



**CONFIDENTIAL INFORMATION MEMORANDUM**  
Fourth Quarter - 2011

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## COMPANY PROFILE

NextgenID, Inc. (NextgenID<sup>®</sup> is a registered trademark) a leader in biometric security, identity and intelligence systems, is headquartered in San Antonio, Texas, and has operations in Washington, DC, and Ottawa, Canada.

NextgenID develops, delivers and maintains next-generation biometric intelligence solutions that are designed to maximize security and identity protection for governments, corporations and critical infrastructures. In addition, NextgenID's biometric intelligence solutions help customers to respond to critical federal legislation and international mandates aimed at standardization, identity validation and fighting global terrorism and crime.

These NextgenID biometric intelligence solutions deliver the industry's most accurate, rapid and cost-effective face image capture, multi-biometric enrollment, identity verification, face image based fraud detection, biometric access control and lookout systems available. Ongoing innovation in NextgenID LABS preserves our leadership via combining biometric engineering research and development with technology.

NextgenID biometric intelligence solutions are developed on modular, state-of-the-art hardware and software platforms that are then customized to meet direct application requirements based on specific market needs. NextgenID solutions operate today in highly classified, high volume (people traffic) and demanding operational environments, establishing their reliability and scalability.

The Company's primary lines of business are:

- **ID\*Capture<sup>™</sup> Products- Multi-Biometric Enrollment and Verification Systems.** These systems provide enhanced security and throughput in identity document issuance, fraud detection and verification. Products range from fully integrated, high volume, self-service kiosks to counter-top and portable officer assisted enrollment/verification stations. They all include software to support enhanced security, privacy, accessibility and biometric matching in large and small enterprises, and state or national scale deployments.
- **ID\*Watch<sup>™</sup> Products-Face Recognition based Surveillance Systems.** These systems provide overt or covert face image capture and face matching. They deliver real time security alerts and/or customer service information for deployments that range in scale from smaller point solutions to enterprise and national government programs.
- **ID\*Access<sup>™</sup> Products-Multi-mode, Biometric Access Control Systems.** These systems incorporate fingerprint, iris and facial image biometric matching into building, campus or enterprise wide physical access control systems.

NextgenID products and services are sold and distributed worldwide either directly or through systems integrators; value added resellers and strategic partners across the globe. They are supported through training, technical support and professional engineering services from NextgenID LABS.

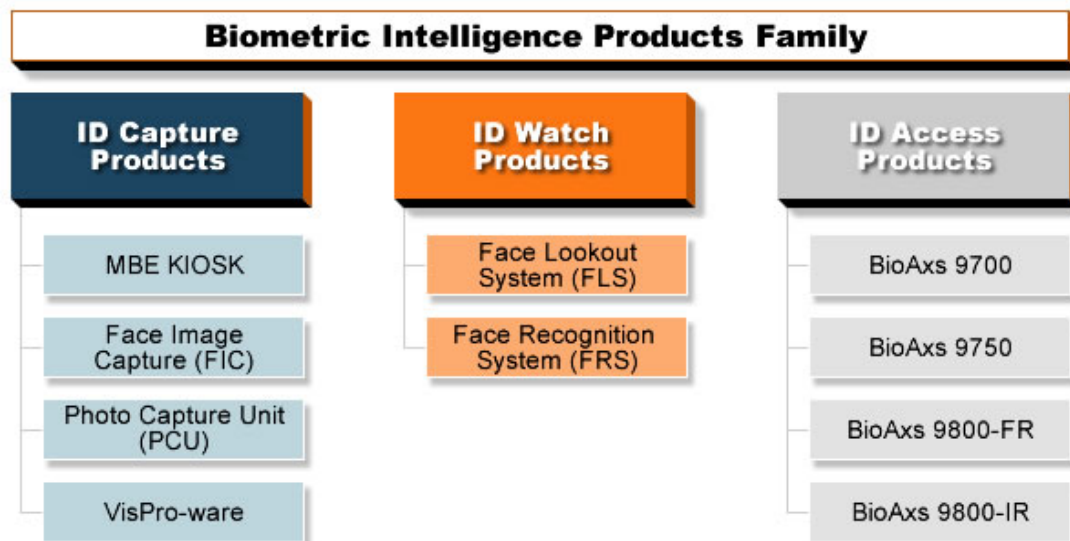
## PRODUCT LINE PROFILE

Biometrics refers to the recognition of specific behavioral and physiological characteristics of an individual. These biometric characteristics are unique between individuals and serve as a means to identify one individual from another (*known as identification*) or as a way to identify a specific individual (*known as a verification*). The research and development team at NextgenID LABS is responsible for the creation, deployment and proper use of continually innovative biometric products through advances in face, iris, and fingerprint-based biometric intelligence.

NextgenID is a market-driven company. NextgenID LABS focuses on the development of hardware and software biometric solutions and associated business processes aimed at solving specific real-world identity, security, and operational issues. The result is a suite of effective, practical, low-fault biometric products that deliver the most valuable biometric intelligence. The products are easy to use and ergonomically satisfying, resulting in high user adoption.

In summary, key characteristics of NextgenID products are:

- The highest performance rates in the industry -*our products work*
- The fastest throughput in the industry -*our products are efficient and work fast*
- Appealing, appropriately sized and tightly integrated hardware in the industry -*functionally, ergonomically, architecturally and aesthetically correct*
- Increased system productivity-*ease of use and customer friendly*
- Quicker return on investment-*through increase user adoption and performance*
- Lowered human errors and organizational risk-*less down time!*



**ID\*Capture™ Products:**

- **Multi-Biometric Enrollment (MBE) KIOSK**

The MBE KIOSK is a highly integrated and self-contained enrollment kiosk for secure capture of multiple biometrics and associated personal identity information (PII) data. The KIOSK provides a highly integrated platform that captures face, fingerprints, iris(s) and signature images and related breeder documents of types ID-1 card reader for driver's license and other IDs, ID-2 for slightly larger wallet sized documents and ID-3 used for passports, visas, and travel permits plus a page scanner for all other breeder documents and credentials required to complete an enrollment, including birth certificates, personal qualifications and certifications and government specific documentation requirements. The system also provides a full keyboard for manual data entry, notes or ad hoc input if so required.



The MBE KIOSK is designed for multi-tenant use so multiple customer sponsors can use the same physical infrastructure to meet their differing enrollment needs. All captured PII is secured at the time of capture and formatted to meet customer required interfaces to third party systems. The security of the PII is also used for system administration and support through differential access to content based on the request and hosting of the individual requesting access to the PII. The KIOSK is the most sophisticated and feature rich enrollment kiosk of its kind.

The KIOSK is designed to be operated free standing in any chosen enrollment location and operate in multiple modalities ranging from self-service, remote operator administration, local operator driven and supervised, and maintenance support. It also provides Americans with Disabilities (ADA), Section 508 compliance for handicap use and is adjustable (motor driven manually, automatically or fixed position) to fit persons of all heights, in wheel chairs or with other impairments.

The KIOSK was engineered to be the most flexible, multi-application, multi-customer shared biometric enrollment unit on the market. It is designed to accommodate a wide-range of custom configurations without impacting the core functionality necessary for accurate enrollment and identification. Aside from being esthetically pleasing and very secure, the KIOSK provides the enrollee with comfortable and efficient processing combined with a complete array of capture processes that support any and all types of required enrollments coupled with an efficient integration of all components.

The KIOSK is the biometric and biographical capture component of large-scale issuance systems and is deployed with NextgenID central services components including:

- Central Kiosk Service that is the secure repository for kiosk captured data and the central service for distribution of enrollment data to subscribing third party systems and central component that is adaptable to meet customer workflow and policy needs.
- Enrollment Record Integrity Check Service that performs integrity check on the kiosk enrollment record including checks for completeness and data consistency.

- Face Recognition Service (FRS) performs 1:1(verification) and 1:N (identification) matching to confirm identity and identify potential fraud (duplicate in the database) or person of interest.
- Adjudication Manager Service provides the tools for the adjudication of potential biometric fraud alerts or document authentication flags.
- Remote Monitor and Supervisory Service that monitors the operation and health of deployed MBE Kiosks, generates alerts when off normal performance or intrusion is detected and provides for remote updates of kiosk software and firmware .



To further round-out our kiosk line, NextgenID has created additional enrollment products to service those individuals in need of enrollment that cannot travel to enrollment centers. These devices are built with portability in mind but maintain the high level of efficiency and accuracy required to meet and achieve mission success and future operational use needs.

NextgenID partners provide additional system components to form variant solutions meeting government (national or local) needs including card management and personalization if so required. These systems have been fully integrated with NextgenID systems removing the need for long integration schedules and issue resolution.



The NextgenID MBE KIOSK can be customized for technology partners, channel partners, government contractors as an OEM, and can also be customized for end user customers including global corporations and Government entities.





- **Face Image Capture (FIC)**

The FIC is a rugged yet very stylish, self-contained unit that includes cameras, LED lights, visualizers, internal networking and the associated image capture/ processing and quality checking software. FIC's are used for desktop, countertop or freestanding locations for limited enrollment and/or biometric verification applications.



The FIC Units are designed to capture face images for biometric enrollment and identity verification in applications where the applicant is cooperative or semi-cooperative. Units come in a range of camera resolutions from 1 to 5 mega pixels and varying lens solutions. Units come in one or two camera and light configurations to meet the capture speed and accuracy requirements of both operational conditions and customers, at the right price point. The FIC internal USB hubs enable the incorporation of fingerprint, signature and barcode and document readers into compact enrollment stations with single interface connectors to simplify deployments.



Typical applications include biometric capture for driver's licenses, health cards (Medicaid), VISAS, police permits and other secure ID issuance, national border control and physical access control.

FIC enrollment solutions typically incorporate NextgenID's Face Recognition System FRS (described in a subsequent section) for identity confirmation and fraud detection and VisPro-ware for image processing and quality checking to International Civil

Aviation Organization (ICAO) standards.

Face image capture units with standard or custom enclosures and associated software are currently deployed for eGates in the Eastern Caribbean, eGates and passport and visa enrollment stations for Portugal, driver's license issuance in Australia and American Samoa, visa issuance stations in the Philippines and immigration control in the Manila International Airport.



- **Photo Capture Unit (PCU)**

The NextgenID PCU has been specifically designed to very quickly capture passport size photos at high resolution. Images captured from these photos are suitable for viewing for visual verification, printing, for laser engraving on passport data pages or ID cards, for encoding on a chip, and can be automatically adjusted to ICAO standards using NextgenID Vispro-ware.



This unit provides the capture resolution of a high end 800 dpi scanner in less than 4% of the time, with one-half the physical footprint. Other photo capture devices such as card readers and passport readers may rival the PCU in processing speed, but they are not able to provide the adequate image quality for passport, VISA, national ID or other secure ID issuance applications.

This unit has a small footprint for desktop use and solves the capture speed problem associated with flatbed or sheet scanning technology.

NextgenID Photo Capture Units are currently in service with the passport offices of New Zealand and Taiwan.

- **VisPro-ware**

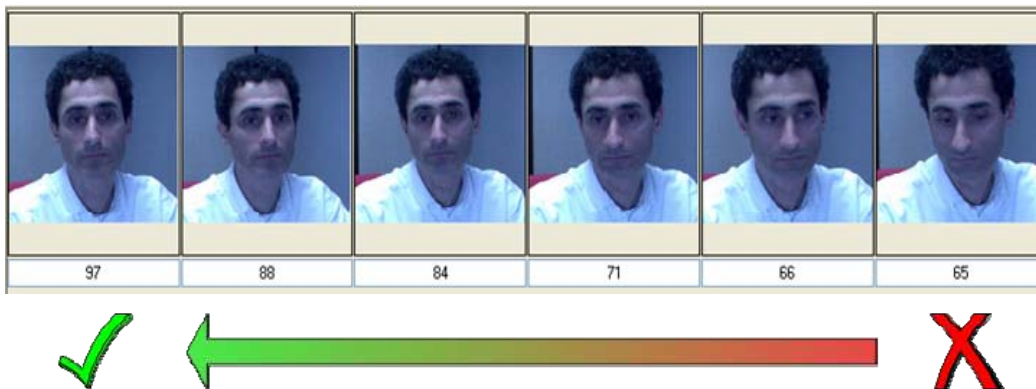


VisPro-ware is a NextgenID software product used for face finding, face image processing and face image quality checking to ensure face images are captured to ICAO, International Committee for Information Technology Standards (INCITS) and International Standards Organization (ISO) standards. VisPro-ware is incorporated into the FIC and the MBE KIOSK software applications. VisPro-ware enables image quality assessment and automatic normalization functionalities for applications in biometric enrollment or matching. Image quality is essential for biometric

performance, and using VisPro-ware will ensure the necessary quality and consistency to enable such applications. VisPro-ware image quality analysis is configurable to given standards such as the ICAO Standard (ISO/IEC 19794-5) for passport and ID card images. VisPro-ware will process, or normalize an image to any standard ICAO or custom image format. This can serve to effectively reduce costly image rejections where the original submitted image may not conform to the required standard

VisPro-ware additionally includes tools for automated background replacement, such as would be used in creating images for laser engraving purposes. Automated tools are augmented by several manual enhancement options for background replacement, and also for characteristics such as brightness, contrast, sharpness, color balance, face size, and face position.

The Face Capture API works with VisPro-ware to capture many video frames of the same person, extract the face images and select the best quality compliant face image for display or processing.

