



Cyber Digital, Inc.

Voice • VoIP • Broadband

CORPORATE PROFILE

Stock Symbol: CYBD

www.cyberdigitalinc.com

February 2008



Selected Financial Information (As of February 8, 2008)

Current Share Price: \$0.24
 Shares Outstanding: 33.5 million
 52 week price range: \$0.11-\$0.53
 Market Capitalization: \$8 million

COMPANY OVERVIEW

Cyber Digital Inc. ("CYBD") uses its own proprietary hardware and software to create digital voice switches and high performance internet protocol (IP) broadband systems in support of its service provision business. Through recent acquisitions, the Company has also established itself as a *Competitive Local Exchange Carrier*, or "CLEC", providing communications services to approximately 10,000 small business and residential subscribers in the states of New York, New Jersey and Pennsylvania.

Today, CYBD is aggressively pursuing a traditional roll-up strategy in the highly fragmented, recently deregulated CLEC market sector. With an end-to-end solution, CYBD is ideally positioned as the natural acquirer of CLECs. Leveraging the benefits of being a public entity, CYBD will utilize a combination of cash, stock and debt to make these acquisitions, establish a nation-wide network and then implement its hardware and software systems to improve the efficiency and profitability of the network.

PRODUCTS AND SERVICES

CYBD was initially formed to create private networks for commercial and government customers. The Company was one of the first to offer aggregated Voice Over Internet Protocol (VoIP) services on existing telephone lines without requiring any additional customer premise equipment or any changes to current wiring or network connections. Today the Company manages its operation through two divisions — technology and service.

Technology

CYBD's technology division includes the Company's research and development efforts and the manufacturing operation. This division is responsible for the development of all of CYBD's proprietary switching technology and equipment.

The Company's product offerings include Class 5 local digital central office switches, Class 4 regional tandem digital central office switches, IP soft-switches, routers, gateways, firewalls, VoIP and virtual private network (VPN) systems. These state-of-the-art products provide substantial cost and productivity savings as compared to most existing systems.

While not obsolete, much of the installed base of switching equipment of the "Bell Operating Companies" (BOCs) is inefficient and technologically obsolete. Typical of a monopoly operation, these companies have not updated their equipment in many years. CYBD's equipment is substantially more efficient, providing higher quality with substantial cost savings in a variety of ways.

Technologically Superior — the CYBD switch is software and internet driven. The Company's proprietary software takes all voice and data traffic and converts it to a high quality, highly effective Level 3 VoIP, enabling it to "travel" over less expensive pathways and at much higher speeds than traditional phone lines.

Size — the average traditional 10,000 line switch takes approximately 10,000 square feet, while a CYBD 10,000 line switch requires 40 square feet. This 99.6% reduction in space requirements results in considerable savings in rent, higher capacity at a given site and/or freeing up of space for more productive purposes.

Maintenance — because CYBD's equipment is software driven, maintenance is often conducted remotely, and is neither capital or labor intensive.

Power Demands — the unique combination of size and technology decrease the power needs substantially, in turn reducing the cost of operation.

Service

The Company's CLEC operation is managed through the service division. In June 2007, CYBD acquired two profitable telephone companies, New Rochelle Telephone Corp. (NRT) and Telecarrier Services, Inc. (TSI) that collectively generate recurring annual revenues of \$5.4 million and earnings of \$500,000, in exchange for the assumption of \$1.3 million in debt. These operations serve as the foundation for growth in the highly populated Northeast. The consolidation of these two companies has enabled CYBD to centralize billing, service and support of accounts added to the network.

Through this division, CYBD offers customers affordable, local, long distance and international calls as well as broadband internet access, aggregated VoIP and virtual private network services. The Company currently services more than 10,000 customers in New York, New Jersey and Pennsylvania, however the Company is also licensed to provide telecommunication services in Florida, Ohio and Massachusetts.

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REGULATORY OVERVIEW

The Telecommunications Act of 1996 (the "Act") was enacted by the FCC to foster a more competitive environment within the Bell Operating Company monopoly. The "forced access" regulation was intended to create a method for CLECs to compete with the BOCs and provide consumers with a choice. The regulation had the unintended consequence of stimulating the formation of many more CLECs than the "open" market could bear. Today, most CLECs operate by reselling services by leasing the underlying copper and the port space on BOCs local switches. It is this dependency on BOCs that has made the CLEC operators extremely vulnerable to the recent changes to the Act.

