THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

LizardTech, Inc.

CARLOS DOMINGO is President and CEO of LizardTech, Inc. As president and CEO of LizardTech, Inc., Carlos Domingo directs a global division of Celartem Technology that is committed to delivering innovative geospatial and document imaging software designed to make it significantly easier to manage, distribute, access and view digital content such as aerial photography, satellite imagery and scanned color documents. Since joining LizardTech in August 2003, Domingo has been driving the vision and strategy for the company in the geospatial and document-imaging marketplace. Prior to taking the helm of LizardTech, Domingo was the COO of Celartem Technology where he led and completed Celartem's acquisition of LizardTech. He joined Celartem Technology in March 2002 after leading a worldwide content management project for Toyota in Tokyo. Preceeding Domingo's work in the IT industry, he was a European Union Science and Technology Fellow at the Tokyo Institute of Technology, a position he accepted after leaving his role as CTO at Synera Systems, a company specializing in data mining and data analysis. Carlos Domingo holds a master degree in Computer Science from the Tokyo Institute of Technology, Tokyo, Japan and a Ph. D in Computer Science from the Polytechnic University of Catalonia, Barcelona, Spain.

TWST: Would you begin by describing LizardTech today and give us a little history of the company, how it got started and how it became what it is now?

Mr. Domingo: LizardTech was founded in 1992 in New Mexico. (The name LizardTech came about because of the number of lizards in New Mexico.) Started by a few individuals who had relationships with Los Alamos National Laboratory, LizardTech was formed with the idea to license technology from Los Alamos, turn it into a commercial application and begin marketing it. They did a couple of technology licensing deals early on, but the one that really got LizardTech up and running took place in 1995 when the company licensed a technology called MrSID (Multi-resolution Seamless Image Database). At the time, it was the most advanced technology for compressing extremely large images. Next, LizardTech exclu-

sively and perpetually licensed the core patents of the MrSID technology. The core team of researchers and engineers who were working on that technology at Los Alamos then joined LizardTech — and, Jim White, who led the research and development team, is now LizardTech's VP of R&D. From New Mexico the group moved to Seattle and raised venture capital. The company was now officially up and running.

The MrSID technology was applied to the geospatial market where the need for image compression was the most significant given the sheer size of satellite imagery and aerial photography. For example, images taken by cameras on airplanes are used to create maps for making determinations about such things as farming versus building on raw land. Both aerial photography and satellite images can get into the gigabyte size range — and

when the individual images are combined to form a comprehensive image map of a wide area, they can reach a terabyte in size! — so the geospatial community has a need for specialized image technology, not just for compressing massive images, but for being able to easily view the images and quickly distribute them over the Internet. Because MrSID technology was at that time the only technology capable of doing this, it became the de-facto standard, particularly in North America. The MrSID image format was validated and subsequently adopted by Federal agencies like the National Imaging and Mapping Agency (NIMA), now called NGA (National Geospatial Intelligence Agency), and the USGS (United States Geological Survey). MrSID quickly became integrated in over 300 different GIS applications. Geospatial professionals could then open a MrSID image in their GIS application and, from there, start doing all the processing and map building they needed to do. That market is still the primary market for LizardTech today. Close to 65 percent of LizardTech's revenue comes from products that are related to MrSID technology. LizardTech's geospatial imaging product is GeoExpress with MrSID.

GeoExpress with MrSID has evolved over the years. Now, besides encoding images to MrSID format, the product includes a robust toolset to enable organizations to get the most from their image assets. We also offer a companion product called Express Server, which enables organizations to take gigantic imagery that has been stored and compressed in MrSID format and distribute them easily and efficiently over the Internet.

In 2001, LizardTech acquired complementary technology from AT&T Research Labs — also an image compression technology, but developed specifically for document images instead of geospatial images. The document compression technology acquired from AT&T Research Labs is called DjVu and, even today, DjVu still produces the highest quality scanned or electronic document images with the smallest file size. LizardTech is selling this technology into the "document imaging market," which is the market that basically deals with scanned documents. The document imaging market includes corporations that want to scan things such as records or invoices to publishers that want to scan magazines they've produced over the last, say, 50 years, so they can republish them in digital form, etc. LizardTech rounds out its product offerings for image compression solutions with a third product that was also acquired from another company, called Genuine Fractals. Genuine Fractals enables superior photo enlargement and contains what is considered to be the best fractal-based scaling technology. Thus, Genuine Fractals allows you scale a photo image — for instance, a picture that's been taken with a dig-

ital camera — so that you can print it at a higher resolution for the best quality. Genuine Fractals works with PhotoShop, the software most widely used by creative professionals and designers. Genuine Fractals been around for many, many years and is bundled with a variety scanners and digital cameras.

To summarize, we have three different products: image compression and distribution technology for the geospatial market; document image compression and distribution for the document imaging market; and finally, photo image scaling for the creative professional market. The core focus of the company is related to imaging. And because we are also a technology company, we are focused on developing technology that makes it easier to manage, distribute, access and view digital content, in particular, images — and whether those images are aerial photography, satellite imagery, scanned color documents or digital photographs, LizardTech makes imaging work. Everywhere.

TWST: Could you tell us more about the sales and marketing side? You've said a little bit about your current customers. How do you see that customer base changing or evolving?

Mr. Domingo: Over 65 percent of our revenue comes from the geospatial market. In that market we have two well-defined sets of customers. The first is state and local governments. These are cities or counties — primarily in North America — that have small GIS departments. They have to use primarily aerial photography to decide how they're going to build a road, or where the new pipes for water are going to go through, or how a golf course can be built, etc. In terms of numbers, they constitute the bulk of our customers. But because they're small customers in terms of revenue they don't represent a large figure. The second set of customers we have in the geospatial market is made up of federal agencies, primarily on the intelligence and military side. We do some work on the civilian side with USGS, with the National Park Service, their forest service, and with the Department of Agriculture, however the bulk of our revenue from the federal agency side comes from either DOD-related agencies like NGA, the U. S. Marines, or the contractors that work for them, like Lockheed-Martin, Veridian, Northrop-Grumman, etc.

