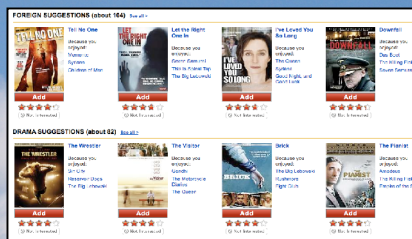
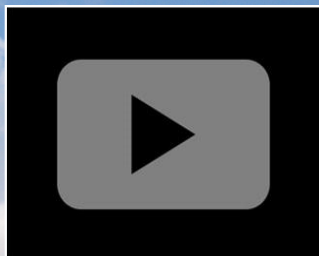


**THE EMERGENCE OF WEB VIDEO**



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**AN OVERVIEW OF TV WEB VIDEO – EXECUTIVE SUMMARY**

**I. Web Video Defined**

“Video is two distinctly different things: it’s the network, and it’s the software that operates on and organizes the software on the network. One is mature, the other is just arriving. Think of video as dial tone. Video is just the signal that provides a delivery mechanism for images and sound. Dial tone. And video is dial tone on steroids.” - Steve Rosenbaum, CEO Magnify.net<sup>(1)</sup>

**II. Battle for the living room**

A battle to pipe content into American living rooms is occurring: Traditional cable and satellite-TV providers are facing emerging competition from companies which provide Web Video, on-demand Internet-enabled content and services. And while the landscape consists of more than 300 providers (see Web Video Industry Landscape, on page 11), clear leaders have already emerged -- all of which are leveraging their already strong brand names and existing technology platforms, in order to deliver next-generation, Internet-enabled TV (IPTV) solutions, including: Amazon, Apple, Google, Hulu, NetFlix, Sony and YouTube.

Each of these providers, though offering differing business and financial models, seeks to become the de-facto industry leader by obtaining access to the largest amount of high-quality content, by becoming ubiquitous, and ultimately becoming the brand of choice. It is a land grab, a race to become the market leader, and the rewards are enormous. Importantly, acquiring or licensing content is both critical to success in this market and is capital intensive, and as a result, to become a market leader it is essential to have ready access to capital. In addition, each of these market participants is seeking to erect barriers to entry in an otherwise “low barrier to entry” marketplace – for example, a content provider can offer an Internet-delivered solution simply by setting up a website. Moreover, streaming requires less infrastructure and therefore has lower barriers to entry than a system built on sorting machines and distribution (Netflix; Coinstar) or brick-and-mortar stores (Blockbuster). “Streaming is a much more competitive environment, and Netflix’s competitors have the money it takes.” (Credit Suisse)

“They are getting more aggressive in the living room, and that’s the last big market that will move the needle for Apple.” - Gene Munster, Piper Jaffray<sup>(2)</sup> The current leaders look as follows:

**Current IPTV Industry Leaders**

 Apple TV box currently plays videos purchased with iTunes on a TV set; wants to offer 99-cent rentals of new TV shows.	 Google TV software seeks to merge TV and Web programming on TVs using various hardware.	 Sells on-demand videos playable on set-top boxes and TVs; wants to offer unlimited viewing of older TV shows and movies for subscribers.
 Online streaming service lets subscribers play older TV shows and movies on media players and game consoles.	 A paid subscription service will offer new episodes of many TV shows on Internet-connected TVs and other devices.	

Source: Wall Street Journal, September 1, 2010

AN OVERVIEW OF TV WEB VIDEO – EXECUTIVE SUMMARY (continued)

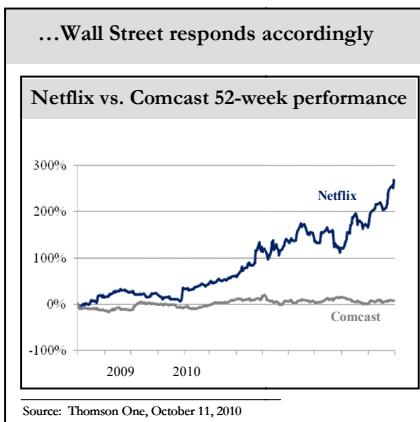
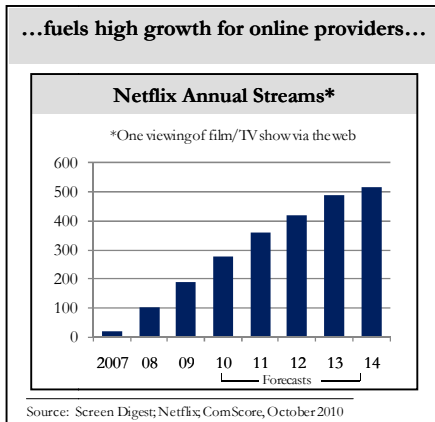
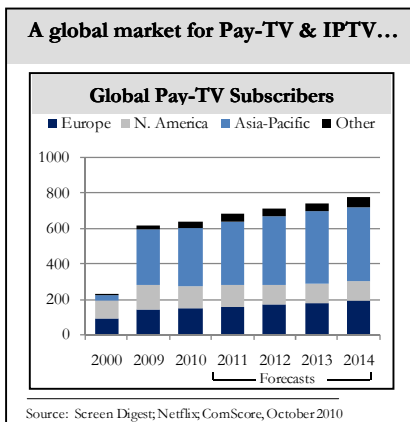
**More Dynamics in the Living Room**

- These are confusing times in the living room. The proliferation of Internet video has led to much talk of “cord cutting” – a term that has come to mean canceling traditional pay-TV and replacing it with programming from a grab bag of online sources.
- So far, Americans are not doing this in any meaningful numbers. “Nor is there any evidence of it emerging in the near future.” – Bruce Leichtman, President of Leichtman Research Group
- This is all more remarkable, industry analysts say, because it seems to defy the way the Internet has disrupted and challenged virtually every other major form of media – from music to newspapers to books.

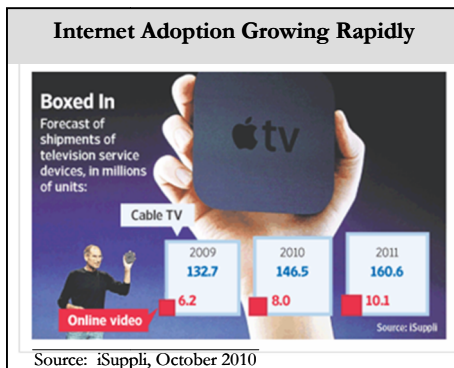
Source: New York Times, August 23, 2010

**III. Web TV Video addresses a large, emerging and high-growth global market**

- The traditional TV global advertising market in 2010 is expected to be \$143 billion; in the US it is \$80 billion. (PriceWaterHouse Coopers)<sup>(3)</sup>
- Total TV Internet sales in the US will reach \$400 million in 2010, an increase of 37% from 2008 – Apple accounts for two-thirds. (Screen Digest)<sup>(4)</sup> The worldwide Online Video Market is expected to be \$16.1 billion by 2012, according to ABI Research.



Traditional TV viewers watch TV for three hours a day versus Internet viewers who watch just a couple of minutes a day. (Bernstein Research)<sup>(5)</sup> “That will change, particularly as viewing evolves from a communal, family activity to one of more personal consumption on individual devices. Tablet computers may ultimately have a similar effect to the introduction of Sony’s Walkman, favoring personal earphones over sitting around the radio. Yet it is important to remember who controls the content – media companies in no hurry to change the status quo.”<sup>(6)</sup> Importantly, Internet advertising is a lot more effective relative to advertising delivered via cable or broadcast because Internet advertising can be highly personalized, monitored and measured. And Internet-connected TVs are expected to grow significantly, with 2 million connected TVs in 2010 growing to 43 million homes in 2015. (Forrester/NY Times)<sup>(7)</sup> Both the amount of Internet-downloaded content and the adoption of Internet video should continue to grow.



## AN OVERVIEW OF TV WEB VIDEO – EXECUTIVE SUMMARY (continued)

The TV Web Video industry is still very young, and many companies are experimenting with business models and financial models while expanding their video libraries. Some key recent developments highlight the increased momentum of this market and how the competitive landscape continues to heat up. Examples include:

- In October, Google formally announced its Google TV service, which includes content partners Time Warner and the NY Times, technology partners Intel, Sony and Logitech and distribution partner Best Buy. Google TV will be an open platform and will have an App Store;
- In September, YouTube hired former Netflix vice president for content acquisition to increase its licensing arrangements with Hollywood studios for its nascent online service, which it introduced in January (YouTube has mostly small, independent movies, but recently secured rights to more mainstream movies from Lionsgate Entertainment);
- In September, Apple upgraded Apple TV (its third version) and announced content agreements with Fox and ABC;
- In June, Hulu introduced its Hulu Plus subscription service to supplement its existing free video library. And in October, it was announced that: “it is believed that Hulu will file a \$300 million IPO, valuing the company at approximately \$2 billion and Morgan Stanley will likely lead the transaction.”<sup>(8)</sup>

Media companies have been reluctant to put too much of their best content on the Internet for too little money. None want to be left behind as the Web merges with television. But they are wary of encouraging a shift to Web-based viewing, which could lead consumers to cut off cable and satellite subscriptions. There are already many boxes that relay streamed content from providers such as Netflix to the living room screen, but consumer adoption of such devices has been relatively slow. That notwithstanding, “for the first time large sums are being spent on stream rights, creating new profits for a media industry beset by soaring talent and marketing costs and slumping DVD sales.”<sup>(9)</sup>

#### IV. TV Web Video Industry Dynamics

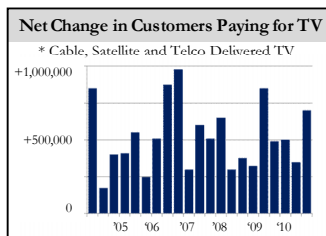
There are many dynamics in today’s TV Web Industry, however, some of the key take-aways may include the following, which we have highlighted on the following two pages:

- There is strong evidence that the pay-TV business model is intact and that consumers continue to embrace this solution, and are content;
- That notwithstanding, there is compelling evidence that the TV industry is changing, given changing consumer demographics and interests, increasing acceptance of Web-enabled devices and services (e.g., iPad, iPhones, Facebook, Pandora, Twitter, Skype, Foursquare, etc.), and increasing emphasis on paying for services on an a-la-carte basis rather than on a bundled basis (e.g., on-demand or streamed content with Apple TV, for example, will allow consumers to rent TV shows, rather than purchase them);
- Both legacy and next-generation service providers are battling for control of the American living room;
- At stake is a large and growing TV advertising market, which represents new growth markets for digital media and Internet companies such as Apple, Google, Amazon and Facebook;
- Traditional media providers, such as Time Warner, CBS and NBC, have not adopted next-generation technology solutions, and thus may not be effectively addressing the needs of their consumers – the Internet offers a new compelling distribution channel – for example, enabling content to be delivered when and where consumers want it, and Internet advertising is highly targeted and measurable;
- In spite of this, the incumbent content, media, and distribution companies appear to believe that no real threat exists;
- That notwithstanding, the incumbents have introduced their own Internet solutions, though most appear to be limited in breadth or effectiveness.

AN OVERVIEW OF TV WEB VIDEO – EXECUTIVE SUMMARY (continued)

**Strong case for “Paid TV is Here to Stay”...**

- Only 15% of subscribers considered replacing cable TV by including services by Hulu or YouTube
- Cable, satellite and fiber optic added 677k customers in Q1-2010<sup>(10)</sup>
- “Cable and satellite customers are reluctant to pay more” – Brian Roberts, CEO Comcast<sup>(11)</sup>
- 88% of respondents pay for traditional TV – NY Times/CBS News Poll<sup>(11)</sup>
- Importantly, customer demand for pay-TV remains strong



Source: Sanford C. Bernstein & Co., October 2010

**...however, signs of an industry changing**

**Consumers want relatively simple things...**

- What they want, when they want it
- Cost-effective solutions
- Unbundled service, pay only for what is used
- Large quantity and selection of content
- High quality user experience and interface
- High quality customer service, rapid provisioning

**...supporting evidence consumers want a change**

- People younger than 45 years old are 4 times more likely to use Internet video services
- Hulu attracting tens of millions of users per month – users can watch “most” broadcast shows
- “1 in 5 people expect to buy a web-connected TV in 2011.” – Nielsen <sup>(12)</sup>
- On HBO, on-demand viewership is over 30% of overall viewership

**Evolution of the Content Industry - Clear Lines are Being Drawn between the Incumbents and the Challengers**

The Pay-TV industry is as ripe for revolution as the DVD rental market was a decade ago. “DVD rental used to require the customer to drive to the store” says Ted Sarandos, Netflix’s chief content officer, “so Netflix launched a mail service.” The Internet thrives on inefficiency, so with cable TV the “inefficiency” is in the cost – you may pay \$100 or \$150 per month and there may be only a few channels you want to watch,” Sarandos says. “The cost of pay-TV is higher in the US than in other developed markets, which may make American operators more vulnerable to substitution.”<sup>(9)</sup>

As a result, clear lines are being drawn between media, cable, and satellite companies (the Incumbents) and next-generation Internet service providers (the Challengers):

**The Incumbents**

“We are in the second or third year of a planetary global readjustment – yet TV subscription revenues, programming budgets and time spent watching TV rose through the recession. Why? People love their TV. They love it on their TV screen and they love it on their new screens.” - **Jeff Bewkes, CEO Time Warner** <sup>(13)</sup>

“Already, Apple’s service devalues content.” - **Jeff Zucker, CEO NBC Universal** <sup>(14)</sup>

“Every year we spend \$1.5 billion on content, whether its content we acquire from Hollywood or content we make ourselves. We believe it makes no sense to take that investment and allow someone else to build their own business by giving it to their customers.” - **Eric Kessler, HBO co-president** <sup>(9)</sup>

“Cable bundle is going to go the way of the wire line telephone business – that is, the next generation of consumers won’t have any interest in paying for it. TV bundle isn’t going away immediately, but it will. We take over the top issue with video very seriously. I think cable has some life left in its model, but that is going to get disintermediated over the next several years.” - **Ivan Seidenberg, CEO Verizon** <sup>(14)</sup>

“There is no reason why their interests and growth should come at the expense of the content industry. The trick will be to marry TV’s “very happy business model” with the capabilities of new devices.” - **Jeff Bewkes** <sup>(13)</sup>

**The Challengers**

“Cable will go the way of the landline phone industry – it is nothing more than an empty pipe which the Internet will replace.” - **Michael Patcher, Wedbush Morgan Securities** <sup>(9)</sup>

“The problem with innovation in the television industry is the go-to-market strategy. That pretty much squashes any opportunity for innovation because no one is willing to buy a set-top box. I am sure smarter people than us will figure this out, this is why we say that Apple TV is a hobby for us.” - **Steve Jobs** <sup>(15)</sup>

“Cable companies use differing set-top-box technology, the industry doesn’t have the ability to sell targeted ads on a massive scale.” - **Tom Richards, CEO Tivo** <sup>(16)</sup>

“I have seen the movie. If you remain static too long, the technology is going to nibble at you on the edges, and you have to be prepared for it.” - **Ivan Seidenberg, CEO Verizon** <sup>(14)</sup>

