Invector Technologies, Inc.

Funding Solicitation
Startup Operations

June 1, 2000

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Invector Technologies, Inc. is a computer technology venture developing tablet computers for home, professional and industrial use. The firm's first product, the Surfboard Tablet Computer (Surfboard Computer), is a pen-based device the size of a paper tablet with the computational power and capability of a laptop computer. Developed partly at the California Institute of Technology, it features advanced radio connectivity and the proprietary Extropy Handwriting Recognition Engine (Extropy Engine) which promises to outperform currently available handwriting recognition (HWR) technology. The firm's founders are Caltech research engineers and undergraduates highly skilled in electronics packaging, radio communications, machine cognition and man-machine interfaces. The firm believes that its Surfboard Computer and its Extropy Engine are the foundation for a growing, advanced technology business with annual revenues of $100 million in 3 to 5 years.

Invector Technologies Inc. is a startup company. It has an engineering prototype of its Surfboard Computer and an early design of its Extropy Engine. It has a core technology team, highly-regarded scientific advisors and a group of experienced business professionals guiding it through its formative stages. The firm has been funded through contributions of equipment and facilities by the California Institute of Technology and the unpaid time of its founders, their associates and advisors. The firm has no assets other than the currently unprotected intellectual property embodied in its prototype and technical designs. To continue its progress, the firm requires seed financing of $350 thousand to secure its intellectual property and complete prototype development and testing. It will then require an additional $3.0 million to initiate commercial operations.
Invector Technologies Inc. understands and appreciates the high risk of its investment proposition. Nevertheless, it believes it offers a financially rewarding opportunity to sophisticated individuals and institutions familiar with advanced technology ventures and tolerant of higher-than-average risk. It believes this because it:

- Addresses an important problem
- Has a sound and attractive solution
- Serves a substantial and reachable market
- Holds an important advantage over its competitors
- Has a sound and viable startup plan
- Has a solid startup team
- Offers substantial financial returns

1. Important Problem

Tablet-sized computers with pen-based input hold great potential for home, professional and industrial applications. These devices have been widely anticipated by the market as microprocessors have grown in power and have become available in increasingly smaller packages. Essentially laptop computers without keyboards or embedded pointing devices, tablet computers use a touch-sensitive screen and pen-like pointer for data entry and device control. They are small, light, highly portable and offer a more natural and intimate computing experience than is possible with today's computer-as-typewriter motif. Their portability makes them a natural for field data entry in industrial applications and for productivity and computational support for mobile business and technical professionals.

Unfortunately, the limitations of today's HWR technology have severely constrained the market for tablet computers. Introduced in 1992 for use as portable data entry devices in industrial applications, tablet computers now account for an estimated $260 million in 1999 sales.\(^1\) In these data entry applications, designers have worked around the limitations of HWR technology through heavy use of check boxes, buttons, forms and grid-based character recognition which has proven practical for numbers and short character strings. However, the recognition of free-form text, known as natural HWR (NHWR) is beyond the capabilities of today's HWR software. As a result, tablet computers with pen-based input have little to offer, at this stage, to mobile business and technical professionals who might otherwise rely on keyboard input. Laptop computers (today's practical platform for mobile professionals) by contrast accounted for $12.2 billion in sales in 1999.\(^2,3\)

Ironically, the computational methods and algorithms for solving the NHWR problem are well understood and have been used successfully in applications where sufficient computational power is available. The difficulty has been in obtaining enough processing power in the smaller, and more portable, computers. Although the power of microprocessors continues to grow, it

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\(^1\) Estimated by Invector Technologies, Inc. from analysis of tablet computer vendors and an estimate of their annual revenues.

\(^2\) Six billion laptops were sold in 1998 growing to 12 billion in 2003 according to International Data Corporation.

\(^3\) The average price for a laptop computer in June 1998 was $1,916 down 9.6 percent from 1997 according to PC Data.
could be 8 to 10 years before sufficient power is available for reliable NHWR on tablet platforms. Without sufficient processing power, vendors of today's NHWR software rely upon heuristics, training and other techniques which shortcut the computational requirements. These shortcuts and approximations are what make today's NHWR software unreliable, impractical and not suitable for commercial or professional use.

2. Sound and Attractive Solution

Invector Technologies, Inc. has a solution to the NHWR problem which can open the professional computing market to tablet computers. Its Extropy Engine can process natural handwritten input several orders of magnitude faster than is currently possible with today's NHWR software on general purpose microprocessors. The engine, which consists of a special-purpose chip and related software, is now in its final stages of design and will be available shortly for testing. The firm intends to make its Extropy Engine available to all vendors of tablet computers. It also intends to embed the engine in its Surfboard Computer – in part to accelerate vendor acceptance of its HWR technology.

