

August 9, 2006

TRI-STATE CAPITAL

RESEARCH REPORT

Germany: [WKN# AOB7RZ]

United States - Technology
Software - IT Consulting

SOFTNET TECHNOLOGY CORP

(OTC:BB - STTC)

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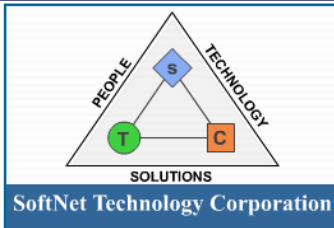
Website: <http://www.softnettechnology.com>
Exchange(s) : US - OTC Bulletin Board/Germany -
Frankfurt Stock Exchange
Contact: info@SoftNettechnology.com

Recent Price: **\$0.0600**
Target Price: **\$0.3000**
(12-month)

SPECULATIVE POSITIVE RATING

Main Headquarters

SoftNet Technology Corp.
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Bernardsville, NJ 07924
United States of America
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Business Expansion & Alliances gaining Velocity

Company Overview

Softnet Technology Corp. (OTC:BB – STTC) offers IT consulting services through its subsidiaries, and solutions to enterprises and service providers in the United States. It provides technology infrastructure services primarily in information security, network economics, internetworking, network management, IP telephony, storage, application performance, and data center migration/consolidation. The company is headquartered in Cranford, New Jersey and offers a wide range of consulting services, software solutions and recruiting services to plan, deploy and manage IT services and infrastructures.

- STTC entered into **several Multifunctional IT & Professional Services Contracts** expected to have a **big favorable impact** on the STTC in the FY2006 and beyond.
- These contracts range from several months to more than one year in contract duration and include relationships with: (1) **Verizon** that expands business operations in current locations and new territories including New Jersey, District of Columbia, Texas, Pennsylvania, and New York, (2) **Transamerica** initially in the territories of Arkansas, Texas and Kansas City for IT professional services, (3) **EMC Storage** and (4) **Network Appliance**.
- **Insider buying activity** has been prolific in recent days. On August 8, 2006 the company announced as many as 4 upper level managers, officers and board directors purchased shares in the open market on the preceding business day. Additionally, the CEO of SoftNet, **James M. Farinella**, **invested \$100,000** directly which we regard as clear signal of confidence in improving business prospects.
- **Every regional operation showed growth in Q2** and the company is broadening its presence in new areas of the US and also internationally. Preliminary **FY2006 Q2 Revenue expanded 38% sequentially to \$1.5 million over Q1 FY2006**.
- SoftNet has been able to build relationships with such companies as: **T-Mobile, Network Appliance, Eclipsis Corporation and CompUSA**.
- SoftNet boasts with a senior management team that has **over 25 years experience** in the establishment and running of professional services businesses with a specialty in the total network life cycle business. Collectively, they were part of the management teams for companies that were **acquired in excess of \$3.7 billion, 450 million and \$100 million**, respectively; and for an **IPO with a valuation of \$1.5 billion**.
- STTC recently announced effective July 24, 2006 that approximately **\$400,000 of outstanding debt plus accrued interest** that was due to SoftNet CEO, James M. Farinella, has been **converted into 20 million shares of Class A Common**.
- **SoftNet's has lodged several successive quarters of quarter-on-quarter growth in and the CEO has recently cited the expectation for growth to be sustained into FY2007 and through FY2008** as reasons underlying his decision to convert debt into equity. The addition of a **stellar management team**, as well as a list of **potential acquisitions** that will respectively build and add fundamental value in the short and long term, was also mentioned as other reasons for the conversion. Our expectation is for STTC to generate **FY2006 revenues of close to \$10 million** given recent developments. For **FY2007** we believe top line growth will gain traction towards a **new milestone of \$20 million** and see STTC to improve gross and operating margins to such an extent that **net income of \$2 million (or 0.6c FY2007 EPS) is feasible**. These estimates in conjunction with other encouraging factors is prompting us to **initiate coverage** with a **SPECULATIVE POSITIVE RATING** and our target price is set at **30c or 40x our FY 2007 EPS forecast and 6x FY2007 Revenues**. See **INVESTMENT THESIS & RECOMMENDATION** for more in-depth discussion (Page 16-19)

See Appendix A-I for Analyst Certification and Important Disclosures.

SoftNet Technology Corp. (all figures in Millions)	
52 Week Hi/Lo Range	0.258/0.026
Fiscal Year End	31-Dec
Shares Outstanding (5/19/2006)	397.20
Float (approximately)	328.00
Share price (08/07/2006)	0.060
Market Capitalization	23.8
Average Volume (3 months)	NA
Insider Ownership (5/19/2006)	NA
Institutional Ownership	NA
Enterprise Value	24.31
Total LT Debt	0.530
Total Cash (03/31/06)	0.056
12/2006 12/2007	
FY2006 E FY2007 E	
Earnings Per Share (EPS)	-0.003 0.006
Book Value (\$/share)	0.004 0.004
FY2006 E FY2007 E	
Total Revenue	10.000 20.000
Cost of Sales	7.300 13.800
Gross Profit/Loss	2.700 6.200
Operating expenditures	4.300 4.000
Operating Loss /Profit	-1.600 2.200
Other income	0.513 0.000
Income continuing operations	
Net Income	-1.087 2.200
NA = Not applicable/Not Available. A = Actual Reported figures E = Estimates	
Balance Sheet & Financial Statement Extracts (03/2006)	
Current Assets	0.485
Current Liabilities	1.819
Total Assets	3.929
Total Accumulated Deficit	25.300
Total Shareholder's Equity	1.580
Capital Structure (as at 05-19-06)	
Authorized Common Stock - Class A	500 000 000
Authorized Common Stock - Class B	5 000 000
Issued Common Stock - Class B	4 000 000

COMPANY

SoftNet Technology Corp. (**OTC BB: STTC**) is a Professional Services company focused on providing high-end consulting to enterprise and service provider customers that want to **maximize the business value of their IT infrastructure investment**. SoftNet has a strong focus in providing **technology infrastructure services** with specific capabilities in **Information Security, Network Economics, Internetworking, Network Management, IP Telephony, Storage, Application Performance and Data Center Migration/Consolidation**.

SoftNet leverages a business model that is proven in industry, and is executed by experienced professionals. The company prides itself on providing the **highest quality consulting services**, with experienced and trained professionals **focused on providing client solutions and executing projects on time and within budget**. SoftNet's solutions provide end-to-end service capability addressing key aspects of a customer's network.

This begins with its Network Economics practice area, where SoftNet examines the network infrastructure from a business perspective and uses the assessment results to deliver a thorough analysis of the customer network and current/future needs. The company can help its clients to deploy the right business technology solution to achieve business success to any client that is looking to implementing a new system, migrate services in to a single, homogeneous network, or looking for operational efficiencies.

The publicly held entity that is today Softnet Technologies, Inc was founded in March, 1971 as **International Mercantile Corporation**, organized under the laws of the State of Missouri. On July 31, 1999, the International Mercantile liquidated its majority interest in University Mortgage, Inc., it's wholly owned subsidiary and primary business operation subsidiary, which was achieved through an issuance of shares of University Mortgage, Inc. common stock to a related third party investor in consideration of their capital investment in University Mortgage, Inc. Following this transaction, International Mercantile, remained an OTC Bulletin Board traded company with no substantial assets or liabilities. On September 6, 1999, International Mercantile effected a merged with Micromatix.com, Inc., a Delaware corporation which maintained an Internet based personal computer manufacturing business which specialized in the sale of custom, built-to-order unbranded PC systems and related hardware throughout the United States.

The Merger Agreement contained an unwind provision, whereby the merger agreement could be rendered void. On September 2, 2000 this provision was extended until March 30, 2001. On March 31, 2001 the Board of Directors of Micromatrix, Inc. elected to exercise their put option and unwind the merger with **Micromatix.com**. The net effect of this was to return each corporation to their status prior to their merger. The unwinding returned all assets and liabilities to Micromatix so that both companies could continue to operate independently.

Following the unwinding of the merger with Micromatix.com, International Mercantile determined to change its direction and sought to acquire new business. On September 30, 2001 the International Mercantile entered into a preliminary agreement which was formalized on October 17, 2001 to acquire **Solutions Technology Inc.**, a Nevada Corporation, as a wholly-owned subsidiary. Solutions Technology, Inc. formerly operated under the corporate name **Clickese.com**. Clickese.com, Inc. was originally incorporated on December 27, 1999 in the State of Nevada and adopted a calendar year end. In February, 2002 the Company changed its corporate name to of T & G² and it's state of incorporation to Nevada. On March 18, 2002 T&G², Inc. acquired the operations of Zingo Sales, Ltd. On March 29, 2004 T&G², Inc. entered into an acquisition agreement with **Holtermann & Team, GmbH**, a German concern to acquire, 100% of the assets and equity interests of Holtermann in exchange for 10,000,000 restricted shares of the Company's Class A Common Stock.