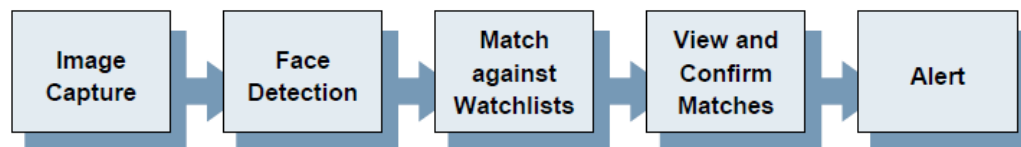


**ID\*Watch™ Products:****Face Lookout System (FLS)**

FLS is a highly scalable face recognition based surveillance and watch list matching system. FLS incorporates cameras and lights for image capture and the software for face finding and tracking, face recognition, match adjudication, central system monitoring and update, watch list management and health monitoring. FLS scales from a few cameras in one location to a large number of geographically distributed cameras.

The NextgenID FLS process is simple and effective:

- The Camera captures live video. These images may contain several people at one time in addition to landscape or architecture and other unusable information.
- The Face Lookout System detects faces from the live video and crops faces out of each video frame.
- The cropped faces are compared and matched to face images in the watch-lists.
- Watchlists are created from existing photos or live camera images.
- A central security operator is alerted of found matches by the FLS and confirms the match.
- Alerts can be created either automatically or by the operator and are sent to the proper authorized personnel.



FLS is an enabling technology for a number of very large and emerging market applications. Some of these that NextgenID is pursuing on its own and with partners are:

- Retail loss protection – identification of shop lifters at entrances to shops and choke points such as cash registers.
- Sport facility security – identification of persons of interest (often hooligans and other criminals) at the entrances to and in the sports venue.
- Critical infrastructure security - identification of criminals and terrorists at entrances to and within facilities including LRT, train and airport facilities.
- Customer service applications – identify both VIPs and exclusion candidates at entrances and within facilities for sites such as international events, hospitality and casino sectors.
- Marketing applications – identifying the demographics (age, gender, and ethnicity) of persons to more closely tune the business and promotional offerings for their customers.



**Face Lookout System Application GUI**

### **Face Recognition System (FRS)**

NextgenID's FRS provides large scale 1-to-1 (verification), 1-to-Watchlist (one to few) and 1-to-N (Identification) biometric matching and scales to provide fast and accurate matching for even the largest facial image databases. FRS includes bulk enrollment for organization with a large quantity of images of people of interest, a full suite of adjudication tools to process matches to assure manually for attestation purposes, performance monitoring of the system and a flexible reporting tool.

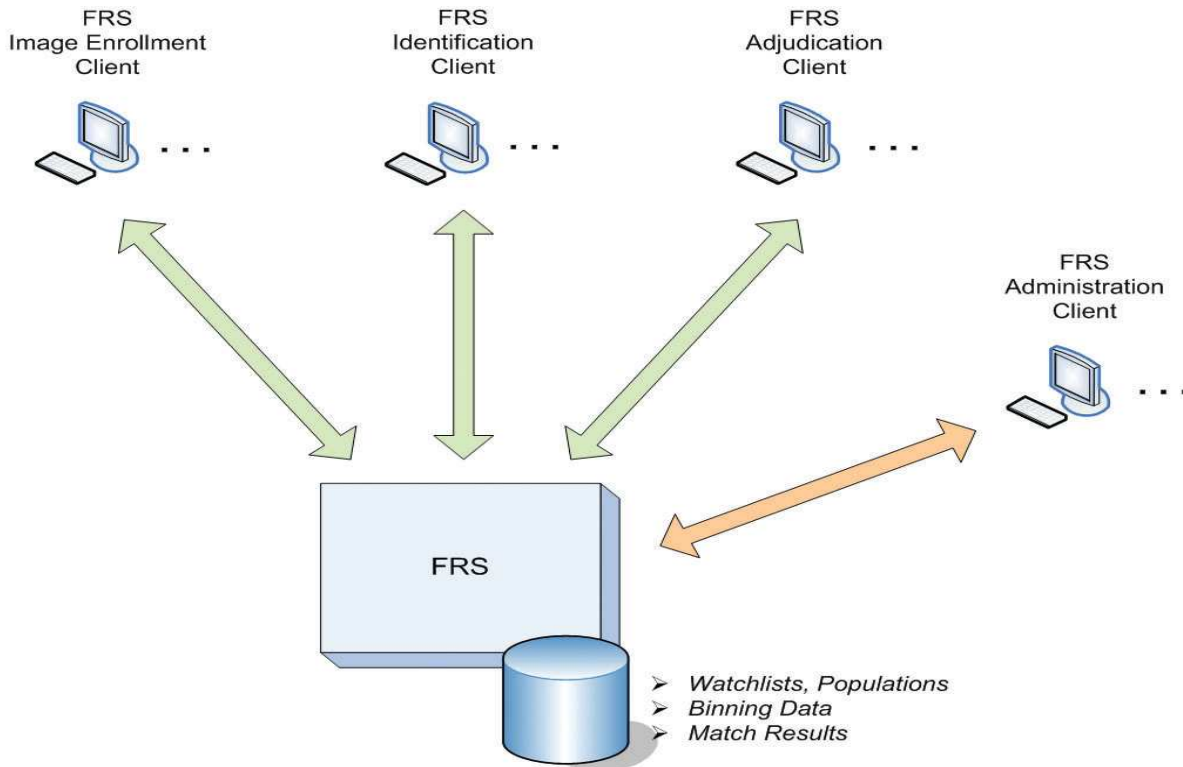


FRS is designed to support identification, watch list and fraud checking for biometric enrollment (passports, VISA's, national id, driver's licenses and other secure credential systems) and cooperative or semi-cooperative verification and identification applications (national border control, physical access control and customer service).

Integration is made easy through providing external interfaces established by way of web services. FRS is scalable to accommodate any combination of image gallery size, matching throughput, and matching speeds. FRS is built upon a secure web-based architecture. Client applications communicate with the FRS back-end. The FRS provides a "Client API" as a .NET DLL which can be easily integrated into any client application. Additionally, the Client API can be accessed by direct requests to the Web Server, hence allowing integration directly into a web application. Any number of clients can simultaneously connect to the FRS.



### Face Recognition System Adjudication GUI



## ID\*Access™ Products:

- **BioAxs™**

NextgenID BioAxs is a complete access control system that can be used as a stand-alone system or as an add-on to existing access control systems requiring biometric access control at entry points. The BioAxs line provides fingerprint, iris, face, PIN and contactless (multiple types) card access with centralized management that enables scaling to large, enterprise-wide, multi-facility implementations. Numerous configurations are available to meet specific customer needs.

The entire BioAxs line is capable of functioning as a complete access control system. The optional secure side access power and latch control hardware combines with NextgenID's powerful Command Center Software allowing for the management of users, access groups, open access periods, holiday scheduling and more. Users can be granted access control privileges such as to a particular door during defined days and/or hours. User Groups can be created to assign the same door privileges to a large group of users. All door events are logged for easy searching, viewing and reporting.

The BioAxs line also performs as a traditional access control reader for existing access control systems and can pass card information to the primary access controller via a variety of wiegand formats. BioAxs models are available in all-weather housings that can operate in a variety of outdoor conditions and extended temperatures.



**BioAxs™ 9700**

Fingerprint only system with wiegand keypad or card option.



**BioAxs™ 9750**

Single biometric, multi-modal access control system.



**BioAxs™ 9800-FR**

Multi-biometric, multi-modal Facial recognition plus Fingerprint access control system.



**BioAxs™ 9800-IR**

Multi-biometric, multi-modal Iris plus Fingerprint access control system.

## SERVICES & SOLUTIONS

NextgenID delivers comprehensive biometric intelligence solutions to governments and commercial enterprises across the globe. These solutions effectively “wrap” the NextgenID high performance product line (hardware and software and system solutions) with high-value professional services, custom engineering, certification training, user training, technical support and extended warranties. This comprehensive biometric intelligence solutions model ensures that NextgenID technical principals have total control of the client installation process and are involved from concept to completion. This solutions methodology (people – process – technology) empowers NextgenID to deliver its products across the global enterprise with a high confidence of success.

Through the ongoing development efforts of NextgenID LABS, NextgenID remains at the forefront of the latest advances in multi-modal biometric enrollment recognition, capture imaging and document authentication technology. When integrated together to form an end-to-end solution, the modular products, services and solutions from NextgenID remain unique as a comprehensive approach to protecting and securing identities. NextgenID maintains a diligent focus on customer success that ensures long-lasting and positive results. Combined with the leading biometric intelligence solutions with a commitment to customers, NextgenID is dedicated to maintaining its leadership position in biometric intelligence and identity enrollment solutions to meet the world’s ever-changing security requirements.

### Field Engineering Services

Because every organization has unique needs, NextgenID’s Field Engineering Team (FE Team) was formed to assist in integration and customizing NextgenID’s biometric intelligence technologies to address the specific requirements of the client, regardless of industry. The FE Team leverages NextgenID and NextgenID LABS’ technical expertise, deep industry knowledge, (11 years of experience as accompany and more than 15 years average individual experience) and understanding of industry best practices to deliver optimal performance for any environment.

NextgenID’s FE Team delivers the services necessary so that any organization can take advantage of the features of NextgenID’s biometric intelligence technology while avoiding the cost of replacing existing systems and infrastructure. FE Team services can help organizations get more out of their existing infrastructure investment and make the most of their purchase of NextgenID products.

### Technical Support Services

NextgenID is committed to quality. NextgenID’s dedicated support engineers are professionals with backgrounds in security, biometrics and software and hardware engineering. NextgenID’s investment in the right technical talent delivers shorter resolution times and more effectively addresses support issues. NextgenID support engineers are centrally located with our NextgenID LABS team and development organization, to ensure a collaborative approach to support. NextgenID support combines live telephone support, online assistance and documentation as well as dynamic product updates and remote maintenance.

NextgenID support offers significant benefits, including:

- Staff with expert knowledge of security, biometrics, software and hardware solutions; eliminating the need to go to multiple support sources for resolution

- A dedicated team approach to addressing release of patches, minor and major versioning and updates, changes and enhancements
- Remote maintenance services that help customers with limited resources maintain NextgenID installations to ensure maximum benefit
- Depot hardware maintenance
- Ongoing website updates and product communication bulletins that provide direct access to the latest information directly from NextgenID

## Industry Specific Solutions

### Homeland Security

NextgenID biometric solutions enhance homeland security for secure credentialing, border control, access control and face recognition based surveillance all in a manner that ensures the security and privacy of the personal information.



NextgenID Solutions are designed specifically to operate in today's fast-paced, high-risk environments. NextgenID biometric intelligence products can be combined to protect a wide range of critical infrastructures and key assets, such as:

- Ports of National Entry and Exit
- Land, Sea, Air and Rail Transportation Terminals
- Nuclear, Electrical and other Power Facilities
- Water Treatment Plants
- Communications Facilities and Infrastructure
- Federal Government Buildings, Closed Areas, Property and Facilities
- Military Bases and SCIF Facilities
- National Critical Infrastructure & Key Resources (CIKR) Protection
- Federal and State Identity Card programs

NextgenID biometric products can be combined to provide a number of scalable Homeland Security solutions to secure borders, identify threatening persons and improve national security through real-time risk management system interoperability.

### Government Identity

Government agencies are on the front lines of the battle against the daunting challenges of 21st-century security threats. Federal agencies and States need to meet stringent federally mandated security requirements, and implement new, far-reaching security infrastructures - quickly and cost effectively - while being careful to preserve personal privacy. Biometrics allows agencies to overcome many of the challenges associated with secure enrollment, authentication, identification, access control, data transmission and information management. NextgenID biometric intelligence products provide the ideal biometric solutions to help mitigate risks associated with securing vulnerable assets and facilities.

NextgenID biometric face-recognition, lookout-detection and identification technologies combine to provide governments an unprecedented ability to enhance security and deliver an improved level of safety by controlling access to sensitive facilities.



NextgenID packages all its biometric technologies in flexible and easy-to-deploy solutions for government agencies to address some of their most pressing security needs.

### **Law Enforcement**

The law enforcement community has been at the forefront of identity matching technologies for decades. At every step in the suspect/perpetrator/prisoner handling process there is a need to validate and identify persons quickly and accurately. Thus, law enforcement agencies have always been looking for ways to use the latest technologies to improve their processes.

NextgenID biometric intelligence solutions for facial recognition represent the next generation of identity management for law enforcement by providing the tools needed to accurately identify suspects in custody, quickly book and process prisoners, and to avoid costly and potentially dangerous identity mismatches at booking and at release.

NextgenID Facial Recognition Systems (FRS) can be used to support the investigation process by capturing face images from still photos or video, extracting faces, processing the images for optimal matching, matching them against other images on the case or to external image databases and providing the tools to visually assess potential matches.

NextgenID VisPro-ware software components provide essential image normalization and defect cleanup to deliver the image quality and resolution required for effective biometric face recognition. NextgenID software applications deliver biometric intelligence with high confidence real-time matches against image databases to properly locate and identify a suspect.

NextgenID solutions for law enforcement agencies are fully scalable to accommodate the smallest to the largest booking, mug shot investigation and prisoner facilitation management requirements.

### **Private Industry**

Privacy issues, identity theft, access and facility security, secure transaction processing, and protecting network communications are challenges the private industry faces every day. NextgenID biometric intelligence provides solutions to assist Security Officers in mitigating the risk associated with protecting critical business assets, proprietary information, critical customer data, employees and operational facilities - for private industry.