The development of the Extropy Engine is similar to the development of other hardware accelerators for personal computers. Video accelerators are perhaps the best example. Early on, vendors realized they could improve the processing power of their designs by off-loading video computations to video cards with specialized processors. From a computational standpoint, these specialized processors are often more powerful than the general microprocessors which drive the computer. The Extropy Engine can be seen much the same way. By off-loading the HWR computations to special-purpose hardware, the firm can achieve higher quality HWR while freeing the general purpose processor for other activities. Because these special-purpose processors can run with less power than the general-purpose microprocessor, the firm's Extropy Engine may, in fact, extend the battery life of the tablet computer.

The HWR engine alone, however, does not guarantee commercial success. The firm believes that the industry will be slow to adopt its HWR technology. First, to use the Extropy Engine vendors must re-engineer their tablet computer designs – a process which may take six to nine months. Second, many vendors will be reluctant to adopt a foreign technology from an unproven startup company. Finally, some vendors will be reluctant to strengthen their tablet computer offerings for fear of cannibalizing the sales of their laptop products.

To encourage the industry's adoption of its HWR technology, the firm intends to introduce the Surfboard Computer – a tablet computer designed specifically for the mobile business and technical professional. The 8.5" x 11.0" by 1.0" device will weigh 3.8 pounds. In addition to the Extropy Engine, it will include (in its most powerful configuration) a Pentium III processor operating at 500 MHZ with 512 MB of memory, 8 GB of disk storage, a 24X CD-ROM and a 12.1-inch VGA touch-screen display. The computer will run Windows 98/NT or Linux and operate over 4 hours on its lithium-ion battery. The computer will also include USB ports, one PCMIA port and

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4 Moore's Law predicts the doubling of microprocessor power every 18 months. Invector Technologies, Inc. believes at least five doubling cycles will be required before microprocessors can reliably interpret natural handwriting.
a 4 MBPS infrared port. In addition, the computer will include a radio LAN connection supporting 11 MBPS over a distance of 300 feet.

As mentioned, the firm is now testing the first prototype of its Surfboard Computer and will be testing the first engineering models of its Extropy Engine in the near future once seed financing is secured. It believes it can offer the Surfboard Computer with the Extropy Engine at a price comparable to premium laptop computers and slowly reduce the price as production volumes build. It expects that the combination of industry-leading computer power, laptop computer features and advanced HWR technology will attract widespread attention and lift the firm into a strongly competitive market position.

3. Substantial and Reachable Market

Invector Technologies, Inc. estimates the year 2000 market for tablet computers at $550 million growing at a 93 percent annual compound rate to $3.4 billion by 2003. Industrial tablet computers will account for an estimated 81 percent of the tablet computer market in 2000 falling to 62 percent in 2003 as professional tablet computers penetrate the larger market for laptop computers. Of course, the rate of growth of the professional tablet segment depends upon the viability of NHWR technology. If the firm can prove the efficacy of its Extropy Engine, it will contribute significantly to market growth.

<table>
<thead>
<tr>
<th>Estimated Market Size ($Billions)</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laptop Computers</td>
<td>12.2</td>
<td>13.1</td>
<td>14.0</td>
<td>15.0</td>
<td>16.1</td>
</tr>
<tr>
<td>Handheld Computers</td>
<td>0.6</td>
<td>0.8</td>
<td>1.1</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Industrial Tablet Computers</td>
<td>0.3</td>
<td>0.4</td>
<td>0.7</td>
<td>1.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Professional Tablet Computers</td>
<td>0.0</td>
<td>0.1</td>
<td>0.2</td>
<td>0.6</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: Invector Technologies, Inc.

Invector Technologies Inc. expects to sell its Surfboard Computer in both the industrial and professional markets. The firm anticipates that its computationally powerful tablet computer with advanced NHWR technology will become an attractive platform for industrial applications, which are beyond the reach of today's less-powerful tablet devices. However, sales to the industrial market will be slow because tablet computers are often integrated into larger corporate information and data collection systems. In this space, the adoption of tablet computers is often controlled by value-added-resellers and systems integrators who build the larger corporate applications. Unfortunately, these third-party intermediaries have established relationships with today's tablet computer vendors which may be difficult for a startup company to change.