The company announced on July 22, 2004 a name change to Softnet Technology Corp. STTC acquired Indigo Technology Services (Indigo), a technology company based in Atlanta, Georgia and **Net Centric Solutions, Inc.** in April 2005 for 9 million shares of restricted Class A Common Shares of stock (6,000,000 for Indigo and 3,000,000 for Net Centric Indigo is a provider of business technology consulting and technology products and solutions designed to help companies integrate technology into everyday lives. Indigo is the creator of Guest Worx High Speed Internet Access. Net Centric provides similar services that Indigo provides. On October 17, 2005, Indigo entered into an Asset Purchase Agreement whereby they sold to **Seamless Skyy-Fi, Inc.** all of its right, title and interest in the Guest Worx business of Indigo, including all assets, property (including the Guest Worx software) and contracts, in a cashless transaction where the consideration consisted of the delivery of the sufficient number of shares of Seamless' Class C Preferred Stock with a market value of \$100,000 as calculated in the Asset Purchase Agreement. These preferred shares have been converted to common shares totaling 2.5 million. The investment represents approximately 2% of Seamless.

On August 1, 2005, STTC acquired the customer lists of Cord Consulting for \$200,000. In this acquisition STTC issued to **Cord Consulting** a note in the amount of \$25,000, and issued to the sole owner of Cord Consulting 727,620 shares of common stock with a value of \$175,000. The customer lists were to be amortized over 3 years commencing August 1, 2005. SoftNet determined on December 31, 2005 to impair the unamortized balance of \$172,222.

On January 18, 2006 and effective January 1, 2006, **SoftNet and InsPara Networking Technologies, Inc. entered into an Agreement and Plan of Reorganization, pursuant to which InsPara would merge with and into the company.** Stockholders of InsPara received, pro rata, after adjustments for fractional shares and rounding, a total of 49,999,998 shares of STTC common stock and **STTC recognized \$4,320,760 of goodwill in this transaction and has impaired \$1,149,510 of this goodwill as of March 31, 2006.**

The company has since this recent merger experienced a strong pickup in service activity and customer and contract business. Expansion to the Northwest as well as internationally continues and is likely to intensify in the latter half of 2006. The number of Information Technology Professionals and in-house employees since the beginning of 2006 has increased from approximately 26 to over 75.

The Company maintains offices in the Northeast, Southeast, South and the Northwest regions of the United States and is headquartered in Cranford, New Jersey.

MISSION & VALUES

SoftNet's approach uses a business model that features an **industry-unique methodology, a professional staff recruiting model, and a unique engineering operation model.** In concert, these three elements provide synergies that yield a powerful, scalable, and measurable performance and growth environment that historically has facilitated the building of successful, rapid-growth network consultancies. Furthermore, this environment will establish a solid base for the company's future products. The essence of SoftNet Technology is its world-class management and engineering enabled through a time-proven, scalable business model, superior focus on its mission, and stellar, dedicated execution.

A team that has previously executed with consistent success in this environment enhances these attributes. SoftNet's senior management has over 25 years experience in the establishment and running of professional services businesses with a specialty in the total network life cycle business. Collectively, they were part of the management teams for companies that were acquired in excess of \$3.7 billion, 450 million and \$100 million, respectively; and for an IPO with a valuation of \$1.5 billion.

To establish itself as a leader in the industry of network services and performance, SoftNet's approach includes:

- **Providing turn-key solutions**
- **Establishing a track record of excellence, and**
- **Strengthening current client relationships.**

Another facet of the strategy includes maintaining the dedicated engineer and employee base through building culture and cultivating dedication to the company principals of excellence, and of, "always doing the right thing" for customers and people. The strategy also includes developing and maintaining a "living" knowledge base through the company intranet, developing a presence in the major networking hub markets, attracting and retaining the highest quality engineers, and maintaining its technical expertise.

SoftNet will leverage its expertise in understanding complex networks and systems software to develop intelligent systems for certain repetitive network-related tasks, such as network monitoring, performance monitoring, security intrusion monitoring, and business continuity monitoring (disaster impact) and reporting. The intelligent systems are designed as "virtual consulting tools," provided in conjunction with consulting services, and positioned to improve gross margin by automating labor-intensive and high-knowledge-base engineering tasks. SoftNet's intelligent systems and services provide information required for the increasingly complex, day-to-day operation of networks, while reducing the required technological expertise and experience for networking personnel.

SoftNet offers its services on a long- or short-term basis across all phases of the network life cycle. As a result, its services are particularly well suited to clients that have immediate business networking requirements or that outsource or out-task all or a portion of their network infrastructure or operations. The caliber and experience of SoftNet's employees, the "living" knowledge base of project solutions, the industry-proven delivery methodology, and the employee reputation enable STTC to establish a significant competitive advantage.

Their highly skilled engineering staff is certified in the design, integration, and implementation of industry-popular hardware and software products focused on inter-networking and network operations/infrastructure management and security.

SoftNet Technologies provides the customer with a full range of consulting, software solutions and recruiting services helping our customers plan, deploy secure, and manage IT services and infrastructures enabling them to meet their business goals.

THE 5-FACETED SOFTNET APPROACH

UNDERSTANDING THE CLIENTS NEEDS

With initial client meetings, SoftNet takes a business-centric approach, working closely with executive and functional staff what needs are required to achieve the clients' needs. The company's main object is to understanding the client's business objectives, which will allow SoftNet to identify which resources or services are required. Once a clear understanding of the clients needs are agreed upon, SoftNet can then develop a functional proposal which can be agreed upon by all involved parties.

PROPOSAL

A proposal will be generated outlining the scope of the engagement. It may include project definition, deliverables, timelines and resource commitments. Long term engagements will be carved into priority-driven, achievable segments to ensure overall success. Needs, expectations and measurement requirements must be clearly articulated to the SoftNet team and the client in order to formulate an accurate proposal and to fine-tune the projects value.

ACCEPTANCE

Once a proposal is generated all parties will meet and agree upon the specific scope of work. The proposal might require fine tuning enabling all parties to sign off on the agreed work. When accepted the final proposal will be adhered to allowing STTC to solidify roles and responsibilities. Timelines and start dates will be established during this phase.

EXECUTION

Following acceptance execution is the process in which the project will commence. A meeting will be scheduled introducing all involved parties. Deliverables, roles and responsibilities will be explained. Processes and procedures, contacts, logical and physical access will be provided for SoftNet.

SATISFACTION/SIGNOFF

In the true tradition of customer satisfaction SoftNet will meet on a timely basis with the client ensuring the proposal is fulfilled. Any additional required tasks can be added to the original proposal at this time.

