



Virtual Doxx High Level Overview

Virtual Doxx Corporation develops software using Java and Open Source tools. The software is primarily aimed at physical and electronic document management, but is also well suited for 'item' management across numerous categories, such as assets, weapons, evidence, technical media and the like. The software has the following key components:

- Virtual Labels (www.filelabel.com) is primarily used for printing file folder labels, including color-coding, bar code and text. Labels can also be printed to index any type of item (asset, shelves, inventory, etc.) or otherwise to print any kind of label, badge, etc. that an organization may need to print. Finally, with an eye towards business process reengineering, Virtual Doxx enables the printing of individual electronic forms (like an employment application) and/or groups of eForms based on 'type of transaction' (like homeowners insurance application versus life insurance application). The core functionality is to print labels to originate new file folder records (medical record, HR record, claim record, vendor file, etc.) and to enable organizations to transition from physical to electronic forms for performing business transactions;
- Virtual Doxx at its core is a content management system that blends the management of physical and electronic records, including the following schema:
 - transaction
 - record
 - logically related group of documents (progress notes, lab results, etc)
 - an individual document (a specific lab result 1 or multi-page document, etc.)
 - an individual page within a multi-page document

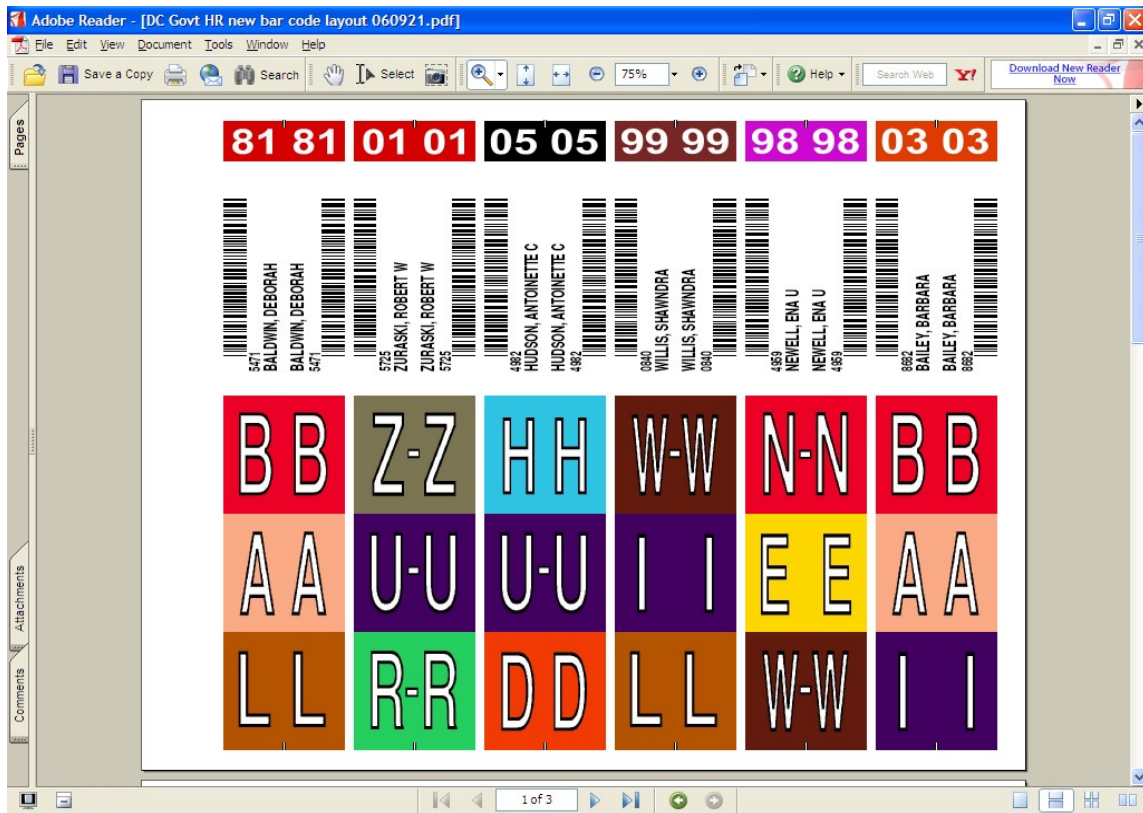
Virtual Doxx allows a database record to be created (and a label printed) for each new physical record, manage the record's retention based on business rules (auto-calculate archive and destruction dates), keep track of record locations using bar codes or RFID technology (track files as they move in and out of a file room and/or among staff) and maintain a detailed chain-of-custody history of all instances related to a record. The software also leverages eForm capabilities to enable customers to create electronic forms and route them through workflow steps to eliminate the need for paper documents/forms that must be manually processed and or digitized 'after the fact'. Finally, Virtual Doxx allows documents to be scanned/digitized and 'office documents' both to be saved in the database (as a blob) or in a directory pointed-to from and linked to the database record.