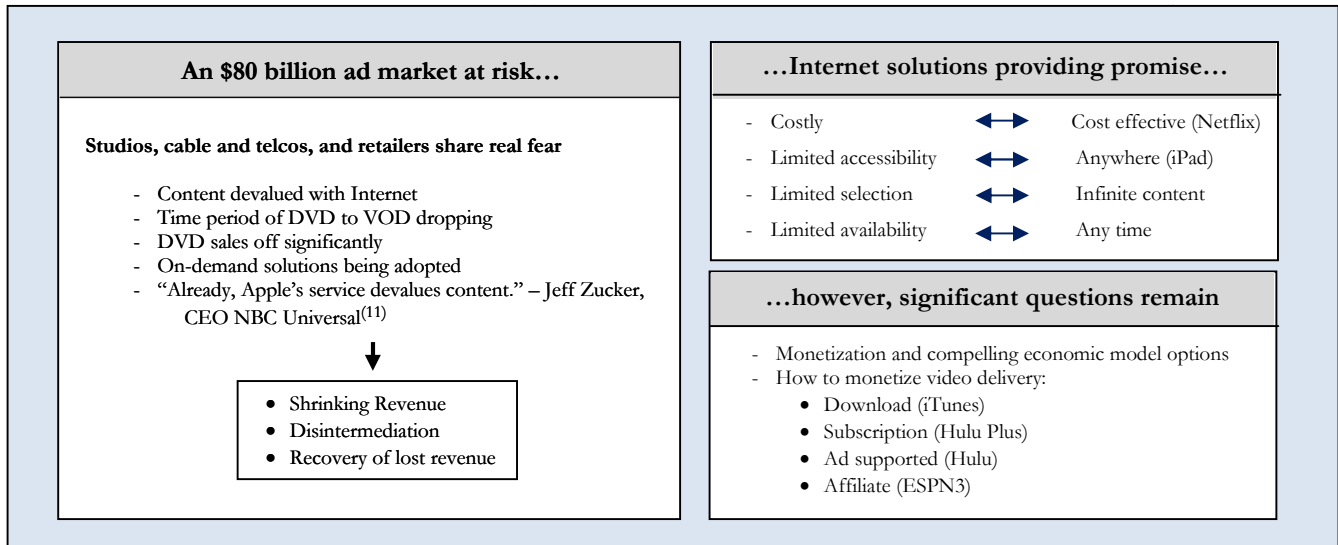
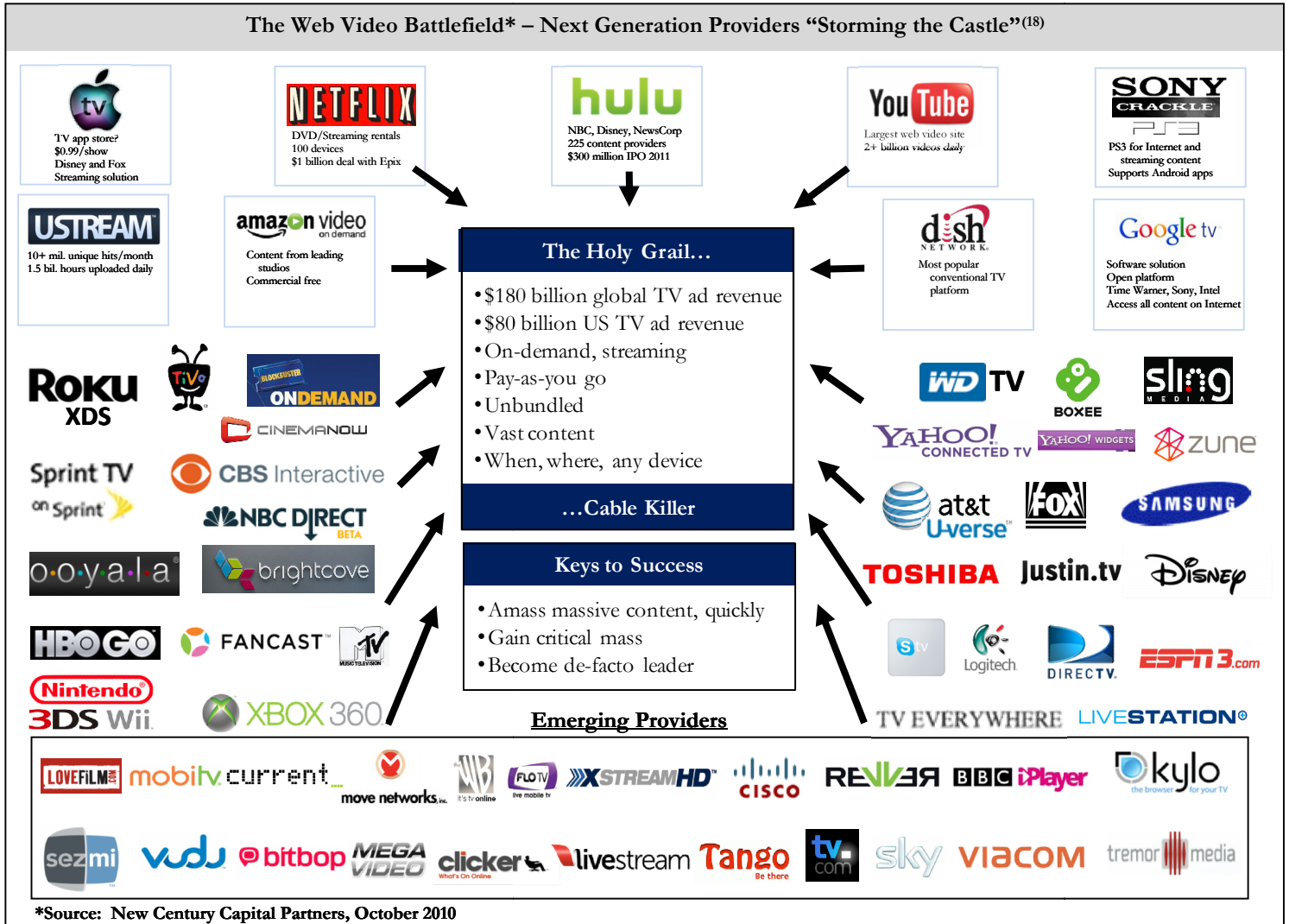
“Cable and TV Networks haven’t moved fast enough to promote new formats – the old models are not holding up.” - **Tom Richards** <sup>(16)</sup>

“Netflix has already won the digital TV/Video War.” - **Paul Verna, Ad Age**

“37 percent of Netflix subscribers between the ages of 25 and 34 watch Netflix streaming instead of TV, while 30 percent of subscribers between 18 and 24 have ditched their cable TV.” – **TechCrunch** <sup>(17)</sup>

AN OVERVIEW OF TV WEB VIDEO – EXECUTIVE SUMMARY (continued)

Entrepreneurs will “keep storming the castle until somebody figures it out.” – Craig Moffet, Bernstein Research<sup>(18)</sup>



AN OVERVIEW OF TV WEB VIDEO – EXECUTIVE SUMMARY (continued)

In spite of incumbents' reluctance...	...incumbents respond with their IPTV solution																										
<p>- Time Warner bets that subscription and advertising dollars are going to remain strong enough to allow broadcasters to succeed... (all below quotes from Jeff Bewkes, CEO Time Warner)<sup>(13)</sup></p> <ul style="list-style-type: none"> <li>• “We’re in the second or third year of a planetary global readjustment. Yet TV subscription revenues, programming budgets and time spent watching TV rose through the recession... Why? People love their TV. They love it on their TV screen and they love it on their new screens.”</li> <li>• Time Warner is “confident that, if enough broadcasters make their content available across platforms, consumers will be staring at something that looks like ‘television’ for a long time.”</li> <li>• “The ad loads – the amount of advertising – will be the same.” (That is, the Internet will not impact the amount of pay-TV advertising)</li> </ul>	<table border="1"> <thead> <tr> <th data-bbox="899 336 1039 361">Provider</th> <th data-bbox="1224 336 1364 361">IPTV Solution</th> </tr> </thead> <tbody> <tr> <td data-bbox="899 361 1039 399">CBS</td> <td data-bbox="1224 361 1364 399">CBS interactive</td> </tr> <tr> <td data-bbox="899 399 1039 436">Comcast</td> <td data-bbox="1224 399 1364 436">FANCAST TV EVERYWHERE</td> </tr> <tr> <td data-bbox="899 436 1039 474">HBO</td> <td data-bbox="1224 436 1364 474">HBO GO</td> </tr> <tr> <td data-bbox="899 474 1039 512">TIME WARNER CABLE</td> <td data-bbox="1224 474 1364 512">TV EVERYWHERE</td> </tr> <tr> <td data-bbox="899 512 1039 550">SONY</td> <td data-bbox="1224 512 1364 550">CRACKLE</td> </tr> <tr> <td data-bbox="899 550 1039 588">NBC</td> <td data-bbox="1224 550 1364 588">vudu</td> </tr> <tr> <td data-bbox="899 588 1039 625">WAL-MART</td> <td data-bbox="1224 588 1364 625">d'sh ONLINE</td> </tr> <tr> <td data-bbox="899 625 1039 663">d'sh</td> <td data-bbox="1224 625 1364 663">i</td> </tr> <tr> <td data-bbox="899 663 1039 701">Disney</td> <td data-bbox="1224 663 1364 701">ESPN3.com</td> </tr> <tr> <td data-bbox="899 701 1039 739">ESPN</td> <td data-bbox="1224 701 1364 739">Netflix</td> </tr> <tr> <td data-bbox="899 739 1039 777">FOX</td> <td data-bbox="1224 739 1364 777">Netflix</td> </tr> <tr> <td data-bbox="899 777 1039 814">LIONSGATE</td> <td data-bbox="1224 777 1364 814">XSTREAM HD</td> </tr> </tbody> </table>	Provider	IPTV Solution	CBS	CBS interactive	Comcast	FANCAST TV EVERYWHERE	HBO	HBO GO	TIME WARNER CABLE	TV EVERYWHERE	SONY	CRACKLE	NBC	vudu	WAL-MART	d'sh ONLINE	d'sh	i	Disney	ESPN3.com	ESPN	Netflix	FOX	Netflix	LIONSGATE	XSTREAM HD
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V. Key Industry Trends Have Emerged

**DVD sales continue to decline:** “The decline in DVD sales is emerging as the entertainment industry’s most-immediate worry in its struggle to adapt to the rise of digital media.<sup>(19)</sup> The trend showed up in second quarter 2010 earnings results recently reported by major media conglomerates, fueling concerns among investors that the out-look for home-entertainment revenue – a key source of profitability for film studios – may be worse than expected.<sup>(19)</sup> More specifically, US consumers spent an estimated \$2.3 billion on DVD and Blu-Ray movies in the second quarter 2010, down 14% from the same period in 2009, according to Nash Information Services LLC, a home video market-data provider. That figure has been in steady decline since the third quarter in 2007—the year that spending in the category peaked at nearly \$16 billion. In 2009, the market shrank to less than \$13 billion. DVD sales for 2010 are expected to total \$9.9 billion. – Adams Media Resarch<sup>(20)</sup> Pricing pressure on DVDs, television producers say the new rental model “threatens the economics that underwrite the cost of creating expensive TV shows.”<sup>(20)</sup>

Cost Comparison of IPTV vs. DVD
<ul style="list-style-type: none"> <li>• “By renting commercial-free episodes of a show such as CSI: Miami, it would undermine DVD sales, because it would cost less than \$24 to watch an entire season—versus the DVD set which costs more than \$50.” – Top Motion Picture Agent, LA Times<sup>(21)</sup></li> <li>• By selling individual, single-episode sessions, TV producers would find it much more difficult to sell lucrative 100 episodes of a show.</li> </ul>

AN OVERVIEW OF TV WEB VIDEO – EXECUTIVE SUMMARY (continued)

**Increasing Pricing Sensitive Consumers:** “Analysts have questioned how many users are willing to pay for online subscriptions alongside their cable or satellite subscriptions.”<sup>(22)</sup>

Cost Comparison of Pay-TV vs. IPTV	
<b>Cost of Pay-TV</b>	
I. Cable, per year.....	\$1,643.16
- Comcast Digital Premier Package: \$136.93 per month. Includes 200 digital cable channels, with premium movie channels, a sports package, on-demand movies and shows, local programming, and DVR service.	
II. Satellite TV, per year.....	\$1,463.88
- DirecTV Premier Package: \$121.99 per month. Includes 285-plus digital channels, with premium movie channels plus HD channels and HD DVR with service.	
<b>Cost of IPTV</b>	
▪ Digital antenna (over-the-air local channels and sports): .....	\$50
▪ Hulu Plus, per year: (\$9.99/month) .....	\$119.88
▪ Joost, YouTube, TV.com, network Web sites (ABC, NBC, CBS, FOX): .....	free
▪ Netflix Instant, per year: (\$8.99/month) .....	\$107.88
Cost for Roku box .....	
Cost for one premium show per weeknight for a year .....	
▪ Apple TV: Cost for box .....	\$99*
Standard-def episodes .....	
Cost for one premium show per weeknight for a year .....	
▪ Amazon Video on Demand: Standard-def episodes .....	\$1.99
Cost for one show per weeknight for a year .....	
▪ Total Cost of IPTV Services.....	\$855.15**
<b>Total Cost for All These Services Combined</b>	
▪ First Year (includes equipment costs)**.....	\$ 855.15
IPTV lower than cable by \$788.01	
IPTV lower than satellite by \$608.73	
▪ Second Year (no equipment costs)**.....	\$745.16
IPTV lower than cable by \$898.00	
IPTV lower than satellite by \$718.72	

Source: Wired Magazine, August 30, 2010  
 \*Adjusted for Apple's price reduction on September 3, 2010  
 \*\*Calculated using Amazon VOD pricing information

**DVD to VOD Window Shortens:** “The timing of a film’s release for on-demand showings by pay-TV providers has shortened to an average “of five days after its DVD release—that is, the “DVD to VOD window” has ranged from a minimum of 30 days to upward of 45 days in order to encourage the more profitable retail sales of DVDs.” – Richard Greenfield, BTIG Research<sup>(19)</sup>

**Increased Demand for Rented Content Rather than Purchased Content:** The consumers simply do not need to “own the overwhelming majority of content released by Hollywood, when that content is so readily available via rental platforms.” - Richard Greenfield, BTIG Research<sup>(19)</sup> The “demand for streaming content is growing as fast as consumers can use to it.” - Tony Wible, Janney Montgomery Scott<sup>(23)</sup> As a result, providers will continue to add on-demand services: Netflix, Hulu (Hulu Plus), HBO (HBO Go), and “expect similar moves by Time Warner’s Warner Brothers Studios and others. As distribution becomes more of a commodity, the only thing that’s really going to distinguish in this space is content.”—Tony Wible<sup>(23)</sup> Ultimately therefore, it will be those providers which have the access to capital to acquire content and effectively brand themselves, which will succeed.

“Cable operators are gearing up to give subscribers the option to watch TV channels, including movie services, via the Web.” - Robert Benya, CEO of In Demand<sup>(24)</sup> Cable and satellite television providers like Time Warner Cable and DirecTV are ready to push into premium VOD and the promise of the new business is one reason that Comcast is so eager for government regulators to clear its deal with NBC Universal.”<sup>(25)</sup>

Consumers are growing impatient about being unable to access all movies whenever and wherever they want.<sup>(25)</sup> “Studios have made it clear: they are not interested in testing the waters on premium VOD – once they start, they are going to do it.” - Top motion picture agent, LA Times<sup>(25)</sup> Internet-connected TVs will experience rapid growth, which Forrester Research expects to be 43 million US homes by 2015, up from 2 million today. However, “at least 14% never bother to connect them to the Internet.” (paidContent)<sup>(26)</sup> However “just 3 percent of people own or intend to buy an Internet TV, and almost two-thirds have not heard of them.” (Forrester)<sup>(27)</sup>



**Large Content Deals Begin:** Netflix's deal with Epix, a premium-movie network launched by MGM, Viacom's Paramount, and Lions Gate, is pegged at nearly \$1 billion over 5 years,<sup>(28)</sup> which demonstrates that new players are going to represent significant revenue streams to studios. "There is a new market developing that's beginning to replace the physical DVD business." — Tom Dooley, COO of Viacom<sup>(19)</sup>

**IPTV and On-Demand Services Growth Continues:** Cable giants Comcast and Time Warner Cable have seen basic-service subscriber counts decline in recent years, while their premium and digital cable numbers have grown. And those companies are investing in their own on-demand video offerings, that could help them compete against new entrants such as Netflix.<sup>(27)</sup> Internet-connected devices in the living room, which include set-top boxes like Roku or Apple TV, video game consoles and Web-ready TVs that can handle online video content, are growing faster than that of any other kind of Internet device, including computers. — Jordan Selman, iSuppli<sup>(29)</sup>

**Regulatory Environment Changes and Key Regulatory Decision Forthcoming:** After "two years of prodding from the movie studios, the FCC agreed to let movie studios activate technology to prevent films sold through video-on-demand systems from being copied."<sup>(25)</sup> With this new technology, the studios can pursue premium-VOD, which may be the best hope of restoring itself to health, given the continual drop off in DVD sales. Armed with the new copy-blocking technology, studios want to offer new movies on VOD services about 45 days after they arrive in theaters, for a premium price of \$24.99.

