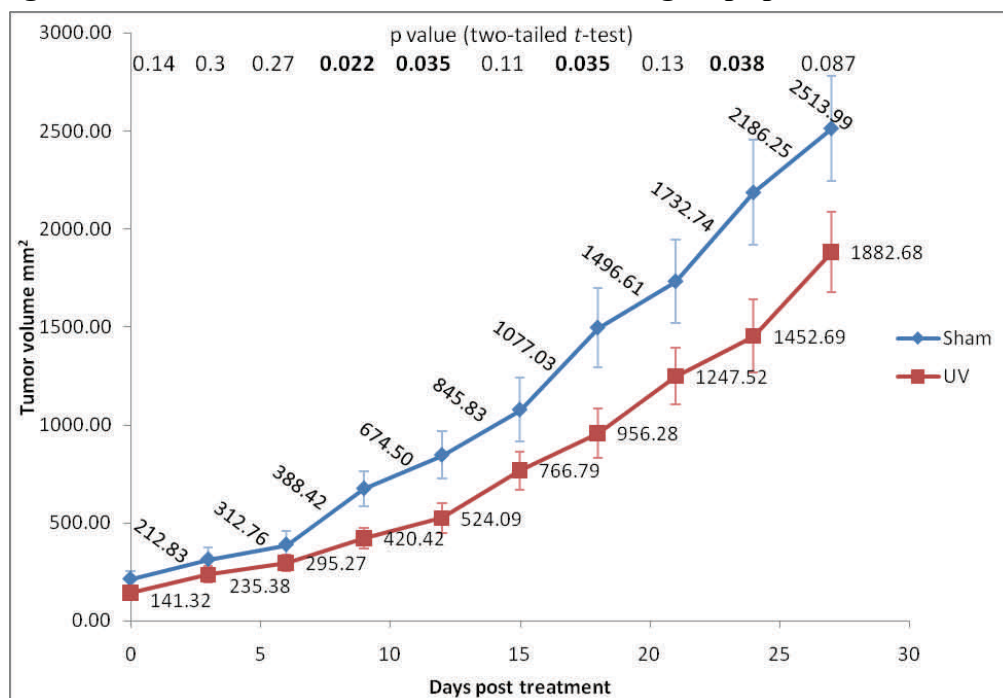
Two groups of 12 mice were infected with a lethal dose of 4T1 Stage IV Mammary Carcinoma cells, which represented a worst case scenario for causing fatal stage IV cancer. Both animal groups were monitored until all mice developed palpable tumors.

One group then received a single ImmunoModulator™ treatment and the other group received a sham treatment. Observation of both groups for animal weight and tumor volume at 3-day intervals demonstrated the significance of the ImmunoModulator™ treatment.

The 12 mice in the treated group exhibited a 30% reduction in mean average breast tumor development and reduced signs of illness as compared to the untreated sham group.

In particular, the researchers detected a statistically significant improvement in the treated mice in the 9-27 day range following the single ImmunoModulator™ treatment. A p-value of less than .05 (probability value of 5%) was determined indicating a 95% confidence level when attributing the change in tumor size to the effects of the ImmunoModulator™.

Figure 1 shows mean tumor volumes for the two groups plotted over time.



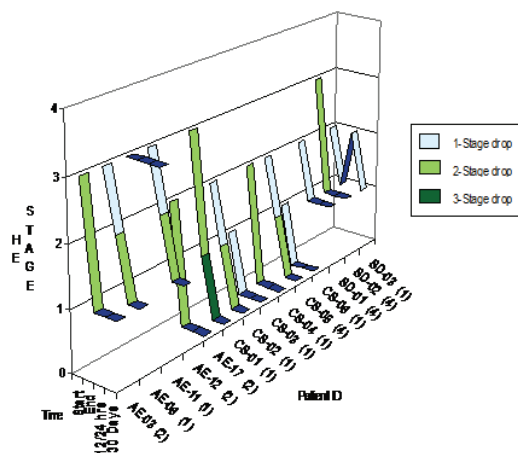
As illustrated above, 4 of the 10 individual time points had significantly reduced mean tumor sizes in the treated group with p values < 0.05 (days 9, 12, 18, and 24: p values equal to 0.022, 0.035, 0.035, and 0.038 respectively). Mean values are indicated and the bars represent plus or minus one standard error of the mean. p values for each time point are shown and were determined using a two-tailed t test.