BUSINESS SERVICES, SOLUTIONS & OFFERINGS

NETWORK ECONOMICS

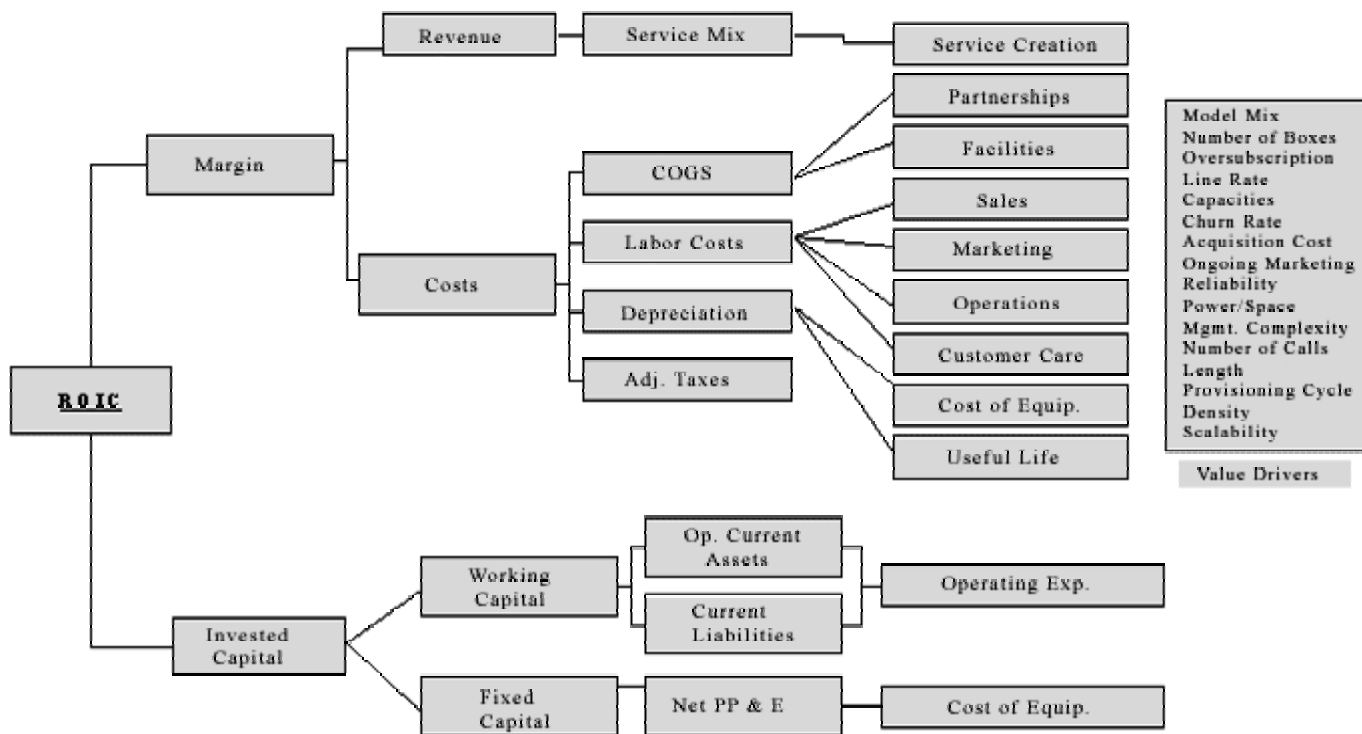
The Network Economics Practice at SoftNet Technology Corp. offers clients strategic and tactical consulting solutions to capital expenditure issues, revenue enhancement strategies, and market positioning tactics and analysis. This practice is comprised of 2 major components, of which the client can take advantage of to enhance their position to achieve and maintain a competitive advantage and consists of one or more of the following:

Return on Invested Capital Analysis

SoftNet's ROIC analysis is a powerful tool that clients leverage to penetrate deeply into the details of their operations as it relates to aspects such as service delivery, partnerships, facilities, sales, marketing, operations, customer care, cost of equipment, and useful life. The costs and revenues associated with these parameters are fed into a customizable model that examines service mix and pricing on the Revenue side and cost of goods sold, labor, depreciation and tax consequences on the Cost side. The output of this portion of the analysis yields operating margins on a particular mix of services and configuration of corporate assets.

The second, parallel, part of the analysis focuses on the actual operating expenditures and cost of equipment as it relates to the balance sheet with respect to Current Assets and Liabilities, making a distinction between Working Capital and Fixed Capital. The sum of which is Invested Capital. When you analyze Operating Margins into Invested Capital, the result is Return on Invested Capital. The ROIC Analysis from SoftNet Technology Corp. provides clients the tools and insight into their operation, whether Services Provider or Large enterprise, to examine sources of revenue and cost, tie them together with capital invested and operating revenues and costs, and yields a figure of merit, ROIC, to determine the effectiveness of capital allocation and operating efficiencies.

See Appendix A-1 for Analyst Certification and Important Disclosures.



Network Cost Assessment and Cost-Optimized Network Design

Many corporations have grown either organic and/or through M&A activity. Either way there is a need to rationalize the network, whether it is a data center consolidation, or an analysis of multiple wide area network links. The rationalization process will result in a comprehensive set of recommendations and a blueprint to maximize performance, reduce operational expense, minimize inefficient capital spending, and improve the quality of service to the business units. The first critical step in the process is the discovery phase.

In the discovery phase SoftNet will work with the client to collect and synthesize the information required to effectively and accurately detail the tasks and resources required to complete the main phases of the engagement:

- Comprehensive Enterprise Network Assessment
- Comprehensive Enterprise Management Assessment
- Network Cost Assessment
- Cost Optimized Network Design

The primary deliverable associated with the discovery phase is a detailed scope and project plan document that defines precisely what will be required to conduct a comprehensive network infrastructure and management assessment, including personnel and technical resources, and will describe a detailed project methodology for conducting the assessment. The ultimate goal of this SoftNet service is to develop and implement a cost-optimized network design from the standpoint of ease of management and reduced operating expenditure, with a minimum of capital expenditure. SoftNet Networking Technology's initial network assessment provides its client with an evaluation of the overall health of the network against industry best practices. SoftNet examines the strengths and deficiencies of the overall architecture, design, and integration vis-à-vis the clients' business strategy.

SoftNet Technology Corp. provides its client with a structured approach, ensuring consistent methodology and an understanding of the firm's business requirements. All findings, recommendations, and architectural issues is documented and provided to the client with specific recommendations for targeted network design, alternate vendor and product capabilities, staffing issues, and the integration of these recommendations within the client's operation.

See Appendix A-1 for Analyst Certification and Important Disclosures.

Post-assessment and discovery steps

Below are the post-assessment and discovery steps and activities SoftNet will perform to deliver the cost optimized design:

1. Discovery Phase

- Comprehensive enterprise network assessment
- Comprehensive network management assessment

2. Network Cost Assessment

- Inventory network cost components
- Baseline monthly recurring costs
- Quantify depreciation costs
- Estimate projected growth
- Identify cost saving/containment opportunities

3. Cost Optimized Network Design

- Identify networking requirements
- Understand current cost and expected growth
- Develop solution options
- Perform cost benefit analysis
- Procure recommended network design

Whether from a financial perspective or purely network-centric point of view, SoftNet Networking help its customers make the most of their IT investment, and help refine the tools and techniques to move those businesses forward.

Business Continuity Planning

Business Continuity Services are scalable from the largest data center operation, to targeted business unit or critical service offering. BCP is an often overlooked but critical issue, especially in the current international climate, and risk based compliance regulations such as BASEL II. Many organizations find it difficult to dedicate resources to the inherently important, but rarely urgent tasks related to BCP. SoftNet can engage as a project lead, work at the direction of its clients' BCP lead, or a hybrid of both. BCP activities are focused on issues to prepare the clients' business for unexpected interruptions, ensuring that the client is able to support future business requirements, such as e-commerce, connecting to trading partners (extranets), and fulfilling regulatory and other industry/business needs.

NETWORK INFRASTRUCTURE

SoftNet's internetworking practice is **at the core of the company's capabilities**. As with all SoftNet practices, it focus on creating a careful balance of technical sophistication and pragmatic business considerations. It is here that the infrastructure to transport, optimize and deliver networking services comes together to unify the remainder of SoftNet's network engineering deliverables.

Current Offerings:

Internetworking Assessment

- Perform comprehensive network audit.
- Interview network design and operations staff.
- Evaluate the operational health and performance of WAN, LAN, and internetworking environments.

Enterprise Campus Design

- Perform comprehensive network audit.
- Discuss planned user requirements for campus network.
- Review traffic performance and load trending requirements.
- Certify and validate vendor products and carrier agreements.
- Design or recommend campus solution.

See Appendix A-1 for Analyst Certification and Important Disclosures.

Metropolitan Area Services

- Assist service providers with developing a MAN.
- Greatly improving network economics and service delivery.
- Network baseline.
- Determine Scalability.
- Acquisition and network migration.
- New service offerings.
- DR initiative.
- Cost efficacy.
- Voice delivery.

Capacity & Network Performance Analysis

- To identify if the customer' network is performing within it's capacity-Network baseline
- Determine Scalability
- Acquisition and network migration
- Cost efficacy
- Performance
- Reliability/Resiliency
- New applications (Storage, Voice, or Video)

Data Center Network & Infrastructure Services

- Examine datacenter architecture.
- Review Operations staffing and process.
- Review traffic performance and load trending
- Design or recommend datacenter solution.

NETWORK MANAGEMENT (Information Technology Optimization ITIL)

More than just network management, SoftNet's Network Management and Operations practice encompasses the tools, processes, and business insight to truly manage IT infrastructure. The practice has been developed to address the operational management needs of enterprise and telecom clients who have large, geographically dispersed networks, and looking to reduce overall operational expenditures. In examining the overall operational picture of clients, STTC's Network Management Practice utilizes cross discipline techniques from its Network Economics practice and leverages ITIL (information technology infrastructure library) concepts. In devising an operations strategy, SoftNet incorporates operational and finance criteria, in conjunction with technology considerations to maximize the return on invested IT infrastructure capital.

Offerings include:

❖ IT Operations Assessment

The assessment offering is a review of existing IT operations architecture, management systems, and develops a general picture of the managed infrastructure. An assessment will cover business goals, processes/procedures, and technology in depth. At the conclusion of the Assessment, SoftNet will deliver a "gap analysis" between the existing business goals and technology, the current implementation, and the technical feasibility. Utilizing SoftNet's technical expertise we offer the client a complete unbiased of their existing IT operations.

