



Inaugural Investor Conference Call Ionatron 'The Beginning' – March 30, 2004

(Ionatron changed its name to Applied Energetics on February 20, 2008)

T. Dearmin: Good morning. I'm Tom Dearmin. I would like to begin with an overview of Ionatron. On March 18th, we completed a reverse merger with US Home & Garden, with the Ionatron shareholders acquiring a controlling interest in USHG. The merger with USHG provided Ionatron with a public vehicle and approximately 9 M in cash, enabling us to accelerate delivery on our contracts and continue to fund our research and development activities. In addition, it will enable Ionatron to utilize stock options and incentive to attract, motivate, and retain high quality employees. We've filed a preliminary proxy statement with the SEC and schedule a meeting of shareholders in mid-April to change the name of the combined company to Ionatron, Inc. After approval of name change, we'll also change the stock symbol to reflect the new name.

Now, about the technology, Ionatron researchers have successfully demonstrated in our laboratories the ability to conduct electrical energy directly to a target. We do this with the Ionatron designed, low average power laser system, which creates a laser-induced conductive plasma channel through the atmosphere. We have shown that we could do it at either low voltage or high voltage and control that voltage rheostatically. It was this breakthrough discovery that now allow us to demonstrate the ability to conduct electricity through the air. The result of all this is the speedy development of a new weapon technology. We named it L-I-P-C for LIPC, which stands for Laser-Induced Plasma Channel. It is most easily understood as laser-guided man-made lightning.

Historically, large government sponsored scientific organizations have attempted to demonstrate the movement of electrical energy through the atmosphere in a precise, controlled manner. Well, it hasn't worked. We believe their process was self-limiting by the laser technology and the understanding of the physics at that time. While government laboratories continue to work on directed energy technology, Ionatron has now established itself as the LIPC leader. In fact, senior US government officials and high-level members of the armed services describe the Ionatron LIPC technology as a true breakthrough and potentially, the gun of the 21st century.

The Ionatron technology is a directed energy weapon, but vastly different than conventional directed energy weapons. While we combine many of the attributes of laser weapon technology such as speed-of-light guiding and tracking, we utilize the much more efficient and effective use of electricity as a disabling mechanism instead of light energy. Ionatron LIPC technology utilizing laser-guided electricity is more efficient, with lower cost in size, and typically has a substantially lower dwell time on target. This allows for much faster, multiple target acquisitions in target-rich environment as well as overall lower cost and sophistication of the acquisition and tracking systems.

Our existing Department of Defense and other government contracts are targeted at building and demonstrating LIPC systems on vehicles and various other platforms. These new systems will demonstrate the weapon capabilities outside of Ionatron laboratory in a variety of alternative settings and remote locations and for a variety of applications. Additionally, we are currently negotiating other government contracts.

We have started to produce demonstration systems that will be priced from 9 M to 20 M dollars each, depending on the specifications and mission requirements. We expect to deliver one or more of these systems in calendar year 2004. Once these first demonstration systems deliver results in the field similar to those achieved in Ionatron laboratory, we expect numerous versions will be ruggedized, fully militarized, and built as production devices for the Department of Defense and other government agencies. Our expected timeframe for start of regular production is late 2005 or 2006. We expect that development of new versions, upgrades, and on-going production will run concurrently for many years to come. We will also be continuing to work on other related Ionatron LIPC contracts and development programs.

Our ability to go into details or release information regarding specific customers and on-going efforts is subject to government security guidelines that are in the process of being generated specifically for Ionatron unique technology. In fact, to emphasize the security issues involved, one of our contracts has been issued as a sole-source procurement for reasons of national security. I hope you will bear with us and the government while we get these guidelines sorted out.

The US government and a large defense contractor expect directed energy spending to continue to be one of the major growth sectors in defense spending. Programs like ABL, (Air-Bourne Laser), ATL (Advanced Tactical Laser), THEL (Theater High Energy Laser), MTHEL (Mobile Theater High Energy Laser), and other-directed energy programs currently receive billions per year in R&D funding.

Prior to accepting any government funds, the company submitted disclosures for more than 50 inventions to our patent attorneys. They're all in various stages of patent preparation. A few of them filed and pending. An independent knowledgeable third-party has determined that the majority of these submissions are both novel and necessary for the development and use of our technology.

Military planners and the major defense contractors have estimated that the 5 to 7-year market for LIPC technology is over 12 Billion dollars. The total market for all directed energy weapon programs over the next 5 or so years is expected to exceed 100 B.

Ionatron will protect and use its intellectual property and trade secrets together with the company technical and business expertise to fully develop and commercialize this new technology at a rate similar to that of a commercial business venture, not the typical military industrial weapon development cycle of 10 to 20 years.

Our accomplishments in the past 2 years are substantial. For example, we invented and successfully demonstrated a completely novel directed energy weapon technology. We are considered the leaders within the government scientific community, including those who play instrumental roles in past Star War programs.

With the help of government contract specialists, we were able to establish government DCAA rate approval in only a few months. The normal process takes a year or more. These rates are prerequisite to accepting government contracts.

We have committed to the new DOD spiral development approach using their ACTD, which is Advanced Concept Technology Demonstrator methodology, and we have been able to take advantage of the streamline procurement guidelines to further fast-track LIPC to the field.

We built our current Ionatron facility to meet all necessary US government clearance requirements and national security guidelines. To date we have received all appropriate certifications.

The 2004 US Defense Budget included funding for Ionatron at the modest level of 3.4 M. The fact that we received any funding at all impressed many familiar with the process, since at the time all new line items were being left unfunded and all non-essential money were being shifted to support the war in Iraq. We were told that Ionatron received its appropriation because our new technology was so novel and has so much potential. We expect congressional support for Ionatron in the 2005 DOD budget to be substantially greater than in 2004.

We also have under development an electro-optical sensor utilizing the LIPC technology. Since our new lasers have bio-chem detection capabilities, that technology also allow them to have the ability to identify electro-optical enemy sources such as cameras and laser rangefinders. Our laser source will provide a counter measure to render electro-optic systems inoperative. This technology will ultimately be incorporated into our LIPC systems to provide true autonomous sensor shooter capabilities for our future weaponry.

Our management team include individuals experienced in envisioning new technologies and bringing them to market in an efficient, rapid, and profitable way. Our chairman has had over 50 years of experience in developing new technologies and producing cutting edge products in several high-tech industries. I, personally, have had over 20 years of experience in the high-power laser development area. I was one of the founders of Opto Power Corporation, now Spectra Physics Laser; and just prior to Ionatron, I founded LaserTel, a high-power gallium arsenide semiconductor manufacturer. I've also acted as consultant to the defense industry in the directed energy weapon area. Collectively, the management team has experience in commercial and military product development, manufacturing, optic and laser physics, plasma physics, atmospheric chemistry, advanced computer modeling, and military operations.

In closing, we believe that our LIPC technology changes the military rules of engagement in dealing with the new terrorist threat as well as the overall management of the battlefield. We believe that many versions and offshoots of our proprietary technology will be incorporated into numerous novel defense related products and other commercial applications. We have all the ingredients to succeed and look forward to our stockholders sharing in that success.

Thank You