



Investment Presentation

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Agenda

- Problem
- BlueSpace Solution
- BlueSpace TransMail
- Leadership Team
- Market Strategy
- Customers And Prospects
- Terms And Capitalization
- Projections And Use Of Funds
- Exit Opportunities
- Summary

Problem

Three key problem areas with email

Compliance

Increasing burden

NARA & CC

HIPAA & SOX

Casual use creates
formal records

Compliance difficult

Significant risk

Protocols

1970s legacy

No content control

No retention

No audit trail

No process
integration

Cost

\$60bn market

Gartner: \$1600
per user per year

Duplicates content

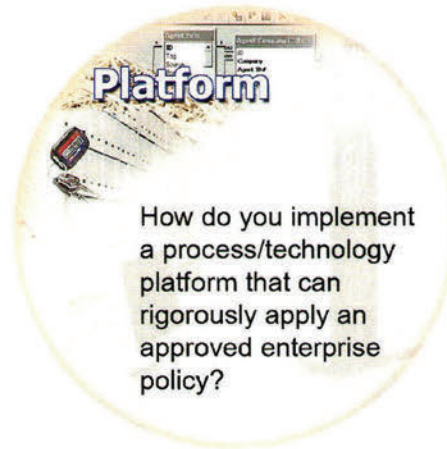
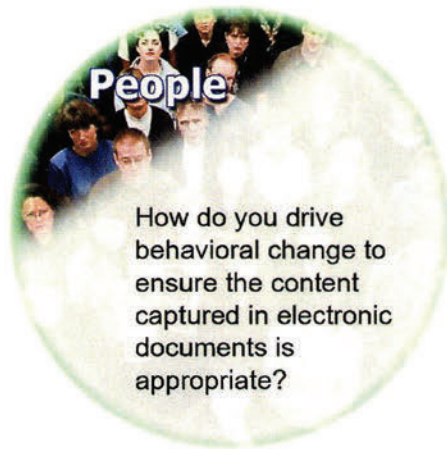
Storage, bandwidth
& backup inefficient

Uses many servers

Current email technology was never designed to become the pervasive backbone for modern corporations world-wide.