State of the Software

Virtual Labels:

Virtual Labels is largely in a finished state and meets the needs 'as is' of 99% + of our

prospective customers. However, there are minor enhancements that should occur over time. As to designing labels, it is currently a somewhat laborious process, and it is highly desirable to develop a graphical design tool in the near future. Virtual Labels is sold to resellers (more on this subject to follow) for around \$200.00, so is of minimal profit and revenue. However, one of our flagship products is the labels that are used in conjunction with the software...which almost 100% of our resellers (and their end users) purchase through Virtual Doxx Corporation. Profit margins on labels approximate 63%, which is excellent. This year we will sell approximately 2 million labels. Below is what a printed sheet of labels looks like (label layout/design customized for each customer/applications):

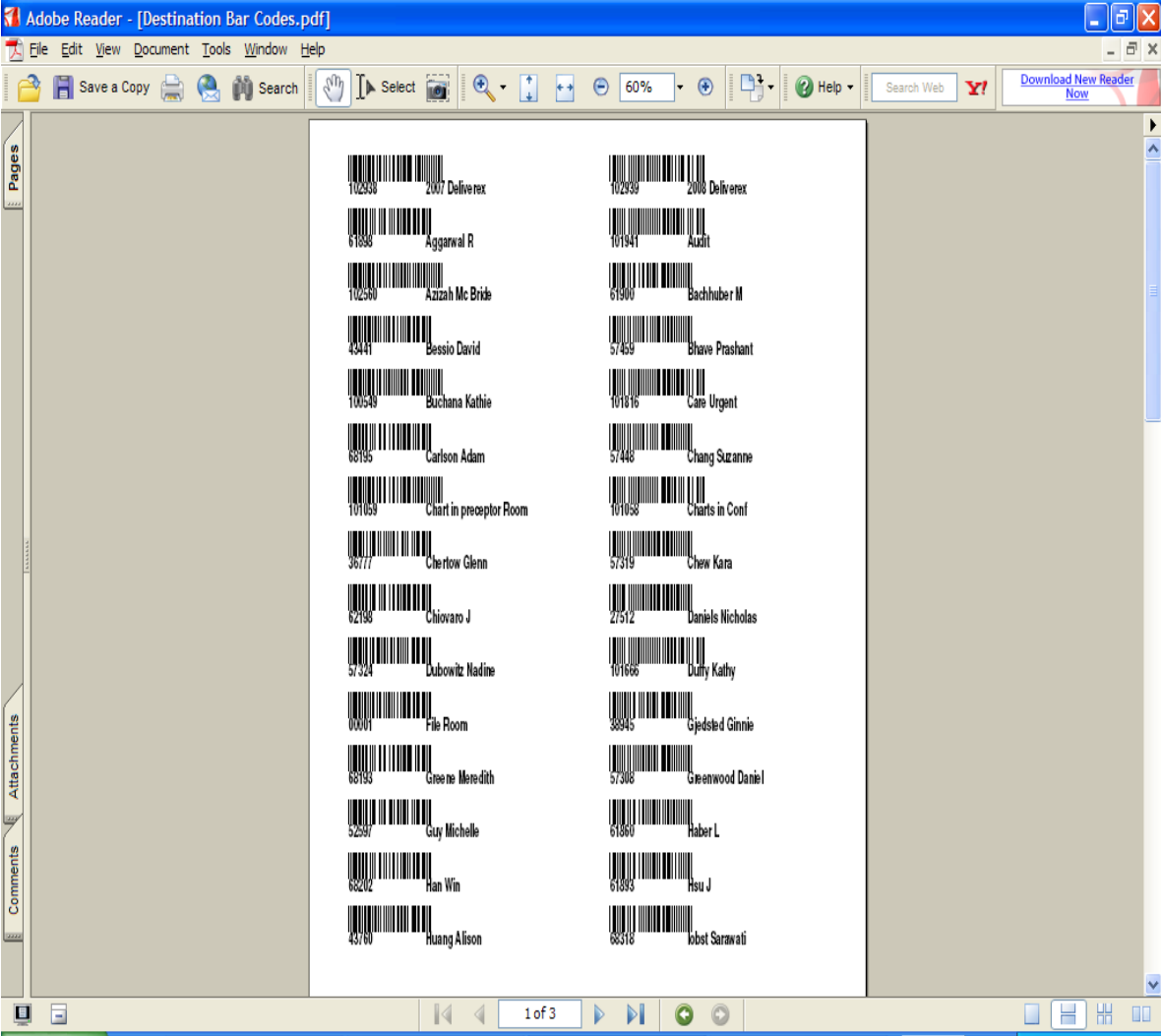


File System 101

Filing systems (like you see at a doctor's office) use color to make filing fast and to control misfiles. A file always has a primary index, just like database records always have a unique identifier. A file folder's primary index is almost always a name or a number. Color-coding works by assigning a unique color to each letter A – Z and each digit 0 – 9, and placing color blocks on the folder label keyed to the first few letters of a name (like patient or employee last name or vendor primary name) or the digits of a # (like medical record or employee or policy #). Virtual Labels/Doxx can use an existing numeric identifier, or assign a sequential record #, for printing of a bar code on the label. Finally, there are typically secondary indexes like file type, SS #, date-of-birth and the like printed as text fields (and/or as 'designation color bars').

Most of our customers use our software to print a label or tag for indexing an item that includes a bar code, and more and more of our clients are using our software with bar codes and/or RFID labels to keep track of record locations. Bar coding is simple at core:

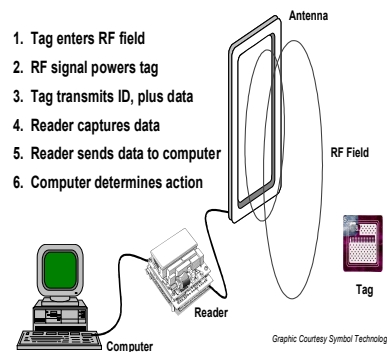
when a file is going to leave the file room, scan with a bar code reader the label on a file folder and then scan a 'destination' bar code...and the computer keeps track of where files are going at all times.



RFID uses radio waves rather than 'line of sight' bar code reads to keep track of the locations of files or other items. Fixed readers / antennas can be placed above ceiling tiles, at doorways or any 'choke point' so the computer knows where files are and where they have been. Portable readers allow records/items to be inventoried, or a missing item's identifier can be input to the reader and will beep when close to the item.



RFID Technology



Virtual Doxx:

Virtual Doxx (Vdoxx) is in a highly dynamic development cycle and will be indefinitely. The core physical records management functionality is largely in place and well suited for 80%+ of our prospective customers 'as is'. With that said, our primary focus of R&D and enhancement to Vdoxx is integration of RFID technology for physical records/item management. Workflow and document imaging require substantive additional development. Key development objectives include:

- running of CRON jobs for retention scheduling updating
- integration of RFID technology
- auto-incrementing and decrementing of numeric values (inventory mgt)
- internal document imaging index screen
- integration of 3rd party or self-developed image viewer
- more advanced workflow queuing/routing and/or full blown workflow
- email management
- creation of 'button' that can be used by 3rd party applications to 'save' native content directly into Vdoxx
- support of tablet PC's and other handheld devices for data capture

Armory Management System (ARMS) www.weaponstracking.com

The US Dept of State in 2006 contracted Vdoxx to build a worldwide weapons, gear and accessory tracking system for tracking weapons to embassies and agents worldwide. This is currently the most robust product of its kind in the marketplace, with almost no competition. This application needs to be modified for more routine (less complex police / sheriff's dept) uses and also needs to have inventory management features added (auto incrementing / decrementing). Nonetheless, ARMS is the best product of its kind available today.



Representative References

Central Intelligence Agency
 Johns Hopkins
 3M
 Dupont
 US Dept of State
 US Dept of Agriculture
 US Dept of Labor
 US Small Business Administration
 Houston Police Dept
 University of California – San Francisco Medical School
 State of Maryland Human Services
 Cecil County Prosecutors Office
 Lockheed Martin
 SRA International
 Walter Reed Army Hospital
 Children's National Medical Center
 Naval National Medical Center
 Charles County Dept of Social Services
 NC State University
 World Bank
 and many more...

State of the Industry

Industry and government have been very slow to realize a paperless or less-paper work environment (our society still predominantly uses paper to do business). As such, the market for item management (location control, etc) remains vibrant, and the onset of RFID (radio frequency) is opening a very specialized and high value market as an add-on to Vdoxx. In other words, RFID tags can be put on file folders, boxes, computer media, assets or anything a person wants to track, and radio waves maintain current and historical record locations with little or no human effort. Virtual Labels for printing labels / tags to index items

and Virtual Doxx to track and manage items are ideally suited to leverage the significant market opportunity for physical file folder and item management.