In 2005, a large portion of the rules implemented by the Act were reviewed and rewritten. The BOCs are no longer required to lease the port space on a discounted price basis to the CLECs. They are, however still required to lease the underlying copper loop that runs directly to the customer at highly discounted prices. The CLECs, in turn, are required to use the copper loop to build their own networks by installing their own switches to manage customer lines. CLECs have until 2010 to migrate their customer base to their own networks.

MARKET OPPORTUNITY

There are approximately 2000 CLECs in the United States, leasing an estimated 17 million lines for \$4.5 billion per year from the BOCs. Over the next 2 1/2 years, each of these companies will be required to build their own network and migrate their customers to that network. An estimated 2,000 CLECs have few alternatives as the 2010 deadline looms on the horizon.

CYBD proprietary hardware and software, combined with its experience building private networks provide it with the technological capability to build the networks required by CLEC operators. The Company has entered into an agreement with Level 3 Communications to provide global voice and data termination services for all traffic originating on its local switching systems.

MANAGEMENT TEAM

Jawahar C. Chatpar, Founder, Chairman and CEO. Prior to forming the Company, Mr. Chatpar was employed by Bayly Engineering Limited, a manufacturer of digital telecommunication systems and a member of A.E.G. Telefunken Group, as a General Manager of Digital Transmission and Fiber Optics Engineering (research and development). From 1974 to 1980, Mr. Chatpar served in various engineering, general management and marketing positions with Northern Telecom. He holds a B.Tech (honors) degree in Electrical Engineering from the Indian Institute of Technology, Bombay, India and an M.S. degree in Electrical Engineering from the University of Waterloo, Canada.

Terry L. Jones. Mr. Jones joined CYBD as a director in November 1997. He had been the President of Syndicated Communications, Inc. ("Syncom"), a communications venture capital investment company, since 1990. He joined Syncom in 1978 as a Vice President. Mr. Jones serves in various capacities, including director, president, general partner and vice president for various other entities affiliated with Syncom. He also serves on the Board of Directors of Radio One, Inc. Mr. Jones earned his B.S. degree from Trinity College, his M.S. from George Washington University and his M.B.A. from Harvard Business School.

Jack P. Dorfman — joined the company as a Director in November 1993 and has served as Secretary since April 2006. Previously he served as Vice President and Treasurer of U.S. Distribution Corp.

GROWTH STRATEGY

CYBD has implemented an aggressive growth strategy designed to take advantage of the Company's technology and network operating expertise in order to build a nationwide network for the provision of a variety of telecom and related services.

Build Customer Base Through Acquisition

In most cases, the Company intends to acquire the customer base of targeted CLECs outright, building critical mass in densely populated markets as the March 2010 deadline approaches. As it enters new geographic markets, CYBD may acquire the entire operation, leveraging the infrastructure to serve the overall operation.

Build the Network

As the Company builds its customer base in a given area, CYBD will begin installing its proprietary platforms and systems to ensure compliance with the FCC's regulations.

Improve operating performance

CYBD operations are expected to profit from the inherent benefits of a consolidation of similar operations, in addition to the cost benefits of the Company's switching technology.

Offer Additional Products and Services

With an established physical infrastructure, CYBD expects to expand its product offering to include IP Virtual Private Networks and Multiprotocol Label Switching, among others.

INVESTMENT CONSIDERATIONS

17 Million Switched Voice Lines In Play — CYBD is uniquely suited to consolidate the CLEC industry—a phase of rapid growth is expected to continue throughout 2010 as CLECs without the resources or desire to conform with FCC regulation are forced to an exit strategy.

Proven Technology — Utilizing traditional telephone lines, CYBD can convert traffic to a VoIP, and using its relationship with Level 3 Communications, provide a secure, high quality, consistent signal which does not travel in the "internet cloud" and therefore, can not be monitored or hacked — unlike many of its competitors' service.

Substantial Cost Savings — Management anticipates that the transfer of customers from traditional BOC networks to the CYBD platforms will result in a 30% to 50% increase in net margins, providing the Company with a significant improvement in income on acquired customers.

Full Spectrum of Services — CYBD is one of only a handful of companies with the technology to build and maintain a network which can bring services from the backbone to the customer's equipment.

Timing — with the integration of the first two acquisitions, the Company has successfully completed the transition from a research and development-based company to a revenue generating operation.

The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date thereof. Readers should carefully review the risks described in other documents the company files from time to time with the Securities and Exchange Commission, including Quarterly Reports and Current Reports on Form 8-K.