The approach is defined in broad terms below.

Assessment Definition

- Preliminary Discovery
- Business Goals
- Managed Systems
- Managed Infrastructure
- Management Tools
- Process, Procedures and People

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Preliminary Discovery

The purpose of this phase is to gather specific project information, understand the organization, prioritize the deployment of resources, and develop a detailed project plan. Immediately, after completing this effort, a detailed project plan will be reviewed to establish clear objectives for the rest of the Assessment Phase.

Business Goals

SoftNet will assess current Service Agreements Objectives/Agreements (SLO/SLAs) to understand priorities and business goals in the context of the operations center(s). Based on analysis and completeness of these service definitions, a range of design services may be employed. SoftNet will leverage past experience in building Network Operations Centers (NOCs) to either validate, or recommend changes to these service definitions. The content of these service definitions will help drive the level of performance higher, and provide true measuring sticks for business unit support.

Managed Infrastructure

Assess current infrastructure management requirements and identify devices as either manageable or unmanageable. For all manageable devices (by type), the infrastructure team will ascertain what management information is available and necessary to meet client requirements. Recommendation will be made with the SLO/A commitments and business impact priorities in mind

Management Tools

Management tools sit at the center of any IT operations organization. SoftNet will consider client support commitments and assess any standards documents in place. This combination ultimately drives the selection of tools and must be considered in conjunction with specific potential point solutions. The tool assessment will focus on understanding how the tools need to be operationally implemented and integrated to meet the business goals. Based on the information gathered, a detailed design strategy can be developed using standard integration doctrine and methodology.

Processes/People

Leveraging long standing industry best practices such as FCAPS, and more recent trends such as ITIL, SoftNet Technology Corp. will assess and analyze operational processes and handoffs. This effort is intended to provide sufficient insight into conceptual operation so that staffing plans, skill sets, and possible process improvements can be established. SoftNet will review current Operating Center's staffing requirements and plans. Responsibilities will be mapped to staff functional positions. In addition, specific skill sets will be assessed and documented. An overall functional staff diagram will be created depicting interdependencies and cross-knowledge overlaps. The information gathered and consolidated as part of this process will help drive the concept of operations and required level of automation. After all of the assessment tasks are complete, SoftNet Technology Corp. will summarize the information gathered and review with keys staff members to validate the findings. Then a report will be provided in draft form as a final review of both findings and recommendations. After receiving comment and feedback, SoftNet will formalize the changes in a final version of the report as a complete deliverable package.

❖ IT Operations Architecture Design

SoftNet Technology Corp. professionals offer architectural design for an IT Operations Center or major enhancements to an existing one. Utilizing SoftNet's professional engineering experience, we design world class operations environments utilizing best of breed network and system management products. Included in the IT Operations Architecture Design offering is careful consideration of business driven services and their impact on technical and process management requirements, including tool selection. The final deliverable will describe the functional components and logical operation of management systems as well as the services delivered, including preliminary cost estimates for purchasing, implementing and operating the system(s). An initial suite of products will be identified and selected to begin a prototype implementation. The document will also outline any foreseen custom development efforts that may be required (both applications and middleware "glue" utilities). The main objectives behind the architecture effort are to:

- ❑ Create an architecture that supports reliability, flexibility and scalability so that as the network, services or customer base adjusts over time, the supporting security and network management infrastructure continue to provide required support and ensure performance is maintained.
- ❑ Promote integration between network management features (e.g. fault management and reporting) with security management (e.g. attack detection configuration, security logs, policy adjustments) with configuration features (design and assign, network provisioning, device configuration) with accounting features (usage data, call filtering, aggregation and correlation) with performance features (monitoring network thresholds against performance standards).

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- ❑ Incorporate integration points in which disparate functions such as fault management, service impact, performance and provisioning can be integrated to expedite infrastructure management activities, reduce errors and scale with increases of logical / physical network size or customer base.

Focus Area's:

- Fault Management
- Configuration Management
- Asset Management
- Performance Management
- Security Management
- Development & Modeling
- Processes and Procedures

❖ **IT Operations Managed Network and Systems Deployment**

SoftNet's IT Operations Managed Network and Systems Deployment offering can consist of a team, or an individual engineer depending on the scope of the engagement. Such a project entails deployment, customization, and development of network and/or systems management applications. This offering can be combined with any of STTC's other services or can be executed as a standalone engagement. Utilizing SoftNet professionals we can support the implementation of a single management system to the deployment of a full IT operations production center. SoftNet's engineers are capable of installing and customizing common off the shelf (COTS) management products such as Enterprise Management Systems (HP Openview Network Node Manager), Element managers (Cisco's CiscoWorks), Problem Management systems (Remedy), Reporting Systems (Concord), Correlation tools (SMARTS in-Charge), to name a few. SoftNet's engineering team allows the customer access not just an engineer, but an assembled group of proven IT professionals. Included with this service offering, but not limited to be the following:

- System(s) installation
- Configuration
- Customization
- Integration
- Documentation
- Training & Transition

Focus Area's:

- Fault Management
- Configuration Management
- Asset Management
- Performance Management
- Security Management
- Development & Modeling
- Processes and Procedures

❖ **Network Operations Process and Procedures Planning**

Network Operations Process Planning involves the methodical review of selected escalation, problem definition, problem resolution and related process and procedures. The function of this offering is to assure day-to-day issues are resolved through timely hand off to the appropriate IT departments. This offering is focused at verification that IT services are returned to an operational state limiting end user disruption, and providing visibility to status and historical reporting. SoftNet's team of professionals will review and document existing processes and recommend modifications where applicable to gain the most from its client investment in operational resources. This is an optimization process, focused on getting greater service levels from existing systems, and only recommending additional capital investment when clearly warranted. SoftNet's engineering team will typically analyze the following:

- ❑ Existing IT environment
- ❑ Existing Processes and Procedures review
- ❑ Problem Identification
- ❑ Incident Notification
- ❑ Incident Isolation
- ❑ Incident Escalation
- ❑ Incident Tracking
- ❑ Problem Resolution
- ❑ Customer Follow-up

Focus Areas:

- Current State Processes and Procedures
- Fault Management
- Problem Management
- Reporting Systems
- Configuration Management

NETWORK SECURITY PRACTISE

SoftNet's Security Consulting supports business objectives by enabling the use of electronic means to securely interact, collaborate and transact business with customers, suppliers, partners, employees and shareholders. A secure infrastructure supports requirements such as e-commerce, business-to-business partnerships, confidentiality, integrity, authentication, non-repudiation, and regulatory issues. Identifying security issues related to communication networks is one of the critical first steps that companies need to address in order to ensure that their networks are secure, have the highest reliability and availability, confidential information is kept private, and their business/financial objectives are met. These services use a standard methodology to determine y client needs; assess present security posture; and to plan, design, implement and operate the best solutions possible.

Offerings include:

- Attack and Penetration
- HIPAA - Health Insurance Portability and Accountability Act
- Host Security Assessment
- Policy & Procedures Assessment/ISO 17799 Standards
- Secure Network Infrastructure Services
- Security Assessment
- Security eBusiness Service
- Security Operations Management
- Security Site Audit
- Security Training and Awareness
- SOW Deliverables

STORAGE AEA NETWORK PRACTISE

SoftNet's Storage Area Network (SAN) Practice is an extension of its Network Infrastructure Practice and ITIL best practices. Its Clients demand significant growth for network access and content delivery of data, voice, video and imaging. These network growth advancements are securely SAN archived providing an access path for full data retrieval. STTC's offering includes the systematic location, identification and inventorying of these mission critical information platforms.

SoftNet will serve as a networking partner providing assurance of the peak network performance required to meet Clients' SAN challenges. The Quality of Service for all networked systems will be installed, implemented and managed to meet and exceed the Clients specific Service Level Agreements (SLA). The resultant SAN systems content delivery advancements and services will enhance all operational aspects of the Clients' network.

The SoftNet designed and implemented SAN systems will improve security and access to mission critical applications and content. SoftNet will meet the network challenges associated with delivering secure direct streaming media, broadband remote site systems and Internet Protocol gateways to assure partnering of SAN compliance. SoftNet provides valued services for its customer for the entire SAN business Life-cycle.

SoftNet Technology offers:

- Design & Implementation Compliance
- Performance Assurance
- Network-Wide Security
- Capacity and Bandwidth Design
- Content Delivery Networks
- Enterprise-Wide Architectural Standards
- Network Management System
- Enterprise-Wide Network Planning
- Record and Document SAN Systems
- Troubleshoot All Non-Response Communication Links

See Appendix A-1 for Analyst Certification and Important Disclosures.