Problem

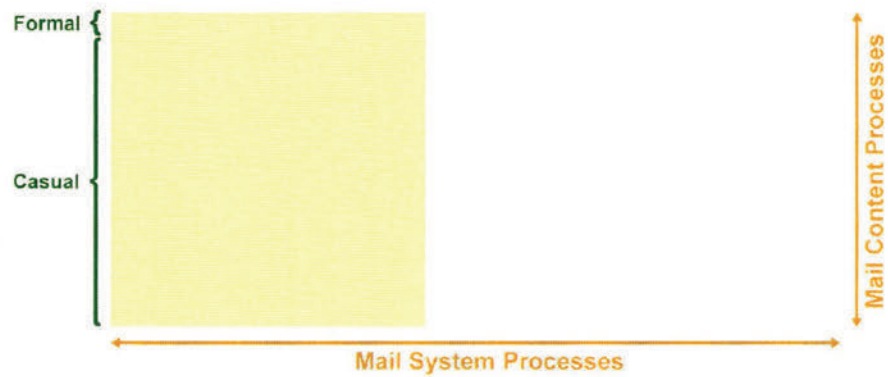
Dimensions of compliance



People & Platform: Two related challenges

BlueSpace Solution

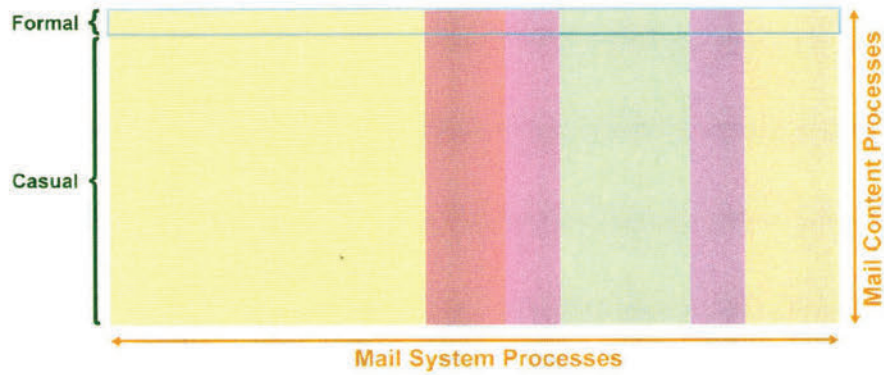
Simple e-mail system



Email systems need modification to comply with regulations

BlueSpace Solution

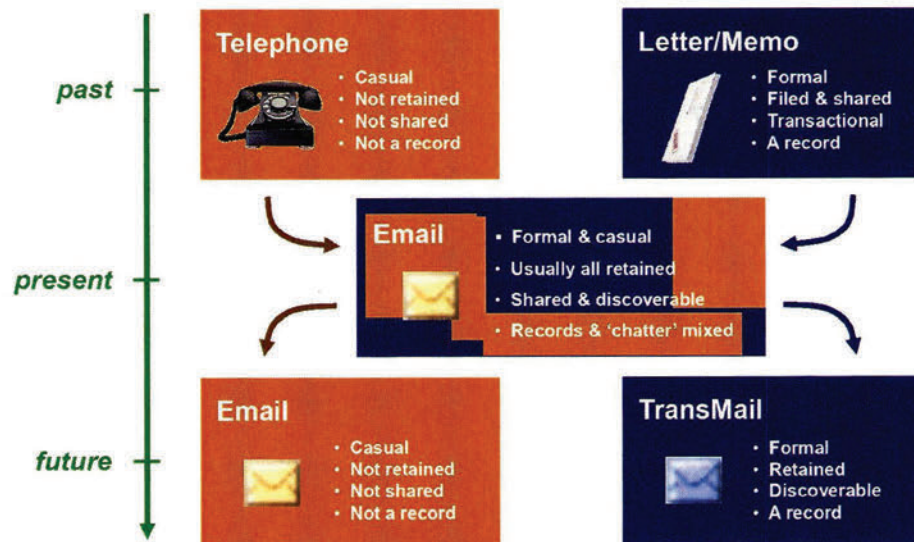
Compliance 'band-aids'



Tactical IT deployments do not resolve compliance problems

BlueSpace Solution

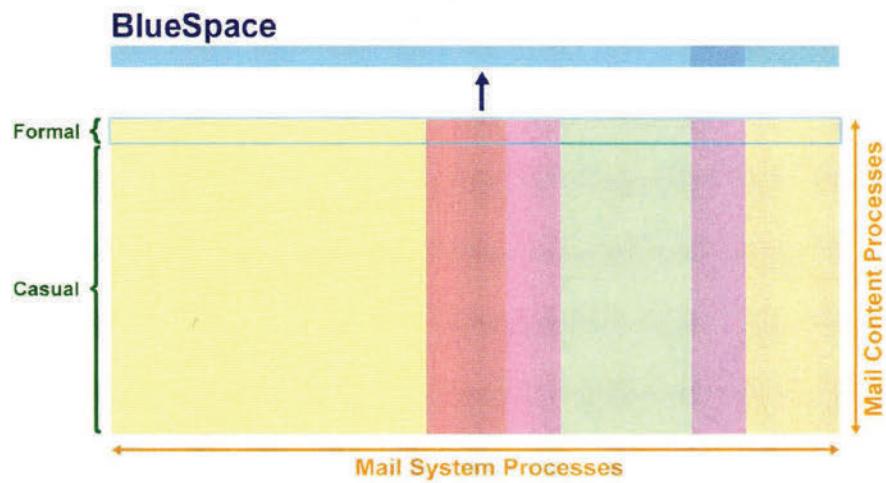
Email business records must be separated from 'chatter'



TransMail complies with all compliance requirements 'out of the box'

BlueSpace Solution

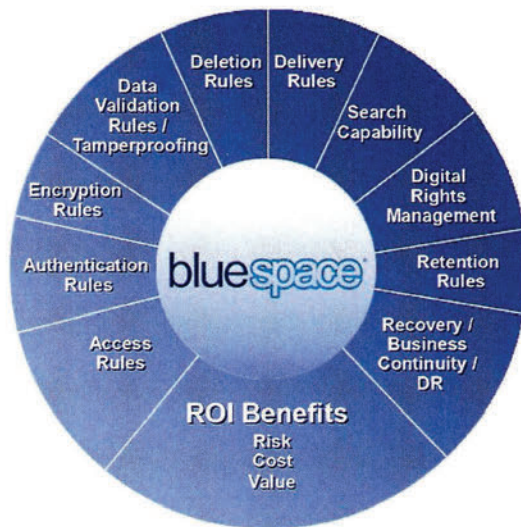
BlueSpace solves compliance and lowers cost