NextgenID face-recognition and identification technologies combine to provide private organizations with the technology to enhance facility security, building access, customer identification, identity verification and combat identity fraud with accurate, non-invasive biometric solutions.

NextgenID biometric intelligence solutions deliver new levels of customer service, customer relationship management and advanced knowledge of patron preferences by service industry staff. These technologies deliver both business intelligence and security value to a broad range of businesses - where restricting access to valid customers is critical or where improved customer service can be realized through easy-to-use, self-service delivery machines and non-invasive facial recognition technologies.

NextgenID biometric identification technologies provide service businesses an unprecedented ability to enhance security and deliver an improved level of safety for personnel and patrons. Capable of performing identification checks discreetly of multiple subjects at a distance, NextgenID solutions do not require a subject's active participation. These systems are ideal for providing access to facilities or attractions to valid patrons and personnel using accurate, non-invasive biometric technologies.

With NextgenID biometric intelligence products, private industries can protect their mission-critical facilities, information and data systems from intrusion and access by unauthorized persons.

### **Hospitality & Gaming Industry**

The NextgenID Face Recognition System for the Hospitality Industry (FR4H) is designed to assist hospitality industry operators in automatically recognizing important clients and visitors in order to facilitate the highest level of service at required delivery points. To the Gaming Industry, superior customer service sets the mark and difference to high valued patrons which is critical to their success. The FR4H solution consists of hardware and software sub-systems supporting three primary operational functions:



- Image Capture and Face Processing (ICFP)
- Branch Lookout System (BLS) Processing
- Central Lookout System (CLS) Processing

The FR4H system identifies important clients and visitors with ICFP devices at points of contact (typically building or business entry and chokepoints such as queues or access ways) or point of sale and in turn delivers back key information on the patron/customer and his or her known preferences such as:

- Customer name
- Favorite food, drink or desert
- Dislikes or food allergies
- Seating preference
- Birthday or Anniversary
- Recent complaints

or other customer-centric information that can be used to enhance the total customer experience.

Integration of the FR4H solution is seamless. All necessary external interfaces are through web services. FR4H is modular and scalable to accommodate any combination of (or number of) cameras, image gallery/watch list size, matching throughput and speed of results/response.

NextgenID is a leader in biometric intelligence for the Casino Gaming Industry. NextgenID biometric intelligence powers enrollment, surveillance and access control solutions within the commercial casino entertainment sector that deliver a return-on-security-investment, while also enabling the casino to offer higher quality user experience. NextgenID's unique utilization of biometric intelligence in Casino Gaming covers the entire spectrum of casino operations, including Marketing, Responsible Gaming, Customer Experience Enhancement and Standard Employee Access (including high-security areas and game cabinets and table games). The gaming industry is already experiencing a resurgence of activity and casinos are beginning to look for innovative and unique ways to set them apart from their competition. Nextgen ID believes the use of biometrics will play a major role as casinos, game manufacturers and other service providers plan, and spend, for the future.

## PARTNERS

### Technology Partners

NextgenID consistently meets aggressive and demanding customer specifications through the research and development of new biometric intelligence solutions. To accomplish this, NextgenID combines the engineering innovation of NextgenID LABS with the technical knowledge from a portfolio of industry leading partner companies. These partners assist NextgenID in designing and developing new capabilities, software modules and certified hardware for integration into the NextgenID platform.

NextgenID Technology Partners are chosen based on their ability to serve specific market needs and deliver quality services and technology that support and complement NextgenID products. With assistance from these technology partners, NextgenID continues to develop products that deliver results oriented enterprise-level solutions for solving complex customer challenges.

NextgenID believes that by working closely with a diversified and talented group of technology partners, who are driven by technical innovation and customer usability, it can enhance the overall customer experience while increasing the level of security, reducing operational costs and increasing business processes across the global enterprise.

NextgenID Technology Partners include:



## Channel Partners

NextgenID channel partners play a critical role in the business, providing sales, solution implementation, integration, technical support, and value-added services to customers.

NextgenID's channel partner program has been built to offer access to a portfolio of the industry's most innovative biometric intelligence solutions, along with support and benefits specifically designed to match our partners' business models and business goals. The NextgenID channel partner program includes a broad variety of competitive elements, including generous margins, training programs and innovative sales incentives.

NextgenID partners also receive access to the NextgenID LABS product development team, and a market-driven philosophy that delivers to our partners and customers ongoing product innovations and new features designed to meet the evolving biometric intelligence needs of the markets we serve.

We are dedicated to backing our partners every step of the way, working together to ensure that our mutual customers receive the most innovative products and solutions, the highest quality support, and a superior customer experience. Current partners include:



Hewlett Packard (HP) has a global presence that enables it to deliver technology products and solutions worldwide. HP frequently selects NextgenID as their biometrics solution partner as part of large secure credentialing and border control projects in North America, Asia Pacific and Europe. Currently, NextgenID has active or recent engagements with HP in the US, Canada, New Zealand and Taiwan for state driver's license issuance, national passport and visa issuance and national immigration control.

## UNISYS

Unisys is a large US based systems integrator with a presence in the major countries around the world. Although Unisys has a strong internal biometrics capability, it frequently selects NextgenID to provide key products and services to form part of their customer ID solution. NextgenID has current engagements with Unisys for driver's license issuance hardware and firmware and visa issuance and border control specialized hardware.



TecSec, Inc. is a privately held company located in Northern Virginia's technology corridor. TecSec's focus is on Information Security and Information Access Management, enforced through cryptography. TecSec provides software and hardware products based upon the company's 7<sup>th</sup> generation, standards-based Constructive Key Management (CKM) technology, leveraging a large library of intellectual property patents. TecSec provides:

- Federal Information Processing Standards (FIPS) certified, All American smart card family
- Information Assurance products for networks, mobile devices, physical access, and desktop
- Information Management and Dynamic, Assured Information Sharing through cryptographically enforced Role Based Access Control (RBAC) and Attribute Based Access Control (ABAC)

Through a 21<sup>st</sup> Century key management system, designed especially for the world of large networks, TecSec's CKM products bring privacy, confidentiality, and scalable management of content, independent of the means of transport or the type of information. Accordingly, CKM technology has the potential to enhance the full range of likely digitized applications, including wireless, Critical Infrastructure Protection (CIP), and healthcare privacy enforcement.



Bally Technologies, Inc. is a world leader in gaming machine, (slot, video and electronic table game) technology and production. Over a year ago Bally chose NextgenID as their biometric provider of choice to integrate facial and other biometric technologies into their games. Beginning with problem/responsible gaming applications, and moving to gender based identification and motion detection for 3D games, Bally has been very forward thinking in their approach to utilizing the NextgenID technology. NextgenID has assisted Bally in conceiving, developing and testing various biometric applications in many different games and applications within the Bally product family. In addition to its progressive use of biometrics, Bally has amassed a large portfolio of owned and licensed patents for utilizing biometrics in the gaming industry.

## MARKET OVERVIEW

While some major government programs have been scaled back (TWIC), are seriously behind schedule (HSPD-12 PIV cards), or have an uncertain future (UK National ID), others have been initiated (India's 1.5 billion and Mexico's 100 million strong National ID programs). Commercial investments in all non-essential IT has slowed to a crawl in the current economic climate, however, there is renewed focus on short-term ROI-based investment like time and attendance solutions.

So, in spite of industry setbacks and a faltering global economy, the biometrics market remains healthy and is well positioned for steady growth.

According to an Imperial Capital security industry report, Anil Jain at Michigan State University, one of the nation's leading academic figures in pattern recognition, cites four key trends for biometrics adoption:

- continuing improvement in sensor technology
- continuing improvements in the algorithms used to parameterize the sensor data
- continuing decreases in the costs associated with biometric identification
- growing user acceptance.

Accordingly, we believe that end users and potential end users will be able to justify the investment as they see the multiple value points for their organizations.

### Biometric Market Sizing – 5 Year Snapshot

Annual Biometric Industry Revenues (2005 – 2010) in USD \$M

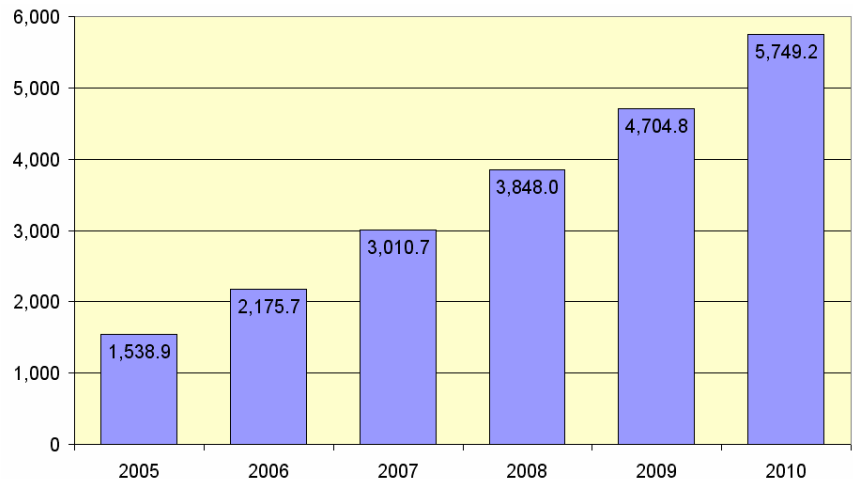
Source: *International Biometric Group IBG*

### Biometric Market Sizing – 3 Year Look Ahead

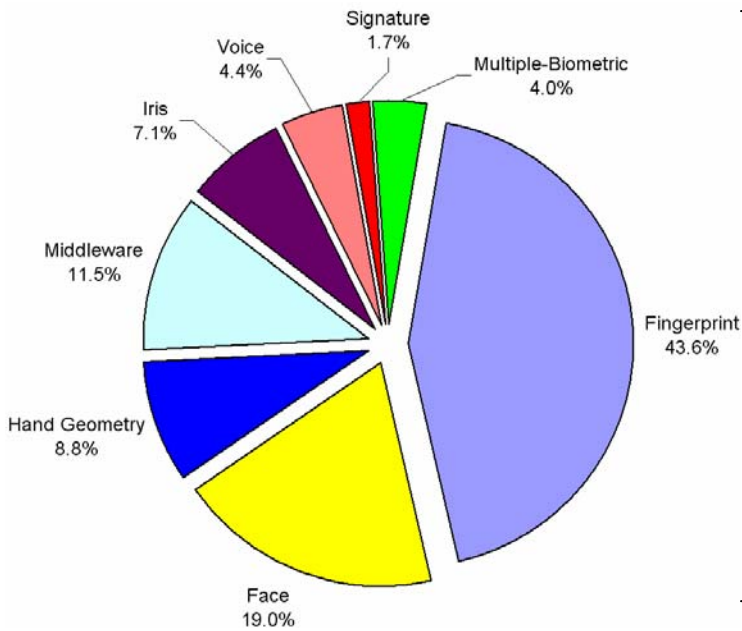
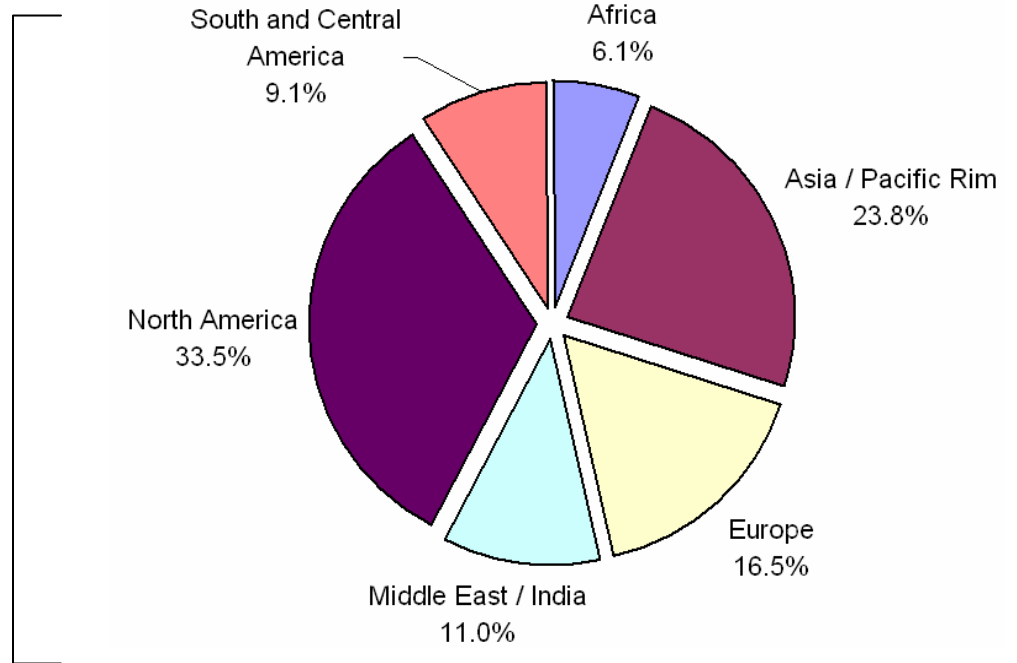
2012 - \$6,581.2

2013 - \$7,846.7

2014 - \$9,368.9



**Percent of Biometric Market by Global Region**  
*Source: IBG*



**Percentage of Biometric Market by Technology**  
*Source: IBG*

## NextgenID Technology - Market Overview

### Fingerprint Biometrics

#### Growth Drivers

- Proven in applications including access control, device / system access, consumer ID, civil ID
- Many solutions capable of accuracy, intuitive device operations
- Synergies with AFIS for large-scale systems
- Competitive, innovative marketplace