SMALL BUSINESS SOLUTIONS

SoftNet provides end-to-end technology solutions for small businesses. These solutions are compiled to simplify IT for small business. SoftNet takes care of all the daily headaches of small business technology. The company's goal is to deliver "big business" technology services to small business customers at prices they could afford and in packages they can understand.

SoftNet has a fully trained, fully staffed IT department on call, 24/7 which means that the all the expertise to keep its clients network, PCs, programs, and most importantly, people, running smoothly is merely a phone call away.

These benefits help to reduce payroll expense and eliminate the need for high-priced consultants running up the meter. Pricing is set at one low, flat monthly fee.

STTC solutions for SBE's include:

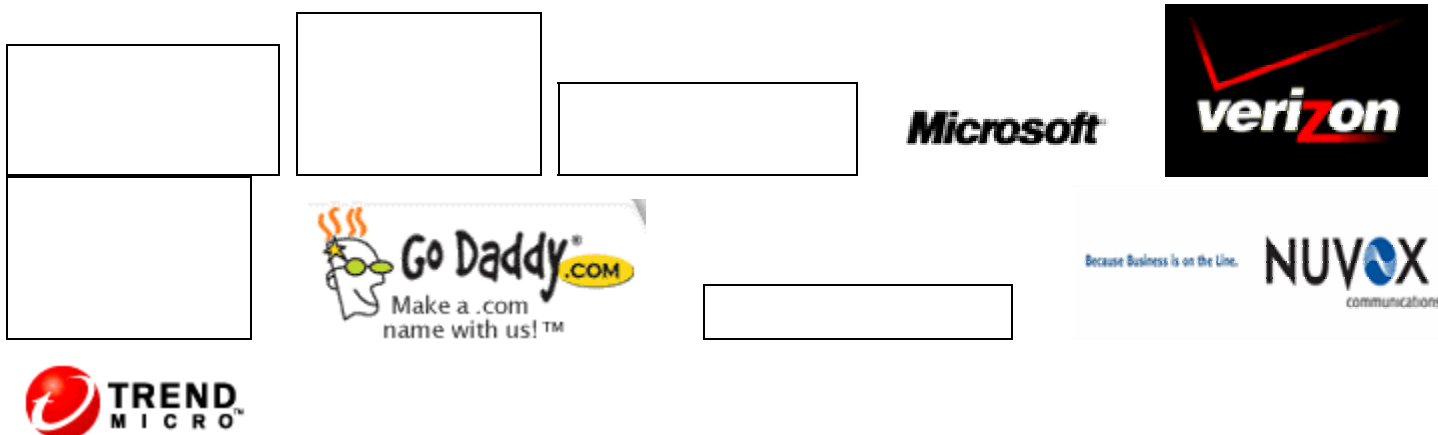
- **Network Essentials**
- **Productivity Enhancement**
- **Internet Essentials**
- **Website Starter Pack**

DELIVERY TEAM

Many firms may have experts in technical disciplines, but are not nimble enough to serve a diverse geographical and specialized client need. In the post internet bubble environment, technical consultancies have focused top talent on core businesses and a few large clients. These firms cannot risk those contracts and consequently use "bench" technicians to fill open needs, often without the skill or experience required. **SoftNet was founded by a group of senior managers, dedicated to the identification and acquisition of talent to satisfy client needs.** Complimented by strong dedicated practice disciplines, SoftNet can quickly form highly talented and dedicated teams to perform the type of diverse tasks required to deliver complex fixed scope engagements. Since this team composed of selected individuals, not "bench" players with generic skill sets, SoftNet can minimize the typical early stage learning curve, and over dependence on one or two key players. Additionally, SoftNet staff are seasoned consultants, with experience working in many firms. Working in multi-vendor projects, and strong professional "soft skills" are part of the company's culture.

ALLIANCES & NEW CONTRACT DEVELOPMENTS

SoftNet Technology Corp. has developed strategic relationships with the following best of breed companies. Clients business requirements have dictated the following networking needs and SoftNet has responded to these requirements by training and working directly with these leading companies.



STTC announced on August 7, 2006 that they have entered into several **Multifunctional Information Technology and Professional Services Contracts**. These Business arrangements range from several months to more than one year in contract duration. SoftNet recently entered into a new relationship with **Verizon** that expands STTC's business operations in current locations and **new territories including New Jersey, District of Columbia, Texas, Pennsylvania, and New York**. The work will primarily consist of IT Consulting Services and Regulatory Compliance. SoftNet also recently entered into a contractual relationship with **Transamerica** initially in the territories of **Arkansas, Texas and Kansas City for IT professional services**. **EMC Storage** also engaged the services of SoftNet in several areas of the United States. The company expects to expand upon some of these of these business arrangements into the future.

See Appendix A-I for Analyst Certification and Important Disclosures.

Lastly, SoftNet expanded on its relationship with **Network Appliance** in parts of the U.S.A. and Canada. While, no specific numbers are being released at this time, the collection of new business is expected to have a big impact on the overall company in the coming year and beyond. Several of the new contracts are an expansion of pre-existing relationships that have grown and broadened in capacity.

FINANCIAL STATEMENTS

The company filed Form 10-QSB with comprehensive financial information and operational discussion with the SEC with regards to financial performance and developments for the first 3 months of FY2006 on May 22, 2006. SoftNet Technology Corp. has a December 31 year-end. Commencing in 2002, the company started generating revenues.

For the 3 months ended March 31, 2006, **revenue rose to \$1.093 million compared to \$0.231 million in revenue for the quarter ended March 31, 2005. This is an increase of \$861,840 versus the prior comparable 2005 quarter.** This growth in revenue is anticipated to continue throughout the 2006 and particularly pickup strongly in the third quarter of FY2006 and for the **growth trajectory to steepen further beyond 2006** fiscal period fueled by organic and acquisition based growth. **Preliminary revenues for Q2 FY2006 reflected a 38% jump in revenues to \$1.5 million, over Q1 revenues.** Current Assets stands at \$0.484 million comparing unfavorably to \$1.819 million of current liabilities; whilst long term debt has been reduced considerably to only \$0.530 million at the end of the first quarter.

The gross margin of (33%) in the first quarter of 2006 was attributable to the acquisition and operations of InsPara being brought into the overall company. This figure is not being compared to previous years of operations as the operations of the company are significantly different than previous years. Going forward these margins should remain steady and there is no reason to believe outside competitive pressure would cause a decrease. Cost of sales (COGS) for the three months end March 31, 2006 was \$733,973 compared to \$97,174 for the three months ended March 31, 2005. The increase in cost of sales was mainly due to the increased operations of STTC from the acquisition of InsPara.

Operating expenses for Q1 FY2006 were \$2,033,602 as compared to **\$1,877,131 in Q1 FY2005**, an increase of approximately \$156,000 due in large part to the decrease in marketing and promotional activity and in corporate expenses for legal and accounting and operating expenditures. However, the operating expense did include a **large one time impairment of goodwill of \$1,149,510 from the acquisition of InsPara.** This will not be recorded going forward and should lead to better profitability of the overall company being reporting in the coming quarters. Other income (expense) was \$(5,552) for the first quarter of 2006 compared to \$(5,308) for the first quarter of 2005. Costs of advertising and marketing are expensed as incurred. Advertising and marketing costs were \$19,103 and \$105,224 for the three months ended March 31, 2006 and 2005, respectively. For the quarter ended March 31, 2006, the company **incurred a net loss of \$1.172 million** as a result of the above expenses. The accumulated losses since inception as of March 31, 2006 were \$25.375 million.

As of March 31, 2006, SoftNet's subsidiary, InsPara, had **3 customers that accounted for approximately 90% of its accounts receivable.** During Q1 FY2006, these 3 customers accounted for approximately 79% of its revenues. InsPara does not require collateral on accounts receivable or other financial instruments and heavy customer concentrations may continue for the foreseeable future.

Liquidity and Capital Resources

As shown in the accompanying condensed consolidated financial statements the SoftNet Technology has incurred significant **recurring losses of \$1,172,216 and \$1,847,424 for the three months ended March 31, 2006 and 2005**, and has a working capital deficiency of \$1,334,493 as of March 31, 2006. The company in January 2006 acquired InsPara, and the full impact of this acquisition will impact operations later on this year. There is no guarantee that the Company will be able to raise enough capital or generate revenues to sustain its operations. These conditions raise substantial doubt about the company's ability to continue as a going concern for a reasonable period.

