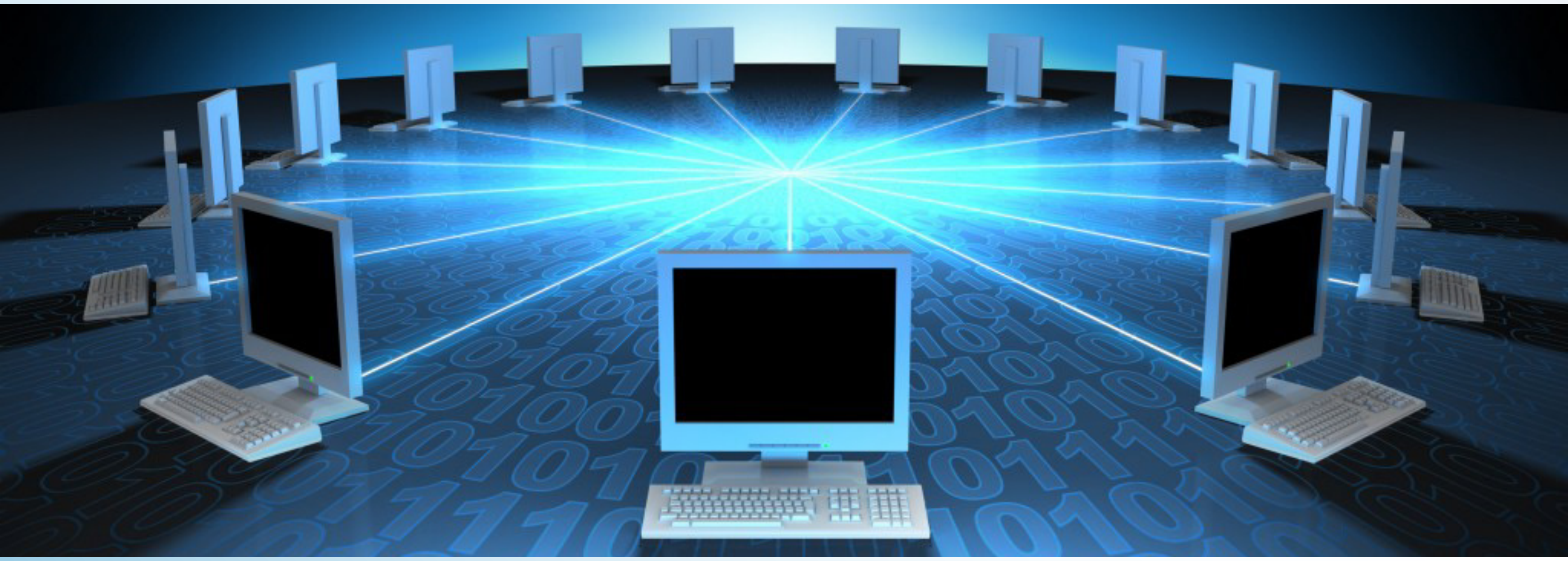
SoftKrypt



Corporate Backgrounder

SOFTKRYPT

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The Opportunity

Imagine a world where every credit card transaction is guaranteed safe, and personal information remains exactly that -- personal, and private. What if software piracy were no longer possible, saving billions for the computer gaming industry alone? Suppose data became intelligent enough to request authorization before it could be used?

That is the world SoftKrypt™ solutions will make possible.

The sheer number of digital threats and malware has become overwhelming. Old security technologies and methods struggle to keep up. As the world grows increasingly connected, the line between data and application continues to blur, while devices, hardware and firmware, become increasingly intelligent and powerful. These systems, in the wrong hands, present an unacceptable threat to individual users, companies, national security and the global economy.

Further, Governmental requirements to report breaches, comply with FINRA, HIPAA, PCI, SOX, and more than 16 additional pending cyber security regulations will continue to push the market demand for new solutions for data security.

SoftKrypt is working to deliver integrated solutions using its patent-pending Blackening™ and homomorphic encryption technologies to address global data protection and compliance needs.

