CEOCFO Magazine - The Most Powerful Name In Corporate News and Information

You asked what our focus is today...in a word, *mobile*

**Technology
Data Protection**

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**Steven Sprague
CEO**

BIO:
Steven Sprague is the President & CEO of Wave Systems Corp., a leading provider of client and server software for hardware-based security, enabling organizations to know who is connecting to their IT infrastructure, protect corporate data and strengthen the boundaries of their networks.

Since taking the helm as CEO, Sprague has played an integral role driving the industry transition to embed stronger, hardware-based security into the PC. He has guided Wave to a position of market leadership in en-terprise management of self-encrypting hard drives and Trusted Platform Module security chips. As a popular speaker and IT security thought leader, Sprague speaks at dozens of conferences and events each year—educating global audiences about the latest PC hardware security advancements and industry standards (both on behalf of Wave, and in his leadership role with the Trusted Computing Group). His expertise lies in leveraging advancements in hardware security for strong authentication, data protection, advanced password management, enterprise-wide trust management services and more.

Wave Systems Corp. (NASDAQ: WAVX):
Wave Systems Corp. reduces the complexity, cost and uncertainty of data protection by starting inside the device. Unlike other vendors who try to secure information by adding layers of software for security, Wave leverages the security capabilities built directly into endpoint computing platforms themselves. Wave has been a foremost expert on this growing trend, leading the way with first-to-market solutions and helping shape standards through its work as a board member for the Trusted Computing Group.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Mr. Sprague, it has been two or three years since we have spoken; what is the focus at Wave today?
Mr. Sprague: Wave is a software company that supports Trusted Computing standards. About a decade ago, a group of the leading players in the computer industry recognized that the "tried and failed" approach to security wasn't working. They formed the Trusted Computing Group, or TCG, with charter members Dell, IBM, Intel, Microsoft and Wave. TCG's mission was to develop international standards for a new generation of security hardware that would enable a safer, more trustworthy computing environment.

Through its efforts the TCG brought several components to the market, including the Trusted Platform Module (TPM), a cryptographic chip on the motherboard of PCs and self-encrypting drives (SEDs), where encryption takes place on the hard drive itself. TPMs have shipped on more than 600 million endpoints to date and SEDs are a disruptive technology, developed by all the leading storage vendors.

Wave is the only pure play in the Trusted Computing space – we support every SED and TPM on the market – and have more endpoints with these technologies activated than anyone else. Microsoft has made support for these technologies integral to the new Windows 8 operating system.

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Selected new tablets running Windows 8 Pro have incorporated Trusted Computing technology into the tablet form factor. A Windows 8 Pro tablet can provide the ease of use of a consumer device, with enterprise-class security derived from embedded hardware. You'll hear more from Wave on this in the coming weeks, but we're closing in on an inflection point for Trusted Computing. It's the key to modern access control, and

through activation of the TPM, one can have fully secure wireless and VPN access. Trusted Computing is what will put the password in the science museum!

CEOCFO: Why will that be more trustworthy than the way it is done today?

Mr. Sprague: Consumers are already familiar with this type of technology, and take the benefits for granted, whether they know it or not. Today, when you turn on your mobile phone it does not ask you for your Verizon password to access the network – it already knows. There is a hardware chip in your phone that makes it possible for the device to be part of the network. In the PC world – really in the enterprise computing world – we have not had that benefit. This is about moving to a network that is based on the identity of the device. Once that ID can be verified, it is allowed service and can connect. The beauty of hardware security is that it is capable of holding a secret within the chip – a secret that cannot be extracted. Therefore, we no longer have to rely on either the operating system or the human brain to remember secrets because, let's face it, neither are very good at it. These chips are well designed and they are the same type of technology that you get from smart card chips or SIM modules, except this is a technology on the mother board of every one of your PCs.

CEOCFO: What happens when you lose it?

Mr. Sprague: That's an important challenge. How do I make my device safe to lose? The Trusted Computing Group has a set of technologies around self-encrypting hard-drives where the entire computer is completely locked up unless I know the password to unlock my machine. That password is checked inside the security of your disk-drive controller chip. The process starts by me logging into my machine in the secure hardware component, allowing my operating system to run on all of its capabilities and my browser. Then, the actual tokens that are used to give me access to different services such as my bank

account, email or corporate network are held within the trusted platform module. If you wanted to, you could require a pin number for your bank account every time you log into your bank account. The big difference is that your pin number only works on your laptop or phone. In order for someone to steal your information they would have to not only steal your PIN, but they would also have to steal your device. What that makes possible is that the user has control of it – they really have not lost access.

CEOCFO: What is the piece that Wave has figured out that others have not?