*Regulatory Decision Forthcoming:* The Justice Department is focusing on how Comcast's bid to purchase control of GE's NBC Universal television and movie unit could affect the emerging Internet video market. Competitors have complained that the combined powerhouse could stunt the Internet video industry's growth. "This transaction would give Comcast the tools to exploit an 'online loophole' under which Comcast could migrate NBCU programming to the Internet or to mobile or on-demand platforms, where Comcast could then deny it to competitors or restrict access for consumers." – DirecTV's response to FCC on August 19<sup>(30)</sup> "The combined entity will lack the market power required to pursue a foreclosure strategy by withholding online content from other distributors." Comcast's response to FCC: "Even if the deal (Comcast's acquisition of NBC) is approved, as many expect, it has served to focus the Justice Department's attention on Internet video distribution. The people familiar with the matter have suggested that the agency will continue to investigate whether cable operators are acting to thwart emerging competition from the Web."<sup>(30)</sup>

### **The Counter Argument for Broad-Based Adoption of IPTV**

Cable and satellite TV operators, such as Comcast and DirecTV, deliver programming into the home and have relied on customers' willingness to pay for large bundles of channels. "The cash-strapped young, which are the same as those which have grown up on Web services, are shunning cable subscriptions, and, as a result, for the first time ever the total pay-TV audience has started to decline. Pay-TV subscribers fell by 200,000 in the second quarter of 2010, partly for economic reasons – but "over the top" services, such as Hulu were also a factor." — Mariam Rondell, SNL Kagan<sup>(31)</sup>

That notwithstanding, there are counter arguments for the rise of IPTV:

- "Apple is missing the boat when it comes to TV shows: unlike movies, consumers aren't in the habit of renting TV shows. I think a lot of people would rather watch for free on Hulu, or even pay the subscription on Hulu, but have this illusion of getting it for free, rather than pay a-la-carte." — Paul Verna, EMarketer analyst<sup>(32)</sup>
- "The bigger issue is whether people are willing to fundamentally cut the cord with their video content provider. We are still a good ways away from boxes like this being able to completely supplant DirecTV, Comcast, etc." — Jordan Selman, iSuppli<sup>(29)</sup>
- "About 86% of the country gets video from cable or satellite providers, and 2% get it from the Internet." — David Lieberman, USA Today<sup>(33)</sup>

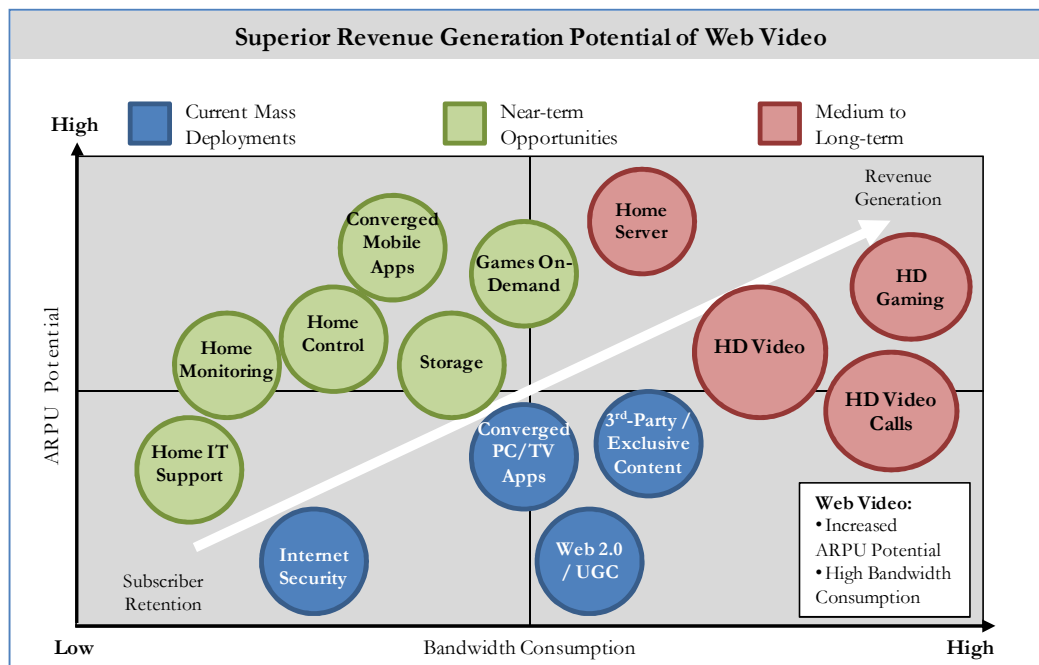
**DIGITAL MEDIA AND TECHNOLOGY SECTOR REVIEW: WEB VIDEO INDUSTRY REPORT**

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Using the Internet to integrate traditional and new media is transforming the way consumers access and watch Web video. Of all media used in eCommerce today (e.g., display and text ads, graphics, vector animations, zoom/3D views) Web video is considered by many to be the most engaging and potentially game changing media and approach. “No other media is able to draw in the consumer, tell a story, build credibility, showcase products, and share knowledge in such an interactive, compelling and realistic way.”<sup>(34)</sup> Most Web and multi-channel retailers believe that marketing through Web video represents an important paradigm shift for eCommerce, or at a minimum is a valuable new “tool in the online marketing toolbox.”

Similarly cable and telecommunications providers view Web video with keen interest given that this application represents a key value-added service which holds the promise to both effectively increase ARPU and reduce customer churn (see chart below).<sup>(35)</sup> Moreover, with the increasing convergence of mobile, TV, and broadband networks and improvement of multimedia system technologies, value-added services that can utilize multiple networks or screens will be important in carriers’ strategies. Finally, both carriers and network equipment providers (AT&T, Verizon, Cisco, and Juniper) view Web video as a highly attractive application since it requires relatively high bandwidth, therefore these providers can sell increasing amounts of bandwidth and network equipment.



Source: New Century Capital Partners and Street Research, 2010

**About New Century Capital Partners**

New Century Capital Partners (NCCP) is a leading independent investment banking firm focused on the global growth sectors of the economy. New Century Capital Partners provides a broad range of investment banking services including: mergers and acquisitions, corporate and financial restructuring services, and corporate finance services. The firm’s strong relationships with leading financial institutions throughout the world and access to institutional private equity, venture capital, mutual funds, and hedge funds allows it to structure highly competitive financing alternatives.

New Century Capital Partners' investment bankers have unparalleled industry and transaction experience. For example, the firm and its investment bankers have acted as the lead investment bankers to some of the world’s leading digital media and technology companies.

Mark Salter  
 Managing Partner  
 (310) 451-9076  
 msalter@newcenturycap.com

## Web Video Industry Landscape

### User-Generated and Professional Content/Short-Form Distribution

56.com/QianJun	FORA.tv	Qiyi/Baidu
5min Media	Globo Video	Revver
AnyClip	Heavy.com	RuTube
AOL Video	Internet Archive	sevenload
Atom.com/Viacom	Invision.tv	ShowMeDo
beeTV	Joost/Adconion	Sina
Bing Video/Microsoft Sites	Justin.tv	Sprint TV
BitBop	Ku6	Stickam
Blinks	Livestation	TeacherTube
blip.tv	Livestream	Tudou
Break Media	Megavideo	TVCatchup
castTV	Metacafe	Ustream
Clicker	Mevio/PodShow	VEVO/Sony Music
CollegeHumor/IAC InterActiveCorp	MobiTV	Viddler
Crave Online	Multiply	Videojug
Current TV	Muzu.tv	Videovalis
Dailymotion	MySpace Video	Vimeo
EngageMedia	Next New Networks	Yahoo! Video
ESPN3.com	OVGuide	Youku
FloTV	Pandora TV	YouTube/Google Sites

### Webcasting Centric

Accordent Technologies  
 Avcast/CrossBar Media  
 EastBay Media  
 Harlines Company  
 ICV Digital Media  
 InXpo  
 LivePerson  
 ON24  
 Onstream Media  
 SeeToo  
 Sonic Foundry  
 TalkPoint Communications  
 Telestream  
 Vcall/Precision IR  
 Vividas Group  
 Webcast Academy  
 Webcast Group  
 Worldbridges  
 You-niversity

### Content Management

Adap.tv	MarketShare Partners
AdEx Media	MediaMind (Eyebliaster)
Advertising.com	MOD Systems
asterpix	Move Networks
Auditude/MTV/Myspace	Naspers
Betawave	NeuMedia
BlackArrow	PermissionTV
Brightcove	Phanfare
BrightRoll Video Network	Platform A/AOL
Broadband Enterprises	Qik
BroadbandVideo.com	Ramp
BuyDRM	Ripcode
Canoe Ventures	Say Media
Cision	Scan Scout
Contentdo	Spot Runner
Critical Media/Dow Jones	SpotXchange Video Network
Dalet Media Systems	The Platform
Delve Networks	Thought Equity
Demand Media	Tremor Media
Digital Fountain	TubeMogul
DigitalSmiths	Tvinci
DOmedia	Twistage
ExtendMedia	Twistbox Entertainment
FreeWheel Media	Vdopia
Gannett	Veople
GIGYA	Vevo
Grab Networks	VideoEgg
Harmonic	Videovalis
Innovid	Visible Measures
interCLICK	Visible World
INVIDI Technologies	vMix
KickApps	VMS
KIT digital	Vobile
Kontiki	Vuze
Kyte	YuMe Video Network
LiveUniverse	Zunavision
Magnify.net	

### Dedicated Hardware

AppleTV  
 Boxee Box  
 Brite-View  
 D-Link  
 Direct TV  
 En2Go  
 F5 Networks  
 GoogleTV  
 Hillcrest Labs  
 InterActual Technologies  
 Logitech  
 Microsoft/Zune  
 Pure Digital Tech./Cisco Systems  
 RGB Networks  
 Roku  
 Sezmi  
 Sling Media/EchoStar/Dish Network  
 Smart TV  
 Syabas  
 Terayon Communications/Motorola  
 TiVo  
 vBrick  
 VuNow/Verismo Networks  
 ViewCast  
 Microsoft Xbox 360 (Live Market Place)  
 Nintendo Wii  
 Samsung  
 Sony Playstation 3  
 Toshiba  
 VUDU/Walmart  
 Western Digital TV  
 XStreamHD  
 ZvBox

### Premium/Long-Form Production

ABC  
 CBS Interactive  
 CW  
 Disney/ABC/Marvel/Pixar  
 DreamWorks  
 Fox  
 Lions Gate  
 MGM  
 NBC/Universal/Dreamworks  
 Relativity Media  
 Sony  
 Time Warner/Turner  
 TV Everywhere/Comcast/TimeWarner  
 Univision  
 Viacom/Paramount  
 Warner Brothers

### CDN

Akamai Technologies  
 Alcatel-Lucent/Velocix  
 BandCon  
 BitGravity  
 BitTorrent  
 Blackwave  
 BulletStream  
 Cast It Systems  
 CDN Networks  
 Cotendo  
 EdgeCast Networks  
 Flitz  
 Internap/VitalStream  
 Itiva  
 Level 3 Communications  
 LimeLight Networks/EyeWonder  
 Mirror Image Internet  
 Octoshape  
 Ooyala  
 Pando Networks  
 PPStream  
 Savvis  
 StreamGuys  
 Triton Digital Media

### Audio/Video Conferencing

8x8  
 ACN  
 ACT Teleconferencing  
 Appix  
 BT Conferencing  
 Budget Conferencing  
 ConferTel  
 Copper River Conferencing  
 Discount Conference Call  
 Ditech Networks  
 Eagle Conferencing  
 Global Crossing  
 Glowpoint  
 Iformata  
 InterCall  
 Pharo  
 Polycom  
 Premiere Global Services  
 Providea  
 Tandberg/Cisco Systems  
 Tango  
 Telephone Bridge Services  
 Terragold  
 Unlimited Conferencing  
 VC-Net  
 Westcon Collaboration  
 XO Holdings/ACF Industries  
 York Telecom

### Webconference Centric

A+ Conferencing  
 AT Conferencing  
 Connex International  
 Express Connect Conferencing  
 Fuze Meeting  
 GoToMeeting/Citrix  
 Group Unity  
 HearMe  
 Iline Communications  
 Intelliverse  
 Meetingbridge  
 MeetingOne  
 Multipoint Communications  
 Netbriefings  
 Oracle Beehive  
 ReadyComm Conferences  
 Save On Conferences  
 Skype  
 Spider Phone  
 TeleSpan Worldwide Conferencing  
 The Conference Group  
 ViaVid.com/joomla  
 Vidyo  
 VoiceText Communications  
 Cisco/WebEx/TelePresence/umi

### Software Solutions

Adobe Systems/Macromedia  
 ArcSoft  
 Avid Technology  
 Azuki Systems  
 Broadcast International  
 Corel  
 DivX/Sonic Solutions  
 Forbidden Technologies  
 Juniper Networks  
 Kulabyte  
 Kylo  
 On2 Technology/Google  
 Overlay TV  
 PlayNow/Sony Ericsson  
 RealNetworks  
 Rhozet  
 Rovi  
 SageTV  
 Veople  
 Veodia  
 XBMC  
 YUVSoft

### Production

Comedy Time  
 CrunchyRoll  
 eqal  
 For Your Imagination  
 Funny or Die  
 Innovative Media  
 Jib Jab  
 Mania TV  
 revision3

### Premium/Long-Form Distribution

Amazon VOD  
 AT&T U-verse  
 BBC iPlayer  
 Bigstar.tv  
 blinkbox  
 Blockbuster Online  
 BSkyB Sky Player  
 BestBuy CinemaNow  
 Connected TV (Yahoo)  
 Crackle/Sony Pictures  
 Epix  
 Fancast/Comcast  
 Glowria/Video Future Ent.  
 HBO Go  
 Hulu/News Corp./Disney/NBC  
 iTunes (Apple)  
 LoveFilm.com  
 MLB.tv  
 Netflix  
 TV.com/CBS Interactive  
 Veoh/Clipso  
 Voddlar  
 ZillionTV

## 35 Most Well-funded Web Video Companies

Company	Total Funding (\$USD MM)	Investments Received	Number of Investors	Date of 1st Funding	Most Recent Funding Date
1) Sina	\$365	4	7	5/10/99	9/21/09
2) Tudou.com	\$176	7	13	9/1/04	4/30/10
3) Spot Runner	\$111	4	15	8/9/05	5/7/08
4) Youku.com	\$107	4	7	12/12/06	12/20/09
5) Hulu	\$100	1	4	8/1/07	4/30/09
6) Brightcove	\$94	4	14	3/1/05	3/25/10
7) Ustream.tv	\$90	3	7	12/18/07	1/29/10
8) KII digital	\$85	9	38	9/10/04	5/8/08
9) Tremor Media	\$78	6	7	9/15/06	4/22/10
10) Sezmi	\$76	3	7	8/19/07	11/16/09
11) Veoh	\$71	4	1	8/10/05	3/19/10
12) Dailymotion	\$69	3	6	8/1/06	10/8/09
13) BlackArrow	\$67	4	7	11/8/06	4/19/10
14) Move Networks	\$66	4	7	12/7/06	5/13/10
15) Vidyo	\$65	5	6	10/4/07	3/26/10
16) Blinkx	\$59	2	1	5/16/07	11/3/09
17) Metacafe	\$51	3	4	7/3/06	5/11/10
18) Qiyi	\$50	1	1	2/26/10	2/26/10
19) Joost	\$45	1	6	5/9/07	5/9/07
20) sevenload	\$39	3	3	11/3/06	6/18/08
21) Ripcode	\$37	5	1	11/14/06	6/23/10
22) Veveo	\$36	3	4	11/1/04	4/29/08
23) BitTorrent	\$36	3	5	9/27/05	5/1/08
24) ExtendMedia	\$34	3	4	3/16/06	11/7/08
25) Heavy.com	\$33	3	1	3/1/01	1/8/07
26) KickApps	\$32	3	4	2/9/06	11/25/08
27) Vuze	\$32	2	5	12/4/06	12/19/07
28) PPStream	\$31	3	4	12/1/05	6/18/08
29) vMix Media	\$29	3	4	3/13/06	9/25/09
30) FreeWheel	\$29	2	4	4/29/09	4/5/10
31) Onstream Media	\$29	8	2	5/8/98	4/14/09
32) Visible Measures	\$29	3	4	3/2/07	3/26/09
33) Blackwave	\$28	3	3	12/27/06	9/30/09
34) ZillionTV	\$27	4	4	2/1/08	2/24/10
35) Adap.tv	\$24	3	4	2/1/07	9/22/08
<b>Top 35 Total Funding</b>	\$2,330				
<b>Top 35 Average Funding</b>	\$67				
<b>Top 10 Total Funding</b>	\$1,282				
<b>Top 10 Average Funding</b>	\$128				

### 2010 Key Upcoming Digital Media & Technology Conferences

Date	Conference	Sponsor	Location
October 18	Digital East 2010	Google, ESPN, Pandora, Microsoft, Wikipedia, Forbes	MdLean, Virginia
October 18-20	Technology Transfer Today (T3)	Qualcomm	Abu Dhabi, UAE
October 18-21	Digital Hollywood Fall	IBM, Microsoft, OpenTV, Rovi	Santa Monica, CA
October 18-22	Interop	Cisco, Microsoft	New York, NY
October 20-23	Pop!Tech 2010	Pop!Tech	Camden, ME
October 26	Israel - Journey 2010 (Hosted by Ernst and Young)	White and Case, Media Venture Partners, Canaad Partners	Tel Aviv, Israel
November 3-4	451 Group Conference	Red Hat, BigFix, Think Equity, Sybase	Boston, MA
November 3-4	The AeA Classic Financial Conference	TechAmerica	San Diego, CA
November 10-11	Ad:Tech	Casale Media, ClickBooth	New York, NY
November 15-17	SC World Congress	SC Magazine	New York, NY
November 15-17	Web 2.0 Summit	O'Reilly, Quova	San Francisco, CA
December 8-9	Le Web 2010	Ovi, BT	Paris, FR
December 9	DealMaker: VC Outlook 2010	Microsoft BizSpark, Media Temple	Los Angeles, CA
January 6-9	2011 International CES	Consumer Electronics Association	Las Vegas, NV
April 9-14	NAB Show	Cinergy, Level 3, Sony Digital Cinema, Echo Star	Las Vegas, NV

Source: New Century Capital Partners, 2010

## Web Video Industry Introduction

*“If I had to make one big bet on the future, I would bet on Web video.”*

- John Chambers, Cisco Systems CEO

As Web video continues to move front and center into mainstream America and becomes a key part of both our personal and professional lives, New Century Capital Partners has completely and comprehensively analyzed the Web video industry, identified the most current trends, and evaluated major private and public companies within the industry.