Top slice content out of email that constitutes business records

BlueSpace TransMail

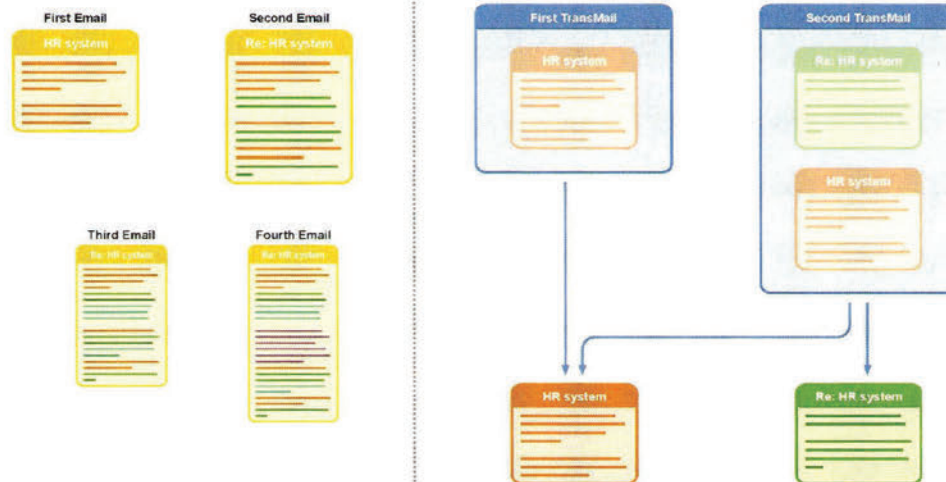
Rigorous control of top sliced content over entire lifecycle



Every aspect of control in a single platform

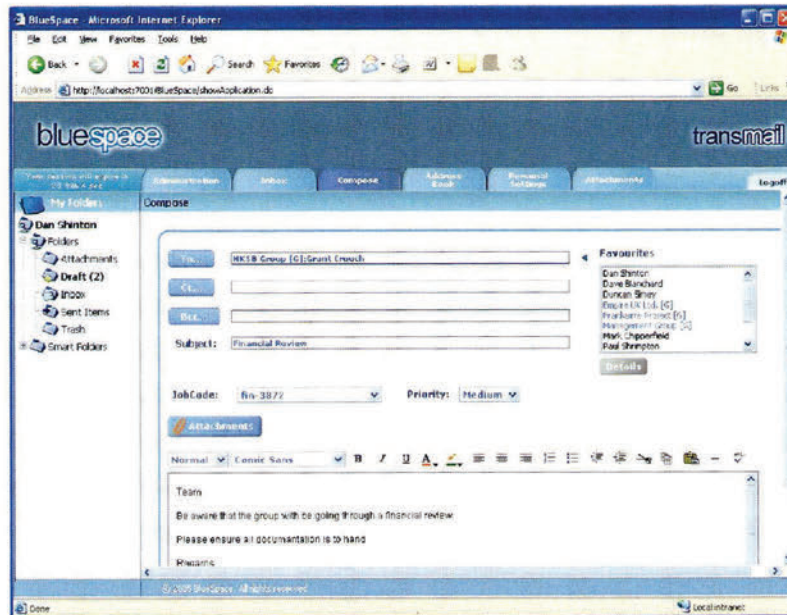
BlueSpace TransMail

Email “photocopies” messages within each reply/forward. BlueSpace stores a single copy, so content is controlled.