In the professional tablet computer market, however, access to buyers is much less constrained. Although mobile professionals have historically purchased computer products through distributors and retail stores, manufacturers currently are shifting to lower cost sales through the Internet. Invector Technologies, Inc. will pursue an e-commerce sales strategy as well and thereby avoid a difficult battle with other vendors for the attention and shelf-space of distributors and retailers. More importantly, the firm believes that the critical early adopters of its advanced

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5 International Data Corporation and Dataquest currently tracks tablet computer sales. Invector Technologies Inc., however, obtained these estimates from an independent analysis of tablet computer vendors and their estimated sales.
tablet computers will be business and technical elites accustomed to Internet shopping for computer-related purchases.

Separately, a related and important market segment has recently emerged which can accelerate interest and adoption of professional tablet computers. Over the next 18 months, the firm anticipates the announcement of perhaps ten tablet-like devices for web browsing and email transactions. Reference designs for these webpad devices are now available from several semiconductor manufacturers. Webpads will sell in the $500 range and will be targeted at the consumer market and today's buyers of personal digital assistant (PDA) devices. Vendors of webpads will argue that web browsing and email do not require NHWR and will point to the success of today's PDAs and their highly-constrained, character-based recognition technology. Invector Technologies, Inc. believes that these devices will fail to meet the email needs of mobile professionals and thereby fuel demand for more powerful tablet computers.

Independently, Invector Technologies Inc. estimates the market for portable NHWR technology at less than $50 million in 1999. Although NHWR is offered on many of today's tablet computers, resellers and systems integrators have been reluctant to rely upon this still unreliable technology for the success of their systems. As a result, portable NHWR technology has yet to find a mass market. Vendors operate primarily as research and engineering firms offering designer tool kits and contracting for specialized application development. Non-portable NHWR technology, with its access to greater computer power, has enjoyed considerably more success in mail sorting, check processing and the large-scale reading of forms. Invector Technologies Inc. has no estimate of the size of this larger non-portable NHWR market.

4. Important Competitive Advantage

As mentioned, tablet computers were introduced in 1992. Although the market has grown slowly, the commercial potential of these devices has attracted a large number of vendors. A recent buyers guide lists 76 pen tablets from 30 vendors. Of these, however, only 11 keyboard-less, pen tablets were listed in the 8.5" x11.0" form factor which ran the Windows 95/98 operating system. These 11 products were available from 7 vendors as shown in the accompanying table. Of these 11 products, only two weighed 4 pounds or less.

<table>
<thead>
<tr>
<th>Tablet Computer and HWR Software Vendors</th>
<th>Market</th>
<th>Vendor</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>Fujitsu Personal Systems, Inc.</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Tablets</td>
<td>Mitsubishi Mobile Computing Division</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Telxon</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intermecc</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Microslate</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PGI Data</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Walkabout</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>Fujitsu Personal Systems, Inc.</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>Tablets</td>
<td>Acess Technologies</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Portable HWR</td>
<td>Communication Intelligence Corporation</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>ParaGraph International</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Advanced Recognition Technologies Inc.</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

Source: Invector Technologies, Inc.

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The variety of products and vendors points to the diversity of requirements in the current market for industrial tablet computers. As mentioned, these devices are tightly integrated into corporate systems which address a variety of applications. Some require high-durability, others long battery life, light weight, small size, connectivity, computational power and even keyboards. As a consequence of this variety of requirements, few vendors can claim much market share. Fujitsu Personal Systems, the market pioneer with 8 products in the pen tablet category, accounts for over half of the industrial tablet market. Mitsubishi and Telxon have significant, though considerably less, market share.

In the emerging professional tablet segment, the competition is considerably less. Only a few industrial tablet computers can meet the computational needs of mobile professionals and only one vendor, Aqcess Technologies, Inc., has produced a tablet specifically for the professional market. Aqcess Technologies introduced the Qbe Personal Tablet Computer at Comdex in fall of 1999 and won PC Week’s Best of Comdex Award in the Desktop, Mobile and Handheld System category. However, this was the product’s second launch in two years and in February 2000, the firm was still unable to quote a shipping date for its product. Fujitsu Personal Systems is the most notable of the industrial tablet vendors with products which might appeal to mobile professionals. But its Stylistic 2300 and Point 1600 pen tablets are under-powered by most professional computing standards and neither product offers acceptable NHWR.

