

Bringing to market their InstaGate and ThreatWall Platforms offering High-Performance Deep Packet Inspection Security Services, eSoft, Inc. is making it easy for their Small and Medium Size Business Customers to Use and Deploy Network Security

Business Services Network Security

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Bud Michael
CEO

BIO:

As president and CEO of eSoft, Inc., Bud Michael is responsible for vision and strategic direction. Bud has more than 30 years of leadership experience in the high tech industry for leading hardware, software and services companies. He has served in executive level sales and marketing positions with large, industry-leading product companies including Intel,

Tandem Computer and Sequent Computers. Bud has also successfully contributed to marketing, sales and general business leadership for mid-sized software and services companies. Most recently, Bud was founder and managing director for Renaissance Management Services, a business strategy and management-consulting firm for early stage technology ventures. Previously, Bud was president and CEO of Availigent, a provider of application management software for Linux applications. Bud sold Availigent to a privately held consortium in 2008. Prior to Availigent, Bud was president and CEO of Biz360, a leader in the web-based market intelligence industry. Before joining Biz360, Bud was executive vice president, products and marketing at KANA, where he was responsible for all product strategy, planning, development, all worldwide marketing functions, and information systems.

Bud is on the board of directors for Rockliffe, a leader in enterprise collaboration solutions for mid-tier companies, and is an advisor to Renewably First, a non-profit organization whose mission is to accelerate the mass-market adoption of zero emission vehicles. Bud sits on the Business Advisory Councils of the Center for Entrepreneurial Development at Foothill College in Los Altos, Calif. and of the Business School at Mission Hills College in Santa Clara, Calif. He received a Bachelor of Arts degree in Economics from Stanford University. On a personal note, Bud is the author of "Favorite One-Liners for Business," a collection of pithy quotes and business guidance published in 2010.

When not running eSoft, Bud is an avid long distance runner with a track record of 28 marathons and counting, including nine Boston Marathons.

About eSoft, Inc.

eSoft is a leading provider of integrated network security solutions offering small-to-medium-sized organizations protection from dynamic Internet-based threats. eSoft's award-winning InstaGate and ThreatWall platforms offer high-performance Deep Packet Inspection security services including firewall, unified threat management (UTM), complete email security, web filtering and security with an easy to configure and manage user interface. Based in Broomfield, Colo., eSoft serves over 20,000 customers in more than 40 countries. Recent awards include SC Magazine UTM Best Buy for 2012; SC Magazine 5-star reviews in 2011 for Email Content Management (ThreatWall) and UTM (InstaGate).

Interview conducted by: Lynn Fosse, Senior Editor CEOCFO Magazine

CEOCFO: Mr. Michael, would you tell us what you do at eSoft?

Mr. Michael: e-Soft is a network security provider for small and medium size businesses. We provide integrated hardware and software that is installed by small and medium sized companies to protect intrusion from unwanted viruses, malware, that kind of thing and also provide the ability to protect confidential information and proprietary information from leaving the corporate businesses network.

CEOCFO: There are many companies that work in that same space; what is the mix at e-Soft and what have you figured out that gives you a superior offering?

Mr. Michael: We have been at this a long time and our experience in working with companies with five to five hundred employees tells us strongly that it really is not so much the specific capabilities of the security elements, although that is critical. The real issue is making it easy for our customers to use and deploy network security. Most of our customers rely on either very small staff and/or a third-party services provider, with whom we partner. The key is it is just easy for us to deploy, and the very low cost of keeping them up and running. The second element is the extent that we are able to provide whomever is managing the security environment the ability to very quickly monitor what is going on and report on what is happening with our user base and network. It ends up being very high value. Our reporting capability and monitoring capability is best of breed. We work with companies that generally do not have either any or certainly not large technical staffs, so we provide for them and through our partners very high touch and rapid customer service. We pride ourselves on providing ridiculously great customer service and we are noted for that.

CEOCFO: Would you give us an example of how your customer service is over and above?

Mr. Michael: In the industry today, if there is a problem the customer will call into a call center and if they are lucky they will get somebody that answers the phone. More often, they will get into a phone tree or some sort of a web interface that basically captures information and says, "Hey we will get back to you at some point." When any one of our business partners or customers calls eSoft, they get a live human being and more importantly, they get a security expert. We provide very immediate access. Secondly, we provide very competent technical resources. In the event that a person is

on the phone and cannot answer, then there is an immediate escalation to what is called Tier II or Tier III support. We capture all of the customer calls and records, we follow up with them and make sure that the issues have been resolved and do not require them to go off on their own.

CEOCFO: People with technical skills do not always have the people skills to provide that level of customer service, so what do you look for in your people to ensure that they have that customer centric focus?

Mr. Michael: That they honestly care about the success of our customers. That is attitude. The differentiation is not in technical aptitude, it is in an attitude about a passion for the products themselves, the degree of empathy and caring for solving the customer's problems. That is a key part of the ongoing training that we provide for our support teams.

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CEOCFO: You mentioned small to medium businesses, are there some specific industries with which you work?