Management believes that the company's capital requirements will depend on many factors including the success of the company's **January 2006 acquisition of InsPara.** SoftNet's ability to continue as a going concern for a reasonable period following its pending acquisition of InsPara is also dependent upon management's ability to raise additional interim capital and, ultimately, achieve profitable operations. There can be no assurance that management will be able to raise sufficient capital, under terms satisfactory to STTC, if at all.

For the three-months ended March 31, 2006, the company experienced a negative operating cashflow of \$2.033 million compared to negative \$1.877 million for the three-months ended March 31, 2005. The decrease in cash used in operating activities of approximately \$156,000 is most attributable to the decrease in shares of stock being issued for services. The company has continued to borrow certain amounts from related parties to finance the quickened growth of the new enterprise solutions operations brought in to the company through the acquisition of InsPara. However, the company would not require any additional capital to simply sustain operations and grow at a slower pace.

Other noteworthy financial and per share statistics are listed in the table found on page 1 of this report.

See Appendix A-I for Analyst Certification and Important Disclosures.

STTC has made significant progress with respect to future funding. Funding is expected shortly, which will enable STTC to market, and continue to expand operations at a quickened pace. The current funding that is being contemplated would be through a loan from the Current CEO. Terms of this transaction are still being discussed. Management stated that going forward, they anticipate to **continue to streamline administrative, and professional fees to conserve cash flow**. Once the recognition of increased revenues occurs, certain expenses will increase, but only in accordance with the increase in revenues.

With the acquisition of InsPara and the combining of all corporate operations, SoftNet technology Corp. is now in a position to sustain operations without further capital infusion. Additional capital would only be required to increase the pace of growth for the overall company. **It is expected in the coming 12 to 18 months that through organic growth and strategically targeted acquisitions that the Company will be able to sustain a very high rate of growth and not require additional capital.** However, the Company has chosen a path of a high rate of growth and there for will require additional capital in order to meet these goals at the present time.

In April 2005, STTC entered into an agreement with a company to borrow money. The amount funded by this company at March 31, 2006 was \$530,000. There is no interest being charged on this note, the note is due on demand, and has been classified by STTC as a current liability.

In February 2005, SoftNet entered into a loan agreement with a foreign company in the amount not to exceed \$500,000. This foreign company funded the entire \$500,000 to the company in February 2005. The term of the agreement is for 3 years, and the company is obligated to make quarterly payments of interest at 10% only, with a balloon payment due on the maturity date. As of March 31, 2006, the outstanding liability was \$500,000, which is reflected as a long-term liability in the condensed consolidated balance sheet. Interest for Q1 FY2006 and 2005 was \$12,329 and \$6,219 respectively, and accrued interest at March 31, 2006 is \$56,219.

RISK FACTORS / CONCERNS

STTC is a company that has **is in development stage company status**. The company is still considered to be early in its life cycle and has limited meaningful reported revenues or financial history. The business model, and longer term consistency of revenue and income potential, remain uncertain and is not fully proven. A major risk to the future business and growth of STTC is tied to the strength and vigor of corporate IT spending patterns and budget allocations for IT and business consulting. In an event that the corporate sector slows or dramatically change its spending in this business area or general industry slowdown occurs, it is likely have a detrimental impact on the performance of STTC.

The company may not be able to generate or obtain sufficient funds to operate its business plan and fund future expansion initiatives and its financial statements contain a going concern opinion from its auditors.

If the company is unable to generate or obtain sufficient funds to operate its business, it could harm results and force the company to curtail or cease planned operations. There can be no assurance the company will be successful in its effort to secure additional financing to support operations that will necessitate achievement of near and medium term goals. SoftNet Technology Corp. is substantially dependent on the expertise of its management team and directors, the loss of which could materially adversely affect future anticipated results and efficiency of its expansion plans. Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The stock is thinly traded at prices below \$1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity.

We caution that historical volume activity on STTC has been noticeably light, but in recent weeks activity has improved. Major dilution of common stock can occur if company issues large blocks of common stock or warrants are converted into common stock that can negatively impact on the value of the shares either theoretically or if sold in the open market. NASD and SEC Regulations covering rules on Penny Stocks apply for STTC.

The IT Software and Consulting/Services market is expanding and systems integration and networking industry is fiercely competitive where the company faces opposition from larger and better funded rivals. SoftNet Technology will need to adapt to rapidly changing technologies, to enhance its existing solutions and to introduce new solutions to address its customers' changing demands to remain competitive.

STTC's business operations extend into the foreign markets. Foreign markets have different regulations related to the environment, labor relations, currency fluctuations, exchange controls, customs, foreign tax increases, import and export, investment and taxation which will also subject us to increased regulation costs and possibly fines or restrictions on conducting operations. Furthermore, the political climate in some foreign markets may be unpredictable. Currency fluctuations may have an effect on the company's current activities, because revenues are generally tied to the U.S. dollar.

The company may from time to time be parties to various legal actions. STTC is involved in litigation in the ordinary course of business.

Further elaboration on these above-mentioned and other risk factors can be found in **Form 10-QSB filed with the SEC on May 22, 2006.**

MANAGEMENT

SoftNet boasts with a **senior management team that has over 25 years experience** in the establishment and running of professional services businesses with a specialty in the total network life cycle business. Collectively, they were part of the management teams **for companies that were acquired in excess of \$3.7 billion, 450 million and \$100 million, respectively; and for an IPO with a valuation of \$1.5 billion.**

James Farinella - CEO, and Chairman

Kevin Holt - COO, and President

Mr. Holt is a co-founder and manages the overall growth and direction of InsPara. Mr. Holt has been on the executive team of four highly successful ventures. He has managed the growth and building of national and international sales and delivery teams. He has participated in the due diligence process for several acquisitions and the integration of those teams. Mr. Holt has also served on a successful IPO organization committee for a \$1 Billion plus IPO and secondary offering. In addition, he has participated in several successful fund raising events in the initial, secondary and mezzanine rounds.

Mr. Holt has nearly three decades of performance and experience in creating effective national and international Recruiting and Human Resources programs that result in significant numbers of qualified hires, an increase in the company's revenue from those hires, and a decrease in the cost-per-hire. In each case he has created solid but scalable teams and the processes, tools and technology to upgrade those teams in the future. Mr. Holt was the Senior Vice President (SVP) of Global Recruiting and Human Resources (HR) for Greenwich Technology Partners (GTP). Since assuming this position in 2001 Mr. Holt had increased the hire-per-year rate while decreasing the cost-per-hire by 37%. He has also developed and executed programs that have resulted in extraordinary numbers of qualified executive hires, wholesale recruitment of technical teams with a resultant \$3.5 million in revenue, and has upgraded both HR and Recruiting staff to improve management and employee satisfaction.

Prior to GTP Mr. Holt was SVP in the same role for Predictive Systems, Inc., where he dramatically strengthened the recruiting effort resulting in over 800 hires and a revenue increase of 30% to \$88 million. He established a scalable program that hired the right Regional Business Development Managers and Directors, and built a world-class team that exceeded goals. As Vice President of HR and Recruiting at Gray Peak Technologies (which was acquired by USWeb for a valuation of \$100 million) he managed the explosive growth for recruiting sales and engineering staff to drive this hyper-growth consultancy. After the acquisition by USWeb he became Managing Partner of Global Recruiting for USWeb, Inc. Mr. Holt was responsible for strategy and execution in North America, South America, Europe and Asia, supporting 60 offices in 6 countries.

In two cases where entire HR and Recruiting departments were needed, Mr. Holt created ground-floor startups for Gray Peak Technologies, Inc. and Paranet, Inc. (acquired by Sprint for \$428 million). Mr. Corley has served as President and Board member since February, 2000. Mr. Corley was the founder of Tsunami Media Corporation and served as Chairman of the Board of Directors, Chief Executive Officer and Secretary/Treasurer, until February 2000. Mr. Corley was a consultant and served on the Board of several startup and small public companies and was previously Chairman and President of Charge, Inc., and Charge Entertainment Corporation. Mr. Corley received a Bachelor of Science in Business Administration and a Masters in Business Administration from the University of Tulsa.

Stephen Henry - Vice-President

Mr. Henry is a co-founder and manages all Human Capital requirements. He has nearly 20 years of experience creating and successfully executing recruiting strategies, process and policy in several high technology companies. He has built, coached and maintained culturally motivated and scaleable Recruiting Teams on a national and international basis, resulting in large numbers of highly qualified hires at below industry standard cost-per-hire. Mr. Henry was Director of Global Recruiting at Greenwich Technology Partners (GTP), 2/01-9/02 where he implemented a proactive process resulting in a 240hire/year run rate, while reducing the cost by 60%. He coordinated a National Sales Recruitment program resulting in over 25 Business Development and Regional Sales Director Hires within a 6-month period. He maintained hands-on management of the Recruiting Team and a personal pipeline of high-level candidates nationally. Mr. Henry was Director of Global Recruiting at Predictive Systems, Inc. (PRDS), 11/99-1/01, where he was responsible for all Recruiting policy, procedure and execution for North America, Europe and Asia. He actively managed the Recruiting Team, which exceeded every quarterly goal for just-in-time hires at a below industry standard cost-per-hire. This strategic link to the regional business units resulted in over 800 hires and drove revenue from \$26M to over \$88M and a successful IPO. Mr. Henry had similar responsibilities and success at both UsWeb, Inc. (USWB) and Gray Peak Technologies, Inc. 10/97-11/99, which was acquired by UsWeb in a \$100M stock swap.

