

For Investors

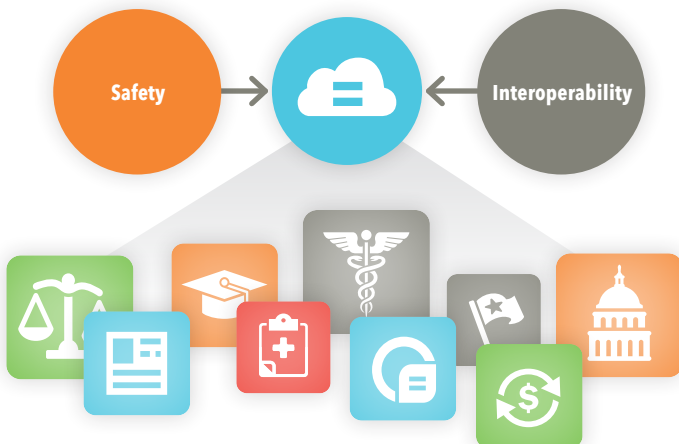


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Business Summary: The Internet is now a larger segment of our economy than energy or agriculture. But because it was never designed for security, privacy, and trust, the Internet's original design flaws are now the source of daily headlines: **data breaches, identity theft, mass surveillance, vanishing privacy.** To achieve the full potential of our connected world, we must advance beyond patches and short-term fixes to these problems. We need a deep structural solution.

That's the mission of the Respect Network. For the past decade our founders have led the development of the XDI (Extensible Data Interchange) protocol, a new open standard for secure messaging and trusted data interchange. We are building a global XDI network that will enable any business or individual on the Internet to send messages and share data with full security and privacy. Our platform will enable application developers to build end-to-end encryption, decentralized private clouds, an award-winning international legal trust framework, and a patent-pending reputation system into any application or service.

The Problem: Today, there is no interoperable solution to security, privacy, or trust on the Internet—something as easy to use as email or text, but far more secure. As a result, trillions of dollars worth of economic value remain untapped in markets like the Internet of things (IoT), digital advertising, healthcare, and enterprise collaboration. Even new blockchain technologies need a way to be easily integrated into the applications that businesses and consumers use every day.



A specific example is the rapidly growing enterprise collaboration market led by **Slack, HipChat,** and similar apps—currently a \$6B market, with a 11-15% CAGR. Slack has become the fastest growing SaaS (Software-as-a-Service) application in history, *earning a \$2.8B valuation in just 3 years.* Yet neither Slack nor its competitors can offer the security, privacy or interoperability required by healthcare, finance, legal, military, government and higher education.

Products/Services: Respect Network is a platform company. We offer the tools and APIs (Application Programming Interfaces) that developers need to connect their apps to a rich global network of secure personal and business clouds that can communicate and exchange data peer-to-peer using the XDI protocol.

To drive adoption of this platform, Respect Network will also build and distribute some initial apps. Our flagship app will be **Q™**, the first universal secure collaboration app. **Q** combines popular group communications features used by Slack and Hipchat with XDI security, privacy, and interoperability features required by markets like healthcare.

Target Markets: Solving these basic security, privacy, trust and interoperability problems can unlock enormous amounts of value. McKinsey estimates \$4 trillion of the value of the IoT (Internet of Things) depends on an interoperability solution. The same applies to \$80 billion in digital advertising, \$30 billion in healthcare data interchange, and \$3.1 billion in enterprise collaboration. Our initial focus is on this last market, where we believe that **Q** will become the #1 choice in industries with regulatory requirements for security and privacy.

Customers: Our customers include enterprises, consumers, and app developers. For enterprises, we will sell directly and through distribution partners. For consumers, we will market indirectly via the distribution of Respect Network apps—both apps developed by us and apps from third-party developers. The latter group is our primary long-term focus—every new app for our platform adds value to the network. Our first developer customer is **CynjaTech**, whose product, **CynjaSpace™**, is a groundbreaking new cybersecurity app for families and children that runs entirely on the Respect Network. It will launch before the 2015 holiday season. Other developers are ready to use the network as the platform is completed.

Sales/Marketing Strategy: Sales to developers will be generated through digital channels including websites, blogs, app marketplaces, online trade publications and social media. Sales to enterprises will be through a combination of distributors for large opportunities and direct digital sales for small teams. Sales to consumers will be through app developers as the primary distribution channels. Our marketing will be focused on awareness and demand generation across these sales channels, plus business, consumer, and trade press articles highlighting the XDI protocol and how Respect Network is solving some of the most vexing Internet problems.

Business Model: We will monetize the Respect Network platform by charging for access to secure, private, and trusted messaging and data sharing. We will follow the well-established consumer freemium (e.g., Dropbox) and business freemium (e.g. Slack) model to encourage adoption. Members will upgrade to premium service for higher usage levels and advanced features.

Competitors: At the app level, enterprise collaboration apps like Slack and HipChat compete with Respect Network apps like **Q**. At the platform level, competition is industry-specific, e.g., vertical data exchanges such as HIS for healthcare and EDX for energy. At the consumer level, there are secure messaging apps like Telegram and Wickr as well as personal data brokers/lockers such as Personal or Singly. However all these products are proprietary and none provide both **secure messaging and secure data sharing**.

Competitive Advantage: The Respect Network is the only company solving the hard problems of Internet security, privacy, trust, and data interoperability with a protocol like XDI. Competitors will lag one to two years behind our level of expertise in this protocol—we have the core team that developed the protocol and the first to build a platform on top of it.

Our advantage is not limited to technology. **The Respect Trust Framework**, first published at Open Identity Exchange in May 2011, won the Privacy Award at the 2011 European Identity Conference. This innovation combines a core set of international legal principles for security, privacy, and data ownership with a patent-pending peer-to-peer reputation system that grows stronger and more stable as the network scales.

This means Respect Network’s fundamental competitive advantage will be similar to the market leadership enjoyed by Facebook, Twitter, LinkedIn and other major online networks. The firm that successfully establishes a new

network triggers a network effect that is nearly impossible for competitors to overcome. Respect Network will be a primary driver and leader in a virtuous cycle of increasing security, privacy, trust and interoperability.

Funding: The company is currently raising a \$800K Series A-1 Bridge Note.

Funding Stage: Products in development

Capital Raised: \$1,000,000

Monthly Burn Rate: \$110,000

Pre-money Valuation Cap: \$6,500,000

Discount to Series A-1 Price: 30%

Interest Rate: 6%

Capital Sought: Current Note - \$800K. (A second note of \$2-3M, with a higher valuation cap, will be offered in Q1 2016.)

Financials (\$000)	2016	2017	2018	2019	2020
Revenues	304	2,102	10,504	61,398	219,406
Expenditures	3,698	7,200	11,774	45,618	121,711
Net	-3,394	-5,098	-1,270	15,780	97,695

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