As the ever-evolving threat landscape causes customers to adapt to new technologies, SoftKrypt will invest in growth areas, including mobile, virtualization and SaaS, to help customers mitigate threats while reducing costs.

With growth, the company will leverage research and development, along with partnerships and acquisitions to accelerate its long-term strategy.

Overview

SoftKrypt creates breakthrough digital security solutions for business and government, using next-generation code Blackening and Homomorphic Encryption technologies, all patent-pending. These technologies protect both data and program code from theft, piracy and reverse engineering.

SoftKrypt's products provide extremely high levels of encryption to protect data and applications on desktops, laptops, mobile devices, servers and in the cloud. Wherever data or program code might be stolen, SoftKrypt solutions will protect it.

The SoftKrypt line consists of three product families:

EasyKrypt™ and SmartKrypt™ – The next-generation solutions for protecting data and meeting privacy/security compliance requirements, EasyKrypt provides managed encryption – with cloud storage of encryption keys – for companies with 1-50 employees. SmartKrypt, the enterprise solution, supports up to and beyond 40,000 users and stores keys either in a private cloud or hosted on the corporate network.

SoftKrypt BeSecure™ – Features Blackening™, SoftKrypt's patent-pending technology, to rewrite computer programs, making them impossible to modify or reverse engineer, or to be analyzed or executed by unauthorized users, even with access to source code.

SoftKrypt AlwaysSecure™ – Uses SoftKrypt's patent-pending Homomorphic Encryption implementation to provide end-to-end protection, allowing applications to process encrypted data without ever decrypting. Still in the development stage, AlwaysSecure is based on the concept of homomorphic encryption, but is already many times faster than other implementations of the concept.

Product Technology

EasyKrypt/SmartKrypt

SoftKrypt's initial market strategy is to address the smaller businesses (11 – 100 employees) that do not have the resources to even secure their own network or data. Often they are without an IT department and certainly have no Chief Security Officer providing policy, technology and knowledge. They are 10 times more likely to suffer a breach than either the smallest (1 – 10) or the largest (>101) businesses.

EasyKrypt is distributed through the Internet, MSP distribution partners and VARs within the US to the more than 24 million SMBs (Small and Medium Businesses).

The company's first product, EasyKrypt (Summer 2012), is an easy-to-use, next-generation solution for legal, accounting, financial, insurance, medical, alternative health and other industries that must meet strict regulatory compliance standards.

EasyKrypt delivers protection against all forms of data theft and runs on Microsoft Windows computers. Advanced features include secure data sharing, notifications and geo-fencing, which protects against malicious access from unauthorized locations, while providing robust audit functionality.

Development of an enterprise solution, SmartKrypt, is underway with input gathered from corporate client prospects and partners. Early customer trials are planned before the end of 2012.

Both products use industry standard AES256 encryption and securely store encryption keys separate from the data itself for added protection.

Cloud-based key management requires key generation, distribution, and management in a way that is transparent to end users, resource managers, and security officers. For NTFS Cloud Servers, files may be encrypted before or after uploading to the cloud. For FAT, UFS or BSD cloud servers, files are encrypted and zipped prior to uploading to maintain full encryption protection.

BeSecure

Piracy is a trillion dollar business. Individual corporations are losing billions of dollars. Just in the gaming industry, for example, video game piracy cost some $2.31 billion in lost sales last year, as well as around 1,000 lost jobs, according to the Association of UK Interactive Entertainment (UKIE) – and then there are the music and film industries.

With products like SoftKrypt's BeSecure, these companies could earn additional billions by mitigating these losses.

What's more, the critical military systems, such as unmanned drones which have been recently hacked, can now be secured, saving not just dollars but lives. Digital rights management takes a step forward by incorporating intelligence into data such as video, audio or e book material.