SEPET™ Liver Assist Device: SEPET™ has demonstrated favorable outcomes in a U.S. Phase I clinical trial in patients experiencing acute exacerbation of chronic liver disease (so-called “acute-on-chronic” liver failure) caused by hepatitis B, hepatitis C or alcoholic cirrhosis. This single arm, uncontrolled study enrolled 15 patients at three major liver transplant hospitals.

Of the 15 patients enrolled in the trial, 14 patients were treated with at least one

(typically 5-6 hour) round of SEPET™ treatment, receiving an average of less than two and a maximum of four sequential daily treatments until a stable, durable disease response was achieved. The clinical trial results confirmed a high rate of achievement of the primary endpoint for clinical effectiveness with 11 of 14 (79%) subjects showing full resolution or a reduction in hepatic encephalopathy (HE) by at least two or more grades (p=0.0005). The responses were

generally rapid and observed within 48 hours after initiation of treatment with many occurring during the first treatment. Thirteen of fourteen (93%) patients’ responses were sustained over the 30-day follow-up period, and improved overall liver function was documented as determined by biochemical measures. All patients survived until the end of the 30-day follow-up period and 4 patients were subsequently transplanted with a donor liver. The figure at right depicts the reduction in HE for each of the individual subjects in the study. In order to be eligible for SEPET treatment, patients could not have been responding to standard medical care.



FDA has agreed to the Company's proposed endpoints and has provided approval for the company to begin the pivotal clinical trial. The Company believes that a single pivotal trial could be sufficient for rapid commercialization of SEPET™ in the United States. We also believe that the current clinical data and the Company's quality system afford the potential for even quicker market adoption in Europe via a CE Mark (European market approval) without the need for a prospective randomized control study.

The Company believes that SEPET™ could provide the following critical benefits:

- Accelerate and improve probability of successful recovery from liver failure
- Accelerate and improve probability of successful recovery from septic shock
- Reduce frequency of or prevent liver failure in patients with chronic liver disease
- Enhance outcomes in patients eligible for liver transplantation – bridge to transplant
- Enhance eligibility and outcomes from surgery for liver cancer
- Reduce duration of intensive care stays and overall hospitalization
- Enhance overall cost effectiveness of medical care for liver failure and septic shock

Intellectual Property:

We take the issue of protecting our technologies and processes very seriously. We own all title, rights and interest to the patents that have been granted to us as well as the applications that have been filed, free and clear of any royalty agreements or other encumbrances.

In addition to the issued and pending patents, much of the Company's intellectual property is also protected as trade secrets. Our philosophy toward the development and management of our Intellectual Property estate is to:

- Conduct early due diligence and a thorough assessment of the competitive landscape;
- Actively develop novel IP positions in advance of R&D efforts and expenditures;
- Perform consistent reviews of the public domain for competitive intelligence;
- Aggressively address patent expansion and continuation strategies;
- Demonstrate a disciplined approach of determining which invention(s) should be protected by patent(s) versus those maintained as trade secrets; and
- Defend and rigorously prosecute our technology and patent positions.

The Company is the assignee of three (3) granted US patents. We have also filed four (4) additional patent applications in the US, ten (10) PCT (designating multiple countries) two (2) European and two (2) in Japan and Canada. Two (2) of these applications support significant advancements in the Company's technologies and have been filed within the last two years.

One (1) of the granted US patents relates to the Company's Energex technology, two (2) relate to the ImmunoModulator™, and one (1) relates to the SEPET.