#### Growth Inhibitors

- Interoperability of systems still an unknown
- Certain users and populations less capable than others of enrollment, regular usage
- Stigma of fingerprinting impacts large-scale civil ID deployments
- Security problems such as liveness detection, and spoofing

### Face Recognition

#### Growth Drivers

- Can leverage existing facial image databases (drivers' license), capture devices (CCTV)
- Frequently deployable with little impact on existing processes and systems
- Only technology capable of capture at a distance and surveillance
- Improvements in matching algorithms and matching speed
- Mandate from US Federal Government as specified by the National Institute of Standards (NIST), Government Services Agency (GSA) and legislation.
- Default ICAO technology for travel documents

#### Growth Inhibitors

- Questionable accuracy based on old data and facts
- Use in verification applications limited due to need for controlled capture environment

### Iris Recognition

#### Growth Drivers

- Resistance to false matching ideal for high-security applications
- Core technology suitable for access control, border control, and large-scale identification
- Exceptional speed / processing power ratio
- Hands-free operation for users
- No stigma of criminal usage

#### Growth Inhibitors

- Difficulty of operation leads to increased false non-match rates, capture error rates
- User discomfort with eye-based technologies
- Cost of devices and processing software
- Spoofing with contact lenses
- Lack of options in marketplace unnerves potential deployers
- Viewed as less proven than fingerprint



## Multiple Biometrics (Multi-Modal)

### Growth Drivers

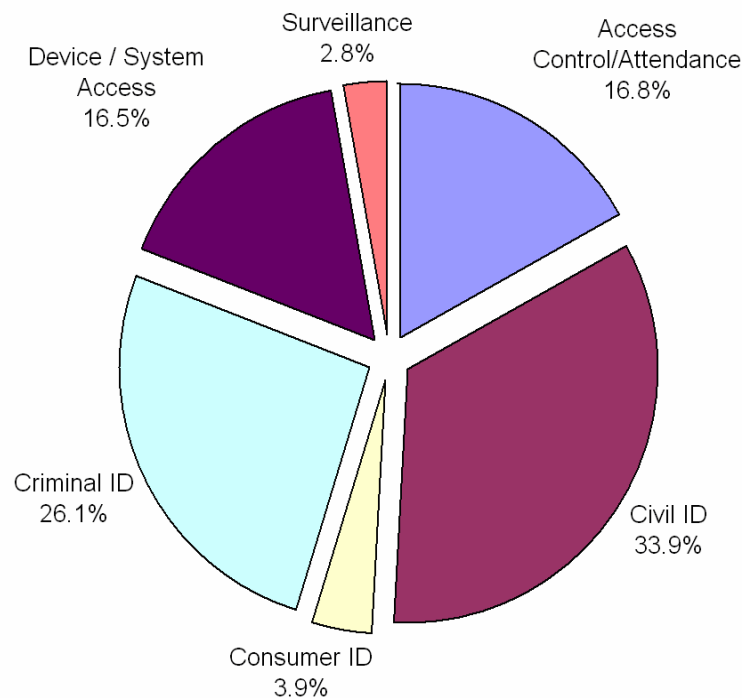
- Large Populations-Need for 100% population enrollment and processing in civil ID applications
- Ability to improve scalability, accuracy
- Biometric Fusion to increase accuracy and completeness
- Desire to collect multiple biometrics for potential use in future applications

### Growth Inhibitors

- Cost, effort of collecting multiple biometric characteristics
- Privacy impact of data collection
- Lack of mature solutions
- Only suitable for large-scale systems

## Percent of Biometric Market by Application

Source: IBG



#### Access Control / Attendance

- Controls access to a secure area
- Biometrics confirm physical presence

#### Civil Identification

- Conducted by government or government-sanctioned entity
- Determines eligibility for services, citizenship status, or entry into a jurisdiction
- Mandatory in the United States under the Real Id Act, Homeland Security Presidential Directive (HSPD-12 and 29)

#### Criminal Identification

- Conducted by government or government-sanctioned entity
- Determines whether individual is wanted, incarcerated, or has a criminal history

#### Device / System Access

- Controls access to secure device, system, and information

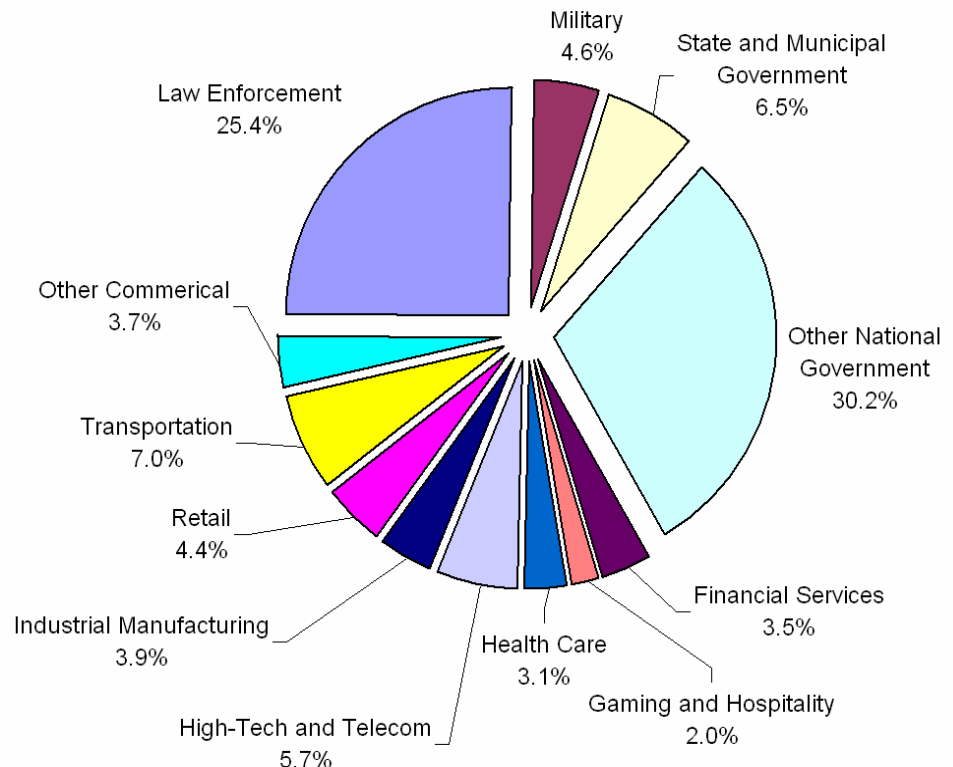
#### Consumer Identification

- Identification of a customer by a commercial entity
- Authorizes individual to execute a transaction

#### Surveillance

- Identification of individual without explicit presentation or conscious interaction with device
- Determines whether individual is a person of interest

#### Percent of Biometric Market by Vertical Sector



Governments are the largest consumer of biometrics

- Customized, complex, standardized, system-based
- Range of needs from immigration to military to access control

Consumer applications gaining substantial traction

- In the US, millions are enrolled in payment and check-cashing systems leveraging fingerprint biometrics

Travel and Transportation

- Hybrid of government and commercial requirements
- Registered traveler programs, employee access control

## Mega Trends

The eight global *Mega Trends* that will profoundly impact all IT development through 2020 and have important, specific implications for biometrics. They are:

- Globalization and Developing Economies
- Borderless Economies
- Workforce Decentralization and Mobility
- Population Mobility
- Proliferation of Mobile Devices and the Rise of Trusted Access Anywhere
- Central Role of Digital Identity
- Inevitability of eGovernment
- Rise of Cloud Computing

## Meta Drivers

Application Solution and Technology Evolution *Meta Drivers* shape both opportunities for widespread deployment of biometrics and determine the technological capabilities required to address these applications.

The three key Public Sector *Application Solution Meta Drivers* are:

- eBorder,
- eID
- eGovernment.

The three key Commercial *Application Solution Meta Drivers* are:

- Enterprise Security
- Information Transactions
- Financial Transactions.

The four key *Technology Evolution Meta Drivers* are

- Secure Identity Core
- Secure Mobility
- Secure Credentials
- Secure Transactions.

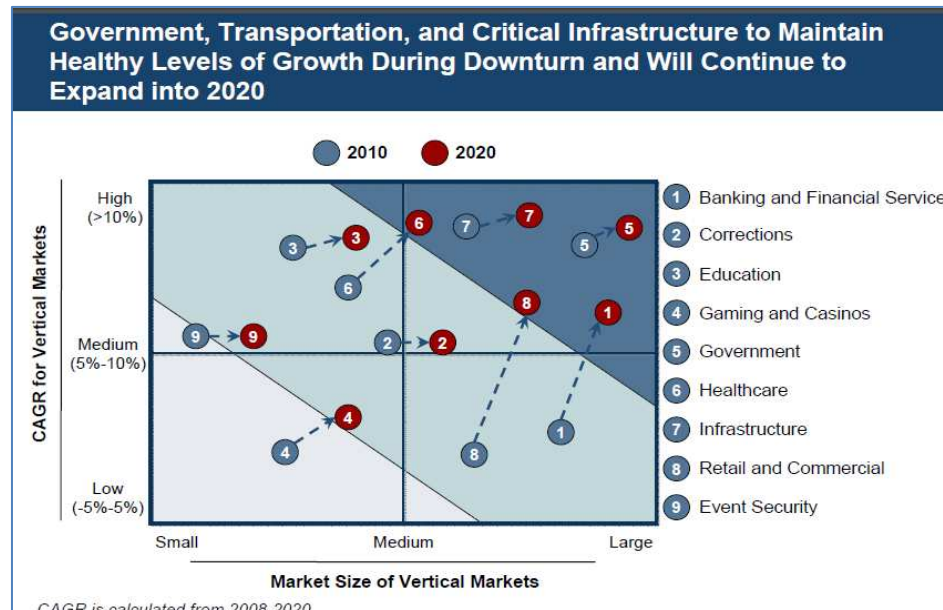
## TARGET VERTICAL MARKETS

According to Acuity Market Intelligence, an infrastructure to enable mainstream, ubiquitous biometric authentication will be deployed over the next ten years. Biometrics will be a fundamental embedded component in this infrastructure, and therefore in the digital world. It will become a key enabler of trusted transaction control – data access and flow – for personal, commercial, and government use. The emergence of this trusted transaction capability will be key in generating opportunities for revenue associated with deployment of biometric technologies. Ultimately the technology itself will become inconsequential as the applications it delivers become essential components of twenty-first century life.

By continuing to build a global network of partners, including leading system integrators, defense prime contractors and Original Equipment Manufacturers (OEM), NextgenID will continue to serve a broad range of markets including:

- Government
- Law Enforcement
- Military / Homeland Security / Critical Infrastructure
- Travel / Transportation
- Gaming
- Private Industry and
- Healthcare.

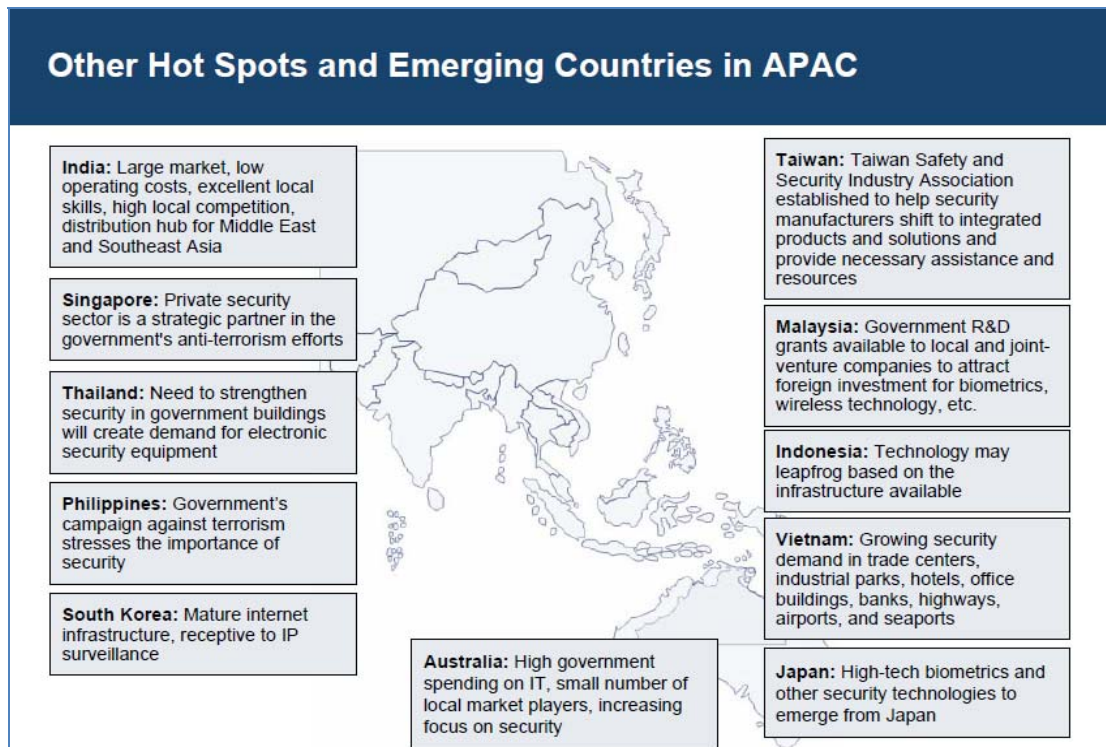
Customers in each of these markets have their own specific needs, mandates and requirements. NextgenID is capable of providing customers in each of these markets tailored biometric intelligence and Identity solutions. NextgenID’s three product lines; ID\*Capture, ID\*Watch and ID\*Access are able to meet or exceed the demands and requirements of these markets.



