



FOR IMMEDIATE RELEASE

Arcot Systems Secures \$11.0 Million From Investors

New Investors Adobe Ventures and INVESCO Private Capital Join Funding Round Earmarked for Accelerated Deployment of Online Authentication and Identity Management Solutions

Sunnyvale, Calif. (May 10, 2005) Arcot Systems, Inc. (Arcot) a leading provider of online authentication and identity management solutions, announced the closing of an \$11.0 million Series A Prime round of funding, including new investment by Adobe Ventures and INVESCO Private Capital. Prior investors in the company, Accel Partners, Goldman Sachs, Onset Ventures, Raza Ventures, Skandinaviska Enskilda Banken (SEB), and Wachovia Strategic Ventures also participated in the round.

Arcot will use the funding to accelerate deployment of its identity management and authentication software solutions worldwide, focusing on financial services, pharmaceutical, and consumer portal requirements. Arcot's solutions suite includes payment authentication, user authentication, and digital signature verification platforms used by over 15,000 credit/debit card issuers, merchants and enterprises in the U.S., Canada, the European Community, and throughout the Asia-Pacific region.

In connection with the financing, Chris McKay of Granite Ventures, the General Partner of Adobe Ventures, will join Arcot's Board of Directors.

"There is a great opportunity to ease marketplace pain associated with implementing document processes that require strong authentication. The portable document format (PDF) pioneered by Adobe Systems Incorporated (which supports Adobe Ventures) is increasingly being adopted in these high-value business processes to ensure integrity in the information exchanged. Arcot's solutions allow customers to easily manage the identity of those involved in the process. We look forward to greater collaboration between Adobe and Arcot to further enable these types of solutions," said John Landwehr, Director of Security Solutions and Strategy, Intelligent Documents business unit at Adobe.

"We welcome Adobe Ventures' vote of confidence during this exciting phase of the company's growth. Their investment in Arcot, along with INVESCO's and that of our existing investors, will enable us to more rapidly expand deployments of our authentication software solutions worldwide," said Ram Varadarajan, President and CEO of Arcot. "While we are generating positive cash flow from operations, this round of financing will enable us to accelerate our growth multi-fold."

Mr. Varadarajan continued, "We are already a major player in the online identity management and authentication space and Arcot is ready to help protect the identities and transactions of millions of more consumers. Our unique two-factor camouflage encryption solution is the most sustainable way to secure an organization's resources and thwart many types of security threats, such as identity theft and phishing attacks. And as important, Arcot provides robust enterprise-strength authentication software that is quickly deployed, compatible with existing legacy systems, and flexible enough to work well within evolving PKI architectures."



About Adobe Ventures

Adobe Ventures is a targeted venture capital fund supported by Adobe Systems Incorporated, the world's leading provider of software solutions to create, manage and deliver high-impact, reliable digital content. Since 1994, Adobe Ventures has supported innovative companies that are strategic to Adobe's business through a proven funding model leveraging its operational and investing expertise.

About Arcot Systems

Arcot is a leading provider of secure e-payment, digital signature, identity management, and authentication software solutions for financial services, bio-pharmaceutical, and other security-conscious enterprises. The company offers a suite of easily deployed, cost-effective, and scalable *software-based* solutions that provide powerful "two factor" protection to limit online transaction fraud. Arcot's patented camouflage technology creates a virtual software "smart card" – the Arcot ID™ -- that is transparent to the user as it verifies a person's identity and allows for the digital signing of transactions and documents. Unlike other PKI (public key infrastructure) authentication providers that require users to carry physical keys/cards that can be lost or stolen, or employ digital certificates that sit vulnerable on a user's computer, Arcot's solution secures protection for private keys on the desktop, thus providing the strength of PKI with the convenience and simplicity of passwords. Whether used as a robust standalone solution or in tandem with extranet access and single sign-on systems, the company's products meet the business need for strong transactional security while providing the customer with a seamless, user-friendly experience. Arcot's offerings are compliant with industry standards including 3-D Secure, Identrus, and SAFE (Secure Access for Everyone). Organizations also work with Arcot to meet compliance with legislative requirements such as Sarbanes-Oxley and HIPAA.

Arcot is a private company headquartered in California's Silicon Valley, with offices in the United Kingdom, Germany, and India. For more information visit www.arcot.com.

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