

The Secret of Scientigo

Today's businesses are drowning in a sea of data. Not only can tiny Scientigo deal with data chaos, but developing its acquisition of Find.com will illustrate the hidden value of its intellectual property.

BY TONY HOFFMAN

Information content is growing at a prodigious rate of 200% per year, according to the Yankee Group, however, 80% of all information, is still paper based, according to Forrester Research. We're all on overload. How do we separate what is useful from what is not?

This information overload has spurred developments in Enterprise Content Management, or ECM, which has emerged as a crucial area for the focus of Chief Information Officers. The growing demands of data security and of onerous regulations such as Sarbanes-Oxley and HIPAA make it imperative that companies can track all relevant documentation that can be easily searched, coded, and indexed.

Too many companies remain ill-prepared to deal with this data glut, let alone use their information to their advantage. A September 5 *Forbes* article, "Masters of Information", considers data the prime commodity of our era, and tells how fortunes are being made by those companies who have figured out how to sift through it, deal with the chaos surrounding it, and turn it into important and useful information.

One company that's throwing a life preserver to data-swamped organizations is Scientigo, Inc. (OTCBB: MKTE-1.20), of Charlotte, North Carolina. Scientigo offers a range of ECM technologies to help companies capture, store, and retrieve content, including



some innovative technologies for use in both enterprise and consumer search. It recently acquired a search engine www.find.com to demonstrate the consumer value of its artificial intelligence-based search techniques. According to CEO Doyal Bryant, the hidden value for this small company lies in its strong patent portfolio. He hopes to make money licensing this intellectual property, especially patents that the company claims XML, a key World Wide Web standard, infringes upon, as well as patents on search technology.

Boeing Approaches Scientigo

Scientigo's actual company name is Market Central, though turnaround CEO Bryant is working to change the name to Scientigo and get a ticker symbol to match. Until last year the company had operated as a call center and really had no future. Now its products are marketed under the Scientigo and Tigo names. Bryant likens the company's approach as similar to that

of Qualcomm or BASF in that Scientigo seeks to help companies that are already technologically proficient to find the missing pieces of technology and "bolt them on".

To this end, Scientigo doesn't work with end-users but with systems integrators such as BCS Systems to integrate Scientigo's core technology into bundled solutions for vendors such as Kofax, Interwoven (Nasdaq:

IWOV-9.11), Documentum, and FileNet (Nasdaq-FILE-26.56) to market to Fortune 500 companies and others.

Scientigo prides itself on its ability to enable clients to efficiently index and process an enormous volume of documents, an area of ECM known as intelligent document recognition. As a case in point, Bryant cites the recent Michael Jackson trial, for which a massive quantity of phone records needed to be processed. The State of California approached Boeing's Continental DataGraphics division, hoping they would have the technology to look at the phone records of all the concerned people. "Boeing said that with their existing technology at Continental DataGraphics it would take six months to do the massive work that needed to be done," says Bryant. "However, Boeing remembered a Houston-based company with some exciting technology that had run out of gas and that we had acquired, so they came to us, leveraged our technology and used it. For the

Michael Jackson trial, we were able to turn it around in a week. That's what started the deal with CDG and Boeing. They now have brought us four customers plus an internal project at Boeing. It's an exciting relationship and a revenue contract. Scientigo is continuing to leverage with partners who are established in the industries that have to do with document content."

Bryant states that Scientigo's technology is one of the few in the world that is able to perform automatic indexing and classification. "That's a piece that's missing for many large companies. Sometimes companies find it difficult and can't get their technologies working correctly inside, unless they can get it indexed and classified. So, rather than trying to work against these companies, we're bolting on and helping the integrators who are bringing solutions through Interwoven, Documentum, FileNet, and others. Obviously, our strategy is not to try to be a document content management company, but to help those companies and those vendors become better at what they do."

Scientigo has teamed with Ribstone Systems, a developer of document capture and processing solutions, to provide automated coding and indexing of photocopied documents and the ability to search documents, enterprise wide. They are providing this solution as an optional add-on to high-end Canon copiers, which are largely used for litigation support. This will help law firms that do a massive amount of copying of paper documents not only to get them into digital form, but to easily organize them as such.

Areas of document content management that Scientigo is specializing in are litigation support, Sarbanes-Oxley and finance. "We have a strong base of projects going in the finance



"If I am still here three years from now I won't have done my job," quips **Doyal Bryant**, CEO of Scientigo. With his recent acquisition of **Find.com** and a pretty compelling intellectual patent property portfolio he figures Scientigo will not be a fire sale.

arena," says Bryant. "You can imagine a company like a Citibank, with all its legacy systems and its massive growth that it's had, as it has swallowed companies. With such growth, all the information needs to be centralized, organized, stored and more importantly one needs to be able to access and to find."

Anyone who has used standard Internet search engines such as Google knows that trying to find digital content is frequently an exercise in frustration. Too broad a search returns a morass of irrelevant results that you must weed through in the hope of finding the information you're looking for, while a specific search may prove too narrow to yield the desired results. Scientigo has developed search technologies that it is bringing to both the enterprise and consumer arenas that it says will bring more personalized and relevant results.