As mentioned earlier, it is the integration of HWR technology and the tablet platform which gives Invector Technologies, Inc. its competitive edge. The firm anticipates patent protection for its innovations in NHWR and the use of NHWR technology on tablet platforms. It believes that these innovations will contribute to the rapid growth of the professional tablet computer market and elevate the firm to a position of market and technological leadership. Later, depending upon the market and competitive economics, the firm will broaden its competitive position through sales of its Extropy Engine to other vendors.

In the long run, today’s vendors of laptop and desktop computers will likely dominate the professional tablet computer market. Apple, Compaq, Dell, Gateway, Hewlett-Packard and others with strong interests in serving corporate markets and business and technical professionals will naturally enter the market. However, until practical and useable NHWR becomes available to all, Invector Technologies, Inc. believes it can shape economic and technological forces to its favor and thereby command higher-than-average returns from its operations. Moreover, the firm believes it has not exhausted the technological possibilities of core technology. The firm’s Extropy Engine has possible application in WebPads, cell phones and PDAs – all markets that the firm will eventually explore.

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7 Fujitsu Personal Systems aggressively claims over 60 percent of the tablet computer market on their website. Invector believes this claim is excessive.
8 Invector Technologies, Inc. gives Aqcess Technologies a generous estimated market share of 5 percent because the professional tablet segment is currently small and because Aqcess Technologies may have quietly filled a few corporate orders under special arrangements.
5. Sound Startup Plan

As mentioned, Invector Technologies, Inc. has produced an engineering prototype of its Surfboard Computer, and a second generation prototype is now in development. The firm's Extropy engine is also in development with early indicators of its future success likely to be available in 2Q00. The development work has been in progress for some time at a low-level of effort using equipment and facilities at the California Institute of Technology. Upon completion of its seed financing, the firm will accelerate its development and testing activities through the acquisition of critical equipment, facilities and technical personnel. The firm anticipates this effort resulting in a critical proof of concept and manufacturability of its Surfboard Computer and Extropy Engine within six months. At that time, the firm will solicit an additional $3.0 million in funds to initiate marketing, sales and manufacturing operations. As illustrated above, the firm visualizes a three-step startup plan with product launch in 1Q01.

**Phase I – Building and Testing.** Successful completion of the first phase of the startup program is critical to the success of the venture. To establish a competitive advantage, the firm must provide dramatic improvements over today's NHWR software. With the platform design nearly complete, the firm's effort in this phase will focus primarily on the development, testing and refinement of the Extropy Engine. Secondarily, to prove the commercial viability of its products, it must establish firm arrangements with suppliers and assemblers. This will require full manufacturing and assembly specifications and preliminary negotiation of terms.

**Phase II - Launching.** Upon completion of Phase I, the firm will move forward on several fronts toward a formal product launch. It will seek an additional $3.0 million for early marketing, sales and production. It will further solidify contractual and technical arrangements with manufacturers, assemblers, packers and shippers. It will produce product documentation, launch its corporate website, prepare advertising and product literature and begin background briefings with the industry press and analysts. Because of some possible early interest in the firm's Surfboard Computer among technical professionals, the firm may find value in a soft-launch of its Surfboard Computer prior to formal product announcement. A decision on the possible early-launch of the product will not be made until Phase II has begun.

**Phase III - Expanding Business Operations.** Upon completion of product launch, Invector Technologies, Inc. will increase its revenue while refining its products and reducing the cost of manufacturing. Although the firm anticipates strong interest in its novel and powerful tablet computers, it is also prepared for a long effort to build its sustainable competitive edge. It expects fierce competition and knows that the marketing and branding of its products are as
important to its long-term success as its engineering and technological innovations. This is tough work which the firm must sustain over a long period. Moreover, it is work which must begin during product launch and grow substantially thereafter.

6. Solid Startup Team

Invектор Technologies, Inc. is dedicated to improving the power, flexibility and ease of use of personal and professional computing devices. Its founders began developing their concept for the firm as undergraduates at the California Institute of Technology. They refined their ideas as research engineers and scientists with the Submillimeter Observatory – a research laboratory on the Caltech campus. While engaged in research activities at Caltech, the founders designed the firm's Surfboard Computer and produced the first engineering prototype. They are now deeply engaged in the design and development of the firm's Extropy Engine. The founders of Invектор Technologies, Inc. are:

- **Kevin Hickerson** is a physicist, mathematician and computer scientist formerly at the Caltech Submillimeter Observatory. As an undergraduate at the California Institute of Technology, he led the founding team through the initial design and development of the firm's Surfboard Computer. He is also the principal designer of the firm's Extropy Engine.