- **Energex US patent No. 5,317,155, issued 5/31/94** - This U.S. patent claims a method of producing a single point, ground seeking, corona discharge for the treatment of pain and inflammation.
- **ImmunoModulator™ US patent No. 6,312,593, issued 11/06/01** - This U.S. patent claims an irradiation chamber adapted to treat a blood stream infection by subjecting the stream to ultraviolet radiation. The chamber is provided with a window transparent to UV rays under which is an array of parallel baffle plates that define a series of interconnected channels forming a labyrinthine passage extending from the inlet to the outlet of the chamber. Each baffle plate is vertically tapered to induce blood from the lower regions of the stream within the channels to rise to the upper region adjacent the window and includes a transverse protuberance which intercepts the flow of blood in the related channels to produce a Bernoulli distortion acting to agitate the blood stream. As a consequence of these internal displacements, all portions of the blood stream are adequately exposed to UV rays.
- **US patent No. 7,547,391, issued 06/16/09** - This U.S. patent's embodiments are directed to devices, systems and methods for irradiating fluids (e.g., blood) with ultraviolet light, and corresponding related components, systems and methods. In some embodiments of the invention, an ultraviolet blood irradiation (UBI) system is provided and may include an ultraviolet UV source providing a predetermined wavelength of radiation to provide a detrimental effect to virus and/or bacteria, an exposure chamber for exposing a predetermined volume of blood to radiation, a conduit between the UV source and the exposure chamber, a pump for pumping blood between a first location and a second location and a shutter assembly provided between the UV source and the exposure chamber providing time-metered irradiation of the blood in the chamber.

Additional applications:

South Africa, application No. 2007/04885; filed 11/22/05 – granted 08/26/09

Europe, application No. 058520060.2; filed 11/22/05- pending

India application No. 4284/DELN/2007; filed 11/22/05- pending

Nigeria, application No. 289/2007; filed 11/22/05- pending

- **SEPET, US patent No. 2,495,459, issued 7/1/09** – This US patent's embodiments are directed to selective plasma exchange therapy that includes a method for removing from a patient's blood a specific plasma fraction containing substance within a specific molecular weight range and a plasma purification apparatus by which the method can be accomplished.

Pending and provisional applications:

- **ImmunoModulator™ US patent application no. 11/441,547; filed 5/26/06** - This pending U.S. patent application claims a new exposure chamber design and a blood reservoir bag which acts as a valve during vacuum assist blood harvest and a blood collection site for a standard IV return to the patient. This application is pending as an International (PCT) application.

Additional applications:

Australia, application no. 5006249786; filed 05/25/06- patent pending examination due 03/02/10;

Canada, application no. 2609978; filed 05/25/06- patent pending examination due 05/25/11;

Europe, application no. 06760463.7; filed 05/25/06 – patent pending;

India, application no. 9601/DELN/2007; filed 05/25/06 - patent pending;

Israel, application no. 187656; filed 05/25/06- patent pending;

Japan, application no. 2008-513780; filed 05/25/06- patent pending;

South Africa, application no. 2007/11052; filed 05/25/06- patent pending; United Arab Emirates, application no. 1102/2007; filed 05/25/06- patent pending,

Nigeria, application No. 600/7; filed 05/25/06- patent accepted

- ImmunoModulator **US patent application No. 11/901,806; filed 9/18/07** - This pending US patent application is directed to a method for treating viral infections with UV light, e.g. HIV, HCV influenza and others.
- ImmunoModulator **US patent application No. 12/454,071; filed 05/12/09** - This pending US patent application brings together the blood irradiation system, associated device and methods used to treat whole blood or blood components.
- HemaSterilizer **US patent application No. 61/206,394; filed 01/30/09**- This pending US patent application claims a safe method of sterilizing concentrated red cells and other blood components using UV light.

In addition to patents and trade secrets, the Company maintains protection of its products and technologies through its proprietary manufacturing and control processes.

