

FALCONSTOR DELIVERS THE NEXT GENERATION OF VIRTUAL TAPE LIBRARY (VTL) WITH GLOBAL DE-DUPLICATION

"TOTALLY Open" Architecture facilitates superior scalability in capacity/performance, universal host/storage connectivity and seamless integration with backup software, arrays and tape libraries for the World's #1 VTL Solution

Melville, NY — January 22, 2007 — FalconStor Software, Inc. (NASDAQ: FALC), the market leader in disk-based data protection solutions, has once again raised the bar with the release of the next generation of FalconStor® Virtual Tape Library (VTL). FalconStor VTL Enterprise Edition is the industry's most open, scalable and powerful VTL solution, delivering unmatched performance with minimal operating cost via tight integration with 3rd party backup software, disk arrays, and physical tape libraries, as well as has advanced media management capabilities. FalconStor VTL Enterprise Edition is tightly integrated with FalconStor's clustered de-duplication technology, Single Instance Repository (SIR), and is designed with scalable IO performance and storage capacity to accommodate implementations ranging from remote offices to enterprise data centers.

"Protecting our most valuable asset—our business information—is critical to our organization," said Henry Denis, IT Director, Epiq Systems. "We selected FalconStor because we were confident they could offer us a highly scalable VTL solution that provides enterprise-wide data de-duplication, offsite replication, and tape integration, without impacting our backup performance."

"A strategic technology partner, FalconStor works with Sun to deliver the enhanced features of FalconStor VTL and provide both high performance data protection with seamless integration and de-duplication to customers," said David Kenyon, Vice President, Storage Marketing, Sun Microsystems, Inc. "This innovative solution provides unsurpassed efficiency through the migration of older data from disk storage onto low-energy-use tapes, saving money and with lower impact on the environment."

"For over four years FalconStor and Copan have been focused on delivering solutions that meet the massive scalability requirements of the enterprise. The positive feedback we regularly receive from our mutual customers has allowed us to continue to lead the industry with enterprise class VTL & SIR functionality. I am excited that FalconStor's recent announcement strengthens our ability to deliver significant benefit to our enterprise clients," said Mark Ward President and CEO of COPAN Systems.

FalconStor's "TOTALLY Open" architecture enables our strategic and channel partners to implement FalconStor VTL as a Linux or Solaris appliance or as a Virtual Appliance under VMware by leveraging state-of-the-art connectivity (4Gb FC, 10Gb Ethernet or 20Gb Infiniband) and disk arrays (SATA, SAS, FC, MAID) to meet the diverse demands of enterprise customers. The "TOTALLY Open" architecture enables FalconStor to establish tight integration with 3rd party backup software vendors to offer innovative features like "NDMP tape copy" and "hosted server backup enabler" to reduce IT's cost of ownership. In addition, FalconStor VTL's "Open" architecture allows it to interface with industry standard tape libraries, via SCSI, FC or ACSLS, to reduce IT's media handling cost by offering advanced media management services such as virtual media shredding and physical media duplication, stacking, and encryption with high performance and intelligence.

With its integration of SIR de-duplication technologies, FalconStor VTL Enterprise Edition enables companies to optimize disk storage usage to greatly expand the on-line retention capacity and replication efficiency. FalconStor VTL Enterprise Edition provides more capacity with greater connectivity than ever before, more virtual tape libraries, greater numbers of drives and cartridges, more backups per disk, and scalability of up to 8 nodes with high-availability. FalconStor VTL's consolidated tape management and reporting capabilities are crucial for large organizations to better track the system/capacity utilization and the status of scheduled activities such as tape duplication and replication.

"The FalconStor VTL Enterprise software architecture provides concurrent overlap backups with de-duplication, offering throughput speeds well suited to scaling to high capacity enterprise environments," states Laura Dubois, Research Director, IDC Storage Software. "This latest version of software offerings which include clustering, tape consolidation and encryption features, are mandatory in today's availability, capacity and security conscious data centers."

"FalconStor is the recognized market leader in VTL for good reason - we continuously provide customers with the most innovative features available via seamless integration with the existing backup environment," said Reijane Huai, CEO, FalconStor. "For this release we streamlined the manageability and operability of our VTL solution to offer the highest performance and most massively scalable enterprise-class VTL on the market. With global de-duplication, robust media management, and unmatched performance, FalconStor VTL improves the dependability and efficiency of the backup/recovery infrastructure for any size enterprise."