Video growth has continued at a rapid pace even through the most recent recession. According to Changewave, Baby Boomers now spend more time online, 12.9 hours per week, than watching TV, 11.8 hours per week.<sup>(36)</sup> Social networking, Web video, and other forms of Web-based entertainment are creating a big spike in demand for network bandwidth. Total time spent watching Web videos increased 13% in December 2009 over the year before, to 193.2 minutes per user, according to Nielsen Online.<sup>(37)</sup>

## Web Video Developments

*“The next big thing is Web video.”*

- Bob Metcalfe, Co-founder of 3Com

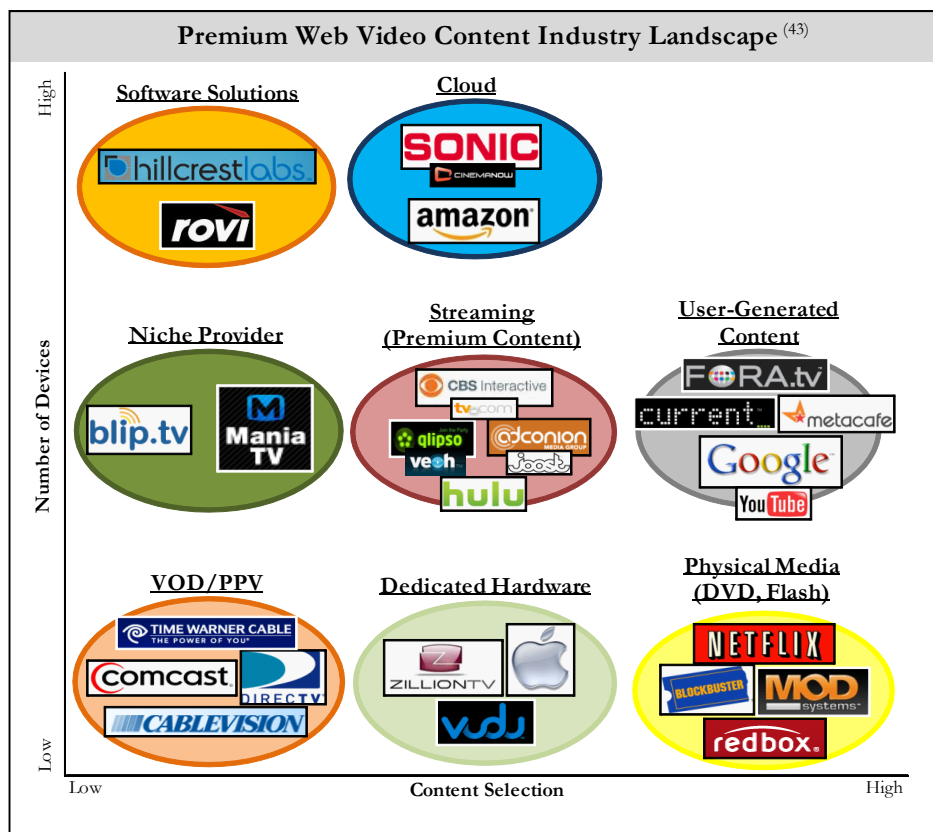
“Given the general elevated level of interest in the space, an eCommerce marketer, product manager, or merchandiser might easily conclude that Web video is going to be on every online retail site soon. The truth is most eCommerce retailers are still sitting on the fence, unsure of how Web video will impact the fundamentals of their business. Moreover, the economics of Web video are still not yet fully understood. Both performance-based marketers and brand advertisers are looking at three variables in determining their investment: reach, content quality, and performance measurability. Current Web video advertising formats do not appropriately address the three variables, in our view.”<sup>(38)</sup>

### Key Web Video Endorsements and Early Results

- “The Internet has been slowly but surely sneaking its way into the living room. The TV screen that has been one-way for 50 years suddenly has the opportunity to be two-way. Consumers are increasingly interested in TV on their own terms. The appetite for live TV is going down because it is TV by appointment versus TV on my terms. And that is especially prevalent with younger people who have for the last 15 years been exposed to the Web, which has all sorts of things on demand. The trend indicates a strong change toward the consumption of what used to be pushed to them on TV to consuming things that they pull onto the TV.” — Patrick Gauthier, Sr. VP, ZillionTV<sup>(39)</sup>
- “We have seen a fundamental shift in consumer consumption and media habits migrating over to digital video. Obviously YouTube started it, but we want to align with professional content. With broadband getting to the scale that it has, the shift has happened. The integration of traditional and digital media is here now.” — Marc Fonzetti, Reckitt-Benckiser’s Media Manager and Internet Specialist (which shifted \$20 million to Web video)<sup>(40)</sup>
- “Every single network is having a hard time trying to figure out how to make money on their Internet delivery. Advertisers are not willing to pay top dollar for content delivered over the Internet to PCs, and it’s beginning to jeopardize the multi-billion dollar relationship the networks have with their cable and satellite providers.” — Brian Baker, CEO Widevine Technologies<sup>(41)</sup>
- “Broadcasters went out and did deals to put content on broadband without a whole lot of thought about the long-term financial model. If people aren’t subscribing to the programming, you probably shouldn’t put it online, because then half of the financial support goes away. That isn’t good. It hasn’t been good for the newspaper industry.” — Jeffrey L. Bewkes, CEO, Time Warner<sup>(42)</sup>

### Web Video Content Industry Landscape

The Web video content market is an evolving and high-growth vertical market with emerging companies, land-grab consumer-electronics licensing deals, evolving business models, and a growing digital library. The movement to digital content is accelerating, and several business models are emerging. The below graph, is an industry landscape of the premium digital content providers.<sup>(43)</sup> In this analysis, the eight most popular content-access industry categories are plotted on a two-axis graph, detailing (1) content selection, and (2) number of reachable devices.

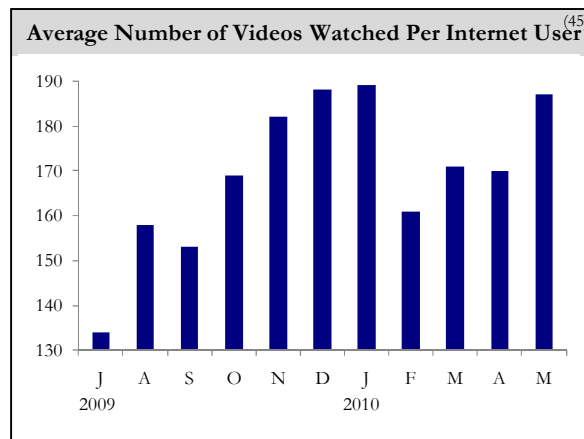


Source: New Century Capital Partners and Street Research, 2010

According to comScore, the number of unique monthly Web video views was almost 34 billion in the U.S. during May 2010. The below graph shows the top ranked video sites based on unique views<sup>(44)</sup> and the average number of videos watched monthly per user.<sup>(45)</sup>

Rank	Property	Videos	Share (%)
1.	Google Sites	14,628.1	40.9%
2.	Hulu	1,174.1	3.0%
3.	Microsoft Sites	642.0	2.6%
4.	Vevo	430.3	2.3%
5.	Viacom Digital	346.8	2.0%
6.	Yahoo! Sites	336.3	1.9%
7.	CBS Interactive	333.2	1.3%
8.	Turner Network	331.9	1.2%
9.	Fox Interactive	328.5	0.9%
10.	Facebook	245.1	0.7%
<b>Total Internet:</b>		<b>33,950.90</b>	<b>100.0%</b>

Source: comScore, 2010

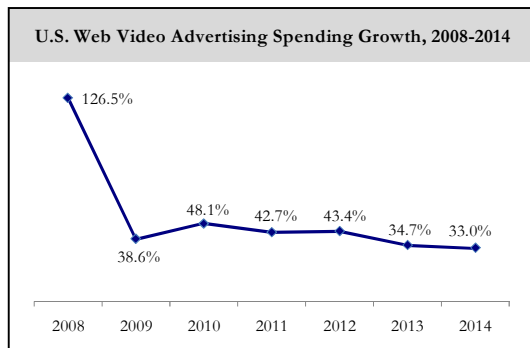


Source: IBD, 2010

## Web Video Developments

### Web Video Advertising Market – Size and Growth Rate

Web video ad revenue in the U.S. is forecast to reach \$4.1 billion in 2013, up from \$587 million in 2008.<sup>(46)</sup> U.S. online ad video revenue is on pace to exceed \$1.3 billion.<sup>(47)</sup> The report attributes the healthy numbers to steady growth in Web video viewership, combined with the ability to target specific viewers based on preferences and viewing history.



Source: Street Research, 2010

	2009	2010	2011	2012	2013	2014
Search	\$10,698	\$12,374	\$13,437	\$14,793	\$15,670	\$16,771
Banner Ads	\$5,061	\$5,477	\$5,845	\$6,533	\$7,035	\$7,373
Classifieds	\$2,254	\$1,958	\$1,795	\$1,861	\$1,902	\$1,960
Rich Media	\$1,505	\$1,576	\$1,632	\$1,708	\$1,760	\$1,815
Lead Generation	\$1,451	\$1,531	\$1,632	\$1,769	\$1,892	\$2,033
Video	\$1,017	\$1,506	\$2,149	\$3,081	\$4,150	\$5,518
Sponsorships	\$383	\$402	\$422	\$445	\$471	\$500
E-mail	\$292	\$276	\$288	\$310	\$320	\$330
<b>Total</b>	<b>\$22,661</b>	<b>\$25,100</b>	<b>\$27,200</b>	<b>\$30,500</b>	<b>\$33,200</b>	<b>\$36,300</b>

Source: Street Research, 2010

The switch to digital content consumption is accelerating. While digital consumption of premium content (which is defined as mainstream movies and TV shows) has not necessarily reached a tipping point, consumers are spending more time on the Internet using services such as YouTube, Hulu, Netflix, and CinemaNow.

Key Summary Statistics
➤ More than 177 million U.S. Internet users watched video content in June 2010 <sup>(48)</sup>
➤ Google Sites, driven primarily by video viewing at YouTube, ranked as the top video content property with 144.5 million unique viewers, followed by Yahoo! Sites with 44.9 million viewers and VEVO with 43.7 million viewers <sup>(48)</sup>
➤ Americans viewed more than 4.3 billion video ads in June 2010, with Hulu generating the highest number of ad views at 566 million. Tremor Media Video Network ranked second overall with 524 million ad views, followed by BrightRoll Video Network (333 million) and Microsoft Sites (222 million) <sup>(48)</sup>
➤ In 2009, 84.6 percent of the total U.S. Internet audience viewed Web video <sup>(48)</sup>
➤ About 130 billion programs will be streamed or downloaded globally in 2013, up from 11.6 billion next year, as the number of broadband-video customers almost doubles from 2009 to about 940 million people worldwide <sup>(48)</sup>
➤ Customers will watch about 140 downloaded or streamed videos on average on their TVs in 2013, up from about 17 in 2009 <sup>(48)</sup>

Source: New Century Capital Partners and Street Research, 2010

While these statistics provide evidence that Internet users are consuming more online digital content, they center on consumers' focus on so-called snippet digital content, or start-and-stop videos that can be consumed in minutes. The transformation to watching full movies, while evolving, is not yet mainstream. Moreover, about 8% of adults watch current TV programs on the Internet, at least once a week; up from 6% a year ago.<sup>(49)</sup> However, the shift to consuming premium content videos is just beginning. In 2008, just 2% of the estimated \$22 billion home entertainment market, or \$488 million, was spent on premium digital content.<sup>(49)</sup>

The changes enabled by the Internet have occurred rapidly considering that the industry was practically nonexistent as recently as 2000. More than 14.3 billion videos were viewed online in December 2008 in the U.S. alone. As of May 2010, nearly 34 billion videos were viewed online, representing an increase of 237% from December 2008, showing that viewership continues to grow at a rapid pace.<sup>(50)</sup>

There is little doubt that most brand marketers want to utilize Web video advertising. Every survey looking at online marketing's prospects puts Web video among the top tactics. That desire alone will be a driving force for Web video ad spending growth.



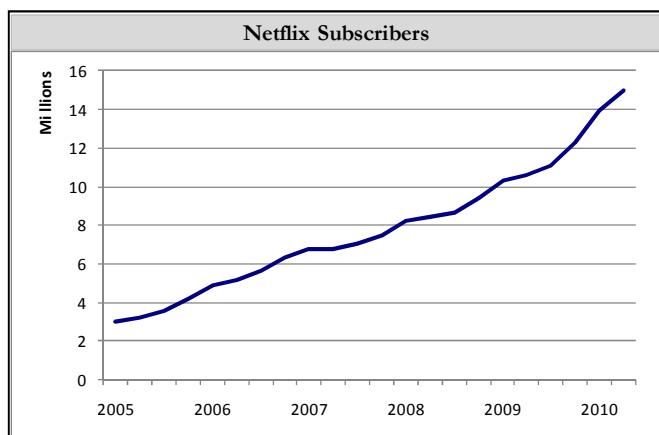
## Web Video Developments

Tremor Media, which is one of the largest video ad networks and second only to Hulu in the number of video ads it serves, is seeing a doubling of ad revenues. “It has reached a frenzy point over last three quarters (of 2010). We see television dollars moving to Web video.” - Jason Glickman (CEO, Tremor Media) Next year (2011) Tremor’s revenues are on track to top \$100 million for the year.<sup>(36)</sup> U.S. Web video advertising is estimated to reach \$1.3 billion this year, up from \$1 billion last year, according to eMarketer.

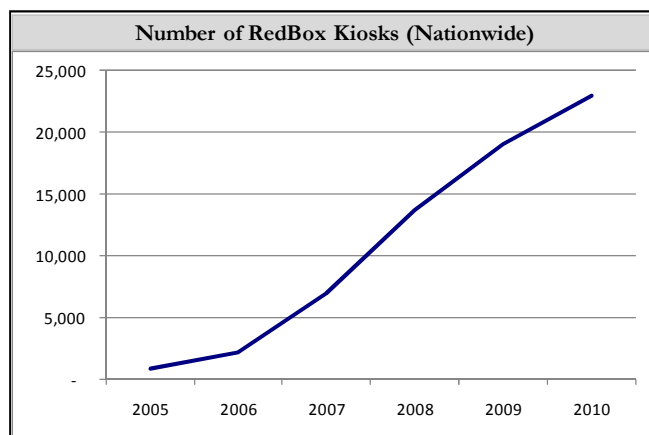
Advertisers are becoming increasingly comfortable with putting their video ads online. Hulu, which will be filing its IPO shortly, is the largest beneficiary of this trend. If an advertiser already puts ads against shows such as House or The Office on TV, it is a no-brainer to match that online on Hulu. But they are also beginning to trust the larger video ad networks like Tremor and Break Media, which put ads against a wider range of professionally-produced videos from guy-videos to sports clips and movie trailers.

