January 30, 2015

John Smith
General Counsel
Infringing Company Ltd.
3000 Main Street
Palo Alto, CA 94303

Re: Freehold's Network Security Patents

Dear Mr. Smith,

I am writing to engage Infringing Company Ltd. in a business discussion centered on Freehold's patent portfolio. Freehold has spent a considerable amount of time, effort and resources to secure our network security inventions with U.S. and foreign patents. Because of this dedication of resources and commitment to developing enabling technologies we believe our patented contributions have value and thus merit a compensatory license.

After concluding a comprehensive investigation, we believe Infringing Company Ltd.'s technology is infringing several of Freehold's patents. This letter is intended to provide you with background on Freehold, information on our patented technologies, our enforcement and licensing activities, and a representative example of how Infringing Company Ltd.'s technology implicates one of Freehold's patents.

1. A Brief History of Freehold

Founded in 1998, Freehold is recognized as a pioneer in the endpoint, web, and network security industries. Freehold's early technology innovations and products helped define the state-of-the-art for detecting and deflecting software intrusions and malicious code delivery. Freehold was the pioneer in the developing of proactive security technologies capable of detecting previously unknown and emerging online security threats recognized today under the umbrella of "malware." These technologies protect networks and endpoints by identifying suspicious patterns and behaviors of content delivered over the internet and through corporate networks to endpoint devices. These innovations have enabled today's hardware and security infrastructure across numerous technology market verticals.

Since the formation of the company, Freehold has invested more than a decade of research and development into its inventions. Through these inventions, Freehold has been rewarded with more than twenty US and Foreign patents. As Freehold's patented technologies have become increasingly relevant across today's growing security sector, Freehold continues to seek licenses to our patents in and around the security industry and has successfully licensed its

patents to a number of industry players, demonstrated a strong commitment to pursuing unlicensed companies through licensing and enforcement activities, resulting in more than $130 million in revenues, to date.

Freehold's original founder and investors continue to be involved in the company's actives and are among the primary beneficiaries, now shareholders of Freehold Holdings, Inc. (Freehold's parent company), of licensing revenues. Currently, Freehold is a technology company applying its research, development, knowledge and experience with security technologies to working with inventors, investing in and/or acquiring other technology companies, investing in a variety of research organizations, and evaluating strategic partnerships with companies who believe security is a fundamental component of their product offerings.

2. Freehold's Licensing and Enforcement Program

Freehold is willing, on a limited basis, to hold amicable and constructive licensing discussions and believes an open dialogue is in the best interest of both parties. Freehold has licensed its patents to five software and technology companies, some through litigation and others without any assertion. Our non-confidential licensees include Microwack, M26, and Trustwire. Freehold has had an assortment of licensing and settlement structures comprising trial judgments (including double-digit royalty rates, willfulness, and injunction awards), equity payments, and one-time payments. The companies which communicated with Freehold early, gained favorable license agreements and avoided costly litigation. Early and transparent dialogue was key to the mutual beneficial resolution in each of the disputes and we remain flexible on potential licensing terms.

Freehold does not believe that protracted litigation is the most efficient mechanism to achieve fair value for our inventions, though, we will aggressively pursue unlicensed companies through full scale litigation in the event that is the most likely option to achieving fair value.

Freehold has proven its commitment to litigation where licensing was not deemed a productive path to achieving value for our inventions. Freehold has already taken multiple defendants through jury trials. For example, in 2006 Freehold filed a patent infringement complaint against Safe Crafting Corp. in the District of Delaware (Freehold, Inc. v. Safe Crafting Corp. DED 1:02-cv-00121). After a jury trial Freehold was awarded substantial damages and an injunction against Safe Crafting. This judgment was subsequently upheld by the Federal Circuit on appeal. More recently, Freehold has filed complaints against FolkSkye, Red Coast Systems and Webline (Freehold, Inc. v. FolkSkye, Inc., CAND 2:12-cv-04566; Freehold, Inc. v. Red Coast Systems, Inc., CAND 2:12-cv-04888; Freehold Inc. v. Webline, Inc., CAND 5:15-cv-02368) as a mechanism to protect its inventions and achieve fair value.

3. Infringing Company Ltd.'s Technology Covered by Freehold's Patents

Through our analysis, we conclude Infringing Company Ltd. directly infringes numerous Freehold patents. The infringing technology includes, but is not limited to, Infringing Company Ltd.'s Next-Generation Firewall technology. This Next-Generation Firewall Technology includes Clapp-ID, Content-ID, User-ID, Wildfree, WorldProtect, and Panorama.