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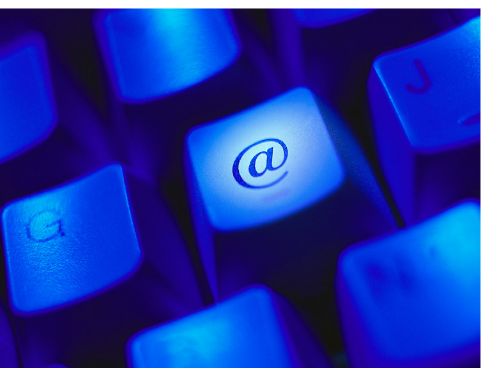
BeSecure uses the company's patent-pending Blackening technology to protect program code, making it impossible to modify or reverse engineer, offering an excellent way to protect programs and games from piracy. The concept is based upon pioneering work done at MIT and marries concepts from cryptography, computer science (software code) and abstract mathematics (algebraic geometry) to create an entirely new approach.

SoftKrypt's Blackening technology was selected in a competitive process by the United States Air Force (USAF) Research Labs and has received endorsements from leading companies in national security, manufacturing, high tech and medical application areas.

Blackening technology automatically rewrites computer programs with non-linear number theoretic transformations making them impossible to modify or reverse engineer, yet still run as the original. These programs cannot be altered, analyzed or executed by unauthorized users, even with access to source code.

This technology offers tamper prevention to:

- Counter piracy and reverse engineering
- Secure applications
- Mitigate data-at-rest exfiltration
- Reduce data-in-transit risk



AlwaysSecure

When someone makes a credit card purchase, their sensitive information may be at risk throughout at various points along the transaction cycle. With AlwaysSecure, their information is encrypted from the point of purchase and remains in the encrypted state while it is verified, processed and returned.

AlwaysSecure is a disruptive technology change to virtually all online commerce. Considered one of computing "holy grails," homomorphic encryption allows data and program encryption from start to finish, protecting sensitive data both in transit and at-rest. SoftKrypt has developed a method of homomorphic encryption that is billions of times faster than any other currently available. Further enhancements are in development.

Homomorphic encryption supports processing encrypted data without the need to decrypt the data, enabling secure cloud computing. SoftKrypt has developed a practical scheme for using this concept that is faster than any other known approach.

Invented as a concept in the late 1970's, homomorphic encryption research blossomed and then fell away as implementing the concept always suffered from significant performance lags. In 2009 a Stanford PhD announced a new approach, reigniting interest in the concept of always secure data, Unfortunately, this specific proposed method to achieve this did not match acceptable performance standards. SoftKrypt's development effort overcomes this roadblock in less than two years for cloud or server applications where additional computing cycles in the server room are justified by the security demands. Examples include certain types of banking, stock transactions, federal banking exchanges, where Soft Krypt's Blackening technology and Always Secure is poised to become a "killer" security technology offering.

Industry Statistics

A recent FBI report found that the net loss due to cybercrime now outweighs the global narcotics trade. There are over one million victims each day of credit card theft. The most telling statistic? 77 percent of the time, an unrelated 3rd party informs the company or individual that sensitive data has been breached.

A recent report from Verizon indicates that small businesses are 10 times more likely to suffer a breach either the smallest (1 – 10) or the largest (>101) businesses. Wired; 2012 Data Breach Investigation report; and Verizon.

According to market analysts (Gartner, Forrester) the market for *data security solutions will double over the next four years to $1.5B, driven in part by regulations as well as the growing understanding that security requires surpassing mere regulatory compliance.
Data Security is one element of the overall security market, estimated at over $40B in 2012.

A 2011 Symantec report estimated that US $388 billion is lost globally to this new cyber threat.
–Computer Crime Research Center

McAfee estimates that cyber-attacks cost corporations and individuals over $1 trillion globally every year. And if it continues to grow at 30-40%, it will be a $2 trillion plus problem by 2014.
– Gartner

Revenue from security products and related service markets will increase from $55 billion in 2011 to $71 billion in 2014. Data loss prevention is the top technology security priority for CIOs worldwide.
– Gartner

IDC forecasts the global market for encryption software at $1.4 billion in 2011, increasing to $1.7 billion in 2013. Symantec revenue, 2011, encryption products: $86 million. (Includes PGP.)