V. Market and Competitive Overview

There are four initial markets that could appropriately be targeted by our technologies that could potentially drive significant revenue and margins. Our technologies by indication, regulatory status and market size include:

**Key Technologies by Indication and Market Size
(known values in billions)**

TECHNOLOGY	STATUS	INDICATIONS	Market US	Global
Energex™	Marketed	Chronic TMJ Pain		
	Marketed	Anterior Knee Pain		
	Clinical II	Musculoskeletal Pain		\$5-7
ImmunoModulator™	Clinical I	HIV		\$12
	Clinical II	Hepatitis C	\$2.3	
	Clinical I	Influenza		
	Clinical I	Psoriasis		\$2.4
	PreClinical	Breast Cancer		\$8.7
SEPET™	Clinical II/ III	Liver Failure		
	Clinical I	Sepsis		
HemaSterilizer™	R&D	Pathogen Inactivation		

Musculoskeletal Pain Our Energex Device is tapping into a combined US market for musculoskeletal pain and over-the-counter pain relievers which totals \$5-7 billion. Sales of COX-2 inhibitors (a class of prescriptions like Vioxx and Celebrex used primarily in the treatment of joint pain) totaled over \$6 billion (US) before concerns about their safety changed the course of standard treatment. Americans spend approximately \$2.6 billion each year on over-the-counter pain relievers.

Immunotherapy Our ImmunoModulator™ technology and treatment process could potentially span a worldwide market for antiviral drugs and immunotherapies that is projected to be in excess of \$100 billion, with the HIV segment alone valued around \$10B. To date, the ImmunoModulator has shown significant promise in the treatment of HIV/AIDS, Hepatitis C, and Influenza A (H1N1). Treatment of other viruses and certain cancers may also be treatable indications. In addition, we believe the therapy would be effective in treating Psoriasis, a chronic inflammatory skin disease that consists of dry, thickened scaling erythematous plaques of the scalp, nails and glabrous skin. Psoriasis is quite common as there are 4.5-7.0 million people in the United States suffering from the disease.

Approximately one (1) in fifty (50) Americans, or 2.1-2.6% of the population is inflicted with psoriasis, and it is estimated that 150,000-260,000 new cases are diagnosed in the United States each year.

Blood Safety Our HemaSterilizer™ will enable us to participate in the blood safety market estimated to be at least \$2 billion. There are 12 to 15 million units of blood transfused every year in the US. In 2007 the WHO collected over 85 million units of blood, but the level of access to safe blood has been problematic. Many countries do not have reliable testing systems because of staff shortages, lack of basic laboratory services, poor quality test kits or irregular supply. There is a great need in many countries for an inexpensive and easy to use blood sterilization method. At present there is no method that has been approved for the inactivation of pathogens in donated blood components and whole blood.

Liver Failure Our SEPET device will initially be targeted to treat acute exacerbation of chronically ill liver patients (AOC). There are over 500,000 hospitalizations each in the US and Europe. Assuming that 40% of this patient population would be eligible for SEPET treatment the combined total market size for US and Europe is approximately \$3 billion. It should also be noted that the market size in Asia is significantly higher than both the US and European markets combined. This patient population also continues to grow year on year as Hepatitis B and C infection rates continue to increase. It is estimated that more than 10% of the world's population is infected with Hepatitis. In addition, standard medical care for these patients is largely ineffective and there is not nearly enough livers available for transplantation. In fact, many of these chronic liver failure patients are not even eligible for transplantation.

COMPETITIVE OVERVIEW

Our proprietary technologies are expected to provide significant and sustainable advantages over competitive technologies. The common advantages provided by our technologies and the six key considerations (in order of importance) in our development process that will never be waived are, (i) safety, (ii) innovation (iii) improved patient outcome, (iv) reduction in cost of care, (v) ease of use, and (vi) residual revenue.

Energex Advantage

► Safe

The Energex device provides a non-pharmacological treatment option for TMJ, anterior knee and other musculoskeletal pain. With over 100 devices placed in treatment facilities and thousands of treatments administered, there has never been an adverse event reported related to the device or therapy.

