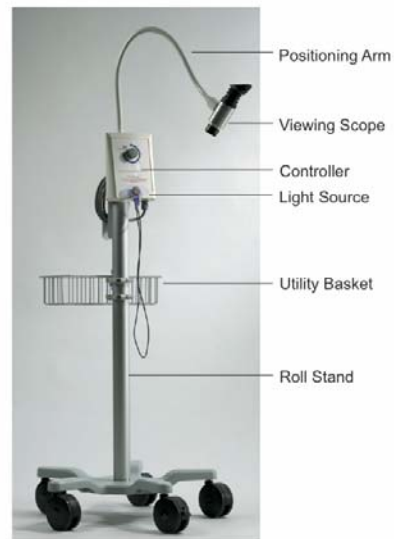


Business Description

IRIS has developed a ground-breaking new imaging device that enables doctors and nurses to see arteries and veins under the skin, thereby enabling medical personnel to more accurately and efficiently insert catheters and needles because they can see the vasculature, catheters and needles in detail and in real-time. IRIS products utilize a U.S. Air Force patent describing the use of near infrared light (nIR) to visualize sub-dermal structures. The patent is exclusively licensed to IRIS and is based on a breakthrough discovery that near infrared light (nIR) can be used to image sub-dermal structures. IRIS's first product, the *VascularViewer*[™] I, has been cleared by the FDA (510K approval) as an aid to performing vascular access. With over 1.4 billion procedures performed annually in the U.S., vascular access is the most commonly performed invasive procedure in healthcare. The technology embodied in the device has the potential to radically improve the way clinicians perform these vascular access procedures. The technology represents a platform on which IRIS intends to build an extensive line of imaging products and companion disposables for a range of different medical market segments and applications.



IRIS Vascular Viewer[™]

Market Opportunity

IRIS is just now introducing its first version of the *VascularViewer*[™] (VVI) as part of its Pilot Launch Program. VVI will aid clinicians in locating the radial artery in the wrist for arterial blood gas sampling and in locating veins suitable for placement of peripheral intravenous catheters (PIVs). IRIS estimates that over 120 million of these procedures are performed annually in the US alone, representing a market for the *VascularViewer*[™] of \$1 billion and for its single use disposable masking pad of greater than \$600 million per year. Eventually, the Company expects to also enter the market for venipunctures (blood sampling for diagnostic purposes) representing over 1 billion procedures annually in the U.S.

IRIS believes hospitals will buy the *VascularViewer*[™] for two reasons: 1) it improves the quality of patient care and 2) it will save the hospital money. Specialists recognize that failure to achieve vascular access is a serious problem. Journal literature and industry sources indicate that it takes on average 2.2 to 2.8 attempts to successfully insert a peripheral intravenous catheter. Finding a way to lower the number of failed attempts will have significant clinical and economic benefits. At a price of \$15,000 per unit, IRIS estimates that use of the *VascularViewer*[™] will save the average hospital approximately \$1 million per year.

Management

Dale Siegel, PhD., Pres. & Founder - career in healthcare and a major role in starting 4 early stage companies.

Greg Miller, VP Sales & Marketing - career in marketing vascular access devices and disposables.

Bob Crane, PhD. CSO – inventor, formerly senior ranking USAF scientist.

James Kashmer, VP Operations - product development & manufacturing of over 100 medical devices.

Michael Schlesinger, CFO - founding investor and career in investment banking and venture capital.

Marketing, Sales and Customers

The vascular access market includes hospitals (most of the procedures), freestanding clinics, ambulances and home healthcare. Initially IRIS is targeting hospitals (approx. 5500 in the US) and specific departments within hospitals such as emergency, critical care, respiratory therapy, pediatric, radiology, oncology, cardiology and pre-op

IRIS's initial sales strategy is to first target the market for arterial procedures (respiratory care), about 30 million annually. IRIS will then approach the market for peripheral intravenous catheters (PIV) procedures, about 112 million annually and eventually venipunctures, 1 billion procedures. IRIS plans to use a mix of distributors and internal sales personnel. IRIS has also held discussions with several potential strategic partners who could enhance distribution and has received a preliminary term sheet from one potential partner describing a co-development and licensing agreement.

Company Background

The technology was developed by Air Force Research scientists in response to a request made by the Walter Reed Army Institute of Medicine to find a way to effectively place intravenous lines (IVs) on a battlefield at night. Hemoglobin absorbs nIR light to a greater degree than the surrounding tissues and this absorption produces a high contrast image when viewed through a nIR imaging device such as the image intensifier used in night vision goggles.



Competition

Ultrasound devices can be used to image veins and arteries but they are difficult to use, require considerable training and do not visualize all of the veins typically used for PIVs. Another early stage company, Luminetx, has a device that uses nIR to visualize sub-dermal structures but it visualizes only the most superficial veins, missing more deeply located vessels which may be preferable for IV access; it is priced at \$30,000 vs. IRIS at \$15,000, probably does not visualize arteries, and weighs 135 lbs. (vs. VVI at 28 lbs including the roll stand).

Ownership

IRIS has outstanding a total of 229 shares, consisting of 107 Preferred Shares and 122 Common shares. There are also outstanding 143 options exercisable into Common shares. All of IRIS's shares and options are held by individuals. Nine of IRIS's investors and its lead investor are practicing physicians.

Capital Raising and Use of Proceeds - Pilot Launch Program

As a preliminary step to a full-blown product rollout and raising development capital for that activity, IRIS has begun its Pilot Launch Program, for which it is currently seeking funding (see "Capital Raising and Use of Proceeds"). Under this program, IRIS is building about two dozen UL approved devices and placing them in the market in order to establish an initial base of customers, who will serve as reference sales for future investors and customers. IRIS expects to gain valuable sales and marketing information from the Pilot Launch Program relating to speed of market take up, length and complexity of sales cycle etc. That information, in turn will help IRIS to precisely design its product rollout program and test the validity of its sales projections.

IRIS is currently seeking \$1-\$1.5 million through the issuance of additional Series A Convertible Preferred Stock (originally issued in 2004 and 2005). The proceeds will be used to complete the Pilot Launch Program (already underway).

IRIS expects to do a B round of financing for approximately \$5-8 million in 6-9 months, after some initial sales have been generated and the market acceptance has been clearly demonstrated. The proceeds from such a financing will be used to ramp up the sales effort.

Financial Projections (dollars in millions)

IRIS's projections begin during the quarter in which the \$5-\$8 million financing closes.

Year Post Financing	One	Two	Three	Four	Five
Revenue (\$ millions)	2.8	16.9	50.9	110.6	182.9
Net Income (\$ millions)	(2.5)	1.8	10.1	22.7	44.5

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[IRIS will move to PA or NJ in 4Q 2007]

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