Mr. Sprague: While everyone else is layering security software like Band-Aids, we're taking the opposite approach. We're thinking *inside the box.* And that means starting inside the device – helping utilize the standards-based security the whole industry has promoted as the superior approach.

We've been the thought leader in embedded security for over a decade

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and now that today's workforce is increasingly going mobile, our vision of built-in security makes more sense than ever. With the device as your foundation, you have control over exactly who has access to your data. Basically, if there's no device there's no access to data.

CEOCFO: Will this eventually be for consumers as well?

Mr. Sprague: Yes. One great example is an initiative set forth by the federal government called NSTIC, which stands for National Strategy for Trusted Identities in Cyberspace, a government-funded, public-private collaboration to offer new capabilities for identity in the web itself, which is targeted toward a much more consumer base play. For example, in the future you should be able to bind your bank account to your home PC if you choose, which would force the "bad guys" to have to steal one of your computers to compromise that aspect of your bank account.

CEOCFO: Are people ready?

Mr. Sprague: Absolutely. We fundamentally understand that fraud is growing daily and our lackluster approach to remembering and storing passwords is worsening. We know we're supposed to have upper- and lower case letters, numbers and symbols and should ideally use a different password for every service, but we don't. We know that storing our passwords exposes us to risk and remembering them all is sometimes too difficult. I think we are struggling today, as consumers, to grasp how we are going to handle this access control problem and it is not getting any better. So we want something simpler that we understand and moving towards enrolling the device much more in the identity play of how we log onto things is the bigger goal.

CEOCFO: You have a lot of industry recognition; how important are the awards?

Mr. Sprague: Wave was named a "Visionary" by Gartner in its 2012 Magic Quadrant for Mobile Data Protection – which tracks all the major players in this space. We've also received prestigious awards like *Government Security News* "Homeland Security Award" for which Wave's Safend Data Protection Suite was honored, the "Golden Bridge Award" for the successful implementation of Wave-managed SEDs at Barnabas Healthcare Systems, the 2012 Global Excellence Award for Wave's Safend Data Protection Suite, and of course, the Child Safety Network Award for our Scrambls product that helps protect information shared over social media channels. These are all terrific accolades for our development team and the company as whole.

CEOCFO: Are there geographic areas where you would like to have a greater presence?

Mr. Sprague: The company maintains a presence today broadly in the US and Europe. Through an acquisition, we have an office in Israel as well. We have strong interest from customers on a worldwide basis. The next place for us to expand is the

Asian market, where there is tremendous opportunity to provide computing security and privacy solutions. It is a complex market because some of the governments, particularly China, have very specific divisions supervising those types of technologies. There has been a lot of work recently in the Trusted Computing Group and its acceptance into China and that could be a new and interesting market for us.

CEOCFO: What is the competitive landscape?
Mr. Sprague: We have a number of competitors for endpoint solutions, but in the broader application of Trusted Computing technology, Wave is really the only pure-play company out there integrating Trusted Computing technology for access control, data protection, and device integrity. This is an area that has been pioneered by Microsoft and they continue to be a great partner in the marketplace. They have broadly built Trusted Computing technologies into their Windows 8 platform and I think it will provide significant boost to market acceptance and adoption. This is a new and emerging market – and we're

pleased to be at the front edge of it – but we still are competing with many of the classic security companies.

CEOCFO: When you approach potential clients, whom do you deal with and when is the 'aha' moment?
Mr. Sprague: More often we are getting to the point where they understand the technology and the unique solution that only Wave can offer. One message that resonates is the idea of the network evolution that is taking place from one based on connections to one based on identity. That change enables employees to have worldwide access to the same services, regardless of where or how they are connected.

CEOCFO: What is the financial picture at Wave Systems today?
Mr. Sprague: This year we invested heavily in R&D, marketing and additional resources where we saw fit. We're still at the epicenter of an emerging market, and we'd undoubtedly like to see the market growing faster, but that's true of any company. We have large accounts like Price-

WaterhouseCoopers and BASF that are well-known brands. And we've been strongly invested in the launch of Windows 8 and benefited from the added awareness of the security inherent to that platform. Microsoft's support for Trusted Computing technology has been pivotal and we'll see this drive Trusted Computing in the market over the coming year.

CEOCFO: Why should the business and investment community pay attention to Wave Systems?
Mr. Sprague: It's simple: We are seeing the beginnings of the transformation of an industry. What Trusted Platform Modules represent is that SIM module in your PC that assures that only subscribers gain access to services in the Cloud. You could think of this as the set top box in your PC and it is how we will transition the whole world from a purely ad-supported model to more complex business models going forward. We are glad to be at the forefront of enabling that process.

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