With respect to the document imaging market, the user-base is not as clear-cut. Anyone who is doing the scanning or distribution of very large document files will benefit from our document imaging technology, Document Express with DjVu. We have a wide range of customers in the Document Imaging space, from the Washington Digital Archives that use Document Express to scan things like the Washington Constitution dating back 100 years, to companies like Samsung in the manufacturing sector,

which uses Document Express to make their product manuals and schematics easily available to their customers on Samsung.com On the manufacturing side, customers include LG Electronics, Komatsu and, Caterpillar. Also, Sears and Northwest Airlines use Document Express. While our customer list comprises a wide variety of companies, the common factor is that they're all dealing with a lot of documents, the bulk of which are scanned documents that create large electronic files, and they need to have an efficient way of compressing them, storing them and distributing them. And, they are accomplishing that goal using Document Express with DjVu.

For our third product, the Genuine Fractals, there the market is very well defined. Most of the Genuine Fractals users are photographers and creative professionals who use digital images.

TWST: Does the intellectual property create a high barrier for competition?

Mr. Domingo: Yes, it does. We are a technology company. Therefore, the reason people buy our products is because they find that our intellectual property, our technology, is better than what other companies offer.

TWST: What's the agenda? What are the priorities for LizardTech over the next 12-24 months?

Mr. Domingo: Because our business is split into three different product lines, the priorities are slightly different for each offering. On the geospatial side, the priority is to complete the transition we are making from being a company that just provides basic image compression and image distribution technology to being a company that provides image management tools for the geospatial market. We've been introducing new image management features over the years, so the story becomes so much more than simply compressing a very large image and being able to distribute the image efficiently. GeoExpress with MrSID now enables GIS professionals to do many other things with the imagery they already have, and I think we're well on the way to completing that transition.

On the document imaging side, our main focus for the next six to 12 months is to establish wide distribution of Document Express with DjVu. A year ago LizardTech started moving toward a distribution/reseller model. In the U. S. we've signed up one of the largest document imaging distributors, NewWave, which is also the largest Kodak and Kofax distributor as well as the fastest-growing Fujitsu distributor. In Europe, we signed with Headway, which is one of only two distributors for document imaging products. Having signed up with two of the largest document imaging distributors, our objective now is to support them in their effort to enable resellers to sell Document Express resulting in a very widely distributed product.

TWST: Would you introduce us to your top-level management team, two or three key individuals? And as you look at the opportunities ahead, how do you assess the bench strength and skill sets of the team? Are there areas you're looking to augment?

Mr. Domingo: Brian Soliday is the VP of sales. Brian came to the company right after I joined. Brian does a great job managing sales worldwide and supporting the geospatial reseller channel, and building a new reseller base for Document Express.

Another key person is Jim White. Jim is VP for product R&D and oversees the engineering team. Jim White has a lot of knowledge about the history of the company, and its products and how we got to where we are today. Also, LizardTech's engineering team has been here for a really long time. Small companies usually have a lot of churn in engineering, but our engineering team has been very stable, thanks in large part to Jim's leadership. Besides being an excellent manager, Jim is very qualified technically in terms of being able to provide new areas for the products and see how they have to be developed, always looking at new technologies, etc. So he's another key person in my organization.

Last but not least, is Karen Morley, who is VP of global marketing. Karen comes from the geospatial industry, and today she manages LizardTech's entire product line. Karen has been doing product marketing for more than 20 years, so she brings invaluable experience to the company.

Now, to answer the second part of your question, I think there are two key places where I'm looking at filling positions. First is the marketing department. There, we need more product marketing individuals focused on product marketing for each product line.

We are also looking to fill the controller role on the finance side of the business.

TWST: What financial resources are on the schedule? Do you need additional input as you look at the opportunities ahead and the resources you will require?

Mr. Domingo: We don't need financing. LizardTech is owned by Celartem, a company that is publicly traded in Japan. Before Celartem acquired LizardTech, I was Celartem's COO, based in Tokyo. Celartem is very healthy in terms of their balance sheet — they have zero debt and more than $17 million in cash. So for the time being, the financing that we need comes from them. Celartem also owns another U. S. company, Extensis. Celartem's plan for this year is cash flow breakeven. Therefore, we're not looking to raise more money — even though we have done that in the past. A few months ago, Komatsu, which is our largest partner in Japan and our largest customer for the manufacturing segment, made a strategic investment of $1.3 million in the company.

TWST: Give us the value statement for LizardTech. What might investors be looking for in assessing this company, or other companies in this area? What are the markets and the strategies and the technologies that you feel have value, and what might be some of the pitfalls or negatives to avoid?

Mr. Domingo: As a value statement, I'd quote what we have in our company as a slogan: "We make imaging work. Everywhere." In other words, there can be a lot of problems when people deal with images, the amount of digital data and digital content that any company is using, just grows exponentially. So, even though storage prices are going down and the speed of Internet connectivity still increasing, the amount of digital content and the complexity of the digital content is growing at a much faster rate. It's a big challenge for most companies to keep pace and deal with that, and LizardTech can make it work. We have the best technology for dealing with digital images, especially for compressing and distribution, and with that, we can provide a lot of value for many companies.

TWST: Thank you.

CARLOS DOMINGO

President and Chief Executive Officer

LizardTech, Inc.

The National Building

1008 Western Avenue, Suite 200

Seattle, WA 98104

(206) 652-5211

www.lizardtech.com