Previously, Mr. Henry held several positions at Paranet, Inc., 3/95-10/97. As Eastern Division Business Development Manager, he developed the largest single client with over \$3M revenue. As VA Branch Manager, he developed the anchor Telecom account and grew staff from 5 to 22. As NY Branch Manager he built revenues to an annualized \$2M run rate within 6-months. Paranet was acquired by Sprint for \$428M.

William Raby – Director of Sales

Mr. Raby directs InsPara's overall corporate global sales and services for our five network practices: Economics, Infrastructure, Management, Security and Storage Area Networking. Mr. Raby manages the entire pre and post sales cycle for the Practices and Professional Services. His deep industry knowledge of Pharmaceuticals, Wireless, Health Care and Financial corporations enables these clients to address issues specific to their immediate and long range business goals; providing the best solutions to maximize their return on their IT investments.

Mr. Raby has consistently exceeded revenue goals over ten years by gaining client trust through long term partnering, solving the needs of mission critical IT services and solutions. He effectively prioritizes client's just-in-time technical professional services thereby providing a scalable program that meets the goals and budgetary demands of his client partners. Program managed solutions include: Global Networking, E-commerce, Database development, ITIL Dashboards, Application development, Enterprise Management Systems, Corporate-Wide Helpdesk and Desk-Top Support, Healthcare IT Solutions, International Project Management, Global Security Systems, and Global Telecommunication Services.

Prior to InsPara Mr. Raby provided sales direction and management for Graypeak, US Web and Compusource. His personal energy and skills positioned these corporations for high growth resulting in revenues in excess of \$50 million. His client partnering continues to yield assurance that key Information Technology and Service Level Management applications meet their long term corporate goals.

Jim Raby – Senior Network Architect

Mr. Raby provides the overall corporate technical direction of InsPara's Professional Services and Practices. Mr. Raby has provided the technical leadership at three prior successful networking corporations. Additionally, he has been President/CTO of two earlier corporations providing Image Analysis and Voice Recognition Security. Mr. Raby has over three decades of leadership in technical design programs including Global System for Mobile communications (GSM), Global Two-Way Paging System, first Voice over Internet Protocol for the Federal Banking System, NASA Moon Flight Simulators, Nuclear Reactor Training Systems, Satellite Imaging Processing for the World Bank and IMF, Voice Recognition Systems for ATT, Fiber Optic Network Design, and technical re-organizations for several Fortune 1000 corporations. Some of these corporations include T-Mobile, Global-One, Compugraph Networking Systems, Beneficial Finance, Vision Global, Arrow Electronics, Fleet Bank, Excel Economico, Concert, British Telecom and others.

Mr. Raby's extensive engineering analysis, design, and program management of major telecommunication and wireless networks has produced advances that are now part of our worldwide broadband communications technology. As the Chief Technical Officer on wide, metropolitan and local area networks he is responsible for financial, content delivery, wireless and telecommunication systems. These data, voice, video, message and imaging networks are connected around the world for 24/7/365 performance.

Ted Lynch – Director of Recruiting

Mr. Lynch brings over 15 years experience working in both sales and recruiting in the IT Professional Services industry. As SoftNet's Director of Recruiting, Ted is responsible for the daily coordination and management of all Recruiting Operations in all of SoftNet's branch offices.

In addition, Ted is responsible for the sales and recruitment related staffing and the launching of new branch offices. Additional responsibilities include building staffing model efficiencies; developing innovations in talent assessments; building world-class "Just-In-Time" hiring programs; and devising effective metrics to measure results. Since Ted's joining the company SoftNet's total Staffing and Professional services related revenues have increased in excess of 200%. Prior to joining InsPara Ted worked as a Managing Recruiter and Managing Account Executive for Predictive Systems, Ivory Consulting, Esavio and Lancomp Inc.

Tucker McDonagh – Vice President Strategic Business Development

Tucker brings over 25 years of business development and entrepreneurial experience dealing with all aspects of information technology professional services in large, medium and small public and private consulting and system integration firms. Through these positions he has developed a unique and comprehensive understanding of the IT service delivery "food chain" as well as the role and function of delivering value within client business and creative groups.

See Appendix A-I for Analyst Certification and Important Disclosures.

His roles have included: identifying and optimizing M&A opportunities including; evaluation/due diligence, structuring deals, integration of acquired companies; restructuring sales and service delivery teams for maximum effectiveness; sales/business management and operations; practice strategy and development; people management, sourcing and recruiting; business development, client/account management and strategic partnering; project leadership and execution.

Tucker has developed a strong knowledge within key IT technologies, industries & channels; including IP networks, wireless communications, web/internet applications, web analytics and enterprise systems management software. He has deep experience successfully managing and delivering strategic analysis, architecture, design and engineering of scaled and complex information technology projects in support of business and creative initiatives. Tucker is also Principal Consultant/Partner for FiverCo, LLC where he co-founded and leads this close-knit private equity "angel" investor firm providing management consulting and active participation and leadership in areas where his skills and experiences can be leveraged in support of company management and goals with an emphasis on deriving operational efficiencies and business development acceleration. He has performed consulting engagements and participated in several investments in the following companies: network integration firm; web analytics consulting firm; on-line search and directory of home design choices; wireless consulting company; internet traffic management software company.

Previously he held positions with the following companies; marchFIRSTas Managing Partner and Practice Leader for the Wireless/Mobility Practice, East Region; at USWeb/CKS as Managing Partner, Network Solutions, National Practice; as Co-Founder and CEO Tucker Network Technologies, Inc.; as Practice/Sales Manager with Coopers & Lybrand/Computer Assistance Technology Solutions Division; and multiple business development and technical positions with Digital Equipment Corp. Tucker began his IT career as an independent consultant providing technical design and programming services.

INVESTMENT THESIS AND RECOMMENDATION

Our analysis suggests that SoftNet technology Corp. is an interesting speculative play among micro-cap companies offering exposure to the investor on IT services and networking and business technology infrastructure spending. The investor enjoys the benefit of being able to partake in an opportunity to invest in a company that is accelerating revenue and order activity momentum and stands to benefit from customer needs across all areas of the networking growth cycle.

SoftNet's Small/Medium size business offerings are gaining traction in an untouched market segment and company's flexible approach to the Enterprise consulting business is bringing SoftNet a high Customer Satisfaction rating. We believe that the company is serving a market segment of companies and that its offerings services and technology consulting can and does play a constructive role to contribute to raise productivity throughout the enterprise and also provides room to better manage technology and networking expenses.

In the coming year, STTC will consolidate its sales and marketing efforts, as well as seek further strategic acquisitions of strong technology companies that can enhance its current package of solutions and its consulting approach. We anticipate the company will forge more alliances for marketing and distribution and benefit from some service contract renewals. We see the pace of deal-making, revenue growth and margin improvements gaining substantially if the company is successful to extract and benefit from the synergies of recent acquisitions.

Both operating and financial risk involved in investing in young technology and IT services companies are typically high and should be considered by investors. In this case the risks are tied mainly to the success of its marketing campaign, infrastructure and technology spending by its clientbase and ability of its consulting approach to bring forth and identify other opportunities for divisions of STTC and its level of success to close additional contracts from current alliances. SG&A costs, development, marketing and other costs need to be managed well in order to achieve consistent profitability and stabilize margins, which has not occurred to date. Readers should understand that there can be no assurance that the company will be able to fast-track its intended path towards clinching a meaningful slice of the software/IT consulting market in North America and Europe and ramp the pace of revenue growth experience in future quarters, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to STTC should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind the new large services and networking contracts to be unlocked as new consumer awareness come to the fore and the company raises visibility and build brand recognition in its sector. Short term we expect that the price of STTC has bottomed from a technical point of view. We believe that the company will be able to manage its organic and acquisition based growth and deliver an improving financial and operational performance in FY2006/2007, that will ultimately lead to spurring investor confidence, appreciation and aid share price performance.

See Appendix A-1 for Analyst Certification and Important Disclosures.