Health care data breaches increased by 32% while Laptop and mobile device theft accounts for 54% of medical data breaches, costing the health care industry an average of $6.5 billion annually since 2010.
– eWeek

Competitive Advantage

More than 24 million small businesses in financial, legal, health, software, consulting and insurance sectors in the US have no solution or plan in place to protect their sensitive client or business data files. This $500 million plus market is the first, target. The larger $2 billion dollar mobile and even larger cloud security market quickly follows.

SoftKrypt's competitive advantage is its ability to encrypt both the application and the data. and the business skills to bring these innovations rapidly to market.

Product Strategy

SoftKrypt addresses critical unmet security issues with the following lineup of products to be released between2012 and 2014 including:

- **EasyKrypt –** For small and medium businesses.
- **EasyKrypt Mobile –** Meets the need to protect data increasingly transmitted and stored on smartphones and other mobile devices. EasyKrypt Mobile works with other EasyKrypt products as an integrated solution.
- **SmartKrypt for Small Enterprises –** Provides EasyKrypt protection, functionality, and ease of use with added capabilities for managing larger and more complex security needs.
- **SoftKryptPartners –** Small to medium-sized value added resellers (VARS) nationwide.

• **SmartKrypt Enterprise –** Provides additional capabilities to meet the needs of large enterprises.
• **SmartKrypt for Government –** Meets the specific requirements of federal, state, and local government agencies. It complies with mandated security requirements.
• **SoftKrypt AlwaysSecure –** Products in R&D phase with strategic partners.
• **SoftKrypt BeSecure –** Spin-off from United States Air Force (USAF) sponsored pilot program.
• **SoftKrypt Professional Services –** Provides consulting services for a range of specialized solutions, including a variety of services ranging from security assessment to custom implementations of SoftKrypt's Blackening technology.

Management Team

Jon C. Haass, Ph. D. President and Chief Executive Officer – In charge of overall operations for SoftKrypt with responsibility for the day-to-day operations of the company.

Prior to SoftKrypt, Dr. Haass was a founding member of Sendmail, Inc., where in the role of vice president of business development he secured more than $30M in funding from Intel, IBM, Red Hat, Adobe and others. Dr. Haass was also the vice president of marketing and product management at Open TV, Inc. a leader in the digital television industry. Earlier he led multimedia product development at Sun Microsystems, Inc. Dr. Haass received his Ph.D. from MIT, and holds several patents.

Paul Hriljac, Ph.D., Chief Technology Officer and Founder – Responsible for the technology and product development at SoftKrypt, Dr. Hriljac created the company's patent-pending Blackening™ technology.

Former Computer Science and Mathematics Chair at Embry Riddle Aeronautical University (ERAU) in Prescott, Arizona, Dr. Hriljac is currently a professor of computer science and mathematics at ERAU. Earlier in his career he was a scientist with MITRE Corporation, supplying signal processing solutions for data, algorithms, and information systems. He received his PhD from MIT.

William L. Paulin, Ph.D., Acting Chief Marketing Officer – Dr. Paulin is a strategic advisor. He provides guidance towards specific national and foreign markets targets. He is a principle of PaulinNeal Associates and has also co-founded four prominent entrepreneurism programs while teaching strategic management and entrepreneurship at four Universities in the USA and Finland. He holds a BS degree in mechanical engineering from the University of California at Berkeley, an MBA in Finance and a Ph.D. in Strategic Management and Entrepreneurship from the University of Washington in Seattle.

Ira Kharasch, J.D., Director, Investor Representative – A senior partner of Pachulski, Stang, Ziehl & Jones. Dr. Kharasch heads a prominent national business and workout law firm. He is a graduate of the University of Illinois and the UCLA School of Law.