Mr. Michael: We have three main verticals that we service, education, and specifically K-12. The healthcare and in particular companies oriented either in service providers to healthcare or in medical billing and records management related to healthcare, so it is more of the services industry to healthcare. The third one is financial services, and this ends up looking like regional banks, smaller financial institutions and insurance companies. Those are the three main industry verticals that we serve and with that said, we serve a very broad base of customers- by example, we have construction companies that are customers; we have local and county level district attorney offices and legal in-

dustries. It tends to be a fairly broad customer base, but the three sort of sectors that we serve are the ones I mentioned.

CEOCFO: How do you reach potential customers?

Mr. Michael: We provide direct marketing to the end customer and mostly in the context of education and awareness of the issues around network security and cyber threats. We also provide marketing through our reseller partner channels. We have the service providers that actually end up doing most of the direct implementation and in many cases management, so we provide marketing support either on behalf of the reseller or directly to the end market.

CEOCFO: Do you customize your services?

Mr. Michael: The products are very easy to implement and it turns out that the configurations that are done can be done by the end customer or by their service provider. It really is a matter of checking off what category of websites, or what types of applications they want to filter. An intuitive graphical user interface is checked off and that is what allows the end customer to determine what types of filtering and what types of protection they want to get. The network setup is pretty straightforward. It is a matter of getting a device and plugging it in and providing the internet address so that it knows where it is on the network and then the configuration I mentioned. Then you are off and running. We also provide for multiple site implementations. We provide a central management council that is called Global Management and it provides for the ability to do the configuration and set up centrally and then automatically push that out to devices that under management or on that particular customer's network.

CEOCFO: How are you able to provide something that is so easy to use?

Mr. Michael: Many times, it is the experience of getting it right.

CEOCFO: How do you ensure the ease of use?

Mr. Michael: We use our own products so we are our own users and, to the extent that it is hard for us or easy for us, that translates into our own cost of managing the security network. The other is through an advisory panel that we have, so we keep close tabs with a select number of our users. The third way is through just ongoing dialogue. Part of the customer service call is in both directions; it is dialogue. In the course of that, we use the dialog with the customer as an opportunity to get feedback and be able to take that back in and make whatever changes we need. That feedback comes in either directly through servicing end customers and through the reseller network that we work with. We get a number of different sources of input that are ongoing and that has happened over many years in the industry and many installations. That translates into being able to know that we are providing products that are easy to use and the feedback we get is pretty consistent and positive.

CEOCFO: How is business these days?

Mr. Michael: Business is good. We sell to small and medium size businesses and they are concerned. The macro economical outlook from many of them is uncertain. They are not exactly sure what their tax rates are going to be and they are not sure with the implications of healthcare changes are going to be. In aggregate, I think there is a high degree of caution. That said, for the companies in the industries we sell into, network security is not a nice-to-have, it is a got-to-have. To some degree, our product category is resilient but just talking to many owners and service partners that sell to those small and

mid-sized customers and work with them daily; there is a high degree of concern and caution in a small and medium-sided enterprise within the US.

CEOCFO: Are there any new products that you have added recently or something that you are looking to add?

Mr. Michael: We just recently brought out the global management capability, which was a pretty major addition and helped reduce the cost of maintenance and ownership for our users. We have our next major release of the core software, which will be out at the beginning of Q-2, so that would be April timeframe of next year. We are working on the next generation products which will implement more broadly for internet-based services or cloud computing services and that is a product that is planned for general market release in the second half of next year.

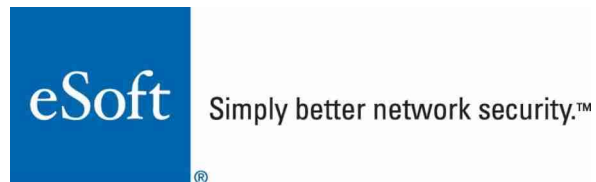
CEOCFO: What has been the hardest piece to put together and coordinate?

Mr. Michael: That is a great question. There is an ongoing challenge of keeping up to date with the viruses and malware or the websites that you do not want people going to and you do not want "click-throughs" and so forth. The bad guys are pretty good at finding new ways through firewalls. Keeping the database up to date is an important characteristic. The other dimension is making sure that we remain current with the way our customers buy and use network security and that is changing. That has translated into the next generation product that I mentioned, which will much more greatly leverage cloud and internet based services. For any technology company, it does not stay the same for very long, so you have to maintain relevance by listening and

watching where the market is going, and then making sure that your product roadmap stays current.

CEOCFO: Why should the business and investment community pay attention to eSoft?

Mr. Michael: They should pay attention because we are one of the few companies that focus on small and medium sized enterprise. They (small and mid-sized businesses) have a unique set of requirements but the basic value proposition for eSoft is our products really deliver on the promise or the needs of the small enterprise. We have a very strong focus in that area. The other reason to keep us on your radar screen is where we are headed. We are in development on the next generation offering and as our customers are migrating more of their business services to internet based service of the cloud computing, we will be there to provide managed network security to make it easier for them to get what they need without having to know in detail what piece parts to buy. Small businesses and medium sized businesses candidly know that they need network security; they do not know how that translates into what they need to buy or to rent. We are going to make that even easier for them with our next generation product and that is a huge growth market opportunity. Most industry analysts say that by this time next year, north of 78% of small businesses will have some if not all of their business services delivered through cloud networking and cloud services. It is a very high growth market opportunity and we are going to be there hopefully to be a leader in providing network for S&B through cloud services.



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