Security Market CAGR  
(2008-2020)  
Source: Frost & Sullivan  
Security Report

NextgenID’s technology and business focus is aligned with the growth markets even in a downturn market.

## Emerging International Market Opportunities in APAC



NextgenID is already established with customers, reference projects and partners in Philippines, Australia and Taiwan and has partners that are active in the other "hot" regions.

## MARKET OPPORTUNITY (High Growth)

There is a strong consensus in the industry that biometrics will become mainstream.. It is already used by tens of millions of people for personal, civil and commercial applications every day. To give a few examples, applications range from passports and ATMs to corporate network access and mobile phones, from the White Castle fast food chain and Picet & Cie Banquiers, a renowned Swiss bank, to the Denver Rapid Transit Department Treasury and nuclear power plants. Initial market penetration has been for Physical and Logical Access, Identification Services, and Surveillance applications. The most interesting and relevant question about the future of biometrics is not whether biometrics will prevail or even how quickly, but what is the path from today's effective but limited use, to what most industry experts agree and most privacy and civil liberty advocates fear is biometrics ultimate destiny: ubiquity.

The identity solutions industry is rapidly gaining commercial traction. According to recent industry forecasts, the biometrics market segment is expected to grow at a 40% CAGR Presently, this is a large, emerging high-growth market with no clear leader. There are strong stand alone technology offerings, but very few integrated multi-dimensional biometric intelligence solutions. This sector is also highly fragmented. It is a market that is ripe for technology convergence and industry consolidation.

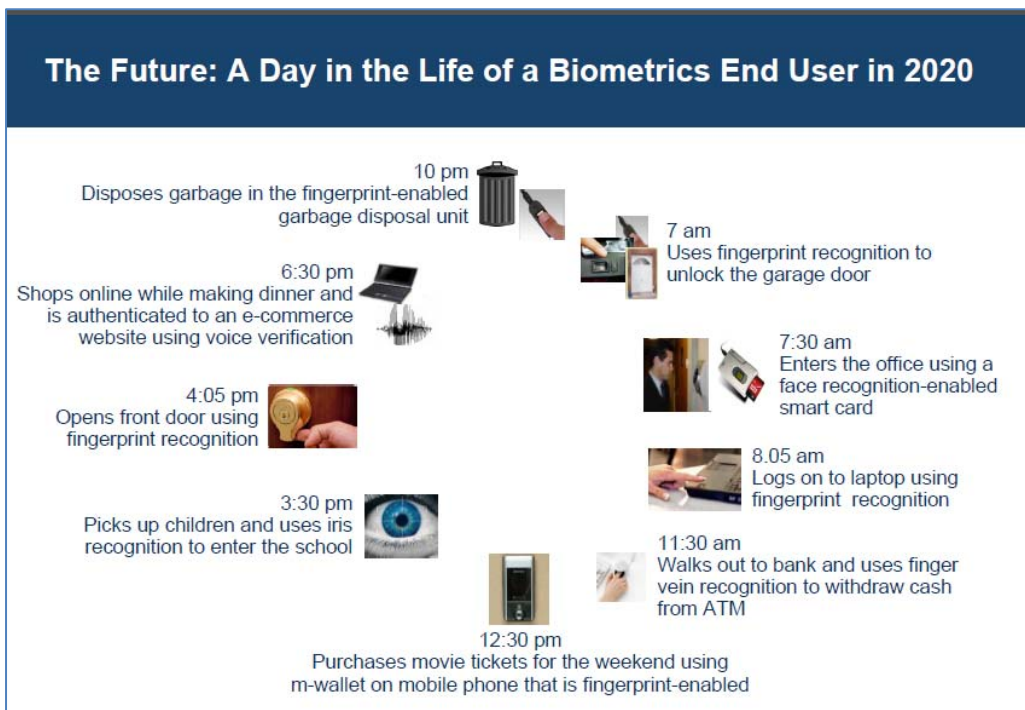
NextgenID is targeting opportunities that intersect Federal Government, State and Local Governments and commercial sectors.

The emerging market is driven by mandates such as the US Federal Agency identity requirements (FIPS-201) as well as other international and border initiatives. NextgenID is well positioned to address this market quickly and aggressively. Its solid foundation of partners, technologies, distributors, solutions and customers provide the base and wherewithal to become a growth leader as the market rapidly expands.

Much of this expansion is occurring in the US Government Identity and Homeland Security market. NextgenID is capable of meeting federal identity needs at all levels, from federal agencies and programs such as Homeland Security Presidential Directive 12 (HSPD-12), and passports and VISA's to federal mandates such as Transportation Workers Identification Card (TWIC), U.S. DoD Common Access Card (CAC), and Registered Traveler Program (RT).

The US State Government sector continues to grow dramatically well. Federal programs and mandates have been passed to the states. In addition, state specific programs such as Drivers License, Welfare programs (numerous), First Responders (FRAC) to name a few. States have the heaviest need to upgrade identity programs and, as such, bear the highest cost to create and implement such programs.

NextgenID's comprehensive end-to-end solutions directly address the high-growth identity market. NextgenID solutions identify people through biometrics, proofing, enrollment, processing, authentication and verification of identity data. NextgenID has positioned itself as a strategic partner with integrators so that it can participate in even the largest government procurements.



## Customer Pull – Growth Drivers

### National security

- Increased government-mandated biometric implementations for employees, citizens, and foreign nationals
- Further development of existing large scale programs including:
  - *US-VISIT*
  - *EU-VIS/Schengen Visa*
  - *Registered Traveler Program*
  - *Real ID*

### End-to-end Identity Management

- Increased interest in a solution that can provide personal authentication and authorization to secured resources

### Identity theft concerns

Increased utilization of wireless devices to access sensitive resources

## Industry Push – Growth Drivers

### Price-to-functionality Ratio

- Capture devices have developed better value propositions
- Increasingly include on-device quality controls, encryption, template generation, and matching

### Standardization

- Reduced reliance on proprietary hardware/software
- Increased interoperability across devices, algorithms, and systems

## Improved developer toolkits

### Increased involvement of established corporations

- IT companies
- Electronics manufacturers
- System integrators

## Key Programs Driving the Market

### Intelligence Reform Act

- Strengthens Visa & Passport requirements, biometrics in aviation security, document authentication

### REAL ID Act

- Increasing the standards for state drivers' licenses & identity proofing
- Information-sharing initiatives

**HSPD-12 / FIPS 201**

- Driving U.S. federal government agencies towards an interoperable, standard government ID credential standard

**Visa Waiver Program**

- Visa-Waiver countries have ePassports to enter the United States
- Accelerates the adoption of “smart” documents, biometrics & the use of advanced technologies in border crossing

**USA Patriot Act****International Standards**

- Organizations like ICAO & NIST have been driving standards for biometrics, smart cards, ePassport & other advanced technologies

**PIV, PIV-I and PIV-C (Personal Identity Verification, Interoperable, Contractor)****DoD CAC (Common Access Card)****US-VISIT**

- New identity technologies & processes will continue to be tested

**Registered Traveler**

- Airport driven effort, consortium of Airports, AAAE, service providers & TSA (RITC)

**TWIC—Transportation Workers Identification Credential****First Responder Credentialing**

- DHS leading initiative to develop credential for First responders
- *Individual states moving forward as well*

**AAMVA**

- OVD & DLA initiatives are gaining traction & will be accelerated by REAL ID

**Biometric Residence Permits 5 Country Co-Operation Agreement**

- US, Canada, UK, NZ and Australia agreement to co-operate in screening, biometrically registering and tracking foreign residents in their countries
- Foreign governments moving to implement programs



## Key Market Drivers by Program Budget

<b>Civil Identification</b>	• Real ID Act	\$1B
	• First Responder Credentialing	\$250-500M
	• Transportation Worker Identification Credential (TWIC)	\$250M
	• Registered Traveler	\$200M
	• HSPD-12/FIPS-201	\$500M
	• Criminal Backgrounds	\$2B
	• International IDs	\$2-5B
<b>Criminal Identification</b>	• Face Recognition, Information Sharing and Mobile Identification	\$1-2B
<b>Border Management</b>	• Worldwide Border Management Programs	
	• U.S. Passports	\$200M
	• US-VISIT	\$500M-1B
	• Global Initiatives	\$5-10B
	• e-passports, e-borders	
<b>Commercial Markets</b>	• Financial Institutions	\$2-5B
	• Health Care	\$1-2B

## Industry Challenges (Risk)

Dependence on Government programs

- Elongated procurement and sales cycles
- Indeterminate requirements

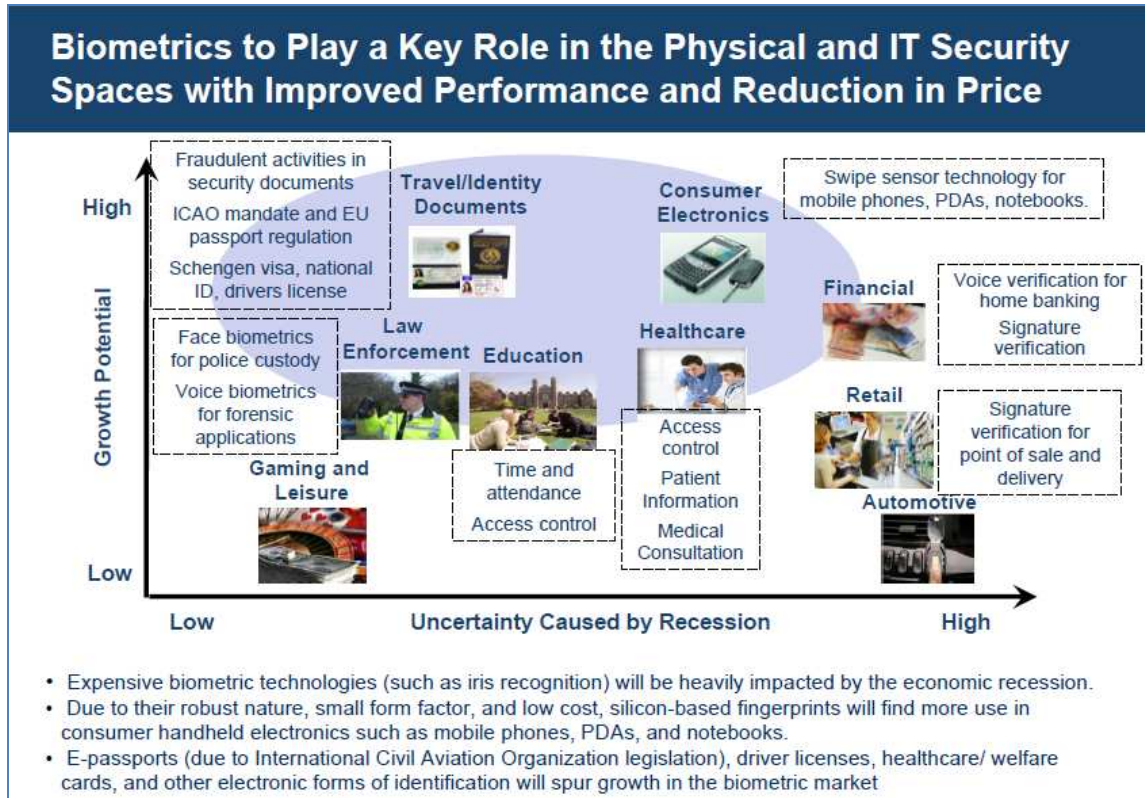
Difficulty demonstrating ROI in corporate applications

Competition from non-biometric technologies

- Tokens
- RFID
- Smart cards

Privacy Concerns

- Informational privacy
- Personal privacy



## CORPORATE STRATEGY

NextgenID delivers a full range of biometric intelligence products that solve the challenges associated with managing human identity in various applications. These offerings are the cornerstone for building comprehensive, turn-key identification and verification (ID) solutions.

NextgenID's strategy is to be at the forefront of major trends driving growth and change in the security and identity industry by leveraging its NextgenID LABS and Field Engineering Team to deliver complete solutions, which include people, process and technology, versus just shipping a product in a box. The increased market demand for biometric products will continue to drive the need for a complete and comprehensive solutions model.

This solutions model is the foundation of NextgenID's corporate strategy. NextgenID will deliver biometric intelligence solutions through the standard channels: Certified Dealers, Technology Partners, Global Channel Partners, select Government Contractors and OEMs. A large part of NextgenID's short term sales strategy and current sales pipeline involves the growing International Market, including in Europe and the Asia Pacific region. Successful implementations have been accomplished in the United States, UK, Canada, Australia, New Zealand, Taiwan, Philippines, Germany, Netherlands, Portugal, Poland, and the UAE. Although the domestic U.S. market will be a key focus for sales, NextgenID intends to take advantage of the "biometric bias" of the international marketplace. The international market currently accounts for over half of the NextgenID sales forecast and will continue to expand as new opportunities are explored.

In the short term, NextgenID is well positioned to capitalize on the biometrics and identity market as their three-tiered product line offers what the company considers one of the few comprehensive solutions model in the industry, scalable for use by organizations of all sizes and applicable to all global markets.