Find.com: Technology That Knows You

"With a normal multi-word search, if you're looking for a doctor on a

weekend and type in 'Physician,' plus 'after hours,' you won't get the information that's relevant to you. Likewise, if you're looking for fishing spears and you put in 'spears,' you're going to get about 2 million entries for Britney Spears. Getting relevancy in your search requires more powerful capabilities than the popular search that is currently being used. We're developing some very specialized technology that uses artificial intelligence for personalized searches. You want the search engine to understand you and what you're trying to get it to do. It understands who you are. With our artificial intelligence, the more you use it, the better it knows you. If you look at a lot of hunting and fishing sites, and you're looking for spears, it will bring you fishing spears. It gives you that sort of personalization."

Bryant continues, "Scientigo, with its patented technology, will be a leader in a couple areas of search. Before Google went public, it paid about a billion dollars to Yahoo for the Overture patent, which is for keyword search. Most of Google's revenue today comes from the ability to have keywords. The problem is that the world outside of here works in phrases, in multiple words. Scientigo will be a leader in its ability to handle multiple word capability and phrases. In fact, we have intellectual property dealing with multiple words, topics and clustering that I believe a lot of the search companies will have to go through, or barter with, or leverage, or license.

"When you're talking companies such as State Farm that has 3 million e-mails a day, it's clear that an enterprise search solution must be able to handle the massive amounts of searching that needs to be done," says Bryant. "Enterprise search is a huge area that you'll hear an awful lot.

about; Google and Microsoft and others are moving quickly into it. The projects that we're working on are all based on bringing this type of enterprise search to established companies, giving them a piece that they are missing, and ultimately helping them to maintain their growth and revenue."

Scientigo is working on better ways to search images, as well as text. Google, for one, already has the ability to search pictures, but Bryant hopes to take it much farther. "You're going to want to be able to find, say, a red ball in the snow in Ohio in 1997, and you can't search like that today through any method," he says.

In late November, Scientigo acquired a majority interest in Find.com, an established search engine, from Find SVP. This Web site, to which Scientigo will apply its artificial intelligence technology and roll out a revamped Web site early in 2006, will specialize in the personal, localized delivery of information.

"Find.com was a particular opportunity that our company just couldn't turn down. When you have a powerful search engine and you have a lot of capabilities, we wanted a place to show it off. I thought that it was important for our investors and for the company to be able to allow users a chance to test out our technology for themselves. It will specialize in personal, local delivery of information through the Find.com URL. It is my belief that local search is the fastest-growing area in search, being able to search locally the way you do the Web today, taking the Yellow Pages and moving it into a local area. Also, the world is going mobile. Think about this, instead of 411, instead of AskMeNow, imagine if all you have to do is hit your Find button on your mobile, and it's able to find what you're looking for. This is a huge opportunity; we're already in discussion with groups on how to deliver this."

Bryant has put together an intellectual property "Dream Team" to both protect and monetize the company's

patents. It includes the law firms Sterne, Kessler, Goldstein, Fox (Robert Sterne was the first to get software patentable in the United States, when he was with IBM) and Wilson, Sonsini, Goodrich & Rosati (which has represented Sun, Google, Apple, and other top tech companies), and an intellectual property investment bank, Inflexion Point Strategies, LLC.

Two of Scientigo's patents, both filed under the unassuming name "Method for Modeling, Storing, and Transferring Data in Neutral Form," the first in 1997, are of particular interest.

"We're looking at everything. We have opportunities for licensing. We have opportunities for sale. We have opportunities to partner and cross-license."

These patents, which came to Scientigo when it acquired a company called Pliant Technologies, describe a concept similar to that of XML (Extensible Markup Language), a major World Wide Web standard that enables the storage and tagging of data in a way that allows it to be correctly displayed regardless of platform.

In late October, Bryant made public Scientigo's intention to monetize these patents through licensing agreements. He said he had talked with 47 companies, including Oracle and Microsoft, to discuss Scientigo's patents and their relevance to XML, and that Scientigo would be teaming up with an intellectual-property licensing firm that would handle contracts with third parties.

Bryant's announcement met with a generally frosty reception. A challenge such as Scientigo's to such a broad-based and important standard as XML makes companies that will—one way or another—have to deal with Scientigo's assertions, squirm. Critics have pointed out that although XML Version 1.0—the first XML version to have been given "Recommended" status by the World Wide Web Consortium (W3C)—which developed

it—didn't come out until early 1998 while the first of Scientigo's XML-relevant patents was filed a year earlier (in January 1997). The first public draft of XML had been released in November 1996, and XML itself is an outgrowth of SGML (Standard Generalized Markup Language), a standard that dates from the 1980s.