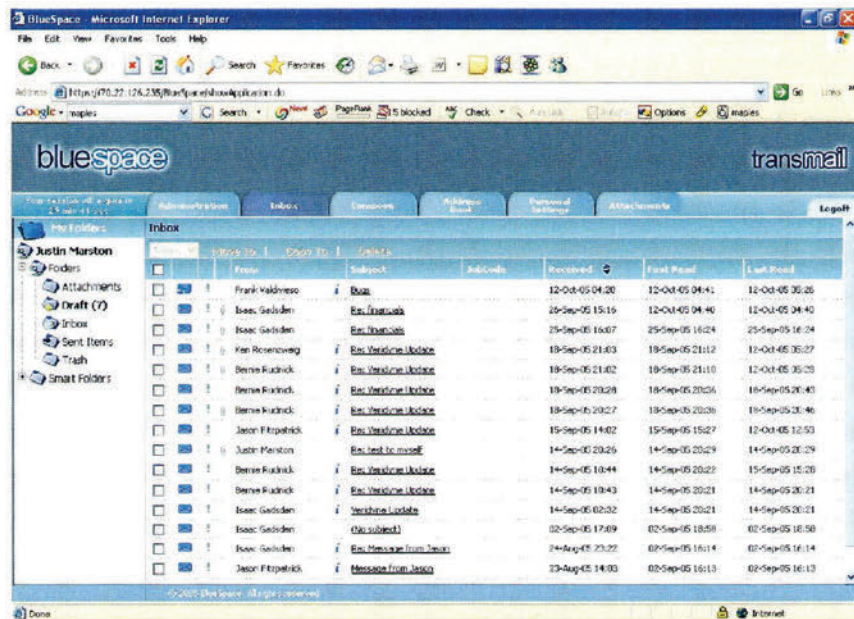
Relational mail, similar to many web pages referencing one graphic

BlueSpace TransMail



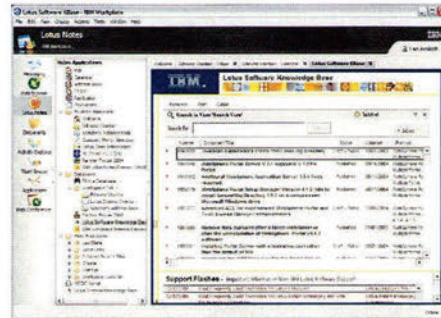
Compose TransMails through a web interface, just like webmail

BlueSpace TransMail



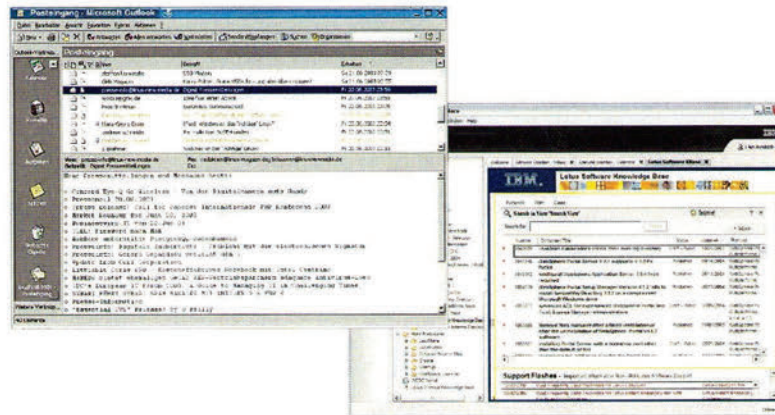
View TransMails through a web interface, just like webmail

BlueSpace TransMail



Compatible with Notes and Domino – IBM Partner

BlueSpace TransMail



Compatible with Outlook and Exchange – Microsoft Partner

BlueSpace TransMail



Compatible with Blackberry – RIM Partner

Leadership Team

Geographical focus around US market

- **Admiral Inman**, Director: Four-star Admiral, former Director of NSA, Dep. Director of CIA, early-stage board member of Oracle, Dell and Xerox.
- **Justin Marston**, CEO: Founder of BlueSpace.
- **TBA**, COO: Various candidates being considered, full search will begin post financing.
- **Ted West**, Advisor (US): Chairman of LookSmart, International COO of Softbank, International CEO of RealNames.
- **Grahame Sewell**, Advisor (UK): Former CFO Unichem, international CFO of Reebok and Lotus.

Experienced leadership team, currently being augmented

Market Strategy

Three primary verticals form the initial focus



\$118bn IT market

Sales drivers:

- Regulatory compliance
- Liability management
- Improved customer service
- Improved efficiency

Deployment scenarios:

- Investment bank 'e-memos'
- Executive communications
- Online banking mail system
- Third party transactions



\$71bn IT market

Sales drivers:

- Information audit & security
- Mission critical uptime
- Record keeping regulations
- Improved efficiency

Deployment scenarios:

- Collaborative investigation
- Forensics & SIGINT
- Warfighter messaging DMS
- Citizen interaction'



\$90bn IT market

Sales drivers:

- Regulatory compliance
- Privacy & confidentiality
- Faster, better R&D
- Improved trend analysis