- **Anna Iwaniec** holds a BS in mechanical engineering from the California Institute of Technology (March 2000). She produced the mechanical, thermal and packaging design for the Surfboard Computer. She is skilled in computer programming, CAD and the fabrication of electro-mechanical devices.

- **Michael Thielman** is an electrical engineer at the Caltech Submillimeter Observatory. As an undergraduate at the California Institute of Technology, he designed and fabricated the first prototype of the firm's Surfboard Computer and produced its first manufacturing specifications. He and Kevin Hickerson have worked on the Surfboard Computer project since its inception.

Three business professionals have joined the founders as active participants in Invектор Technologies, Inc. These professionals are shareholders, Directors (in some cases) and work with the founders and others as needed to support and accelerate the growth and development of the venture. These professionals are:

- **James Brown** is a Board member and strategic marketing consultant with 25 years of experience in the information technology industry. He was Director of Strategic Planning and Member of the Executive Committee at Teradata Corporation which grew from $20 to $250 million in annual sales during his three-year tenure. His consulting clients have included Xerox Corporation, NCR Corporation, Kodak Corporation and numerous startup and emerging technology ventures. He holds a BS in electrical engineering from Stanford University (1966) and an MS in management from the Massachusetts Institute of Technology (1970).

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9 Because the development of the firm's products occurred partly through contributions of equipment and facilities and certain know-how from the California Institute of Technology, the Institute will participate passively in the on-going enterprise via licensing and equity participation agreements.
To guide and support the development of the firm's technology, Invector Technologies, Inc. has formed a Scientific Advisory Board. Two highly-qualified research professionals from the California Institute of Technology currently serve on the board. They are:

- **Chris Adami** is a Senior Research Fellow and Instructor in Computation and Neural Systems at the California Institute of Technology. He is also an expert and authority on neural systems, artificial life and the computer simulation of human processes. He has published over 40 papers in neural systems and related subjects. He holds a Ph.D. and MA in physics from the State University of New York at Stony Brook and a BS in physics and mathematics from the University of Bonn.

- **Jacob Kooi** is a Senior Research Engineer at the California Institute of Technology, principal design engineer for the Caltech Submillimeter Observatory and an authority in microwave and radio engineering. Previously, he held engineering positions with Far East Broadcasting Inc., Varian Corporation and Philips Research Laboratories (The Netherlands). He holds a MS in electrical engineering from the California Institute of Technology and a BS in electronic engineering from the California Polytechnic State University.

Upon receipt of seed financing, the firm's founders will commit their full professional time to the development, testing and launch of the firm's Surfboard Computer and Extropy Engine. During this time, the firm's business advisors are available on a part-time, as-needed basis. The firm expects to recruit additional executive, management and functional personnel as its operations expand.

### 7. Substantial Financial Returns

<table>
<thead>
<tr>
<th>Estimated Revenue ($Millions)</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surfboard Tablet Computer</td>
<td>0.1</td>
<td>2.6</td>
<td>11.4</td>
<td>38.5</td>
<td>117.0</td>
</tr>
<tr>
<td>Extropy Chip - Industrial</td>
<td>0.0</td>
<td>0.7</td>
<td>2.6</td>
<td>7.2</td>
<td>17.1</td>
</tr>
<tr>
<td>Extropy Chip - Professional</td>
<td>0.0</td>
<td>0.4</td>
<td>2.3</td>
<td>8.7</td>
<td>28.3</td>
</tr>
<tr>
<td>Surfboard Accessories</td>
<td>0.0</td>
<td>0.7</td>
<td>3.1</td>
<td>10.6</td>
<td>32.2</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>0.2</td>
<td>4.4</td>
<td>19.4</td>
<td>64.9</td>
<td>194.5</td>
</tr>
</tbody>
</table>

Source: Invector Technologies, Inc.
none of which can be assured. The firm believes it holds a key to the growth of professional tablet computer market – a market which will reach an estimated $3.0 billion by 2004. The firm believes that as a holder of technology critical to the commercial viability of tablet computers, it stands to gain substantial financial rewards.

Because of the uncertainty surrounding the development of the firm's products and the unfolding of its market, Invector Technologies sees four possible scenarios for its future. Understandably, the firm is a strong advocate for its technological and financial success. Prospective investors should independently evaluate the firm's prospects in assessing future financial returns.