## CORPORATE STRUCTURE AND GOVERNANCE

NextgenID, Inc. is a Delaware Corp. and is a wholly owned subsidiary of Security Concepts Group, Llc. (SCG). SCG was formed in March of 2010 to finance and ultimately purchase the assets of CryptoMetrics, Inc., a company that entered into bankruptcy in 2010. SCG successfully completed a purchase of the stock of NextgenID, Inc., as well as that of CryptoMetrics Canada, Inc. from CryptoMetrics, Inc. in Q2 of 2011. Shortly after the purchase of the two entities, Nextgen ID Canada Inc. was formed as a wholly owned subsidiary of NextgenID, Inc. CryptoMetrics Canada was then merged into NextgenID Canada Inc. forming a common ownership of the operating assets under one company.

NextgenID is headquartered in San Antonio, Texas with satellite offices in Washington DC and Kansas City, MO. NextgenID Canada is located in Ottawa, Ontario, Canada. Combined staff for the two companies is around 20 full time employees and consultants. The Board of Directors of NextgenID has three members, while NextgenID Canada has a two member Board one of whom is a Canadian citizen. Danny W. Mills, the CEO of NextgenID, Inc. and President of NextgenID Canada is a member of both Boards. He is joined by Mr. Thomas O'Neill and Mr. John-Peter Bradford on the NextgenID Board and by Mr. John-Peter Bradford on the NextgenID Canada Board.

SCG, LLC. is a Delaware LLC and has under 10 investors. SCG has three managing members, Rolf Haenggi, Thomas O'Neill and Danny W. Mills. Mr. Mills also serves as President of SCG. SCG's ownership consists of individuals located in various parts of the world including the United States and Europe.

The bidding process in the bankruptcy culminated in SCG buying 100% of the stock in NextgenID, Inc. and CryptoMetrics Canada, Inc. (which now has been merged into NextgenID Canada Inc.). As partial consideration for the sale, SCG agreed to leave behind, for the benefit of the creditors and the equity holders of the Debtor (CryptoMetrics) what was defined as a "hope certificate". The hope certificate is basically a net profits interest in SCG in the event of a sale or disposition of all or the majority of the assets. The hope certificate gives the combined holders a 15% interest in all distributions and dividends, resulting from the sale of the assets of SCG, AFTER return of capital to SCG members. The hope certificate can be diluted based on any new funding for SCG.

Total capital infused into SCG since November of 2009 exceeds \$14mm USD. The investor group has a strong and ongoing commitment to SCG and its operating subsidiaries and has continued to be supportive, both financially as well as with their time, strategic guidance and network.

## MANAGEMENT

Nextgen ID has a strong management team, with the experience, industry knowledge and skill sets to grow the company into an industry leader. Management consists of a core group of employees who have been with the company for several years as well as a new group of executives recruited to guide and execute the corporate strategy. The management team has a wealth of experience in the biometric, security and identity industries, operating in most aspects of manufacturing and supplying of software, hardware and systems. Each member of the management team has been directly responsible for growing security or biometrics companies in the past to a position of major standing in their respective industries.

The following are biographies of the key members of the NextgenID management team.

### **Thomas O’Neill — Chairman of the Board**

Mr. O’Neill was a founding principal of Sandler + O’Neill, LP., a firm that provides investment banking, advisory, balance sheet management, brokerage and research services to financial institutions and their investors. He recently left Sandler O’Neill to join with Ranieri Partners, a large Private Equity and Fund Management Company based in New York. He serves on the Board of the Audit and Finance Committees for both the NASDAQ and the Archer Daniels Midland Company. Mr. O’Neill is also on the Board of Misonix, Inc., a publicly traded medical company.

### **John-Peter Bradford — Chairman –NextgenID- Canada**

Mr. Bradford is a founding Partner and CEO of Bradford Bachinski Limited (BBL) based in Ottawa, Canada. He brings over 40 years of experience helping companies raise money, build businesses, restructure, relate to the public markets and regulators, negotiate complex commercial arrangements, and merge or sell. His focus has been early stage and restructuring situations, having served as a CEO, “organizational doctor”, strategic advisor or board member. He has been a partner in three boutique merchant banks. He was a key advisor to a significant partner in the development of the Working Ventures Fund, a large capital pool in Canada; he was the founding CEO and Chair of MetroPhotonics Inc., a significant telecommunications component maker in the early 2000s; and, he has assisted in challenging restructurings He has served as board member and advisor to CryptoMetrics, CryptoMetrics Canada and NextgenID throughout their rebuilding process. Mr. Bradford’s governance experience includes membership on a number of boards, chairing a NASDAQ and Toronto Stock Exchange listed company, as well as serving on governance, human resources, audit and finance committees.

### **Danny W. Mills — Chief Executive Officer and President, Director**

Mr. Mills, has been engaged in the private equity and venture investing business since 1989. Prior to becoming a full time venture investor he ran the natural resource M&A practice for Hakman & Company, a small boutique investment bank in Burlingame, California. During his tenure he was personally responsible for over \$1 billion in transaction volume for the firm. From 1991 to 2000 Mr. Mills ran SATEx Investment Partners, a technology incubator that focused on early stage technology companies, assisting them in strategic and corporate development activities. He served as CEO of most of these companies during the initial stages and oversaw the exit of several of the companies through acquisition and public offerings.

Since 1999, he focused his efforts in the security industry, and has acted as the CEO of both public and private security companies. He has actively assisted in restructuring these companies through strategic

development, asset sales, acquisitions & mergers, capital financings, and other liquidity events. After acquiring Nextgen ID, Inc. in 2005 and selling the company to CryptoMetrics, Inc. in 2008, Mr. Mills joined some of the lead investors of CryptoMetrics to restructure the company and rebuild the technology. Mr. Mills along with other members of the team, took CryptoMetrics through bankruptcy and successfully completed the sale of the assets to the lead investor group. Today Mr. Mills is President of the investment holding company (SCG) as well as being President and CEO of Nextgen ID, Inc, the wholly owned operating subsidiary. Mr. Mills also serves on the board of Nextgen ID and its subsidiary, Nextgen ID-Canada. Mr. Mills also serves as a Director of a private company from his prior portfolio, Skydex Technologies, Inc., located in Denver, Colorado.

**Dario Berini — Chief Operating Officer**

Mr. Berini serves as Chief Operating Officer of NextgenID. Mr. Berini is focused on operating strategies and management to support the company's engineering, product development and sales mission. With more than 20 years experience in the biometric market including real-time mission critical systems, Mr. Berini has managed, developed and delivered adjunctive and standalone products to large complex, systems. Mr. Berini's industry experience includes energy, telecommunications, high technology, Federal and International Government, defense, finance, and healthcare with Unisys Corporation, a global technology system integrator. His experience within the security marketplace includes smartcards, logical and physical access, biometrics, encryption and key management, single sign-on, desktop control, and credentialing. Mr. Berini's biometric experience includes working with organizations, such as: Automated Fingerprint Imaging System (AFIS) a system managed by the Federal Bureau of Investigation (FBI), and the Commonwealth of Connecticut Biometric Welfare Systems.

**Mike Murphy — Chief Financial Officer**

Mr. Murphy is an experienced Chief Financial Officer and accountant having served as CFO in several public and private technology companies in the United States and Canada. He holds a BA in Economics and Law from Carleton University and is a Certified General Accountant (CGA). Mike has worked at a management level for the Canadian Air Transport Security Authority, and most recently was CFO of TireStamp Inc. He has taken company's public in US and Canada and brings industry specific financial knowledge as well as a reputation for sound financial management to NextGenID.

**Robert Bell — Vice President of Business Development**

Mr. Bell is a Professional Engineer with over 40 years of experience in business development and the sale, design, integration, deployment and support of large, complex solutions for governments and industry around the world. As Vice President of NextgenID, Inc. and its predecessor companies since 2004, Mr. Bell has led the business development and sales, and indirectly, the design, development and deployment of biometric systems and solutions for passport, visa, national ID and driver's license issuance and border control at airports, sea and land borders. These Projects have been completed or are in progress in the UK, Canada, the Netherlands, Portugal, the United Arab Emirates, the Philippines, Taiwan, New Zealand and Australia for the Ministries of Internal Affairs and Immigration and for Frontier Guards and National Police forces.

Throughout Mr. Bell's career he has identified market opportunities, built and executed successful business plans to penetrate the target the market and drive profitable results. Most of Mr. Bell's work has

been for international customers and with international partners and contractors from Europe, Asia Pacific, South America and Africa.

**Ilan Arnon — Vice President Technology Solutions**

Mr. Arnon has over 20 years experience in technology and systems development in the areas of biometrics, biomedical engineering, satellite remote sensing and telecommunications. Over the last 10 years, Mr. Arnon has focused specifically in face biometrics and has lead teams in the delivery of a wide range of face recognition solutions globally. As a systems and business solutions architect, he has worked with industry experts, specialist suppliers and customers in the field to engineer and deliver practical face recognition and multi-biometric solutions. Through this experience he continues to direct the technology and bridge the different skills and tools which are core to NextgenID's face biometrics business. Mr. Arnon has strong knowledge in software development, biometric algorithms, image processing and cameras. He holds a Master's degree in electrical and biomedical engineering from the University of Toronto.

**Brian Shimek — Vice President Engineering and Software Solutions**

Mr. Shimek brings over 20 years of software engineering and product development experience to his role at NextgenID. Mr. Shimek's responsibilities include managing the NextgenID LABS software engineering team in development of the company's cutting edge biometric and identity solutions. Mr. Shimek began his career in the aerospace industry developing computer based training software. He later joined an early stage San Antonio based call center processing company as Director of Information Systems where he was responsible for the development and implementation of several workforce automation systems. Mr. Shimek was the primary architect of a large scale telephony integration system, which resulted in significant productivity increases. Mr. Shimek joined NextgenID in 2002 and was the architect of the company's biometric access control products. Mr. Shimek has extensive knowledge in biometric based systems, identity based verification products and a deep understanding of the overall biometric industry. Mr. Shimek has worked in guiding the development of innovative product ideas for NextgenID's entry into the gaming industry. Mr. Shimek graduated from the University of Texas at San Antonio with Bachelor's degree in computer science.

**David Kuykendall — Director of Product Management**

Mr. Kuykendall has been in software and embedded hardware development for 23 years. He has developed OEM Building Access Control System software and Hardware for Wells Fargo, Diebold and ADT. He has designed and completed cryptographic communication software systems providing Tactical Remote Image Transmission for the United States Government, the Distributed Intrusion Detection System (DIDS) for the Air Force Information Warfare Center (AFIWC), digital medical image acquisition, storage and display systems for Image Data and E-Systems Medical. Mr. Kuykendall developed Encrypted Network Protocols and Remote Command Language Interfaces for Wheel Group; a computer network security company with the first commercial Intrusion Detection System (IDS) router later purchased by Cisco Systems. He has built out a country wide wireless mesh network as a community project. As the Chief Technology Officer at Exavera, he delivered an Asset Location system for a major hospital chain. His most recent task was as Project and Technical Lead on the development of an intelligence system comprised of command and control application software, communications intelligence gathering spyware and target infiltration for an International customer.

**Adam Erickson — Vice President of Sales**

Mr. Erickson is an expert in building leveraged sales channels both within the United States and internationally. Having lived much of his life outside of the United States, he has sold products and solutions in more than 40 countries. With a strong background in technology and distribution, Mr. Erickson has the ability to thoroughly understand the value proposition of a given solution and then turn it into a full international sales strategy to drive profitable revenue. Holding Executive positions in sales and marketing for multiple companies, Mr. Erickson has successfully introduced and sold complex technologies to the government, commercial and private sectors worldwide. In developing these markets he has worked to identify and deploy multiple innovative financing models such as Joint Ventures, BOO/BOT, OEM, and rental/leasing methods. Mr. Erickson is an alumnus of UCLA and The American School in Japan.

**Michael M. Garcia — Interim Vice President of Marketing**

Mr. Garcia has over 15 years of successful experience as a Marketing and Business Development Executive in the technology, cyber security and physical security industries. During this time, Mr. Garcia has served as Vice President of Marketing for Monitor Dynamics, a manufacturer of unified access control, video surveillance and intrusion detection products; Chief Marketing Officer for MDI, Inc., a publicly traded security systems holding company; Vice President of Marketing & Strategy for SecureInfo Corporation, a provider of cybersecurity solutions for government and Vice President of Sales & Marketing for Infocus network technologies. Mr. Garcia has provided consulting services for numerous successful start-up and high growth companies in the internet, technology and security space including Global Surveillance, Inc., RIC Corporation, CyberNet Force Technologies, CertiPath, Cardlab, Inc., and Evergreen Security.



## PRO FORMA FINANCIAL FORECASTS

### Revenue Projections

Table 1 on the following page summarizes management's projections for revenue for the years ending 2011 to 2015. The Company categorizes revenue for all of its product offerings into the three main categories;

- (1) Enrolment and Verification Solutions
- (2) Surveillance and Watchlist Solutions
- (3) Recurring Maintenance Revenue.

Each of these main categories is broken down into its component products as below;

#### **(1) Enrollment and Verification Solutions:**

##### **(a) Multi-Biometric Enrollment Kiosk (MBE) and related Software;**

Forecasted revenue from Kiosk sales is derived solely from domestic U.S. State government sales. Although other opportunities exist both domestically and internationally that could double the number of Kiosk sales, management feels that the domestic sales to the States will occur more rapidly and in a more predictable manner than other opportunities.

Unit sales in each State are forecasted based on the proportionate population of each State in relation to West Virginia, which is the first State to move towards the purchase and deployment of this fully integrated credentialing system. Initial requests from West Virginia are for 55 MBE units, with expansion opportunities to follow.