About FalconStor VTL and Clustered De-duplication

The storage industry's #1 virtual tape library (as cited in The InfoPro's latest rankings of surveyed VTL installations, including OEM deployments); FalconStor VTL provides the reliability of disk with the simplicity of tape, allowing companies to backup worry-free. With a

sizable share of the market and more than 4000 customers globally, FalconStor VTL is a proven backup optimization solution distributed through valued Solution Providers and OEM partners.

FalconStor VTL with clustered data de-duplication offers the following benefits:

Superior performance

- Sustaining backup traffic originated by the backup hosts via FC (up to 4Gb) and iSCSI (up to 10 Gb) at 1.2 GB/sec per node
- "Host backup enabler" allows 3rd party backup software to run on the VTL appliance to perform backup, restore or media copy over the high-speed PCI bus.

Linear scalability

- Scales up to 8 nodes as a single group of 4 VTL HA pairs, totaling 9.6 GB/s
- Next-generation de-duplication architecture supports dedicated N+1 clustering with up to 4 SIR nodes; the SIR repository can scale up to 256TB of unique data to achieve optimal de-duplication/hit rate.
- FalconStor's post-processing de-dupe model imposes NO impact on the backup performance or backup window. SIR's de-duplication process is cleverly designed to start/suspend/resume, in-real-time, based on media activity with NO impact on the backup or restore operation.

Centralized global management that reduces MIS administration costs

- Manage multiple FalconStor VTLs at the data center, remote offices or at your disaster recovery site
- Up to 8 VTL nodes and 4+1 SIR nodes can be configured and managed as a single group through group policies and reports
- Streamline media management and reduce IT workload with tape caching, multi-tape export with optional encryption and tape consolidation/stacking

'TOTALLY Open' architecture for unparalleled flexibility

- Completely heterogeneous
- Seamless integration with Solaris x86, Linux, VMware, and Virtual Iron
- Supports widest array of third party backup software, physical tape libraries and drives, and third party disk arrays

Data de-duplication to lower costs of bandwidth for remote replication and disk storage

- Optimal storage efficiency through tape format aware data de-duplication and compression
- Supports one-to-one and many-to-one offsite replication for DR. Only unique data blocks are replicated to the remote site, lowering costs by slashing network traffic over 95%

Feature-embedded tape security and data encryption to protect sensitive data

- Enhanced tape media security with tape shredding, secure tape export, and replication with data encryption

Flexible packaging to empower channel to build turn-key appliances with velocity deployment

- As multi-node gateway appliance to work with certified external disk arrays and tape libraries
- As single-node storage appliance with certified embedded or direct-attached disk drives
- As virtual appliance for VMware installations

Availability

FalconStor VTL Enterprise Edition is available now through FalconStor's valued Solution Provider partners. Enterprise Appliance pricing begins at \$53,000 MSRP.

Customers can contact FalconStor to find the appropriate reseller in their area at 866-NOW-FALC or www.falconstor.com.

About FalconStor

FalconStor Software, Inc. (NASDAQ: FALC) is the market leader in disk-based data protection. We deliver proven, comprehensive data protection solutions that facilitate the continuous availability of business-critical data with speed, integrity, and simplicity. Our technology-independent solutions, built upon the award-winning IPStor® virtualization platform, include the industry leading Virtual Tape Library (VTL) with Single Instance Repository (SIR) for de-duplication, Continuous Data Protector™ (CDP), Storage Virtualization, and Replication for disaster recovery and remote office protection. Our products are available from major OEMs and solution providers including EMC, SUN, IBM, Brocade, Acer, H3C, MPC, Pillar Data Systems and COPAN and are deployed by thousands of customers worldwide, from small businesses to Fortune 1000 enterprises.

FalconStor is headquartered in Melville, N.Y., with offices throughout Europe and the Asia Pacific regions including Paris, Tokyo and Taiwan. For more information, visit www.falconstor.com or call 1-866-NOW-FALC (866-669-3252).

###

FalconStor, FalconStor Software, and IPStor are registered trademarks and Continuous Data Protector is a trademark of FalconStor Software, Inc. All other company and product names contained herein may be trademarks of their respective holders.