“I have never seen test budgets that start at half a million dollars,” says Jason Glickman. Usually ad agencies start testing with one tenth as much. Also, Jason Glickman is seeing about a dozen larger commitments in the double-digit millions over the course of the current year, deals he calls “online video upfronts” because they are negotiated in advance like regular TV upfronts. According to comScore, Hulu showed the most Web video ads in July 2010 with 783 million; however Tremor came in second with 452 million Web video ad views.

Despite this impressive growth, the amount of US advertising dollars spent on Web video advertising pales in comparison to the amount spent on traditional TV advertising. In 2009, approximately \$60 billion was spent on traditional TV advertising, compared to just approximately \$1.1 billion spent on Web video advertising.<sup>(32)</sup> As Web video continues to grow and mature, additional dollars will shift from TV to Web video, but TV will still command the lion’s share of advertising dollars for years to come.



Source: IBD, 2010



Source: IBD, 2010

### CPM Rates

<b>Web Video Click-Through Rates</b>	
Online Display Advertising	0.21%
Web Video Advertising (In-Stream)	0.74%
Web Video Advertising (Expandable)	0.47%
Web Video Advertising (Standard)	0.40%

Source: New Century Capital Partners and Street Research, 2009

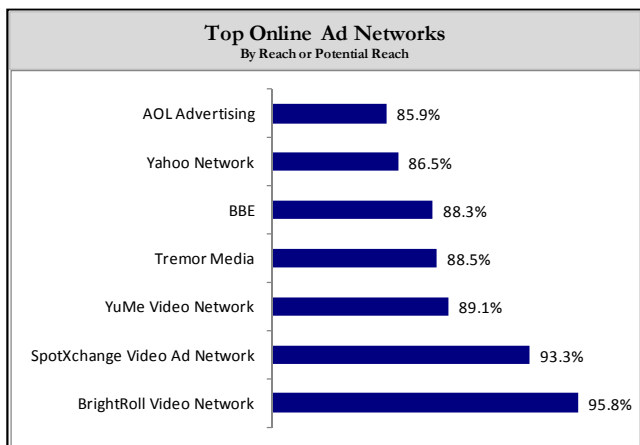
All data on Cost-per-Mille (CPM) indicates that video ads get far higher prices than static display ads, such as banners. Depending on the type of content associated with the Web video ad and the site on which it appears, Web video CPMs range from about \$10 to nearly \$100. In contrast, display advertising CPMs are typically less than \$5 and often for less than \$1—especially for remnant ad space sold through ad networks.

One reason for video’s higher price is its increased potential effectiveness for brand marketers. When compared to display ads, the click through rates are substantially higher for Web video advertisements. Another reason is its higher base cost, with publisher expenses for supporting video content substantially greater than for just text and images. Furthermore, scarcity plays a big role in inflated pricing. With a relative shortage of trusted content from professional sources—whether short clips or long-form—many publishers can charge a premium and still sell out over 90% of their inventory.

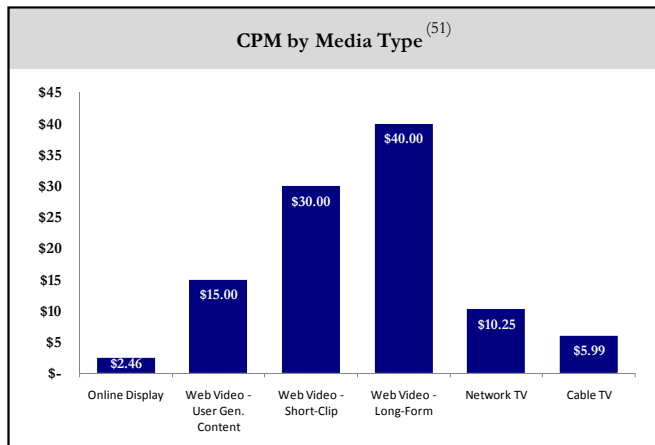
## Web Video Developments

### CPM Rates (cont.)

Research shows that this is especially true when Web video ads are sold directly by publishers rather than through ad networks.



Source: IBD, 2010



Source: New Century Capital Partners and Street Research, 2009

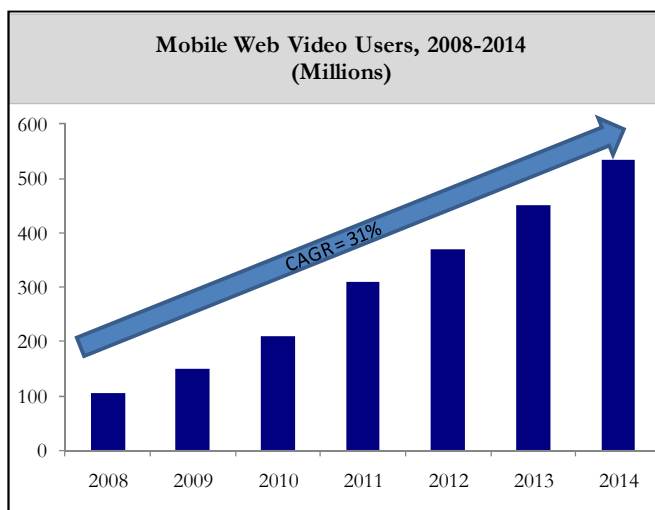
### Mobile Video

Consumers continue to migrate from the desktop Web and toward mobile apps and devices. The number of users globally paying for mobile video and TV services is expected to jump to 534 million by 2014, a five-fold increase from 2008. Over 13 million Americans watch some form of mobile video each month, up from under 9 million in 2009. Much of the recent growth has been fueled by increased bandwidth, lower data costs, and more advanced handheld devices, and this trend will continue. “With its size, market share, and influence, Apple could help move video calling to the mainstream,” says Eric Kintz, a general manager at Logitech (LOGI), the computer-peripheral maker.

Many industry executives say 3G cellular networks now common worldwide are actually up to the task. “When the network isn't swamped, we're seeing speeds that are faster than most of us get on our DSL lines at home,” says Joel Brand, vice-president for product management at telecom consultancy Bytemobile. He adds that while many consumers on 3G networks will suffer bad connections now and then, most big cities will have higher-capacity 4G systems by 2012.

Expect a wave of new video-communication technology by Q4 2010. Skype, based in Luxembourg, plans to introduce a version of its online video-chat service for cell phones. “We intend to set the bar on mobile video calling,” says Russ Shaw, general manager of Skype's mobile business unit. Logitech's Kintz says his company will introduce a cell-phone version of its Vid videoconferencing service by the end of the year. “There's no question many of our customers will offer mobile video capability by this fall,” says Joyce Kim, chief marketing officer at Global IP Solutions.

Mobile is part of a larger trend toward videoconferencing, whether it's on a phone, a PC, or a TV. Cisco Systems (CSCO) has just launched a consumer version of its \$30,000-plus TelePresence systems used by corporations, dubbed Cisco ūmi. The cost of the product is a reasonable \$600 for the hardware and a monthly subscription fee of \$24.99.



Source: Street Research, 2010

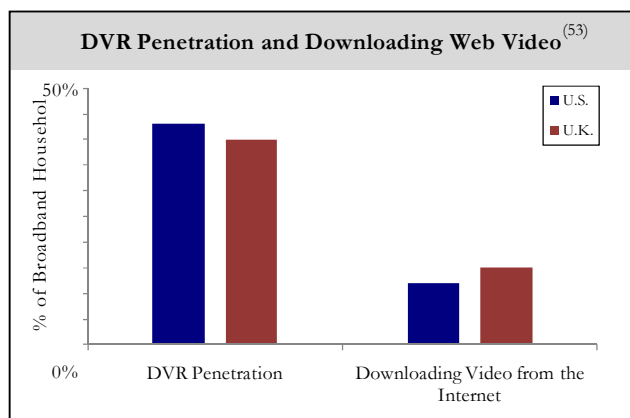
## Web Video Developments

Mobile video usage is also showing some tremendous momentum as well. Over 13 million Americans watch some form of mobile video each month, up from under 9 million in 2009. One other interesting statistic: of that group, each watched an average of three and a half hours of mobile video per month. Mobile video is growing in popularity, as far as one's phone has the capability to support it.<sup>(52)</sup>

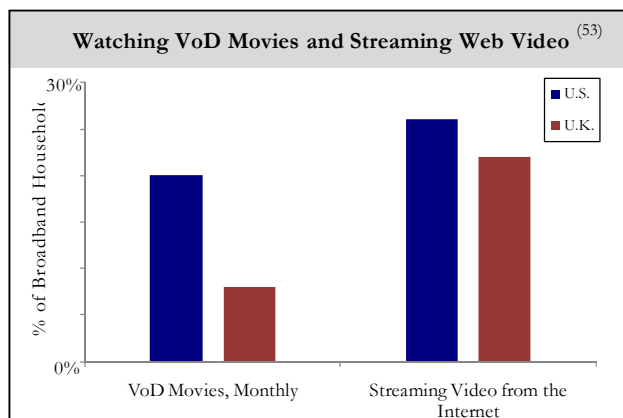
### Web Video is Coming to TV: Consumer Electronics and Cable Companies Participating

One of the biggest trends in the consumer electronics industry for the past few years has been the concept of Internet-connected consumer electronics that bring the Web video experience to the TV screen. This concept was initiated with a number of standalone boxes including, in the U.S., consumer electronics devices such as the Apple TV, the Xbox 360, broadband-connected TiVo boxes, the Netflix Player by Roku, BoxeeBox by Boxee, GoogleTV, the VuNow product from Verismo Networks, Popcorn Hour from Syabas, and the ZvBox.

Moreover, the embedding to Web video collection capabilities in consumer electronics devices including televisions, Blu-Ray players, additional game consoles, and even photo frames, allows increased accessibility across multiple mediums for consumers to take advantage of huge collections of Web video content.



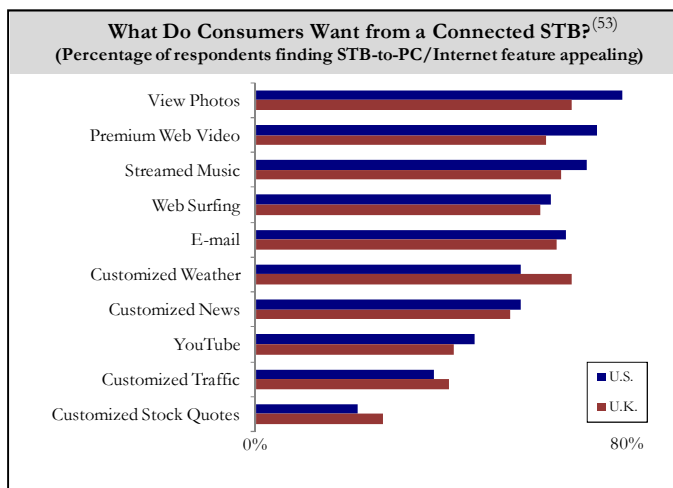
Source: Street Research, 2010



Source: Street Research, 2010

Cable companies are also positioning themselves to capitalize on these emerging trends, with Comcast (Fancast) and Time Warner Cable offering Web video content to their subscribers. Furthermore, Comcast has discussed bringing this content to the set-top-box (STB) by allowing subscribers to bookmark Web video and then access it from their on-screen guide on any set-top box. In the U.K., the best examples for a streaming premium Web video experience are the BBC iPlayer (Virgin Media) and the BSkyB Sky Player.

Web video is the second-requested application on the connected set-top-box, as shown in the graph below.



Source: New Century Capital Partners and Street Research, 2009

## Web Video Developments

### Web Video is coming to TV: Consumer Electronics and Cable Companies Participating (cont.)

Importantly, consumers place a premium on such offerings and appear to be willing to pay a premium for a TV offering such features and applications.<sup>(53)</sup> The television's role as the centerpiece for entertainment is changing significantly, driven by two fundamental drivers:

- Growing collections of all types of digital media content, including: linear and on-demand television programming, Web video, including user-generated and professional content, optical and digital movies, music—that consumers will want to access from multiple sources; and
- The desire by both television service providers and consumer electronics manufacturers to create value out of their services and products by building in connectivity, and the ability by devices to easily find and display content. Among video, music and photos, the average households' storage needs are forecast to grow more than 10x between 2009 and 2013 (to an average digital media storage requirements exceeding a terabyte).

Web and mobile video will not be taking over TV in the near future, however, with YouTube firmly entrenched and Hulu's premium content allowing anyone to watch their favorite TV shows at any time, Web video will continue to grow at a rapid pace.

### Content Distribution Networks (CDNs) – Distribution of Web Video

The majority of CDNs transport and serve video to consumers. Consumers are demanding the highest quality viewing experience and, as a result, content providers require that CDNs provide the highest quality delivery systems and approaches. More specifically, there is a need to provide end-to-end video delivery: including encoding and ingestion into the CDN, to distribution by the CDN, to reception, decoding, and playback at the destination point. Providers such as Contendo and Digital Fountain focus on the whole site delivery, including both static and dynamic content delivery, while BitGravity claims to provide the “first low-cost solution focused on high-definition live Web video.”<sup>(54)</sup>

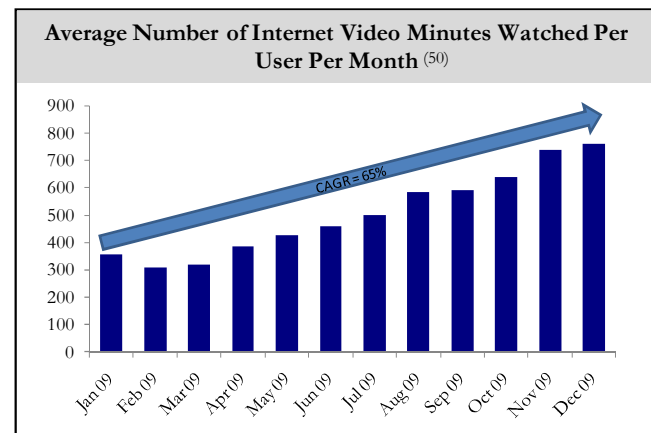
Telecommunications companies and access providers have continued their interest in CDN which began in the late 1990's (Cable and Wireless: Digital Island acquiring SandPiper in 1999 and Internap acquiring VitalStream in 2007), a number of telecommunications companies have entered the space by partnering or acquiring: Deutsche Telekom partnered with EdgeCast Networks; Verizon, TeliaSonera, Pacnet, Global Crossing have all partnered with Limelight; and EdgeCast Networks, and AT&T and Lucent Alcatel have partnered with Velocix.

### Digital Movie Content Outlook

Screen Digest forecasts the U.S. online movie consumption market to quadruple from 2008 to 2012, after growing more than 135% in 2008. In Europe, which accounts for roughly 20% of the worldwide digital content market, the industry research provider expects the market to increase nine-fold, to more than \$500 million, by 2012. Today, Screen Digest reports the transactional online movie market is dominated by Apple and Xbox Live, representing about 80% of all digital transactions.<sup>(52)</sup> We expect this market share to decline as more service providers emerge.

### Devices

One reason digital content has been slow to gain mainstream adoption is that content viewing has been primarily limited to the personal computer. However, a growing number of devices enable content access and sharing. In order to watch Web video on most televisions, you need a gadget that pulls it in. A growing number of technology companies are beginning to offer the hardware necessary to allow Web video content to be viewed on a TV. Start-ups and tech giants alike are offering what they say are easy ways to pipe shows and movies to a TV, hoping to win over people who might want a cheaper or more diverse alternative to cable and satellite service.



Source: comScore, 2010

## Web Video Developments

- Netflix and CinemaNow have licensing deals with HDTV and Blu-ray manufacturers to access digital movies via the Internet.
- Microsoft's Xbox 360 enables Netflix movie streaming, with more than a million users accessing the service via their gaming console to date.
- Apple TV enables interoperability with a Mac, iPhone, iPad and iPod.
- Sezmi DVR provides local and cable TV, movies, and Web videos, in addition to a massive on-demand catalog of shows and movies.
- Boxee Box by D-Link is a set-top device and media extender designed to bring internet television and other Web video to the television. It comes pre-installed with Boxee's media center software.

## Recent Web Video Related Developments

### Hulu, the Online Video Joint Venture, Considers an IPO <sup>(55)</sup>

Hulu is exploring an initial public offering, according to a person familiar with the matter, a shift in strategy for the online video site, which is backed by three large media companies. Hulu representatives have met with bankers in New York to discuss the idea in recent weeks, according to a source, who said the company has yet to decide how to proceed. As of October 8, 2010, the IPO size is "expected to be \$300 million, likely to be led by Morgan Stanley. Investment banks including Goldman Sachs, Bank of America, and JP Morgan, pitched in August to lead the offering."<sup>(8)</sup> The company believes it could go public at a valuation of around \$2 billion, the source said.