Deployment scenarios:

- Patient record management
- R&D collaboration
- Clinical trials systems
- Patient interaction

Various significant opportunities within the major vertical markets

Customers And Prospects

Ongoing direct and channel sales activities

UK Customers

 **Dresdner Kleinwort Wasserstein**

CAPITA



UK Prospects



UK Sales Partners



Technology Partners



US Prospects



US Sales Partners



Customer traction in UK market, likely rapid growth in US

Customers And Prospects

"I was very impressed at the amount of thinking the Bluespace guys have done in the area of email forensics. I think they have a good handle on the issues"

CIO, Securities and Exchange Commission

"It was a terrific presentation. I have staff following up and making a recommendation to me. Also, I am copying my colleague Reynolds Cahoon on this email. Ren is with NARA and one of the country's foremost experts in the records field. I told him how impressed I was with your presentation."

CIO, Environmental Protection Agency

"Based on our initial assessment here at DIA, we believe that BlueSpace technology has the potential to provide valuable capabilities to the defense intelligence community and the broader U.S. intelligence community ... we are currently beginning an effort to redesign and upgrade our messaging and email systems"

Head of R&D, Defense Intelligence Agency

"For the record, I was able to give you a plug in 2 of my 3 roundtable sessions at Message'05! It really doesn't sound to me like anyone else is doing what you're doing in this space – should be a great opportunity."

VP Compliance, Capgemini

Terms And Capitalization

Summary terms and post funding capitalization

Security	Series A Convertible Preferred Shares
Pre-money Valuation	\$10 million *
Amount of Investment	\$2.5 - \$4.0 million Gefinor and Affiliates \$2.5 - \$3.0 million Other Investors
Option Pool	15% of fully diluted equity
Dividends	4% cumulative
Liquidation Preference	1x purchase price plus dividends
Redemption	On or after 5th anniversary
Board	2 Series A Directors 2 Common Directors 1 Independent Director

* Pre-Money valuation adjusts to \$12 million upon achieving sales milestone with SEC

	Common Equivalent Shares	Ownership	Valuation
Common Shares	33,855		
Options and Warrants	26,744		
Fully Diluted Shares	60,599	56.7%	\$10,000,000
Option Re-load	16,035	15.0%	
Gefinor and Affiliates	15,150	14.2%	2,500,000
Other Investors	15,150	14.2%	2,500,000
New Capital	30,300	28.3%	\$5,000,000
Total Post Money Fully Diluted	106,933	100.0%	\$17,646,026

Full term sheet is available from Gefinor

Projections And Use Of Funds

Illustrative financial projections

000,000's	High-end plan			Low-end plan		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Revenue	\$12.0	\$28.4	\$63.6	\$7.2	\$15.7	\$31.5
Cash Received	\$13.8	\$28.4	\$51.8	\$10.5	\$12.6	\$26.6
Cash Expenditure	\$11.3	\$24.6	\$46.1	\$8.7	\$13.6	\$24.8
Cash Cumulative	\$2.5	\$6.3	\$12.0	\$1.8	\$0.8	\$2.6

Notes on plans:

- Year 1 cash received includes \$6m investment from round
- High-end goes cash positive Q4, Y1
- Low-end goes cash positive Q3, Y2

Use of funds:

- Expand US sales & marketing team
- Support International (UK) team
- Migrate and grow core delivery team
- Continue product development

Leadership will manage costs to reflect rate of increase in revenue

Exit Opportunities

Anticipated exit – sale or IPO

- IPO if revenue growth and market readiness coincide
- Sale to major software vendor or services integrator
- **20+ candidates in US alone**

Recent transaction examples:

- All major firms make purchases of sub-\$500m players
- Symantec acquisition of Brightmail – \$370m (\$26m revenues)
- Symantec acquisition of TurnTide – \$28m (\$1.7m)
- Juniper Networks acquisition of NetScreen – \$3.4bn (\$275m)
- Veritas acquisition of KVault – \$225m (\$23m)

Source: [Sterling-Hoffman](#)

Strategic email-related acquisitions regularly attain 10x-15x revenues

Summary

- Email proven to be 'hot market'
- Unique approach to records management
- Break-through, object-orientated technology for information lifecycle management in mail systems
- Strong prospects in US market, projected growth in UK/EU market
- Experienced leadership team, located in US
- Investor exit via sale or IPO

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