One of the core reasons which is pivotal to our bullish argument for upside in STTC, results from our interpretation of the recent InsPara acquisition and potential of the merged entity and we regard the current platform as solid to provide a launchpad for the company to stage a breakout year in financial performance in FY 2006. Several new Multifunctional Information Technology and Professional Services Contracts is broadening capacity and providing visibility that can crystallize into a compelling opportunity to reap extraordinary returns in STTC stock for prospective and existing shareholders that can make tactical investment decisions and have the patience to allow for these bullish catalysts to react.

Based on recent Q1 results, the size of the market, our own view and considering comments provided by management, we expect that STTC can post revenues of \$9 to \$10 million during FY2006. We remain uncertain about the ability of improvement in the operating cost structure in FY2006 that is achievable, but are confident that the company will improve gross margin in FY 2006. For FY 2007 we believe that the company will begin to experience topline growth coming through as a result of FY2006 marketing and distribution efforts and alliances with well known larger technology names e.g. Verizon, Network Appliances etc., greater technology business consulting needs in the corporate sector and service delivery and the effects of the full integration of acquisitions mentioned previously in this report. For valuation purposes and setting a 12-month target price of \$0.30C per share for STTC we have used a revenue forecast of \$20 million, and net income figure of \$2 million for FY2007, which we believe is attainable.

Under the assumption that any further capital raising activity is well-managed to contain any further major I/O (issued and outstanding stock) increases and operating cash flow improve in FY 2007 as more progress is made to streamline and manage all the operations efficiently to meet customer demand, and no cancellations or terminations of existing contracts we are of the opinion that CFPC stock has compelling upside potential.

Our view is that the shares are currently fairly priced on a peer comparison perspective, but is not fully reflecting the expected positive financial improvements we expect in late FY 2006 and FY 2007. Given the current rate of growth in top line revenue in the most recent quarter and above average growth expected in next 2 years, we argue that should the company be able to move closer to the valuation parameters of listed peer companies, investors who can stay the course should enjoy market beating returns that far outstrip what the broad market can deliver whilst assuming more risk also.

In our opinion the future PE, the Price to Book multiples and Price to Sales multiples for STTC should be at least in line with the sector average when looking 2 years ahead and discounting at an appropriate interest rate for the time value of money. We believe that the rating of the shares will be receive a boost as the company builds a longer track record and investor recognition improves when the a listing on a national exchange becomes a reality in future.

TABLE

		Forward PE multiple	EPS Growth	PEG Multiple	Forward Price	Discount Rate (k)	Present Value
FY 2007 EPS	0.006	25.0		NA	0.14	9.0%	0.122
FY 2008 EPS	0.011	25.0	100%	0.21	0.28	9.0%	0.223
Average							0.172
Price to Book	15.08			Assumptions	Beta	1.80	
Price to Sales	2.38				R _f	4.5%	
Current PE	NA				R _m	7.0%	
Forward PE (FY 2007 EPS)	10.8				k	9.0%	
EV	24.31			$k=R_f+(R_m-R_f)*Beta$			
							(in \$ millions)
					FY2007 Revenue Estimate		20.0
<i>*estimate for FY2006</i>					FY2007 Net Income Forecast		2.20
Debt/Equity	0.335						
Current Ratio	0.266						

Using our FY 2007 revenue forecast of \$20 million and net earnings number of \$2 million (or 0.6c FY2006 EPS) and applying a forward PE multiple of 25x in line with the peer group average for IT Software and Consulting Industry stocks, we arrive at forward price of 14c for 2007 and 22c for 2008. The PE ratio chosen is based on a blend of peer comparatives and as a function of the expected growth rate and risk of a smaller emerging company. Incorporating for the above par growth that STTC can post relative to the sector as a whole and factoring in some PE contraction as a result of a possible US economic slowdown in 2007, we selected a PE of 25. We applied a discount rate (k) of 9.0%, which is a function of the stocks beta measure, risk-free rate as calculated in the Table above (SEE PAGE 18). $\{k = \text{Risk-free rate} + (\text{Market risk premium}) * \text{Beta}\}$

When using this discount rate and obtaining a present value estimate of market capitalization for STTC of \$68 million or \$0.172 per share (average of 2007 and 2008 numbers), using a shares outstanding amount of 397.2 million.

Given all these calculations and our bottom up analysis; which is more qualitative in nature, we set a 6-month target price for the security of \$0.17 per share, and a 12 month target price of \$0.30c

All factors considered, we anticipate a stake in STTC clearly has compelling upside potential in the coming 12 months and that is risk adjusted and absolute returns will far outpace that of the broad market as measured by the S&P 500 index as benchmark. We HIGHLIGHT to the reader that this forecast is made under the assumption that the company can attain our FY2007 revenue expectation of \$20 million and a minimum of 0.6c positive EPS and to extend that growth and profitability and earn 1.1c EPS in FY2008. Moreover, we believe that the present market for STTC shares is far from efficient, does not fully reflect the leverage possible from merged efficiencies and fresh contracts, nor does it take into account the additional value for future business stemming from entry into IT consulting markets with novel approaches and niche offerings.

To summarize, we view the share price and corresponding market capitalization as modest. The dynamics of the OTC-BB is unlikely to consistently support true valuations based on financial performance and in many cases the prices respond 'after the fact' rather than 'ahead of the fact'. Hence, successful companies listed on the OTC-BB often handsomely reward investors if they are able to deliver and exceed expectations. Related companies in the industry are supporting much better share price performance on national exchanges.

After reporting preliminary revenue of \$1.5 million during Q2 FY2006, we believe company is on track to generate \$9-10 million in revenue for FY2006 as a whole and post narrower net losses. The challenge is for the company to capitalize on its breakout year in revenues, and also control the operating cost structure in an effort to turn a profit in FY 2007 or sooner that will bolster the fundamental valuation of SoftNet Technology.

The company has actually eliminated most long-term debt and increased sales at the same time over recent months. First quarter growth has not only extended into the second quarter, but the rate of growth has actually increased with a firm undertone commencing Q3. The New management team expressing their confidence in the future of this company by purchasing shares of STTC in the open market, which is often a great sign of future share performance when insider buying activity prevails. As many as 4 Upper Level Managers, Officers and Board of Director members purchased shares of SoftNet Technology Corp. in the open market Monday August 7, 2006.

CEO of SoftNet, James M. Farinella, invested \$100,000 directly into SoftNet at \$0.067 purchasing 1,492,537 shares. The CEO invested directly into the company to support and accelerate the organic growth of SoftNet. Kevin Holt, President of SoftNet bought shares in the market from \$.065 to as high as \$0.0673. Several of the individuals who purchased shares pointed out that every regional operation of SoftNet showed growth in the second quarter and noted the expansion of business operations to new areas of the United States and internationally.

Given these factors and under these aforementioned revenue, margin and profit assumptions, we initiate coverage on STTC with a SPECULATIVE POSITIVE rating. The rating assumes that the covered company will deliver returns that outperform that of the broad market (as measured by the S&P 500 index) by 25% or more over the next 12 months.

Risk to our recommendation include amongst other: failure of sales efforts to its targeted customer base and agreement of further services, consulting or networking contracts, a slowdown in growth and spending preferences and choices of current customers that will lead to STTC missing our revenue forecasts. New competition in regional markets or pricing wars and competitive pressures or failure to maintain or establish differentiation of its superior service offerings, any stringent or bold unforeseen regulatory changes impacting adversely on current and/or prospective market segments that STTC conduct their business in, any inability to obtain necessary financing from capital markets when needed, to achieve its goal of capturing a its targeted share of the IT Software and Consulting market or lack of capital available to pursue acquisitions and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

See Appendix A-I for Analyst Certification and Important Disclosures.

Any failure to retain qualified staff and talented sales force, management and engineers and IT professionals can restrict future business activity and hurt operations and financial performance, the inability to achieve revenues in the future that depends in significant part upon InsPara's ability to build upon existing relationships with customers familiar with the brand, and low penetration of new regional markets can hamper share price performance. As a result, any cancellation, reduction or delay in future scheduled agreements may materially adversely affect the business, financial condition and results of operations and additional risk factors that could adversely affect the attainment of our share price target include: general economic conditions and a variety of factors that is outside the control of the company. Reduced capital spending budgets by STTC's customers caused by an unanticipated industry downturn or a major contraction in the nationwide IT industry in general, albeit unlikely can lead to soft demand for STTC's products, which can result in decreased revenues, earnings levels or growth rates.

We would caution that given the size of the company (microcap) and risks involved, overall we advise private client positions be limited below 5% of the client's total portfolio size.

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ANALYST CERTIFICATIONS

APPENDIX-A1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report.

Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the company's rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

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