► Innovative

The Energex is the only device in its (FDA) regulatory class. Unlike other therapy devices that use a shot gun approach to deliver RF energy into issue, the patented Energex delivers the energy from a single-point corona discharge that allows for the pinpoint delivery, thereby ensuring a site specific application of the therapy.

► Improved patient outcome

The Energex device is clinically proven to significantly reduce pain and increase range-of-motion of the treated joint. Patients have observed marked reduction in pain immediately after treatment with relief lasting up to 6 months after a full course of treatments. It is not uncommon for patients to experience a decrease in reliance on prescription pain medication that may have been used prior to the application of Energex therapy.

► **Reduces cost-of-care**

While other RF therapies require 20-45 minutes of time with the patient, Energex's unique delivery system allows for pin-point delivery of the therapy in 90 seconds or less, enabling practitioner's to treat more patients.

► **Easy to use**

The Energex device is a sleek, compact tabletop unit with a handheld applicator. Training for use of the device is simple and straightforward. While the application of other RF therapies require that 20-30-40 minutes of time be spent with the patient, Energex therapy is applied in just 60-90 seconds.

► **Residual revenue**

Our innovative pricing and distribution strategy for the Energex Device provides us with ongoing revenue following the initial sale of the device and will be an important source of funds as the product matures. In effect, due to its uniqueness and effectiveness we are able to command a "procedure royalty" that amounts to approximately \$6 each time the device is used. Tracking the use of the device is accomplished remotely through our website 24/7 with minimal processing costs.

ImmunoModulator™ Advantage

► **Safe**

The ImmunoModulator™ has established its safety and effectiveness through FDA granted human trials that consisted of over 300 treatments to patients inflicted with Hepatitis C and/or HIV. Current standard-of-care therapies for such diseases rely heavily on toxic antiviral drugs that are designed to attack and inactivate viruses directly, while the ImmunoModulator uniquely stimulates one's own immune system to fight infection. The only adverse events reported to date have been related to blood draw such as dizziness, headache and slight bruising at the blood draw site.

► **Innovative**

The ImmunoModulator™ is the 1st device in its (FDA) regulatory class and the only non-pharmacological therapy to date to receive FDA approval to conduct research consisting of humans infected with HIV and Hepatitis C. The ImmunoModulator employs the use of ultraviolet light to inactivate virus by boosting the subjects own immune system.

► **Improved patient outcome**

The ImmunoModulator™ presents caregivers and patients with an alternative treatment to present-day antiviral therapies that are toxic and detrimental to the overall health of a patient. Most if not all antiviral therapies are known to cause significant side effects that result in the need for additional care. ImmunoModulation has proven to be effective in reducing viral burden without the harmful side effects of anti-virals, reducing the need for care of drug related complications.

► **Easy to use**

The software driven design makes training and operation straightforward and user friendly. A physician or nurse practitioner with minimal experience can administer the treatment with easy and confidence in 30 minutes or less.

► **Reduces cost-of-care**

The ImmunoModulator provides a simple yet effective way of treating acute and chronic conditions. Treatment with the device can be administered on an outpatient basis in any medical setting, whether it be a hospital, doctor's office, or clinic. The cost of ImmunoModulation therapy is significantly less than that of annual drug therapies even without considering the cost of secondary care due to drug side effects. Because of the broader treatment intervals, weeks verses days, there are fewer costly office and medical facility visits.

► **Residual revenue**

The ImmunoModulator will be offered to licensed practitioners and institutions at a cost of \$30,000, while the required disposable one-time use administration sets will provide us with \$100 after COGS each time a treatment is administered. It is anticipated that the treatment regimen for 1 patient will require 15 kits. RFID recognition has been designed and incorporated into the technology to support safe use and to ensure single use of the disposable kits.