The site was founded three years ago to help media companies compete with user-generated video sites like Google's YouTube by offering full episodes of TV shows online for free. It is jointly owned by Walt Disney, NBC Universal, News Corp. and Providence Equity Partners, which have together invested hundreds of millions of dollars in the venture. Some Hulu employees also own shares in the unit.

With rights to a stable of hit shows, the site has become the second-most watched Web video site in the U.S., after YouTube, according to Nielsen. Hulu publicly stated it generated more than \$100 million in revenue in 2009. In June 2010, it stated it had been profitable every quarter since the fourth quarter of 2009.

But its business future remains cloudy. Disappointed by how much revenue the company has earned from online ads, some partners have been pushing it to explore other business models. Hulu recently released Hulu Plus, a \$9.99 monthly subscription service that offers more episodes than the free version and the ability to watch the service on devices like the iPad.

The site also faces growing competition from Internet and cable companies launching new video offerings.

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### Web TV Services, Content Swell <sup>(56)</sup>

With its streaming video service, Netflix is changing the viewing habits of millions of Americans; its success could signal a major shift in the pay TV business. Netflix's instant viewing service is the first mainstream success for over-the-top TV (OTT TV), an industry buzzword for video delivered over broadband Internet connections. OTT TV bypasses traditional pay TV services to provide more viewing options for consumers. The question facing cable, satellite and telecom TV providers is whether OTT TV will supplement or replace their services.

### Cut Cord — Or Add Another?

Some analysts think subscription OTT TV services like Netflix will become the norm, letting consumers choose from thousands of movies and TV shows to watch instantly. Ultimately this could lead to a wave of cord-cutting as consumers cancel traditional pay TV in favor of broadband and OTT TV. Pay TV still controls many sports and news channels and other content that isn't streamed. So some analysts think OTT TV will just top off traditional services.

## Web Video Developments

### Web TV Services, Content Swell (cont.)

OTT TV is poised to grow, as the millennial generation increasingly sets the tone for TV viewing. Many young people who grew up with the Internet get a lot of video online and don't see the need to pay \$75 or more a month for cable, satellite or telecom TV. "For the kids just coming out of college now, it's not a given any more that they subscribe to cable service when they rent their first apartment," said Vince Vittore, an analyst at the Yankee Group. "The broadband connection is the most important service to them, not cable or satellite TV." The OTT TV trend could lead to a second wave of cord-cutting. In the first wave, many have dropped their landlines and rely exclusively on their cell phones. OTT TV is "definitely catching on," Vittore said. The category includes subscription services like Netflix and Hulu Plus; pay-per-view films from Amazon Video on Demand, Apple iTunes and Best Buy's CinemaNow; and free video across the Web, including standard Hulu.

Consumers can get OTT programming to their TVs via dedicated set-top boxes, but increasingly via Internet-connected TVs, Blu-ray Disc players and game consoles. One in eight cable and satellite TV subscribers planned to end or reduce service this year in favor of alternatives like OTT TV, a Yankee Group survey in April found. For some, that means replacing premium channels like HBO with Netflix streaming or pay-per-view. It's still early, but television services over broadband threaten to upend cable, satellite and telecom TV business models over the long haul. George Hines, who writes CuttingTheBills.com, dumped cable TV in favor of over-the-air broadcast TV and OTT TV. He also replaced his landline phone with an Internet phone service. His monthly bill dropped to \$42 from \$165, he says. As cable TV bills rise, more consumers are looking for alternatives, Hines says.

Roku, which sells low-cost set-top boxes (starting at \$59.99) for streaming video to TV sets, is seeing the shift. About 30% of its customers cut back or cancel their cable service, says CEO Anthony Wood. Roku has sold nearly 1 million boxes since its May 2008 launch.

### Content Rushes In

Roku now has 45 channels of content and expects to have 200 by year-end. Netflix is its most popular channel, followed by Pandora, Amazon VOD, Major League Baseball and Roku Newscaster, an aggregation of news podcasts. "We're seeing content providers increasingly willing to offer their content over the top," Wood said in an interview. "There are lots of (content) companies that maybe a year ago would say, 'Nah, we're not going to do anything. We don't want to upset our cable customers.' And now they're telling us about plans to launch (over-the-top) services equivalent to cable services over the next year or so." For OTT TV to break through to the mainstream, it has to be easier to set up and find content online, Hines says. Google's Google TV venture is a bid to do just that. "Google itself is a game-changer," said Phil Leigh, an analyst at Inside Digital Media. "The way (Web video) will get discovered will be increasingly through search engines."

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### Epix Agrees To Supply Netflix with Movies over Internet (WSJ)

Pay-cable movie channel Epix agreed to supply movies to Netflix for the online movie company's on-demand service starting in September 2010, in a deal that adds momentum to the rise of Web video streaming.

Epix--a premium movie network formed in a joint-venture between Viacom, Lionsgate, and MGM, has struggled to gain distribution from several major, traditional pay-TV operators in order to compete with counterparts like HBO and Showtime. Netflix, meanwhile, is scrambling to add better and timelier content as its online streaming service gains popularity. The five-year deal whittles away at the film industry's strategy of delaying releases to online platforms in order to protect its traditional theatrical and DVD revenue streams.

The film industry's windowed release strategy is in flux as the rise of digital film distribution weighs on its traditional business models, forcing studios to experiment with online offerings despite pressure from theater companies, cable giants, and powerful DVD retailers like Wal-Mart to maintain traditional release schedules. Film studios are suffering from declining DVD revenue as consumers turn to new digital movie services like Netflix.

Epix Chief Executive Mark Greenberg said that if the film industry shrinks from experimenting with online distribution, it risks suffering a similar fate to that of the music industry, which was swamped by the rise of online downloads and digital piracy.

## Web Video Developments

### Epix Agrees To Supply Netflix With Movies Over Internet (cont.)

A 90-day film release window for pay-TV operators gives them ample time to exploit their TV service as well as to build an online TV subscription business, known as “TV Everywhere.” He also said the Netflix deal allows Epix to become profitable and cash flow positive in its next fiscal year. The deal brings an estimated \$180 - \$200 million in additional annual revenue to Epix.

Netflix spokesman Steve Swasey said the company is committed to growing its on-demand catalogue, and it's willing to spend more money to buy the rights to content. He noted that Netflix spends about \$600 million annually to mail DVDs out to subscribers, and he said when that business starts to decline, that money can be spent with studios for more online content. Morgan Stanley analyst Benjamin Swinburne estimates that Viacom has been losing about 10 cents a share annually in losses from its stake in Epix, and this deal should help get it to break-even on the investment in 2011. He estimates that Viacom's film studio, Paramount Pictures, will make about \$8 million to \$10 million per film through the deal.

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### New Apple TV Pushes 99 Cent Streaming TV Rentals <sup>(57)</sup>

Apple got a lot more serious about its “hobby” with the release of its Apple TV set-top-box. The software company is pushing a new streaming rental service that offers up individual TV episodes for 99 cents. According to sources, Apple is getting TV programmers to let it rent individual TV shows for 99 cents each, as opposed to the \$2.99 - \$4.99 it gets for selling HD episodes. The TV rental program works in much the same way that movie rentals now work through iTunes; once an episode is purchased, the consumer has 30 days to start watching the video. And once started, the TV rental is available for 48 hours before it expires. Unlike its current TV and movie sales through iTunes, the new service moves content into the cloud and stream it to users, rather than having them download videos. By doing so, Apple is following a broader industry trend. After all, almost all Web video providers today — including industry heavyweights like YouTube, Netflix, and Hulu — use streaming technologies rather than downloads for video delivery.

If it can get content providers to allow it to rent episodes for half the price that they're getting for consumers to own those shows, Apple is hoping that it can increase the volume of TV shows that are watched through iTunes. But is it already too late? Apple's foray into the low-price TV rental market came not long after Hulu announced its paid subscription service Hulu Plus, which gives users access to full seasons of many broadcast TV shows for just \$9.99 a month. But Apple TV has access to a lot of cable network content, like episodes of popular shows like Mad Men and True Blood that isn't available through the Hulu Plus offering.

Even so, Hulu Plus is available on multiple consumer electronics devices and platforms, such as Samsung, Sony, and Vizio connected TVs and Blu-ray players, the Microsoft Xbox 360 and Sony PlayStation 3 gaming consoles, and even Apple's iPad and iPhone. Meanwhile, iTunes TV rentals are only available on Apple TV and other associated Apple products. Based on the massive growth of Netflix and its Watch Instantly streaming service, consumers have shown that they are drawn to the convenience of a subscription Web video service they can watch on their TV for a low monthly fee. But Apple TV rentals could be instrumental for users that want to watch content they can't get through Netflix, Hulu or other subscription services.

## Web Video Developments

### Ustream Live Video Site Courts Entertainment Industry<sup>(58)</sup>

A website offering soldiers a chance to talk live via streaming video with their families back home or giving politicians live, unfiltered access to their constituents might seem destined for a niche existence, but try telling that to John Ham. The former U.S. Army commander co-founded his Ustream service in 2006 as a live Web video service for the military. By courting the world of entertainment, Ustream has grown far beyond Ham's original projections.

The audience for most shows is still small, with the most popular averaging 1 million to 2 million viewers, and Ustream has yet to make a profit. But Ham might be onto something. He has quietly raised \$90 million to invest in live webcasting. Ustream competitor Livestream (Gannett, parent of USA Today, is a minority investor) has raised \$13 million, according to CEO Max Haot. The money is going for "growth" in entertainment, Ham, 32, says, in an interview at his offices here, and expansion into Asia. "This is a huge race and a big opportunity for us. We want to lead and win in the live video market." For starters, he doubled his workforce to 150 in the past six months, hiring mostly engineers and advertising sales staff. He opened an office in Los Angeles and is persuading Hollywood to use Ustream for premieres of movie events. The films, *The Killers*, *Avatar* and Disney's *Alice in Wonderland* showed their red-carpet events live on Ustream. The service shared ad revenue with the studios. Viewership for the "live on the Net" websites, dominated by Ustream, Justin.tv and Livestream, has grown substantially over the past year. Ustream averages 47 million viewers monthly, compared with 17 million for Justin.tv and 15 million for Livestream, measurement service Quantcast says.

### The YouTube factor

The one big potential stumbling block for all of them is YouTube, which dominates Web video with 144 million visitors monthly. YouTube is known for clips but has been expanding into complete shows. Of late, it has experimented with live webcasts of concerts and sporting and political events. Tech analysts speculate that YouTube will soon join the live movement. Ham isn't worried. If that happens, he says, "It will grow the overall pie for live video. And we're positioned to be the primary beneficiary of that."

After a stint in the U.S. Army, Ham and co-founder Brad Hunstable returned in 2006 from South Korea, where they were stationed, with their idea for a service that would let soldiers talk to their loved ones, live. They wanted an alternative to webcams — something that requires only a computer and an Internet connection. They teamed with Budapest-based Gyula Feher, which developed the site, and went live in 2007 (Two-thirds of the Ustream staff are still based in Budapest). Ustream began gaining an audience among the military, its desired base, but it quickly grew to teens, businesses (especially radio stations) and politicians. President Obama used Ustream during his campaign, and the live webcast of his inauguration remains Ustream's most-watched event, garnering 3.8 million viewers.

### Graham interviews Ustream's John Ham

Gen Isayama, a partner at DCM, a Silicon Valley venture-capital firm, which has invested \$11 million in Ustream, says high-profile events, such as movie premieres and award preshow, boost Ustream's audience and attract advertisers. He says most of Ustream's undisclosed ad revenue comes from the big shows.

"There's only a certain amount of airtime you can promote to, on television," says Bill Bradford, a senior vice president at Fox Broadcasting, which is using Ustream for coverage of celebrity arrivals at the upcoming Teen Choice Awards on Aug. 8, the night before the show airs on TV. "But the Internet is wide open. We want to take advantage of it." James McQuivey, an analyst at market tracker Forrester Research, believes that if Ustream keeps its costs down, enough people with non-prime-time interests will stop by Ustream to make it a viable business. "This is a great way to get niche products out there." But Dan Rayburn, an analyst at rival researcher Frost and Sullivan, doubts live webcasting will ever turn a big profit. "The biggest challenge they have is the business model," he says. "The ad revenue just isn't there to support it." He thinks the most likely way investors will get their money back is by selling to a big media company. "That's got to be the goal, because they're not going to make \$90 million back in advertising," he says.

Isayama, who sits on the Ustream board, is optimistic. "There are enough live events waiting to be monetized," he says, if you add up all the niche programming out there, from conferences and lectures to small performances by jazz artists who can't get TV time, "we can create a triple-digit business." And with \$90 million to play with, "it's good to have a big war chest in the bank, to jump on opportunities when they arrive," he adds.



## Web Video Developments

### Old Spice's New Ad Model: Web-Based Social Media <sup>(59)</sup>

A YouTube social media campaign rocked the Internet with over 34 million views in less than a week. Old Spice took its popular television ad campaign featuring a bare-chested, sultry-voiced, over-the-top ladies man and brought it to YouTube. Here's the gimmick: fans of the ads used social networks like Twitter to ask questions of the "Old Spice Guy." And in 186 cases, he responded personally with short, off-the-wall videos.

In fact, one of the first personalized YouTube videos the "Old Spice Guy" — played by Isaiah Mustafa — did was for blogger Linda Holmes. "It was exhilarating, to tell you the truth," Mustafa tells NPR's Robert Siegel about his experience filming the videos. "We were going pretty quickly, so there wasn't much time for any messing up or flubbing of lines. So, each response really only had one take ... give or take a few that we really wanted to take our time with." Indeed, each video was produced in an average of seven minutes, says Marshall Kirkpatrick, who wrote about the videos in ReadWriteWeb, the technology blog he co-edits.

#### A Landmark Marketing Campaign

Advertisers and social media experts are buzzing after the campaign's success. The response videos are being hailed as the fastest-growing viral video campaign of any product in history. "There's something about the potential that you could be spoken to directly that I think is very, very captivating," Kirkpatrick says. Kirkpatrick says he thinks the Old Spice campaign has changed the marketing landscape.

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### Univision, ESPN: 25 Million-Plus Hours of World Cup Games Watched Online <sup>(60)</sup>

ESPN and Univision, both of which made big plays for online and mobile viewers during the tournament were both heavily involved in World Cup games: ESPN live-streamed 54 of the World Cup games on ESPN3.com, while Univision streamed all 64 matches on its UnivisionFutbol site.

ESPN and Univision report for Web video: More than 7.4 million unique viewers watched World Cup games on ESPN3.com. In total, they watched more than 15.7 million hours of game video on the site during the tournament. On Univision, fans streamed more than 10 million hours of live video on its UnivisionFutbol site.

For mobile: ESPN's FIFA World Cup App was downloaded more than 2.5 million times. On average, one million people accessed it each day during the tournament. Additionally, the company's Mobile TV offering had nearly one million unique users who watched more than 2 million hours 1.5 million hours of coverage in total. Univision's Futbol App was downloaded more than 450,000 times on Apple's App Store. For an example of how soccer-related mobile apps played elsewhere, Great Britain's ITV's FIFA World Cup App was downloaded 800,000 times during the tournament.

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### Five Ways the Big Networks are Monetizing Web Video <sup>(61)</sup>

#### 1) Digital Download (iTunes)

Launched alongside the video-playing iPod, digital downloads of popular television titles first became available in October 2005 on iTunes. A year and a half later, Apple proclaimed iTunes "the world's most popular online movie store" after having sold more than 50 million television programs. Competition, in the form of Amazon's Unbox service, (now known as Amazon VOD), was welcomed by the networks when it launched in September 2006, but there has always been the impression that studios were only lukewarm about selling their programs digitally. This premonition was confirmed in March 2007 when NBC, Fox, and ABC teamed up to launch the video-streaming website Hulu.

#### 2) Streaming Ad Supported (Hulu)

Prior to Hulu's launch, networks had streamed limited amounts of programming through their own websites, but Hulu's centralized location and uniform technology attracted users quickly, and advertisers followed. "There's plenty of content that benefits from being available in an ad-supported basis online," says Eugene Wei, Hulu's senior vice president of audience. "A free offer is critically important because it generates huge scale for advertisers." But is the offer really free? The hunger for ad revenue has encouraged cable providers like Comcast to launch Web video portals of their own. By creating value-add bundles that include access to television programming online, these multi-services operators hope to retain customers who

## Web Video Developments

### Five Ways the Big Networks are Monetizing Web Video (cont.)

are unplugging their cable in favor of online viewing through sites like Hulu. Development of these services are being funded by increasing the fees that cable companies charge subscribers. And what's worse, for all the money being pumped into services like Comcast's Fancast, the difference between them and Hulu is stark. Hulu's viewing and navigation experience is smooth, while Comcast's, in order to authenticate paying users, requires multiple plug-ins to be installed.

