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### About

The Secure BioSystems (SBS) project relates to the field of development and commercializing of biometric software in the Russian and US markets. It implements secure user's authentication in the Internet/Intranet; secure storage and access to payment (transaction) data.



### Product

The first software product (SBS 1) is intended for admittance to web-applications without login and password, using a live fingerprint scan. It allows for storage and use of personal data of users and for encoding of any information with biometrical method.

The second software product (SBS 2) is a tool for secure payment transaction using of bank cards. It opens access to plastic card information after biometric authentication.

### Description of the used technology/ production

At the stage of development there are two independent biometrical software products for final consumers.

**SBS 1** is a client-server PC application for end users with a wide specter of usage working under MS Windows. It consists of 3 independent modules aimed at authorization of users, encoding and storage of their personal data.

**SBS 2** is a tool for identification of bank card users installed in banks (issuing plastic cards), at POS-terminals (shops), equipped with biometric readers.

### Market

- Value in 2007– 7 Billion USD, 50% - CAGR.
- Low competitive density in Russian and US markets.
- More than 50% of all biometric systems are adopted for using fingerprint solutions.
- 60% of all authentication will be required for bank card users (IFD market forecast for 2009).
- No absolute analogs of SBS 1 and SBS 2 on the market.
- Existing competition fails in price/quality/support.
- Existing market is horizontally segmented. Competition plays in narrow applications niches.

### Competitive advantages

- Easy to use and implement.
- Patent protection of our technology.
- Wide application of the products.
- Technological perfection.
- Competitive price.

### Clients

*Potential users of server modules:*

- Banks and insurance companies.
- Internet shops, Internet auctions etc.
- Service providers.
- Big Internet portals.

*Potential users of client modules:*

- Users of distant bank and insurance systems.

### Team

*George Fomichev*– President  
*Max Fomichev*– CTO  
*Tatyana Postil* – CEO  
*Pavel Kritari* –CFO  
*Alex Kosik* - CSO

### Sector

Biometrics. Data security. Internet applications.

### History of the project

Since 2006 till now  
Number of workers ~ 20 persons.

### Amount of financing requested

\$1 353 K.

### Use of proceeds

Development of beta-version, and release of the two software products.

- Launching of pilot testing of the SBS1 at the biggest servers of Runet (Yandex, Korbina, RBK).
- Launching of pilot testing of the SBS2 at local merchants stations and attraction of local payment systems, such as: Accord, Korona, Sberkartaapra и т.д.
- Precommercial preparation for mass distribution of SBS.
- Commercial use of the project.

### Current financing

\$30 000 authors contribution  
\$20 000 Confirmed subvention from Russian gov-t

### Intellectual property

- Alpha-version of SBS 1 and description of the idea, requirements specification for development of SBS 1, 2.
- Marketing researches in the biometric technologies market.
- Team of IT specialists and business managers.
- Business connections with Russian banks.
- Protocols of intentions for pilot application with the Top-20 Russian IT companies.
- Constantly enlarging database with potential customers.

- All Internet users who have several accounts on different servers.
- Laptop users used to built-in fingerprint scanners.

#### Distribution

- Selling via existing system integrators (RBK Soft, Diasoft, etc).
- Selling via OEM manufactures (notebooks, scanners etc.).
- Selling via existing Internet shops (Softkey, Amazon, Ebay).
- Direct sale.
- Selling via VARs, partners, manufacturers of various biometric SBS.

#### Competition

- US Biometrics (Annual Revenue ~ \$10M, growth ~ 70%)
- Biocert (Annual Revenue ~ \$1,5M, growth ~ 100%)
- Bio-Key (Annual Revenue ~ \$4M, growth ~ 67%)
- Bioscrypt (Annual Revenue ~ \$24M, growth ~ 50%)

#### Team

Our team has been working well together and brought about many successful projects (*creation a bank calculators, creation more than 20 web sites, creation a computer game Gems3D, creation a game eSonic, promotion a virtual language school "Net Language" on the Russian market*). We attract consultants and experts in various fields who assist us in solving most complicated and different problems. To realize the SBS project we plan to employ more than 20 persons.

#### Why are we the first

- We know the market and its needs in the field of biometrics.
- Every player in the market occupies their own narrow yet profitable niche.
- Many players go to market with their proprietary scanners, thus limiting themselves.
- A lot of vendors offer support to their partner's programs (partners nets).
- We have a patent issued for method of encoding and transmission of data.
- Wide-section entrance to the market is required.

#### Investment indexes

<b>Investment indexes</b>	
<b>Amount of investments, \$</b>	<b>1 352 972</b>
<b>Make out point, years</b>	1,5
<b>Brake even point, years</b>	2,9
<b>NPV, \$</b>	<b>4 095 274</b>
<b>Annual discount rate, %</b>	28%
<b>B/C</b>	1,94
<b>IRR</b>	97%

#### Financial forecast

<b>Financial indexes</b>					
<b>Period</b>	<b>CapEx, \$</b>	<b>OpEx, \$</b>	<b>Net sales, \$</b>	<b>EBIT, \$</b>	<b>Company valuation, \$</b>
1 year	469 482	358 063	0	-827 545	452 244
2 year	78 590	1 181 750	1 365 744	77 130	539 909
3 year	0	2 224 035	3 509 305	935 921	6 551 446
4 year	150 000	4 542 828	7 972 982	2 606 918	18 248 423
5 year	250 000	7 906 419	18 570 107	8 104 403	56 730 820

- Patent pending № 2007125683 (027977) (09.07.2007) in Russia and USA.

#### Awards:

- 3-d place award at MAX-2007 contest of innovation projects,
- diploma of Mayor of Moscow for the best project.
- Existing partnership networks accepting SBS for promotion

#### Business model:

- development of a new market,
- segmented approach in the work with clients,
- creation of the product for the final consumers,
- active promotion of the product through cross and partners programs among players of the biometric sector.

#### Key milestones

- IP protection.
- Marketing research.
- R&D.
- Manufacturing.
- Direct sales.
- Channel sales, marketing and building competitive advantages in the USA.
- Sales & marketing in other countries, including CIS, China & Japan and Europe.

#### What will investor get?

1. Well-worked professional team of workers.
2. New (scalable, functional) and unique (compatible, reliable) product.
3. Registered и patent protected intellectual property.
4. High potential demand (interest on the part of RBK Soft, Korbina etc.).
5. Entrance to the stable and growing market with grateful purchasers.
6. Possibility of launching new products at attractive and profitable markets.
7. **«We measure our success based on our effectiveness!»**

#### To note:

- **\$2,8 billions** – electronic commerce loss in the USA due to fraud in 2005.
- **\$929 billions** - loss due to fishing suffered by 2 millions of Americans in 2005.
- **45%** of all bank clients would like to have better security blankets while making payments.
- **Every 2<sup>nd</sup>** businessman in the USA loses money due to cyber crimes.
- **67%** web users do not register on site if the security policy does not look reliable.
- **63% of users** are ready to pay for additional protection of their own data on a computer.
- Users consider that use of credit cards is **12 times** more dangerous online than offline.