SEPET Advantage

► **Safe**

Through FDA granted human clinical trials, SEPET has established its safety and feasibility. Patients who are battling liver disease are limited in treatment options, as many existing treatments have not proven efficacy and often result in recurring morbidity and mortality. Clinical research of SEPET has established a very favorable safety profile for the device.

► **Innovative**

The patented SEPET technology is a novel blood purification therapy designed for use with a standard blood dialysis system. The therapy allows for the purification of certain hepatic toxins in the blood, which would otherwise infiltrate the bloodstream during liver failure and accelerate damage to the liver and other vital organs. SEPET is also designed to maintain beneficial components, such as Hepatocyte Growth Factor (HGF), in order to promote regeneration and active immune protection against infection.

► **Improved patient outcome**

In clinical studies, 79% of patients met the primary clinical effectiveness endpoint resulting in major improvement or full resolution of one of the principal life-threatening complications of liver failure, known as hepatic encephalopathy, or "liver coma." SEPET accelerates and improves the probability of successful recovery from liver failure and can also enhance positive medical outcomes for patients who are eligible to undergo liver transplantation.

► **Reduces cost-of-care**

SEPET can be relied on to reduce the duration of intensive care stays and overall hospitalization for patients who require treatment for chronic liver disease. As SEPET can be utilized to complement already approved treatments for liver failure and septic shock, patients will also see an enhancement in the cost effectiveness of the treatments they receive.

► **Easy to use**

SEPET is designed to utilize already existing kidney dialysis platforms. Minimal additional training for medical care providers who are trained in using dialysis platforms will be necessary.

► **Residual income**

Single use sterile device

HemaSterilizer Advantage

► **Safe**

99.999% ($>5\log_{10}$) inactivation of all pathogens, known or unknown without the threat of hemolysis.

► **Innovative**

Our HemaSterilizer technology utilizes UV light to inactivate pathogens in red cell concentrates, whether they have been identified or not. Current methods of inactivating pathogens in donated blood are restricted to only known pathogens, and there are no approved methods for red cell concentrates.

► **Improved patient outcome**

Our current thinking is that the HemaSterilizer would initially be adopted as a complement and added safety measure to testing and screening that are already being conducted in blood banks. The technology may also facilitate an increase in the overall blood supply by enabling participation of previously deferred donors and decrease the amount of donated blood that is currently discarded.

► **Reduces cost-of-care**

The HemaSterilizer modality has the potential to eliminate some of the current costly commercial pathogen reduction processes available for fresh frozen plasma and platelet concentrates.

► **Easy to use**

Training with the HemaSterilizer is simple and not complex in the least. Lab technicians who have previously been trained in using current blood bank technologies can be easily trained to use the HemaSterilizer.

► **Residual Income**

The HemaSterilizer device can be purchased by a blood bank or lab for \$30,000. The sterilization chamber has a target price of \$50.00 per kit and are designed for single use only. The HemaSterilizer and sterilization chamber use RFID system recognition to support safe use and to ensure single use of the disposable kits.

VI. Location and Facility

The Company occupies 11,600 sq. ft. of combined lab and office space at 80 Commerce Dr, Allendale, NJ 07401, about 20 miles NW of Manhattan, NY, as shown on the map at right. This leased location is reasonably inexpensive, convenient, with an excellent mix of office and lab space. The area has a large pool of educated labor nearby, and is a very short distance away from factory labor.

VII. Management and Organization

Management

In an effort to limit and control fixed expenses during our development stage we have made maximum use of outsourced services, consulting and close working relationships within the academic and technical communities. This has provided opportunities to contain and avoid major expenditures for research and clinical trial development. To date, Energex Systems has raised and allocated approximately \$10 million toward the development of our unique technologies. The results of our stakeholder's \$10 million investment are documented and outlined herein. Our management team with 50-years combined experience in the medical technology industry and our experienced advisors share a vision of success that has only been limited by the need for additional investment. Our company has been fiscally responsible and has yielded remarkable results through the thoughtful allocation of our resources - an indicator of the effectiveness of our management team as follows:

Thomas J. Fagan (55) – was named as the Chairman of the Board, President and Chief Executive Officer of Arbios on September 21, 2009. Mr. Fagan founded Energex Systems, Inc., in 1999 and has held the positions of Chairman, President and Chief Executive Officer of Energex since then.