Full implementation in each State is estimated to take approximately three years from date of contract. The projections assume an initial, first year deployment of 5% of the total number of Kiosks needed for full implementation in each State. The remaining 95% of the Kiosks are assumed to be deployed evenly across the next three years.

Sales price per Kiosk is set at \$50,000 per unit for 2012 and 2013, with some price reduction thereafter resulting in a sales price of \$45,000 in 2014 and \$35,000 in 2015. Cost of Goods Sold in 2012 and 2013 is \$25,000 per unit, reducing to \$20,000 in 2014 and \$15,000 in 2015 as a result of both volume purchasing and manufacturing efficiencies. Gross margin percentage for 2012 and 2013 is 50%, growing to 56% in 2014 and 57% in 2015.

Our customer (TecSec) has identified, and is in pre-negotiation stages with other states including Texas, Florida, Pennsylvania, New Jersey, Virginia, Washington, Colorado, Hawaii and Wyoming. Forecasted revenues and their procurement start dates from these States are based on the number of units deployed as seen in Table 2.

Other States are expected to deploy the TecSec solution and are projected to deploy the Kiosk and related technology based on their populations. Table 3 shows the estimated sales and deployment schedule used to create the forecasted Kiosk revenue post the deployment of the named States in Table 2.

A total of 68% of the \$10.9M in 'Enrollment and Verification Solutions' revenue for 2012 is derived from Kiosk sales, with the balance coming from the company's other enrollment solutions. In 2013 and beyond, Kiosk sales represent 85% of the total 'Enrollment and Verification Solutions' forecasted revenue.

**(b) Face Image Capture (FIC) and Face Recognition Software (FRS);**

Forecasted revenue from FIC sales are derived from domestic customers, mostly government agencies (FEMA, DHS, State DMV's), and international customers, where they will be used for VISA issuance, police permitting, national, military and government ID biometric capture, election registration, financial transaction identity confirmation, border/immigration control and other credentialing and identification projects. The company has sales of over 500 FIC units, mostly in foreign jurisdictions and has a number of current requests for bid from other customers, both domestic and international.

The forecasted revenue for FIC and FRS sales is derived as a discounted success rate for sales in our existing pipeline, some of which have already been submitted for bid. Table 4 is an extract from the sales funnel, which illustrates the conservative nature of our forecast. Of the total submitted proposals of \$11.5M, the forecast is recognizing only \$4.9M or 39%.

The remaining revenue for FIC and FRS sales is derived from the FIC/FRS Pipeline used to estimate revenue primarily in the outlying years. Table 5 depicts the methodology and the numbers used to derive this revenue.

Sales price per FIC unit when combined with FRS has averaged over \$4,000 per unit. In this forecast, revenue per unit is primarily derived from the actual quotes to customers in the sales funnel (see Table 11 for the full Sales Funnel) and typically follows the set pricing from the Pipeline. Pipeline sales price per unit varies by type of sale, from a low of \$2,000 per unit for FIC only sales, to \$5,000 per unit for enterprise level deployments including FRS.

Cost of Goods Sold (COGS) for FIC unit hardware is 55%. FRS software combines our Face Recognition Software with some third party matching algorithms. COGS for FRS software is, therefore lower, at approximately 33% varying slightly based on the size of the client's database. Overall Gross margins on FIC/FRS sales average around 50%.

A total of 32% of the \$10.9M in 'Enrollment and Verification Solutions' revenue for 2012 is derived from FIC and FRS sales, with the balance coming from Kiosk sales. In 2013 and beyond, FIC and FRS sales represent 15% of the total 'Enrollment and Verification Solutions' forecasted revenue.

## (2) Surveillance and Watchlist Solutions:

### Face Lookout System (FLS);

Forecasted revenue from FLS systems is derived from a combination of known and currently bid projects in the funnel at a discounted rate for sales success, as well as forecasted sales in the pipeline.

Table 6 is another extract from our Sales Funnel that shows potential FLS sales of \$10.4M, weighted by an average success rate of a conservative 40%. This yields weighted sales of \$4.2M for 2012 to 2014.

Demand for sales quotes and bids for the FLS remain strong. Based on this demand, Table 7 is attached that reflects the methodology used for the remainder of the forecasted sales from FLS.

Sales price per camera varies depending on the size of the project involved. Small systems do not require the extensive hardware configurations of large and enterprise systems, thus can be supplied at a lower price of \$2,000 per camera. Large systems that NextGenID would typically install in stadiums, conference centers and other large venues require a more substantial infrastructure to support matching from larger databases and data streams from a significant number of cameras. Some professional services are required to tailor and customize the solution to the environment. These factors reflect in an increased sales price of \$7,000 per camera. For extremely large enterprise level sales, the infrastructure required can be used by a greater number of cameras. These types of projects also allow significant volume pricing reductions. Price per camera in these enterprise level systems is therefore resultantly lower at \$4,000 per camera.

COGS in FLS systems is comprised of a combination of professional services, labor cost, cameras and related camera control hardware, significant software and in the case of large and enterprise solutions, a large number of powerful computers. In the case of a large 100 camera type sale for \$700K, the camera capture units would sell for \$397K, cost \$226K, deriving a GM of 43%. Central and Branch server hardware would sell for \$55K, cost \$44K, deriving a GM of 20%. Most of the software for the branch and central server is NextGenID software; however operating system software and third party matching software are also included. As a result, software sales price would be \$105K, with a cost of \$47K, yielding a margin of 55%. Professional services for a project of this size are estimated to be \$150K with a GM of 50%. Overall, the project would have a sales price of \$700K, COGS of \$390K yielding a project GM of 45%.

## (3) Recurring Maintenance Revenue:

Each project at NextGenID produces a recurring revenue stream for software support and product maintenance. Pricing for maintenance services is priced at standard and typical rates based on a percentage of gross cost. NextgenID's policy is to push the customer to depot maintenance on hardware, due to the expensive nature of replacement equipment and to push the customer to an extended maintenance and service agreement for software. Each case is different and in some cases, especially in government sales, extended warranties are required as a part of the bid process.

**Expenses:****Wages and Labor related Expenses (see Table 8):**

In 2011 there are a total of 20 employees and consultants located in our offices in San Antonio, Texas, Washington, DC, and Ottawa, Canada. In each of 2012, 2013 and 2014, the forecast has an increase of four persons each year. Additional staff will be required for sales positions as well as additional technical sales support in order to drive the forecasted revenue. One person will be added in administration and the remainder will be an expansion of the technical team required to deliver NextGenID solutions.

Sales Commissions on Kiosk and other product related sales is 2% of the respective gross sales figures.

A bonus was awarded to all employees in 2011 in recognition of their hard work in building the Company. Bonus in future years is yet to be determined or approved by the Board of Directors, thus the Bonus, if any, will be based on sales success.

In many instances, management believes that it can attain the labor services it requires without long-term employer / employee relationships. When this is the case, the Company makes use of Contract Labor and Consulting services.

Legal and Professional fees includes the cost of accounting services for the filing of annual tax returns as well as general legal services for normal business items such as patent protection and trade name registration.

**Rent and Office related Expenses (see Table 9):**

Rent for the Canadian office is about \$6,500 per month including heat, hydro and water. A small allowance has been made to cover rent increases in Canada over the 2012 to 2014 period. Rent for the US office in San Antonio averages \$3,800 per month including utilities in 2011. The rent will increase in 2012 to 2014 to an estimated \$4,500 per month as the space required to house the new employees increases.

Communications and Connectivity includes land-line telephone, cellular communications and internet connectivity. The San Antonio and the Ottawa office currently cost approximately \$2,000 per month. This is anticipated to grow proportionately with the increased employment in 2012 to 2014.

Miscellaneous office expenses include, office cleaning, office supplies, postage and courier charges, security monitoring etc. This is expected to increase proportionately with the increased employment in 2012 to 2014.

Expanded marketing efforts are forecasted for 2012 and subsequent years, through targeting marketing campaigns implemented with the assistance of professional marketing firms. Management believes that this is required to drive the forecasted sales.

Insurance expense covers the costs of Commercial Liability insurance for the San Antonio and the Ottawa office, as well as Directors and Officers insurance.

Travel and entertainment expense is expected to increase significantly in conjunction with increase sales efforts globally.

Research and Development expense is anticipated to rise as NextGenID begins the engineering required to move production of the kiosk and other products to outside contract manufacturers. Significant increases in costs will also occur in software development , with monies going toward customization of our solutions to meet specific customers' needs. Contingency expense is 5% of the total expenses.

**Extraordinary and Non-Cash Expense Items (see Table 10):**

Extraordinary expense in 2011 relates to restructuring charges and expenses.

Amortization for 2011 was \$216,381 and is forecasted as \$439,835 per year in 2012 to 2014

**Table 1-Revenue Forecast Detail by Product Group**

<b>NextGenID Forecasted Revenue (Commercial Confidential Draft)</b>									
	Q1	Q2	Q3	Q4	2011	2012	2013	2014	2015
<b>Revenue</b>					<i>All values in USD</i>				
Enrolment and Verification Solutions	155,341	11,769	87,066	180,800	434,976	10,946,050	33,305,991	68,839,482	82,874,414
Surveillance and Watchlist Solutions	4,653	29,682	-	87,000	121,335	5,445,500	8,187,500	15,600,000	26,400,000
Maintenance	15,138	33,000	29,378	35,200	112,716	168,757	2,135,743	7,048,205	17,180,943
<b>Total Revenue</b>	<b>175,132</b>	<b>74,451</b>	<b>116,445</b>	<b>303,000</b>	<b>669,028</b>	<b>16,560,307</b>	<b>43,629,234</b>	<b>91,487,687</b>	<b>126,455,356</b>

**Table 2 Extract from NextgenID Sales Funnel for MBE Kiosk**

	2012	2013	2014	2015
<b>TecSec Pipeline to States</b>				
Texas	32	127	222	285
Florida	24	97	170	219
Pennsylvania	19	75	131	168
New Jersey	13	51	90	115
Virginia	11	43	75	97
Washington	9	36	63	81
Colorado	7	26	46	59
Hawaii	2	7	13	17
Wyoming	1	3	5	7
<b>Totals</b>	<b>118</b>	<b>465</b>	<b>815</b>	<b>1,048</b>

**Table 3-Extract from NextgenID Sales Pipeline for MBE Kiosk**

<b>TecSec Pipeline to States</b>	2012	2013	2014	2015
Tier 1 State		23	93	162
Tier 1 State		23	93	162
Tier 2 State		9	37	64
Tier 2 State		9	37	64
Tier 3 State		6	24	42
Tier 3 State		6	24	42
Tier 4 State		1	5	9
Tier 1 State			23	93
Tier 1 State			23	93
Tier 2 State			9	37
Tier 2 State			9	37
Tier 3 State			6	24
Tier 3 State			6	24
Tier 4 State			1	5
<b>Totals</b>	<b>-</b>	<b>78</b>	<b>391</b>	<b>858</b>

**Table 4-Extract from NextgenID Sales Funnel for FIC/FRS**

NEXTGENID - Sales Funnel							
Customer	Project	Gross \$,000	Weighted Sales (F*P)	2012	2013	2014	Prob. of Win %
eXtend / VSP	Philippines NBI	5000	2500	1250	1250		50%
TecSec	DHS	1450	725	725			50%
HP	Citizenship & Immigration Canada (CIC)	1300	260	52	52	52	20%
TecSec	CIA	1100	880	151	176	176	80%
TecSec	FEMA through C2HM Hill	735	147	147			20%
ACS	Louisiana OMV	663	166	166			25%
Unisys	Citizenship & Immigration Canada (CIC)	220	44	8.8	8.8	8.8	20%
TecSec	FEMA through C2HM Hill	72.5	36.25	29			50%
WEI	American Samoa Phase 3 FR, Doc Auth.	50	37.5	37.5			75%
WEI	Alaska FR	400	80	80			20%
WEI	NC DHHS - Trial	50	20	20			40%
WEI	NC DHHS - Implementation	484	72.6		72.6		15%
<b>Totals</b>		<b>11,525</b>	<b>4,968</b>	<b>2,666</b>	<b>1,559</b>	<b>237</b>	<b>39%</b>

**Table 5-Extract from NextgenID Sales Pipeline for FIC/FRS**

FIC / FRS Pipeline					
		Number of Systems			
		No of Cameras per System			
		2012	2013	2014	2015
Small Deployments excl. FRS	100	2	4	7	11
Small Deployments incl FRS	100	1	2	3	5
Large Deployments incl FRS	400	0	1	2	2
Enterprise Deployments incl. FRS	1000	0	0	0.5	1
		Revenue Pipeline			
		2012	2013	2014	2015
Unit Price					
Small Deployments excl. FRS	\$ 200,000	\$ 400,000	\$ 800,000	\$ 1,400,000	\$ 2,200,000
Small Deployments incl FRS	\$ 400,000	\$ 400,000	\$ 800,000	\$ 1,200,000	\$ 2,000,000
Large Deployments incl FRS	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 4,000,000	\$ 4,000,000
Enterprise Deployments incl. FRS	\$ 5,000,000	\$ -	\$ -	\$ 2,500,000	\$ 5,000,000
		<b>\$ 800,000</b>	<b>\$ 3,600,000</b>	<b>\$ 9,100,000</b>	<b>\$ 13,200,000</b>
Typical project includes cameras, lights, face capture software and FRS Small Deployment, no FRS - Medicaid deployments Small deployments - small state DMV, Visa Issuance, border control. Medium deployment - large state DMV, Enterprise deployment - large country border, visa.					