Scenario I - Market Leadership. In the most optimistic scenario, the firm's Extropy Engine proves to be a superior NHWR technology for portable devices and the firm establishes a powerful intellectual property position to protect its NHWR innovations. Moreover, the firm uses the strength of its NHWR technology to gain a strong share of the tablet computer market and simultaneously sells its Extropy Engine for use in tablet computers produced by other vendors. In this scenario, the firm could record annual sales in excess of $100 million in the next 3 to 5 years and would likely secure its long-term financing through a public stock offering. Alternatively, under this scenario, the firm would make an attractive acquisition by one of the larger manufacturers of desktop and laptop computers like Apple, Dell, Compaq or Hewlett-Packard.

Scenario II - Technological Leadership. Less optimistically, the firm could fail to establish its line of professional tablet computers as strong market contenders but retain important intellectual property protection for its innovations in the use of NHWR technology in tablet computers. In this scenario, the firm would grow as a research and development business providing technology to the industry as a whole. Like Dolby and other R&D firms with license revenues, the firm survives as a highly-profitable business with possible downstream options for a public stock offering or acquisition by a major corporation. Although it seems unlikely, it is quite possible that this second scenario may be as financially rewarding as the first in the sense that competition in the tablet market may erode the contribution to cash flow from the manufacturing and sales of tablet devices. The firm is unable at this time to determine the eventual profitability of the tablet devices.

Scenario III - Technological Competition. Even less optimistically, the firm could fail to establish a secure intellectual property position with its NHWR technology or the technology itself could prove less powerful than initially expected. In this scenario, the firm would likely survive as an alternative source of NHWR with a novel technology comparable to NHWR alternatives. This is not a prosperous outcome for Invector Technologies Inc. or its investors. Under these circumstances the firm is unlikely to survive in the long-term, and would most likely offer itself for acquisition to an existing laptop or desktop computer vendor as a way to accelerate the vendor's entry into the professional tablet market and acquire a useful, but not conclusive, intellectual property position in NHWR for tablet computers.

Scenario IV - Technological and Financial Failure. Finally, there is a possibility of complete failure of the venture. If the firm fails to obtain patent protection for its intellectual property, or is unable to translate its intellectual property into an effective and marketable product with the

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10 Invector Technologies, Inc. recently concluded discussions with the California Institute of Technology for an option agreement whereby the Institute underwrites all patent prosecution in return for equity participation in the company.
funds it obtains from its seed and first round investors, it is possible that the firm will be unable to attract additional capital and will not survive as a going concern. In this scenario, initial investors could lose their entire investment.

Invectr Technologies obviously sees Scenarios I and II as the most likely outcome with significant financial rewards accruing to the firm's investors. It sees Scenarios III and IV less likely, though possible. As mentioned, investors must independently assess these scenarios and assign their professional estimates of likelihood and potential returns.

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While soliciting seed financing, Invectr Technologies Inc. will continue the development of its Surfboard Computer and Extropy Engine and will pursue whatever intellectual property positions may be appropriate to secure its long-term competitive position. The firm would be pleased to discuss its progress along these lines with individuals or representatives of institutions who wish to subscribe to the firm's solicitation for $350 thousand in seed financing or its anticipated first round financing of $3.0 million.

Inquiries and arrangements for additional information should be made through Kevin Hickerson at (626) 449 0181 or KevinH@Invectr.com.
Disclaimer

Invector Technologies, Inc. produced this document based upon its knowledge, research, analysis and assumptions of future market conditions. The firm believes that the information supporting its research and analysis is based on reliable sources.

However, the product under development, a tablet computer with advanced handwriting recognition technology, is still in the prototype stage and has not been tested in any market. The technology developed by the company is not patented at this time, and it is not possible to predict whether a patent will issue from the U.S. Patent Office. Furthermore, the founders and product development team (Kevin Hickerson, Anna Iwaniec and Michael Thielman) have no prior experience in developing products or running a business. Additionally, the market for computer devices is highly competitive and dominated by several large established enterprises which may develop similar products should the market prove receptive to products offered by the firm.

The projections and forecasts made herein are based upon conditions that may change and may be adversely affected by economic forces and new technologies unknown to the firm at the present time. In no event shall these projections be interpreted or construed in any way other than an attempt to forecast an uncertain and unpredictable future. Except for historical information referenced as to source, this document contains forward-looking statements that involve risks and uncertainties including statements with respect to timely development, acceptance and pricing of the company’s products; whether patent protection will be obtained; the impact of competitive products and general economic conditions as they affect future customers; and other risks that are endemic to the computer device industry.

Any investment in the development stage of this company should only be made with the awareness that the entire investment may be lost if the company is unable to successfully develop and market its products.