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MagiQ Technologies Launches with \$6.9 Million in Seed Funding to Commercialize Advancements in Quantum Information Processing

Angel Investors Include Technology and Business Leaders; Company Preparing Future-Proof Quantum Cryptography Solution for Commercial Availability in 2003

NEW YORK, NY – November 4, 2002 – MagiQ Technologies, Inc., *the* quantum information processing (QIP) company, officially launched today to bring advancements in the field of quantum physics to the business world. The company also announced that it has closed more than \$6.9 million in seed funding to date from angel investors including Amazon.com founder and CEO Jeff Bezos, experienced Wall Street trader and MagiQ founder Robert Gelfond, Goldman Capital Management President Neal Goldman, Guaranteed Overnight Delivery Chairman Walter Riley, and other top executives from both the high-technology and Wall Street communities. The funding will be used to help launch the company's first commercial product in the second half of 2003, which will be a quantum cryptography solution, and to identify and acquire intellectual property in the field of quantum information processing (QIP).

“The public unveiling of MagiQ is a major milestone for us, as we’ve been developing our quantum cryptography solution in stealth mode and acquiring related IP for more than two years,” said Robert Gelfond, founder and CEO of MagiQ Technologies. “Quantum information processing is truly a disruptive technology and attracting this quality of capital demonstrates its potential impact on the future of computing. It’s always challenging to move something out of the laboratory and into the ‘real world,’ so having these extraordinary resources at our disposal is invaluable as we move toward launching our first commercial product.”

QIP is the intersection of quantum physics and computer science, moving beyond classical computers and previously unsolvable problems by making use of quantum mechanical phenomena. The field is now one of the hottest areas of both computer science and physics. MagiQ Technologies was founded in 1999 and has built a portfolio of intellectual property around quantum information processing and plans to bring to market commercial implementations of several field-tested quantum information devices.

“Quantum key distribution is a major paradigm shift in the development of cryptography,” said Burt Kaliski, Chief Scientist of RSA Laboratories. “The ability to detect eavesdropping on a communications link with absolute certainty is remarkable, and conventional and quantum cryptography are a powerful combination in making secure communications a reality.”

The First MagiQ Product: A Quantum Cryptography Solution

Today’s encryption solutions rely on computational difficulty for their security. The assumption has always been that it would take thousands of years of computer time to decrypt these messages. However, as computing power continues its dramatic rise, new algorithms are developed, and quantum computing advances, today’s secrets could become more vulnerable – presenting major threats to countries’ national security, corporations’ intellectual property and confidential information in general. Quantum key distribution (QKD) is designed to provide higher assurance for the long term, since it relies not on computational difficulty that might change over time, but on the unchanging principles of physics.

The solution to this problem lies in MagiQ’s first product, code-named Navajo, a quantum cryptographic solution offering unbreakable encryption based on the laws of physics. The security of quantum cryptography lies in the ability to exchange the encryption key with absolute security – quantum key distribution. By encoding the encryption key photon by photon and having more than one piece of information on each photon, quantum mechanics guarantees that the act of an eavesdropper intercepting a photon, even just to observe or read, irretrievably changes that photon. Therefore, the eavesdropper can neither copy nor clone a photon nor read more than one piece of information without destroying the other piece. The use of quantum keys and truly random numbers makes data encryption absolutely secure.

Navajo solves key distribution and storage problems that have been the bane of cryptographers for centuries. Navajo's real-time key generation and quantum distribution of those keys makes for the most secure cryptographic system ever, while offering very cost-effective key management. Navajo provides protection from both internal threats such as disgruntled employees and external threats including corporate espionage. While quantum mechanics has many remarkable implications, it has been tested for over a hundred years and is one of the most successful and accurate scientific theories ever.

Navajo is currently in alpha phase, with beta planned for early next year and commercial availability late in 2003. The initial target market for Navajo's absolutely secure encryption will be classified government, OEM, intellectual property protection, and the protection of financial data.

MagiQ Scientific Collaborators

To assist the company's own scientists in exploring ongoing developments in QIP, MagiQ has assembled a group of outside scientific collaborators, including:

- Dr. Samuel L. Braunstein, Professor of Quantum Optics and Information, Bangor University, UK.
- Dr. Daniel Gottesman, Perimeter Institute, Waterloo, Ontario; post-doc researcher at Los Alamos National Labs and Microsoft Research.
- Dr. Daniel Lidar, Assistant Professor of Theoretical Chemical Physics, University of Toronto; winner of 2001 Polanyi Prize; expert in quantum error correction and quantum information processors.
- Dr. Norbert Lütkenhaus, Friedrich-Alexander University, Erlangen-Nuremberg, Germany.
- Dr. John Watrous, Assistant Professor and Canada Research Chair in quantum computing, University of Calgary.
- Dr. Birgitta Whaley, Professor of Chemistry, University of California, Berkeley.

About MagiQ Technologies, Inc.

MagiQ Technologies (www.magiqtech.com) is *the* quantum information processing (QIP) company. Through its unique blend of science, business and engineering expertise, the Company is the first to commercialize the advancements in quantum physics to benefit forward-looking organizations seeking competitive advantage through technology. Founded in 1999, MagiQ is a privately-held company headquartered in New York City with research & development laboratories in Somerville, Mass.

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