Prior to organizing Energex, Mr. Fagan's medical device experience included (3) years of employment at Arthronix, Inc., where he was Director of Sales and Marketing and then President. At Energex Mr. Fagan is responsible for all aspects of business planning, strategy and operations, and he was instrumental in the acquisition, research and development of Energex's medical technologies. Since January 2009, Mr. Fagan has been the Manager of Arbios Acquisition Partners, a limited liability company that he founded to participate in the reorganization of Arbios.

Thomas Petrie (65) is our Director of Research, Development, Engineering and Regulatory Affairs. Mr. Petrie has been employed by us since 2002. Tom has been responsible for the design, engineering, research and regulatory affairs related to our ImmunoModulator and HemaSterilizer technologies. Tom has spent his entire career in the medical device industry and has a proven record of success.

As Manufacturing Engineering Manager at **Datascope**, Mr. Petrie was instrumental in bringing to market cardiac assist devices, most notably, the intra-aorta balloon pump, a patient monitoring system, and a neo-natal blood pressure monitoring device. At **Becton Dickinson**, Clay Adams Div., he served as the Manufacturing Engineer leading the development of two blood analyzers that were cleared, commercialized and remain in use today. Mr. Petrie also lead early medical device development projects, which included precision high-speed reagent/blood sample dispensers, antigen/titer analyzer and blood sample coding and reader technologies.

Management Advisors

Dr. Ehud Ben-Hur was the head of the Virus Inactivation Department at the New York Blood Center and later at VI Technologies, Inc. Currently adviser to companies developing new medical devices that process blood for transfusion or therapeutic intervention. Dr. Ben-Hur is a well known expert on the effects of UV light.

Preston A. Marx, PhD, is a Professor of Tropical Medicine at Tulane School of Public Health and Tropical Medicine, the Tulane National Primate Research Center, and a member of the AIDS Research Advisory Committee, National Institute of Health.

Dr. Konstantin “Gus” Kousoulas, PhD, is the Director of Biotechnology and Molecular Medicine (BIOMMED) at Louisiana State University, School of Veterinary Medicine and the LSU-Tulane NIH COBRE Center for Experimental Infectious Disease Research.

Noshir Mehta, Professor and Chairman of the Department of General Dentistry at Tufts Dental School, and the co-founder of the TMJ clinic at Tufts.

Ted Korin, DMD, is a private equity investor and dental practitioner in private practice.

Board of Directors

At the present time our directors are:

Thomas J. Fagan (55) – Chairman and Director (see Management)

John Desiderio (70) is a Wall Street Veteran with over 25 years of experience working in the investment industry. He has held senior management positions in such firms as Cantor Fitzgerald, Drexel Burnham Lambert and is currently Managing Director at LF Financial, managing private investments, a position he has held since 2004. He is also on the Advisory Board of Energex Systems, Inc. Possessing a strong love of the arts, John is honored to sit on the Board of Directors of the Frank Sinatra School of the Arts in Queens, NY.

As a condition of the funding we seek, our board will be increased to five members.

No officer, director, or significant employee has been involved in the last five years in any of the following, (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (iii) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or (iv) temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and (v) being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

VIII. Financial Plan

Based on the strength of our technologies, research results, management and significant market opportunities, we believe it is now appropriate to propose and complete a merger of Energex and Arbios and to raise \$10 million in funding that will support significant development activities over the next 24-months, including: mechanism of action research, (4) Phase I trials, (2) Phase II/III trials, commercialization of SEPET in Europe, and build-out of our scientific and management team.