In addition to directly infringing the Freehold's patents, we believe Infringing Company Ltd. induces the infringement of Freehold's patents by instructing, directing and/or requiring others, including customers, users and developers, to perform some of the steps of the method claims in our patents.

Furthermore, Infringing Company Ltd. knowingly and actively aided and abetted the direct infringement of the Freehold's patents by instructing and encouraging its customers, users and developers to use Next-Generation Firewall technology. Such instructions and encouragement include but are not limited to, advising third parties to use the Next-Generation Firewall in an infringing manner, providing a mechanism through which third parties may infringe the Freehold's patents, specifically through the use of the Next-Generation Firewall; advertising and promoting the use of the Next-Generation Firewall in an infringing manner, and distributing guidelines and instructions to third parties on how to use the Next-Generation Firewall in an infringing manner.

Some examples of Infringing Company Ltd. inducing infringement include:

- Infringing Company Ltd. regularly updates and maintains the Infringing Company Ltd. Education Service to provide demonstration, instruction, and technical assistance to users to help them use the Infringing Company Ltd. technology through your website.

- Infringing Company Ltd. provides training classes on its infringing technology through physical locations in the US and virtually online. The offered classes include:

  - Essentials 1: Firewall Installation, Configuration, & Management

  - Essentials 2: Extended Firewall Management

  - Advanced Firewall Troubleshooting

  - Panorama Essentials

- IInfringing Company Ltd. products utilize the Next-Generation Firewall technology. Next-Generation Firewall technology has four main features: (1) App-ID; (2) User-ID; (3) Content-ID; and (4) Wildfree. App-ID classifies applications in the traffic. User-ID integrates with directories and terminal service to identify users and groups and ties them to policies. Content-ID is a real-time content scanner that identifies and blocks threats including vulnerability exploits, viruses, and spyware, including drive-by-downloads and malicious Javascript. Content-ID also provides URL filtering. The following slide provides an overview of App-ID, User-ID and Content-ID:

Wildfree is Infringing Company Ltd. cloud-based protection feature. Infringing Company Ltd. firewalls are configured to send files to Wildfree based on the policy. Whenever a file is transferred over a session that matches a security rule with a forwarding profile, the firewall checks with Wildfree to see if the file is new. If the file is new, the firewall

automatically forwards the file to Wildfree, even if it is contained within a ZIP file or over compressed HTTP. The firewall can also be configured to forward files inside of decrypted SSL sessions. When Wildfree receives the file, it analyzes it in its virtualized sandbox to determine if the file exhibits signs of malicious behaviors, changes to browser security settings, injection of code into other processes, modification of files in the Windows system folder, or domains that the sample may have visited. When the Wildfree engine completes the analysis it generates a detailed forensics report that summarizes the activities performed by the sample on the host and the network and automatically assigns a verdict of malware or benign. In addition, when the Wildfree engine identifies a sample as malware, it passes it to the Wildfree signature generator, which automatically generates a signature based on the malware payload of the sample. The new signature is then distributed within 30-60 minutes to all Infringing Company Ltd. firewalls equipped with a Wildfree subscription.

4. Example Infringement Claim Chart

As we noted above, Infringing Company Ltd.' technology infringe several of Freehold's patents. To provide you a single representative example of such infringement, attached as Appendix: A is a claim chart for one of Freehold's previously litigated patents. All information contained in the chart about Infringing Company Ltd. products and technologies was obtained through publicly available information. We can provide you with additional specific examples of infringement and references once we engage in licensing discussions.

5. Conclusion

Freehold firmly believes a licensing arrangement can be reached that will both fairly value Freehold's patented technology and benefit Infringing Company Ltd. in the marketplace. We encourage you to consider this letter and the merits of the exemplary claim chart in making a determination as to your willingness to engage in business discussions. With the understanding that all settlement communications and demands are made under Federal Rule of Evidence 408, we are prepared to make a presentation on our analysis and explore terms of a license with you, at your convenience. Please understand that if we are unable to successfully initiate discussions with Infringing Company Ltd. and are not able to define a path forward in resolving this dispute, we will proceed with a more formal approach.

Should you have any questions, I can be reached at (640) 700-3315 or via email at Name@CompanyName.com. I look forward to hearing from you.

Best Regards,

President
Freehold Holdings, Inc.

Appendix: A

This claim chart involves the 6,804,780 Patent ("780"). The '780 Patent generally covers a method and system for generating a Downloadable ID which is a hash of the Downloadable and its fetched software components. The specification allows Downloadables to be HTML. HTML commonly references embedded objects such as scripts, Java applets, ActiveX, PDF, and Flash.