**Table 6-Extract from NextgenID Sales Funnel for FLS Opportunities**

NEXTGENID - Sales Funnel							
Customer	Project	Gross \$,000	Weighted Sales	2012	2013	2014	Prob. of Win %
3M Chile	FLS & Cameras for Stadium Security	636	<b>318</b>	318			50%
Bally	V22/22 Cabinet Cameras	175	<b>52.5</b>	52.5			30%
3M	Malaysia Police	150	<b>37.5</b>	37.5			25%
iWatch	Philippines MRT/LRT Demo	87	<b>87</b>				100%
iWatch	Philippines MRT/LRT Roll-out	6000	<b>3000</b>	1000	1000	1000	50%
eXtend	Philippines Immigration	600	<b>300</b>	300			50%
Saudi	Saudi Arabia - Gov't	500	<b>100</b>	100			20%
Polish Soccer Federation	Euro 2012	120	<b>90</b>	90			75%
Bally	V22/22 Balance of order	1875	<b>187.5</b>		187.5		10%
3M	Nepal Border Control	100	<b>25</b>	25			25%
3M	Thai Border Control	50	<b>12.5</b>	12.5			25%
eXtend	Philippines Immigration	200	<b>50</b>	50			25%
<b>Totals</b>		<b>10,493</b>	<b>4,260</b>	<b>1,986</b>	<b>1,188</b>	<b>1,000</b>	<b>40%</b>

**Table 7-Extract from NextgenID Sales Pipeline for FLS Opportunities**

<u>FLS Pipeline</u>					
Type		Quantity			
		2012	2013	2014	2015
Small (Retail) - 10 Cameras		3	10	50	100
Large (Stadium, Hotel, Conf. Center) - 100 Cameras		2	4	8	12
Enterprise (Casino, Police, Surveillance) - 1,000 Cameras		0.5	1	2	4
System Price		2012	2013	2014	2015
\$	20,000	\$ 60,000	\$ 200,000	\$ 1,000,000	\$ 2,000,000
\$	700,000	\$ 1,400,000	\$ 2,800,000	\$ 5,600,000	\$ 8,400,000
\$	4,000,000	\$ 2,000,000	\$ 4,000,000	\$ 8,000,000	\$ 16,000,000
		<b>\$ 3,460,000</b>	<b>\$ 7,000,000</b>	<b>\$ 14,600,000</b>	<b>\$ 26,400,000</b>



**Table 8-Wage and Labor Related Expenses**

	2011	2012	2013	2014
<b>Wages</b>				
Canada	885,750	940,000	1,034,000	1,085,700
US	865,898	1,340,000	1,914,000	2,449,700
Commission on Kiosk	11,200	218,921	666,120	1,376,790
Commission on all sales (excluding Kiosk)	10,815	112,285	207,917	452,964
Bonus	81,500	-	-	-
Contract labor	98,907	180,000	270,000	405,000
Consulting	236,500	150,000	150,000	225,000
Legal & Professional fees	45,138	100,000	125,000	187,500
<b>Total</b>	<b>2,235,708</b>	<b>3,041,206</b>	<b>4,367,037</b>	<b>6,182,654</b>

**Table 9-Rent and Office Related Expenses**

	2011	2012	2013	2014
<b>Rent</b>				
Canada	77,390	80,000	84,000	88,200
US	46,429	70,000	144,000	158,400
<b>Communication &amp; connectivity</b>				
Canada	23,898	24,000	30,000	32,000
US	8,461	22,000	27,500	34,375
<b>Misc other office</b>				
Canada	31,056	24,000	20,000	20,000
US (includes \$4K of equipment in Q1)	24,413	22,500	33,750	50,625
Marketing	62,570	100,000	125,000	156,250
Insurance	24,668	26,000	15,000	18,750
Travel & Ent.	94,412	300,000	360,000	378,000
Research & Development Exp*	373,325	700,000	1,400,000	2,100,000
Contingency	30,000	372,546	548,666	770,095
<b>Total</b>	<b>796,621</b>	<b>1,741,046</b>	<b>2,787,916</b>	<b>3,806,695</b>

**Table 10-Extraordinary and Non-Cash Items**

	2011	2012	2013	2014
<b>Extraordinary expense</b>	<b>1,048,787</b>	-	-	-
<b>Amortization and Non-Cash Items</b>	<b>216,381</b>	<b>439,835</b>	<b>439,835</b>	<b>439,835</b>

**Table 11 NextgenID Sales Funnel**

Customer	Project	Gross Revenue	Sales Status
<b>Proposals Submitted</b>			
eXtend / VSP	Philippines National Bureau for Investigation (NBI) Identity system	\$ 5,000,000	Proposal submitted through VSP.
TecSec	DHS	\$ 1,450,000	TecSec proposal submitted and awaiting response
HP	Citizenship & Immigration Canada (CIC)	\$ 1,300,000	Bid submitted. Proof of Bid expected in Sept.
TecSec	CIA MBE Kiosks	\$ 1,100,000	CIA requested sole source TecSec Proposal submitted and at third tier of review and approval. We are in the dark period and unable to contact the CIA for further updates or information.
TecSec	FEMA FIC Units through C2HM Hill	\$ 735,000	Proposal submitted for subsequent order of 50 if first 5 meet requirements.
ACS	Louisiana OMV	\$ 663,000	Proposal submitted Dec 21, 2010. Scheduled award Feb 2011. ACS have nothing to report as of July 11.
3M	Chile - FLS & Cameras for Stadium	\$ 636,000	Proposal Submitted
Unisys	Citizenship & Immigration Canada (CIC)	\$ 220,000	Bid submitted. Proof of Bid expected shortly.
Bally	V22/22 Cabinet Cameras	\$ 175,000	Proposal Submitted for NRE to develop camera
3M	Malaysia Police FRS	\$ 150,000	Proposal submitted
iWatch	Philippines MRT/LRT FLS Initial Deployment @ 2 Stations	\$ 87,000	Contracts signed. Delivery in August/September
TecSec	FEMA FIC units through C2HM Hill	\$ 72,500	Proposal submitted for an initial order of 5 units
WEI	American Samoa Phase 3 FR, Doc Auth.	\$ 50,000	First phases complete, FR & doc authentication will be for late this year or early next year.
		<b>Total</b>	<b>\$ 11,638,500</b>
<b>Proposals to be Submitted in balance of 2011</b>			
iWatch	Philippines MRT/LRT Roll-out for remaining stations	\$ 6,000,000	Will follow successful trial, perhaps late this year
WEI/Alphan./ACS	California Medicaid	\$ 3,000,000	Requested 2nd demonstration for August. ACS have contract vehical in place so may not have to be competed. Still early in sales cycle.
TecSec	West Virginia - State MBE Kiosks	\$ 2,850,000	RFP issued. Bids close 30 August. Demo as early as 7 September.
eXtend	Philippines Immigration	\$ 600,000	VIMS program now back on priority
Saudi	Saudi Arabia - Gov't - Ritz	\$ 500,000	Trip planned shortly
WEI	Alaska FR	\$ 400,000	Expect RFP in October
Orange	Euro 2012	\$ 120,000	Partner trying to include NextgenID technology in scope of current contracts.
WEI/Alphanumerics	NC DHHS - Trial	\$ 50,000	Expect RFP in September
		<b>Total</b>	<b>\$ 13,520,000</b>
<b>Proposals to be Submitted in 2012</b>			
Bally	Balance of V22/22 cabinet order	\$ 1,875,000	Proposal submitted based on new camera meeting requirements
WEI/Alphanumerics	NC DHHS - Implementation	\$ 484,000	Uncertain if separate rfp required after successful trial.
eXtend	Philippines Immigration	\$ 200,000	Original ICU program back in play
3M	Nepal Border Control	\$ 100,000	Working on spec
3M	Thai Border Control	\$ 50,000	Working on spec
		<b>Total</b>	<b>\$ 2,709,000</b>
<b>Large Opportunities - Revenue Estimates Pre-Mature</b>			
TecSec	USPS	\$\$\$\$	USPS is in financial trouble and unable to legislate itself into a position to leverage the system nationwide. USPS still has interest to move but unable in current condition.
TecSec	Next 4 States	\$\$	Virginia, Texas, New Jersey & Colorado following West Virginia
TecSec	Other States	\$\$\$	Will follow leading states in common government issued card
WEI/AlphaNumerics	Medicaid system for other states	\$\$	Could follow NC and California
Bally	Responsible Gaming App	\$\$	Bally promoting. No first customer identified.
Bally	Table Gaming Cameras + sw	\$	NGID software delivered for integration. Bally integration continues. G2E Show should yield paying customers
Bally	Biometric Locks	\$\$	Opportunity to provide biometric locks for games
Bally	Advertising Cameras + Sw	\$	NGID software delivered. Cool-Signs integration in progress
TecSec	US Army and Marines CAC	\$\$	Current budget stripped away for other DOD uses
TecSec	Veteran's Affairs	\$\$	On-hold - budget issues
TS&S	Brazil World Cup, Olympics, Visa, National ID camera and FR components	\$\$	Next presentation to customer in September
Orange	European Football Stadiums	\$\$	First comes Euro 2012
<b>Annual Maintenance Contracts</b>			
HP	Taiwan FRS Maintenance & Support	\$ 49,000	Annual maintenance to bestarting Jan 2013. Annual Support \$7500 to be charged starting 2012.
Unisys	Queensland Maintenance	\$ 44,000	Anticipate annual retainer plus awards against schedule of prices. Retainer likely \$30k plus. Contract wording being negotiated.
HP	Taiwan Phase 1 Maintenance	\$ 15,932	Annual support \$7,500, annual maintenance \$8,432 for year 4 is proposed to be payable 1 Sept 2011
NZ DIA	NZ IPLS and VisPro-ware Annual Maintenance	\$ 15,000	Annual maintenance charged until system is retired. Invoice in March for year starting April 2012
HP	NZ DIA VisPro-ware Maintenance	\$ 5,025	Maintenance for year 3 for VisPro-ware \$5,025
		<b>Total</b>	<b>\$ 128,957</b>

**Table 12 NextgenID Forecasted Profit and Loss Statement for 2012 to 2015**

		Pro forma consolidated P&L For the years ending December 31, 2011-2012-2013-2014				
		Forecast	Forecast	Forecast	Forecast	Forecast
		2011	2012	2013	2014	2015
<b>Revenue</b>		<b>669,028</b>	<b>16,560,307</b>	<b>43,629,234</b>	<b>91,487,687</b>	<b>126,455,356</b>
COGS		519,270	9,128,896.57	21,661,762.84	40,602,034.49	53,665,531.53
<b>Gross Profit</b>		<b>149,757</b>	<b>7,431,411</b>	<b>21,967,471</b>	<b>50,885,652</b>	<b>72,789,825</b>
	<b>GM%</b>	22%	45%	50%	56%	58%
<b>Expenses</b>						
Wages						
Canada		885,750	940,000	1,034,000	1,085,700	1,139,985
US		865,898	1,340,000	1,914,000	2,449,700	3,012,185
Commission on Kiosk		11,200	218,921	666,120	1,376,790	1,657,488
Commission on all sales (excluding Kiosk)		10,815	112,285	207,917	452,964	871,619
Bonus		81,500	-	-	-	-
Contract labor		98,907	180,000	270,000	405,000	607,500
Consulting		236,500	150,000	150,000	225,000	337,500
Legal & Professional fees		45,138	100,000	125,000	187,500	206,250
<b>Total</b>		<b>2,235,708</b>	<b>3,041,206</b>	<b>4,367,037</b>	<b>6,182,654</b>	<b>7,832,527</b>
<b>Rent</b>						
Canada		77,390	80,000	84,000	88,200	92,610
US		46,429	70,000	144,000	158,400	174,240
<b>Communication &amp; connectivity</b>						
Canada		23,898	24,000	30,000	32,000	33,600
US		8,461	22,000	27,500	34,375	42,969
<b>Misc other office</b>						
Canada		31,056	24,000	20,000	20,000	20,000
US (includes \$4K of equipment in Q1)		24,413	22,500	33,750	50,625	63,281
Marketing		62,570	100,000	125,000	156,250	195,313
Insurance		24,668	26,000	15,000	18,750	23,438
Travel & Ent.		94,412	300,000	360,000	378,000	396,900
Research & Development Exp*		373,325	700,000	1,400,000	2,100,000	2,625,000
Contingency		30,000	372,546	548,666	770,095	966,620
<b>Total</b>		<b>796,621</b>	<b>1,741,046</b>	<b>2,787,916</b>	<b>3,806,695</b>	<b>4,633,970</b>
<b>IIOI</b>		<b>(646,864)</b>	<b>5,690,365</b>	<b>19,179,555</b>	<b>47,078,957</b>	<b>68,155,855</b>
<b>Extraordinary expense</b>		<b>1,048,787</b>	-	-	-	-
<b>III after Extraordinary items</b>		<b>(1,695,652)</b>	<b>5,690,365</b>	<b>19,179,555</b>	<b>47,078,957</b>	<b>68,155,855</b>
<b>Amortization and Non-Cash Items</b>		<b>(216,381)</b>	<b>(439,835)</b>	<b>(461,827)</b>	<b>(484,918)</b>	<b>(509,164)</b>
<b>III</b>		<b>(1,912,032)</b>	<b>5,250,530</b>	<b>18,717,729</b>	<b>46,594,039</b>	<b>67,646,691</b>
<b>Net Margin %</b>		<b>0%</b>	<b>32%</b>	<b>43%</b>	<b>51%</b>	<b>53%</b>