#### 3) Streaming Subscription (Hulu Plus)

Further fiddling with its experiment in Web video, Hulu offers Hulu Plus, a \$9.99 monthly subscription service that offers online access to more programming than is available through its free site. "There are a number of advantages to a subscription," says Wei. "One is that if you go an a la carte route, you'll have to field a huge number of transactions, episode by episode." Another is added income -- Hulu Plus still runs advertisements, but it collects subscription fees in return to give subscribers exclusive access to a larger library of programming, including full series runs and programs not available on Hulu's free site.

#### 4) Application Up-sells (MLB)

At \$119, MLB.TV's season-long pass is no great bargain, but its right in line with television-bundled options from cable and satellite providers. Yet, as if the price of admission wasn't high enough, the service's best parts -- the At Bat mobile apps which provide on-the-go access -- cost even more. Last year the cost of the app was \$9.99 on Apple's App store, and this year (similar to how stadium ticket prices keep climbing), the iPhone, Android and Blackberry apps cost \$14.99. In addition, Apple customers with iPads and iPhones have to pay for each device's application individually, and the applications expire at the end of the season. As can be imagined, fans have been outspoken on the price gouging, but baseball's brass are enjoying the financial spoils of playing hardball: MLB At Bat 2010 is one of the year's top grossing apps in iTunes, and its back-end technology has been licensed to run ESPN3.

#### 5) Affiliate Model (ESPN3)

ESPN's new Web video site, ESPN3, takes a page from cable television's playbook by generating revenue from affiliate fees charged to Internet Service Providers. In exchange for the fees, ISP subscribers can access content on ESPN3's Web site—programming that includes more than 3,500 live events from across the globe. "It's sort of like the new Wide World of Sports in a certain way," says John Kosner, ESPN's senior vice president of digital media. As a result of these affiliate agreements, the service is already available in more than 50 million broadband homes and is available for free to 21 million college users and U.S. military service members around the globe.

The revenue model is unique to ESPN in the online space, and is remarkable in its scope. Sports content is some of the most expensive programming to produce, and as such, ESPN is one of the most expensive networks for cable companies to maintain. "It's among the most valuable channels that they have, the most valuable by fans and advertisers," says Kosner. "It's a high quality product and there's an expense to acquire, produce and distribute that." In fact, says Kosner, the cost is so high that ESPN couldn't shoulder it alone. A major difference between television and Internet distribution is that the more people who watch online, the higher the distribution (or bandwidth) costs. "There's a lot of demand for the inventory on ESPN3," he says. "We don't think it would be successful as a strictly ad-supported project."

### Conclusion

Though programmers are making money, it remains to be seen which model will emerge as the standard for online television revenue. "To say that one model fits everybody, is not accurate," says Hulu's Wei. "We'll continue to have multiple models, and over time, content providers will continue to learn which model generates the most revenue for them." And for consumers, the upside is that they'll be less likely to be blacked out in the future. The downside, however, is at what cost? For now, there's still nothing simpler than flipping on the cable box, sitting back, and watching grown men play a child's game.

## Addressing the Web Video Monetization Challenge

### The Challenges

In a contracting economy where marketing budgets are carefully re-examined, new channels such as Web video represent both a potential added expense as well as a new competitive weapon to achieve sales goals that remain aggressive despite overall weak retail forecasts. Added pressure on marketing spending means that Web video must demonstrate a compelling business case in order for adoption to rise as costs are squeezed out and higher accountability is demanded from all marketing programs. There are key issues associated with technology and various operational models associated with the Web video industry in general and Web video providers in particular:

- **Advertisers:** Performance-based marketers are solely focused on a measurable return on investment. However, most Web video ads follow the Cost per Mille (CPM) model rather than Cost per Action (CPA) or Cost per Click (CPC). As a result, “many performance-based advertisers tend to avoid video advertising, and we think investment in the video platform will be very limited throughout this economic recession.”<sup>(62)</sup>
- **Publishers:** Publishers have a difficult, if not impossible, time guaranteeing viewership for any specific video the way television does in the “pay upfront model.” Given that often it is very unpredictable as to which video will be popular, it is difficult for publishers to determine pricing and for brand pricing and for brand advertisers to strategically invest in videos to meet their content quality requirements, demographic profiles and reach targets.<sup>(62)</sup>
- **Standards:** While standards exist for traditional graphical display advertising, newer formats including rich media and Web video utilize a variety of proprietary formats, which have arguably hindered the development of these potentially high-value subcategories of premium content. In addition to the dearth of industry standards for Web video, there are likewise limited standards and metrics for marketers to compare the efficacy of their online campaigns.<sup>(63)</sup>
- **Pricing:** Given the relatively limited amount of perceived “high-quality” video inventory and the extraordinarily high demand among advertisers, Web video is also challenged by extremely high pricing relative to offline media. That compares to average television CPMs in the \$10-\$20 range. <sup>(63)</sup> Web video ads are arguably far superior to those on broadcast/cable television due to their captive audience. There is a perception among brand marketers that Web video CPMs are inflated and that large marketers are hesitant to shift large portions of their television budgets to the Internet without more-closely comparable CPMs.
- **Internet Service Providers (ISPs):** Due to the bandwidth intensive nature of viewing and streaming Web video, it is argued that the ISPs will adopt usage-sensitive Internet pricing. In short, ISPs may charge consumers for the bandwidth consumed, thereby making it uneconomic to watch television shows and movies via the Internet instead of via conventional TV subscription services.
- **High Fragmentation and Other Considerations:** Web video is one segment on the online advertising market that is currently being challenged by fragmentation. The implications of this fragmentation include lack of standardization, among other considerations including: inventory constraints, proliferation of proprietary ad formats, dominant share of user-generated content/uploaded content as a proportion of total available content, limited cumulative audience reach of professionally produced content, legal challenges, revenue share complications (e.g., between content owner, host, and potentially syndicator/distributor), and the necessity for new rules-based ad serving technology that offers marketers brand protections similar to television advertising. Solutions to many of these issues are being developed by providers such as Auditudo’s content fingerprinting and ad technology platform, among other providers, and FreeWheel’s Monetization Rights Management suite. <sup>(64)</sup> However, large incumbent video publishers such as Google or Hulu may have a vested interest in protecting their own potential revenue opportunities in the Web video advertising and ad serving markets.

## Addressing the Web Video Monetization Challenge (cont.)

### Summary of Technology Challenges in the Web Video Marketplace Today <sup>(64)</sup>

- **Different Video Players:** Flash, QuickTime, Real Media, and Windows Media
- **Numerous Ad Units:** Page Locations, Resolutions and Sizes
- **Multiple Channels:** In-Game, Internet/Web, IPTV, Mobile, and VOD
- **Different Platforms:** BrightCove, Maven, and The Platform
- **Several Web Video Ad Servers:** AdTech, Atlasetc and DoubleClick
- **Dozens of Video Ad Networks:** Advertising.com, Brightroll, Tremor Media and YuMe
- **Lots of Rich Media Offering:** Eyebalster, Eyewonder, Pointroll and Unicast
- **Lack of Standards:** Basic concepts like “impressions” are not standardized

### Initial Monetization Methods

By examining industry leaders such as Hulu and YouTube, and determining “what is currently working”, we can draw some conclusions about how this may be effectively accomplished:

1. **Ad insertion:** Hulu, which offers a free online service for viewing TV shows and movies, utilizes pre-roll ads, as well as ads during and after videos. Companion ads are placed around a video during the entire time the video is played, while overlay ads appear on the screen for a brief period during the video.
2. **Click-to-buy Links:** YouTube has click-to-buy links within videos which can allow a viewer to purchase products while viewing a video (e.g., buy a song while watching a video). ZunaVision enables content owners to embed images, videos, and advertisements on flat surfaces inside other videos without interfering with original content. This technology allows even amateur content producers to generate revenue through ad placements in their home videos, similar to how bloggers benefit by using Google AdSense to place contextually relevant ads alongside their writing. Any technology allowing amateur content holders to monetize their content is a major step.
3. **Embed Hotspots with Videos:** Publishers can create hotspots within videos, allowing any object within a video to become a portal for expanded information, sponsored advertising, or click-to-buy functionality. For example, Bravo.com utilized Klickable’s technology to allow viewers of shows such as Project Runway to click on the fashion and accessories seen during shows, bringing up an unobtrusive menu at the bottom of the video. Other providers offering similar solutions include: PermissionTV, Veeple, and OverlayTV.
4. **Fingerprinting to ensure Payment:** To avoid the unlicensed transfer of video, or ensure payment of pirated material, YouTube launched VideoId and MySpace did the same with the Auditude platform, which fingerprints, identifies, and overlays information such as original air-date, name of show, and links to online stores for the video each time the clip is played. Additionally, digital fingerprinting solution providers have been established, including: iPharro, Vobile, YUVsoft, Picesl, Vdopia, and Zeitera.

Companies need to develop systems that are able to efficiently and accurately fingerprint databases of videos currently in distribution. In order to meet customer demands, companies are increasingly partnering with larger players. For example, Philips and Gracenote combined their video and audio fingerprinting technology in order to provide advanced solutions for audio and video content tracking, filtering and monetization of copyrighted products.

## Addressing the Web Video Monetization Challenge (cont.)

Web video, like social networking, is an Internet medium that has taken off in terms of consumer usage but has left publishers and advertisers struggling with how to monetize it. In our discussion on monetization, we will first talk about four different models for digital movies and video: subscription, rent, buy, and free/ad-based.

### 1. Subscription Model

In the subscription model, companies will charge consumers a set price for a certain amount of time. This price does not fluctuate with the amount of videos the consumer watches. Listed below are some examples of companies that utilize the subscription model.



Netflix offers a basic subscription plan starting at \$8.99 that includes unlimited streaming content. The available content library has more than 20,000 movie and TV titles, comprising primarily catalog and recent movie releases, as well as most network TV shows 24 to 48 hours after first airing. Content is accessed through a Web browser or the use of a consumer electronics device programmed to stream Netflix content (e.g., Xbox 360, Playstation 3, Wii, Blu-Ray players, and Roku). As Netflix continues to partner with major studios, such as Paramount, Lionsgate, and MGM to offer more streaming content, expect to see a shift from the core DVD-mailing business to instant media delivery. The company has been working to rapidly grow its streaming library, which has grown by approximately 30% since 2009.<sup>(65)</sup>



Source: Street Research



The ad-supported service is currently priced at \$9.99, which places it at a dollar more than Netflix's basic subscription. The service offers playback support on iPhones, iPads, and in the future, on some high-end Samsung TVs and Blu-ray players. In addition, users can enjoy entire seasons of shows from over 100 content providers, whereas basic Hulu content only includes recent episodes of shows. Viewers on computers can also watch streaming content in HD.<sup>(66)</sup><sup>(67)</sup>



HBO has opted out of partnering with Netflix, to jumpstart its own streaming video service for its own exclusive content, called HBO Go. According to HBO Co-President Eric Kessler, HBO Go will be available starting early 2011, to be "available to the channel's paying subscribers at no additional cost through all major cable systems, on Apple's iPad, on mobile devices and elsewhere." It is expected to provide 800 hours worth of HBO content per month. Although HBO currently has 29 million subscribers, compared to that of Netflix's 15 million subscribers, HBO is most likely to still face considerable competition from Netflix's fast-growing user base.<sup>(68)</sup><sup>(69)</sup>

**Addressing the Web Video Monetization Challenge (cont.)***Subscription Model (cont.)*

## TV EVERYWHERE



The TV Everywhere Initiative is designed to give Comcast and Time Warner paying subscribers access to content and block-out everyone else. The TV will allow cable companies to pass the cost of accessing cable stations on to end-consumers and allow people that pay for content to watch on both their TV and computer.

**Summary Points****Why it works**

- Service-enhancement feature offering free premium content to subscribers
- Useful, intuitive user interface
- Large, growing content library

**Obstacles**

- Although free for Netflix subscribers, Netflix pays for and subsidizes the content, which nets out at a higher total cost to the company than the average DVD does on a per-use basis
- No ownership option available
- Content can be relatively dated, as it is only available after the initial release on DVD

## Addressing the Web Video Monetization Challenge (cont.)

### 2. Rent Model

In the rent model, companies will allow the consumer to have access to a video for a short period of time (typically 1-30 days). At the end of this time period, the consumer will no longer have access to the video. Listed below are some examples of companies that utilize the rent model.



Apple iTunes allows viewers to download and view movies directly onto iTunes. Once the movie has been rented, viewers have up to 30 days to begin watching the movie. Once started, the movie must be viewed within 48 hours.



The Blockbuster/CinemaNow partnership can also be categorized under PC-based access, even though the partnership's potential technology reach is significantly broader in regards to connectable devices. The partnership's technology platform is akin to Web-based e-mail, meaning the service is accessible through basically any device with an Internet connection. The partnership has collectively invested more than \$500 million in developing the cloud architecture, purchasing model, DRM, and middleware technology necessary for the service to reach and distribute content to multiple playback devices.



Bigstar also follows the rent model as well, but they specialize in independent films. In addition to providing independent films, Bigstar also has Film Festival portal pages to read about recent festival news and learn about current events.

#### Summary Points

##### Why it works

- Web video content is usually available 24 to 48 hours after first airing on TV or being released on DVD
- Established agreements with many major movie studios – access to theoretically the most content

##### Obstacles

- Few established consumer electronics partnerships and therefore limited number of devices able to access service
- Rental movie purchase prices can exceed competitor purchase prices (e.g., Amazon.com VOD)

## Addressing the Web Video Monetization Challenge (cont.)

### 3. Buy Model

In the buy model, consumers instantly download a video onto their computer in exchange for a one time fixed fee. Once purchased and downloaded, the consumer will have permanent access to the video. Listed below are some examples of companies that utilize the buy model.



Amazon.com VOD was launched as Amazon.com Unbox in late 2006, and later changed its name to Amazon.com VOD in 2008. Similar to Netflix, the service allows users to view content through a Web browser or a number of partners' consumer-electronics devices (e.g., TiVo and Roku). The similarities stop there, however, as the Amazon.com VOD service is a pay-per-use or per-purchase service and delivers content via download.



Viewers can buy movies in high definition directly from a Mac, PC, or Apple TV via the iTunes application. iTunes also provides a standard-definition version of HD movie that's allows for viewing on an iPhone or iPod. Videos, movies and television shows offered on iTunes are DRM protected.

Apple TV differs from other PC-based offerings through its so-called walled-garden approach, limiting content playback to only Apple-branded devices. Similar to the Blockbuster/CinemaNow product, Apple TV is operable without the use of a computer, but the majority of consumers still use a computer when purchasing, viewing, or transferring content to and from the device.



CinemaNow delivers high-quality Hollywood movies, TV shows, and music videos to users across multiple platforms. The company works with more than 250 licensors, including 20th Century Fox, Disney, EMI, HDNet, IFC, Lionsgate, MGM, Miramax, NBC Universal, Paramount Pictures, Sony, Sundance Channel, Vivendi Entertainment, and Warner Bros.

CinemaNow delivers download-to-own movies, which fall under the buy model, as well as pay-per-view, which follow the rent model. These multiple offerings provide consumers with price flexibility.

#### Summary Points

##### Why it works

- Ability to purchase content
- Content is usually available as soon as a video has been released to DVD or 24 to 48 hours after first airing
- Useful and intuitive user interface
- Online media library stores purchased videos, allowing users to delete the videos off personal hard drives
- TV-connected access is available through Amazon.com partner consumer-electronics devices in addition to Web browser access

##### Obstacles

- Purchased content is DRM protected
- Must pay to play TV content; available for free from other sources (e.g., Hulu.com)
- Limited number of interoperable portable devices



## Addressing the Web Video Monetization Challenge (cont.)

### 4. Free/Ad-Supported Streaming Model

In the free/ad-supported model, consumers have access to all the video content free of charge. The companies that follow this business model monetize through advertising revenues. Listed below are some examples of companies that utilize the free/ad-supported streaming model.



As digital distribution has gained traction, multiple websites dedicated to streaming and sharing video have emerged. YouTube.com has the highest traffic, offering a vast store of user-generated content but little premium content, having been previously sued for copyright infringement by premium content owners (e.g., Viacom). Hulu.com and TV.com, competing websites with differing models, are backed by network TV studios and offer free/ad-supported access to most network TV shows 24 to 48 hours after first airing.