The problem with using paper to do business is that it is expensive and error-prone:

- user must buy expensive business forms
- data must be entered and processed manually
- documents must be stored in a physical file folder or digitized for electronic storage
- storing & accessing records/documents post-processing is space and labor inefficient

As such, there is a slow but inexorable march towards electronic business processes and electronic records. To address the current and growing demand for electronic records, Vdoxx provides strong electronic form generation capabilities and a solid foundation for scanning and indexing physical documents. The combination of performing business processes with electronic forms (and routing forms through workflow steps/people) and the digitization of extraneous documents creates electronic records that can be queried and accessed from a computer workstation, eliminating the need for physical records and file rooms. Over the next decade or two, this will be one of the most significant transformations our society has seen, and there will be \$Billions invested by business and government.

Marketing

Prior to developing Vlabels and Vdoxx, our staff developed www.netlabels.com and sold the software to a sizable file folder manufacturer. That product currently has over 15,000 users worldwide sold primarily through filing systems and business forms resellers, and that is the primary distribution channel for Vlabels and Vdoxx today. Visit www.pattersonpope.com and www.southwestsolutions.com and www.formsguys.com (also see http://www.formsguys.com/pages/virtual_labels.html) to get an idea of the types of resellers we work with and sell through. In just about every city and town nationally and internationally there are local resellers that focus on providing filing system and storage solutions in their local markets. Most end users realize that they have a serious document management problem when they run out of space for additional files, so these resellers are constantly engaged in opportunities to sell software to help organizations manage their files...and these resellers have relationships with almost every hospital, doctor's office, insurance company, financial/banking company, county govt, law firm, accounting firm (any information intensive type of organization) etc. in the country **and** at the heart of an organization's document management systems.

We currently have approximately 20 resellers across the country, representing approximately 200 sales people actively promoting Vlabels and Vdoxx. When we were NetLabels, we had approx 300 resellers and 3,000 sales people actively selling our software. There are also other distribution channels readily available to us, such as bar code/RFID integrators, document imaging/systems integrators, office supply companies and the like. Because we are building-out our software at the same time as we are building sales, we have to grow slowly for now...but as the software and operational capabilities evolve, we will be able to rapidly expand the company. The bottom line is that selling through resellers gives Vdoxx an almost no-cost national footprint and thousands of salespeople...and we have a proven track record in this market dating to the 1990's.

State of the Competition

There are two primary sets of competitors:

- small companies with limited staff and generally one primary developer that sell a limited amount of software for tracking records, sold almost exclusively through filing system resellers. These companies generally sell small file room applications with minimal users and are limited competition for Virtual Doxx;
- enterprise records and document management companies like www.towersoft.com and www.zasio.com and www.documentum.com. These companies generally sell to large organizations at high prices, and they are formidable competition at high level sales opportunities.

There is a huge 'middle market' where Vdoxx has limited competition, whereas we can also compete favorably in many instances in both the small scale and large scale markets, as per above. Most of the competition is still mired in legacy MS development environments and are migrating towards .net or web-based architectures. Virtual Doxx is ahead of the competition in being available as an ASP solution. Further, we are FIRST to market with records and document management built with Java and open source tools. The only other company that we know of following a similar path is www.alfresco.com, which is owned by John Newton, who was previously the founder of market leader Documentum....so we are in a select and stellar position, and our strategy validated. PLEASE review the Alfresco website, as this is the standard against which we judge ourselves and to which we aspire.

Where we are Today

Among current projects sold and under development include:

- **US Small Business Administration** – system to request, track (bar code) and manage the retention of employee records, travel authorizations and travel vouchers.
- **Walter Reed Army Hospital** – brain specimen tracking system to provide web-based database search and request capabilities to the worldwide research community.
- **US Department of Labor** – records tracking system using Radio Frequency technology.
- **Lockheed Martin** – computer media / documentation tracking system using bar codes. Conversion of multiple legacy databases to Vdoxx.
- **Antonelli, Terry, Stout & Kraus, LLP** – this is the law firm that owns the patents and which won the case against Blackberry. We are implementing RFID tracking for their patent records.
- **US Department of Energy** – recently received \$3.5 million contract for advanced RFID tracking of highly secret files for the National Nuclear Security Administration. This project will LIKELY require porting Vdoxx to MS-2003 and MS-SQL.
- **State of Massachusetts Court System** – have provided approximately 250,000 color-code, bar code labels for retrofitting their case files, and our reseller has received contract for Vdoxx to track the location of files. If pilot is successful, we will create a 'hot key' link from the State Case Management System directly to Vdoxx and will roll-out to

4,000 users. This project will LIKELY require port to Oracle and the State's LDAP.

As is shown by our current projects, RFID is central to our existing projects and will continue to be critical to Vdoxx going forward. We need to free up as much time as possible over the next several weeks or even a few months for Hugh to spend maximum time in integrating RFID into Vdoxx. It is a CRITICAL gateway for the company.