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Corporate Executives

Kristin Gabriel, Senior Vice President Marketing Communications – Ms. Gabriel is charged with marketing, search, advertising and public relations, with her primary efforts directed to branding the company and driving sales and revenues. During her career, Gabriel has managed national corporate communications campaigns for global clients such as Applied DNA Sciences, CyberMedia Corporation, Honda Motorcycles, Panda U.S., Symantec, Trend Micro Incorporated, and Union Carbide's Eveready Batteries. Her specialty is early stage technology and security companies managing the investor relations and marketing process towards an IPO.

Mike Coop, Vice President, Government Affairs – Mr. Coop is responsible for business development and marketing in the government sector and has been responsible for the success in establishing credibility, gaining access to decision makers and influencers in various branches of the government. Mike was instrumental in obtaining Booz Allen endorsements for the Air Force OSR STTR contract. He is also working to establish with DISA, a STIG for application security, and using concepts from SoftKrypt's Blackening approach. He has worked with Cranite Systems, Microsoft, Cisco, Smartronix, and General Dynamics.

Elizabeth Magliana, Vice President, Sales – Ms. Magliana is in charge of growing sales revenue through expansion of the channel and identification and development of strategic verticals. Magliana is a proven sales and management executive with over 13 years of experience building winning teams. In addition, she has extensive experience in business development, and operations, both domestically and internationally. She has demonstrated the ability to build, manage, and lead a highly effective sales and marketing team in startup and expansion company environments for companies such as Peter Norton Computing, and Symantec Corporation.

Tim Lewis, Director, Product Development – Mr. Lewis is responsible for product management and development. He has 11 years of experience as a technologist for Microsoft combined with another nine years of running his own private technology company, providing him with the product knowledge and customer insight to design and productize very complex technology to businesses and consumers so that it is comprehensible and intuitive.

Robert La Follette, Creative Director – Mr. La Follette is responsible for directing creative work including audience promotions and advertising, overseeing print production, graphic art, web and social media design, software design and development, user interface, and corporate identification. La Follette has worked for Apple Computer Corporation, and he spent seven years as creative director at Sunbelt Software.

Marketing Consultants

Paul Gillin, Author and Technology Marketing Veteran – Mr. Gillin advises on digital marketing strategies with a particular focus on social media, influencer relations and B2B channels. He also assists in creating technology briefs, backgrounders, technology explainers and content oriented toward CIOs and IT professionals. His background includes more than 20 years of IT journalism experience at Computerworld and TechTarget, 12 years of full-time IT publishing and six years of specialization in social media. Gillin has authored an award-winning book, The New Influencers: A Marketer's Guide to the New Social Media (2007); Secrets of Social Media Marketing (2008); and Social Marketing to the Business Customer (2011).

Mike Keesling, Director of SEO and Video Production – Mr. Keesling handles the online marketing strategies in support of the overall the marketing and advertising efforts for SoftKrypt. He has been doing search engine optimization (SEO) and marketing since 1996, and prior worked at Chiat\Day, a Los Angeles-based advertising agency. He has spent most of his career launching, branding and marketing small business and startup ventures with occasional forays into the corporate world.

Harry Magnan, Director of Technology Communications – Mr. Magnan facilitates business process writing, technology and marketing communications. He has extensive experience in enterprise level applications and developing and implementing processes and procedures for business, manufacturing, engineering, development, quality assurance and human resources environments. He has worked for companies including Nexant, Cisco, Amgen, Blue Shield of California, Oracle, Medtronics, IBM, CyberDefender, Siebel, Acta Technology, Quintus Corporation, Symantec Corporation, and MetaCreations Software.

David Coursey, Technology Strategist and Writer – Mr. Coursey helps develop marketing strategy, works with the development team on product and user experience issues, hosts corporate events and is part of the corporate editorial team. A 25-year technology veteran, he is a blogger for Forbes.com and other industry publications. Coursey has previously written for PC World, Infoworld, ZDNet, Computerworld, eWeek.com and many other publications. The author of two books published by Peachpit Press, he is also a former CNET Radio and television commentator and radio talk show host.

Be smart. Be safe.

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