PROJECTED STATEMENT OF CASH FLOWS

<u>USES OF FUNDS</u>	<u>Year 1</u>	<u>Year 2</u>	<u>TOTAL</u>
<u>Cash Used in Operating Activities</u>			
Payroll Expenses	\$ (1,714,248)	\$ (2,058,750)	\$ (3,772,998)
Facility Lease	(164,052)	(173,892)	(337,944)
Utilities	(34,920)	(43,656)	(78,576)
General Insurance	(149,016)	(195,720)	(344,736)
Research & Development	(3,795,000)	(5,350,000)	(9,145,000)
Accounting	(170,004)	(221,004)	(391,008)
Legal - General	(150,000)	(142,000)	(292,000)
Legal	(330,000)	(405,000)	(735,000)
Consulting	(108,000)	(144,000)	(252,000)
Marketing & Promotion	(100,850)	(175,050)	(275,900)
Travel	(36,576)	(49,180)	(85,756)
Equipment Rental	(11,418)	(19,560)	(30,978)
Office Expenses	<u>(12,591)</u>	<u>(17,658)</u>	<u>(30,249)</u>
Net Cash Used in Operating Activities	\$ (6,776,675)	\$ (8,995,470)	\$ (15,772,145)
<u>SOURCES OF FUNDS</u>			
<u>Cash Provided from Operating Activities</u>			
Proceeds from R&D Development Agreements (Note A)	1,500,000	3,000,000	4,500,000
Proceeds from Sale of Energex Assets (Note B)	<u>1,870,000</u>	<u>1,870,000</u>	<u>3,740,000</u>
Net Cash Provided from Operating Activities	<u>\$ 3,370,000</u>	<u>\$ 4,870,000</u>	<u>\$ 8,240,000</u>
Cash Surplus (Deficit) from Operating Activities	\$ (3,406,675)	\$ (4,125,470)	\$ (7,532,145)
<u>Cash Provided From Investing Activities</u>			
Sale of Treasury Stock (Note C)	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 10,000,000</u>
Net Cash Provided from Investing Activities	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 10,000,000</u>
Net Increase (Decrease) in Cash	<u>\$ 1,593,325</u>	<u>\$ 874,530</u>	<u>\$ 2,467,855</u>

The forecast above anticipates (1) entering into an agreement with the American Red Cross or other strategic partner that would assist with the funding of the proposed HemaSterilizer research (**Note A**), (2) divestiture of the Company's Energex assets (**Note B**) that are comprised of physical inventory, IP and soft costs of development that are held and previously paid for by Energex Systems, and (3) the sale of treasury stock or other securities in the amount of \$10 million over the forecasted 2- years (**Note C**).

ENERGEX SYSTEMS, INC.
BALANCE SHEET
As of March 31, 2010

ASSETS

CURRENT ASSETS

Cash	12,313
Receivables	47,762
Inventory	377,484
Other Current Assets	452,359

Total Current Assets	\$889,918
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PROPERTY AND EQUIPMENT

Furniture & Fixtures	63,374
Machinery & Equipment	121,096
Leasehold Improvements	34,321
Computer Software	5,450
Less: Accumulated depreciation	-129,864

Total Property and Equipment	\$94,377
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OTHER ASSETS

Security deposit	37,352
Other deposits	2,500
Trademark (net amortization of \$392)	446
Patents (net amortization of \$70,991)	254,718

Total Other Assets	\$295,016
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TOTAL ASSETS	\$1,279,311
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LIABILITIES & SHAREHOLDERS EQUITY

CURRENT LIABILITIES

Accounts Payable	665,651
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OTHER CURRENT LIABILITIES

SH Funds subject to CS conversion	130,000
Loan - Officer	57,300

LONG TERM LIABILITIES

Notes Payable	107,743
A/P Paradigm	898

TOTAL LIABILITIES	\$961,592
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STOCK HOLDERS' EQUITY

Common Stock	72,950
Paid in Capital	10,926,923
Treasury Stock	-63,034
Retained Earnings	-10,752,948
Net Income	133,828

TOTAL EQUITY	317,719
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TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	\$1,279,311
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