The patenting of software has always been controversial; many in the computer industry are hostile to the concept. Common objections are that software patents are granted too easily and are too broad, they stifle creativity

and innovation, and they force companies to spend far too much time and money protecting their intellectual property and defending against challenges, both real and frivolous. An effort to make software patentable in Europe was recently defeated.

Yet software is patentable in the United States, and intellectual property is an important and valuable aspect of many companies' portfolios; its proponents look at it as an asset class just as important as real property or securities, and one that needs to be aggressively protected. In December of 2004, an XML-related patent portfolio owned by Commerce One was auctioned for \$15.5 million. Soon after this deal, one of the lawyers involved in it (who was aware of Scientigo's intellectual property), approached Bryant and set into motion what has turned into the attempt to monetize Scientigo's patents. "I have an obligation to my share-holders," says Bryant. "If we have an intellectual property that's valuable as an asset, a real estate asset, my shareholders expect me to do something; in fact, we will be killed if we don't do anything with it and just sat on it. The days of just having it as a

patent and not doing something to monetize it are very dangerous for a CEO of a public company.”

Bryant had the company's patents thoroughly researched before deciding to try to license them. “When I started at Scientigo, my chief engineer and scientist stood up in the first couple of meetings and said, ‘XML is infringing on our intellectual property.’ I said, ‘Wait a minute! That’s like SCO against the world. We can build a company without having this type of information out there.’ But when I put together our intellectual property team, I asked them how our patents compared to XML. We hired a company called JLI; they are what are called computer forensic protocol scientists. They have done major due diligence for IBM, Oracle, and other companies on their patent portfolios and have been expert witnesses both for and against, in several different cases. They did an analysis on our patents compared to XML. We were expecting it to come back kinda-sorta, but it didn’t; it came back very good news for our company. It means that some of the biggest companies you know are now aware of the intellectual property that Scientigo owns.”

Bryant Leads Turnaround

“We’re looking at everything. We have opportunities for licensing. We have opportunities for sale. We have opportunities to partner and cross-license. We’re looking at all those things. What we don’t want to be is an SCO, and this is where a little bit of tabloid got out there and said ‘Scientigo is out to go after the rest of the world.’ We are not. We are building our products and services and are very excited at the opportunities our company has. We have no interest at this time in asserting these patents in any way.”

Bryant notes that Scientigo’s intellectual property assets go beyond the two patents now in question. “We have new intellectual property, far better,

and XML—as it grows up and more is made of it—will go through more of our existing and new intellectual property. You’ll see in the first quarter of 2006 some very powerful new patents that we now have the capital to get through.”

For the fiscal year that ended August 31, 2005, Scientigo had token revenues of \$33,000 and a net loss from continuing operations applicable to common shareholders of \$11.2 million. However, Bryant stresses that its marketing efforts for its ECM and search products are just beginning. For example, long-term debt is now only \$2 million, down from \$11 million when Bryant came on board.

Bryant holds a B.S. in Business Administration from Drury College and also studied at Oxford. He has worked in senior management positions in companies that provide financial and technical due diligence to major investment banking firms, where he played a hand in the development of telecommunications companies such as ZTEL, Premiere Technologies, CommSouth, Talk.Com, PrimeTec International, and ATMNet. His companies have developed international joint venture agreements and investment transactions for voice, VOIP, and Internet-related services.

Former President and CEO of Convey Systems, Bryant became CEO of Market Central after it acquired Convey Systems in 2004. Convey helped organizations to collaborate using text chat, VOIP, videoconferencing, and other methods, create interactive sales presentations, and enable distance learning, remote desktop support, and live customer service over a broadband connection.

When Bryant came aboard Market Central, it was a company sorely in need of a turnaround. He sold off its unprofitable call center business, paid down the debt, and focused product development on ECM software, changing the company’s persona to that of Scientigo, a knowledge management specialist with innovative

search technologies and a new URL to demonstrate them with. This has been an extreme makeover, indeed.

For investors who enjoy high risk and like to find their turnarounds early, Scientigo fits the bill.

RISKS: Even if it doesn’t turn into “SCO against the world,” Scientigo’s efforts to monetize its IP patent portfolio, particularly those patents that it claims XML infringes upon, could backfire and hurt the company’s credibility and bottom line. Scientigo has been losing money and may require further cash infusions to stay afloat. It has barely begun to generate revenues from its enterprise content management and search products. There are many other players in the ECM and search arenas, many with far greater resources than Scientigo, and technologies are changing and developing so quickly that today’s innovations may be obsolete tomorrow. Google has just introduced a local search feature, presumably along the lines of what Find.com and Scientigo offer. This both validates the concept and raises the bar for Scientigo.

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Share Data

Recent Price:	\$1.20
52-Week Price Range:	\$2.30-\$0.85
Shares Outstanding:	13.9 million
Float:	2.5 million
Market Cap:	\$16.7 million

Balance Sheet Data

(as of August 31, 2005)

Total Assets:	\$3.6 million
Long-Term Debt:	\$2.6 million
Shareholders’ Equity:	(\$1.2 million)
Book Value Per Share:	(\$0.8)