Streaming video websites have demonstrated strong underlying demand, resulting in increasing levels of content for both user-generated and premium offerings. User-generated content sites such as YouTube.com are here to stay, but streaming premium content sites such as Hulu.com or TV.com are still largely viewed as “experiments” by network TV studios to test methods of monetizing content in the digital world.

YouTube has added professional long-form content for viewers to watch. Both movies and full-length television shows are now available for viewers to watch. This addition of professional content should greatly enhance YouTube’s ability to monetize.



Hulu allows viewers to watch videos directly from their browser, anytime, for free, notwithstanding Hulu Plus, the company’s subscription service, as previously discussed. With full episodes of TV shows both current and classic, full-length movies, Web originals, and professional content clips, Hulu is a leader in professional content Web video. Hulu streams content provided by NBC, Fox, ABC and many other networks and studios. Hulu monetizes both video advertising before and during the streaming of videos by viewers.



TV.com allows viewers to watch their favorite shows, talk to other fans, and read behind-the-scenes news. TV.com is a product of CBS Interactive, and provides professional content produced by CBS and its partner stations. TV.com monetizes through both video and static display advertising.

#### Summary Points

##### Why it works

- Free/ad-supported content
- Access to large audiences

##### Obstacles

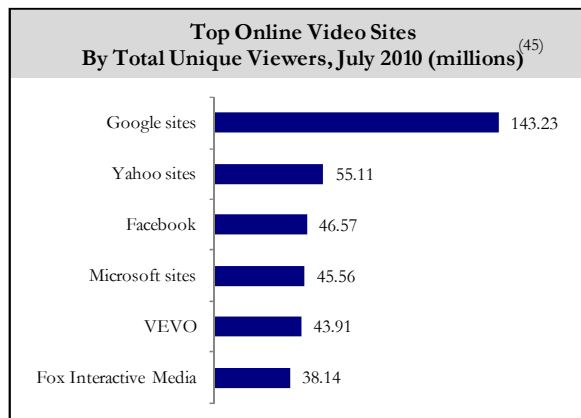
- No effective means of monetization; premium option for pay
- Large bandwidth costs that are expected to expand with HD options

**Addressing the Web Video Monetization Challenge (cont.)**

**Has YouTube Turned a Monetization Corner?**

YouTube remains the global leader in Web video with a 41% share of total domestic video streams. Despite its size and available content, YouTube has been unprofitable for Google since the Internet search provider acquired it in 2005. That is, until possibly recently. Google is normally tight-lipped when divulging financial information on YouTube, but during the company’s second quarter 2010 earnings conference call, CFO Patrick Pinchette called YouTube’s growth “impressive” and indicated that many advertisers were flocking towards its Web video platform:

“It is a huge kind of first page. And it is aggregating audiences, and you see it today through the top brand advertisers showing up for it. So on the World Cup you saw the Sonys and the Cokes — this is the power of YouTube today. It is like a worldwide audience.”



Source: IBD, 2010

Google did not provide any concrete details to back up the speculation of profitability, but it appears YouTube is no longer a bandwidth-heavy bottomless cash drain. By placing targeted advertisements attached to demographic or content-specific videos, marketers are flocking to Google’s video platform creating a windfall from YouTube’s 144 million monthly unique viewers.

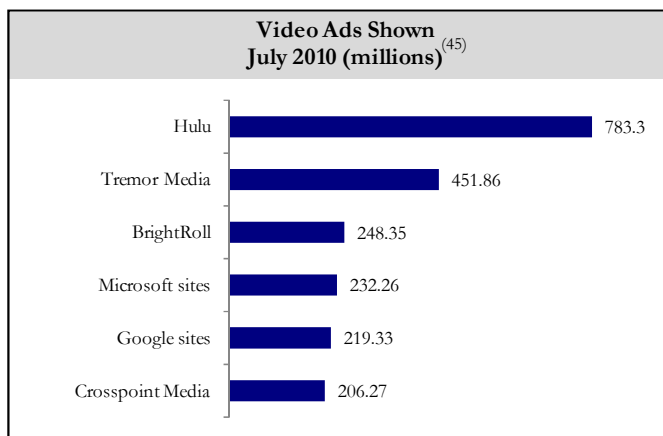
Analysts estimate Google sold \$500 million of YouTube ads in 2009 and expect it to surpass \$1 billion by 2011.<sup>(70)</sup> Content also has become more professional, with partnership agreements with the likes of CBS, Disney and Sony. Google could break out YouTube revenue and profit information later this year as they become more significant.<sup>(70)</sup>

**Hulu Serving 3x as Many Video Ads as YouTube<sup>(71)</sup>**

Hulu generated 783 million video ad impressions in the month of July 2010, more than three times the 219 million impressions generated by Google sites like YouTube.

The stats on ad impressions come from a report by comScore, which tracked the big video sites and ad networks. The report also included viewership data for the sites displaying the ads.

Google sites reached more than 144 million viewers in July, while Hulu only reached about 28 million. With those numbers in mind, it might seem odd that Google managed fewer ad impressions than Hulu, even though it delivered more videos to more users.



Source: IBD, 2010

YouTube doesn’t play video ads on all of its videos; regular user videos generally do not have ads, while brand channels often do. Also, longer Hulu clips frequently have multiple video ads. YouTube relies more on non-video forms of advertising, like banners and AdSense, including ad bars that pop up during videos. Hulu has some display ads, but the majority of its advertising is served in the form of short video clips that play before a video begins or during commercial breaks.

There is room for both the user-generated content that is YouTube’s bread and butter and the professionally produced stuff that Hulu is known for, however, the two sites compete in some spaces. Most importantly, YouTube is trying to build up its cache of TV shows and movies to compete with Hulu, and is using a variety of business models to monetize.

## Addressing the Web Video Monetization Challenge (cont.)

### Web Video Advertising Standards

In a move that was highly anticipated by content creators, online publishers and advertising agencies, the Interactive Advertising Bureau (IAB), the industry trade organization of online publishers, finalized the standardization of Web video advertising in May of 2008.<sup>(72)</sup>

Many of the standards, including specifics for companion ads and pre-roll ads have been widely accepted and implemented. But the newest form of video advertising, the overlay ads, has lacked standardization. The new guidelines keep the videos short, as long as 15 seconds and as short as 5 seconds. The IAB also allows “persistent” ads, meaning overlays that stay up as long as the clip is playing. Another goal of the IAB is to eliminate industry confusion pertaining to Web video. Key items have been defined by the IAB as follows:<sup>(73)</sup>

#### Video advertising units:

- The maximum length for pre-roll is 30 seconds
- In-stream ad units (pre/mid/post roll, takeovers, overlays, bugs)—generally played or viewed from a video player like a client browser
- In-banner—generally displayed in IAB Interactive Marketing Unit (IMU) standard sizes
- In-text—generally user-initiated and triggered by relevant highlighted words within content

#### Web video content (three primary types):

- **Premier Programming:** Gives users professionally produced content, generally re-purposed from broadcast video and cable networks. There is a large amount of professionally produced video that has not been digitized but is quickly working its way online
  - **Professionally Generated Specialty Programming:** Video content professionally produced but generally created for a specific subset of Web video consumers. Consumers are searching for and consuming video content relevant to their micro interests — whether it is original content for the Web or content from traditional media like local news or community events.
  - **User-Generated Video:** Consists of clips created and uploaded by everyday people and make up the largest volume of videos available online. Generally, the majority of these clips are watched by a small group of users but due to viral word-of-mouth messaging some become extremely popular and are viewed by millions.
-

Selected Leaders in Web Video<sup>(74)</sup>

## V. Online Video Sector Technology Developments



Amazon.com is a major player in Web video primarily through the sale and renting of full length movies. Consumers can choose from thousands of movies to either rent or purchase and can watch previews before purchase. Users can either choose to rent a movie for a specified period of time, and watch it directly on their computers or on TVs via set-top boxes. Amazon is looking to implement a subscription model where they can offer customers unlimited viewing of all TV and movie content.

Like Netflix, Amazon is seeking to create a vast library of “catalogue content”. Amazon has historically followed Apple on competitive pricing for media and content: On September 3, 2010, Amazon had immediately matched Apple’s new content pricing of \$0.99 for TV shows, for a period of time. TV shows currently cost \$1.99 for SD and \$2.99 for HD.<sup>(75)</sup> Amazon expects to release a new Web-based subscription service to be viewable on Web browsers, or through devices such as Internet-connected TVs, Blu-ray players, and Xboxes by the holiday season.



Apple TV is a digital media receiver, priced at \$99, which went on sale September 3, 2010. It is a small form factor network appliance designed to play digital content from the iTunes Store, YouTube, Flickr, MobileMe or from any Mac OS X or Windows computer running iTunes onto an enhanced-definition or high-definition widescreen television. Apple TV can function as either a home theater-connected iPod device or a digital media receiver, depending on the needs of the user. Apple TV utilizes an A4 processor and the iOS operating system, making it compatible with other iOS mobile devices and applications built for the iOS system.

Apple has substantial content partners including the Walt Disney Company, BBC America, News Corp., among others. It will price selected TV shows at \$0.99 and movie rentals at \$4.99. TV shows would be available 24 hours after being aired, and would be available for viewing for 48 hours after being started. NBC, CBS, and Time Warner are holding out to gauge reception and success prior to joining as partners; additionally, they would like to see their content being valued at more than \$0.99.

Apple’s strategy is to offer the consumer a device that will draw them into a new way of watching television and movie content, in the same way that the iPhone redeveloped the perception of the mobile phone. Its initial aim is to be the second broadcast input, but ultimately, it wants to connect the television to the world of applications that have fueled the sales of the iPhone and iPod touch.



As a global advertising-supported Web company, with a display advertising network in the U.S., a substantial worldwide audience, and a suite of popular Web brands and products, AOL has expanded their business model into Web video. Primarily through a free advertising based website, AOL Video provides professional content primarily in short-form clips. AOL is also funding a start-up which helps programmers syndicate shows across the Web.

## Selected Leaders in Web Video<sup>(74)</sup> (cont.)



CBS Interactive, a division of CBS, is an online content network for information and entertainment. CBS Interactive is organized into several associated brands:

- **Tech and News:** CBS News.com, CNET.com, News.com, VersionTracker.com, and NETContentSolutions.com
- **Business:** BNET, CBS MoneyWatch, SmartPlanet, TechRepublic, and ZDNet
- **Entertainment and Lifestyle:** CBS.com, TV.com, TheInsider.com, Chow.com, Chowhounds.com, UrbanBaby.com, and CBS Audience Network
- **Games and Music:** CBS Radio.com, GameSpot, Last.fm, metacritic.com, and Search.com
- **Sports:** CBSSports.com, MaxPreps.com, NCAA.com



Walt Disney is a leading diversified international family entertainment and media enterprise with four business segments: media networks, parks and resorts, studio entertainment, and consumer products.

Media Networks comprise a vast array of broadcast, cable, radio, publishing, and Internet businesses. The Walt Disney Internet Group (WDIG) offers a mix of interactive entertainment and informational content and services for Internet and mobile devices for audiences around the world. WDIG is both a developer of unique new media experiences specifically designed for Internet and mobile media and a developer of new platforms for distributing content selected from broad, existing entertainment divisions and libraries of Walt Disney. With a portfolio of products and services, WDIG's integration of Disney's content with a best-practices approach to Internet and mobile technology drives multiple revenue streams from premium content offerings, advertising and eCommerce. WDIG's suite of properties includes Disney.com, Family.com, Movies.com, and Disney mobile entertainment. WDIG is an industry leader in online virtual worlds for kids and families, with offerings including *Disney's Club Penguin*, *Disney's Toontown Online*, *Pirates of the Caribbean Online*, and *Disney Fairies Pixie Hollow*.



Fox Interactive Media (FIM) oversees the Internet business operations of media giant News Corp. Its holdings include FOX Sports Interactive (FOXSports.com), social networking site MySpace.com, and video game fan site IGN Entertainment (and its movie site Rotten Tomatoes). FIM also includes advertising technology business FIM Audience Network, and offers custom Web publishing through its Digital Publishing Group, which provides content management, video, contextual search, and social networking services.

With social media sites being one of the main distribution channels for user generated content on the Internet, MySpace is a major player in Web video.

Selected Leaders in Web Video<sup>(74)</sup> (cont.)

Google is now looking to add features initially only available before on computers and the Internet to the home television through Google TV. The company wants its software to be at the center of the television viewing experience. The software system will be built into televisions and will enable consumers to access any Web site and Web video, easily search for programming, and provide customized apps for TV. Surprisingly, the platform will not be supported by advertising yet, but it is almost a certainty for the future.

For example, Google TV will ship with an NBC Universal app: CNBC Real-Time. The app will overlay personalized stock information and financial news to the right of a live TV window. Google has also been working with news providers, such as The New York Times and USA Today, as well as music sites such as Vevo, Pandora and Napster – all of which to be accessible with apps through the television.<sup>(76)</sup> They plan to open the platform up for developers in 2011, to create an application marketplace for Google TV.

Most content providers have not yet signed on to partner with Google TV, as they much rather take a look at the success and widespread adoption prior to committing.<sup>(77)</sup> Both Sony and Logitech have started to advertise the Google TV.<sup>(78)</sup> Logitech's Google TV product (Revue) will be priced at a steep \$299, which may hinder the widespread adoption of the service.



According to comScore, 144.1 million viewers watched 14.6 billion videos on YouTube.com in the month of May 2010. Roughly 43% of all videos viewed online came from YouTube.<sup>(49)</sup> According to Alexa, YouTube is the third-largest site on the Internet, with 2 billion views per day.

Most of the content on YouTube has been uploaded by individuals, although media corporations including CBS, BBC, VEVO, and other organizations offer some of their material via the site, as part of the YouTube partnership program.<sup>(79)</sup>



Hulu is co-owned by ABC (Disney), NBC, News Corp., and Providence Equity Partners. Hulu served 1.2 billion videos in May 2010 in the U.S. An average viewer consumes 27 videos per month and spends 2.7 hours on the site. Hulu generated 783 million video ad impressions in the month of July 2010. The CPMs that Hulu charges, are higher than the rates commanded on broadcast or cable television. Hulu's revenues in 2009 were \$100 million and in 2010, they are projected to be \$250 million. In addition to a free service, Hulu offers a subscription service, Hulu Plus, priced at \$9.99/month.<sup>(80)(81)(82)</sup> As of October 8, 2010, the IPO size is "expected to be \$300 million, likely to be led by Morgan Stanley. Investment banks including Goldman Sachs, Bank of America, and JP Morgan, pitched in August to lead the offering."<sup>(8)</sup>

Selected Leaders in Web Video<sup>(74)</sup> (cont.)

Microsoft's Bing, provides advanced search capabilities to search for Web video. Bing allows users to search and easily preview videos unlike any other search engine. Microsoft saw its search engine market share spike about 2% in the first week following the release of Bing, though this is a distinct second to Google in terms of market share. Bing's video search gives it differentiation from Google's current search capability.

Microsoft's Zune is an entertainment platform and portable media player. The Zune software functions as a management program for the Zune media player device. The software is a full media player application with a library, an interface to the Zune Marketplace, and a media streaming server. The Zune Marketplace is an online music, video, and podcast store that integrates with Zune software, Zune devices, phones with Zune support, Xbox 360, and Netflix. Zune has content from leading channels such as A&E, BBC, Bravo, CBS, Discovery Communications, E!, USA Network, and Viacom.



Netflix is the world's largest subscription service streaming movies and TV episodes over the Internet and sending DVDs by mail. Netflix offers internet video streaming through its Watch Instantly service. Watch Instantly service features around 20,000 movies and recorded television shows available. Recently, Netflix announced it had reached a five-year deal with Epix worth nearly \$1 billion to stream movies from Paramount, Lionsgate and MGM.

Access to Netflix is supported through numerous devices including: iPad, iPhone, Boxee Box, Microsoft Xbox, Nintendo Wii, Roku, and TiVo.



Roku was founded in 2002, and offers digital media receivers that are used to stream digital content to televisions. Content is provided by partners such as Netflix and Amazon Video, among others.

Roku XDS is Apple TV's closest match, as the Roku box has been available for two years and also offers streaming solutions from Netflix and other services. The Roku XDS, priced at \$100, offers 1080p HD streaming, Wi-Fi connectivity, and a wide variety of content. It has more hardware features and offers more content such as Netflix, Amazon, Flickr, Pandora internet radio, and alternate sources. Roku boxes are priced at \$60 and higher, and are expected to sell a million devices by the end of 2010 – Anthony Wood, Roku CEO.<sup>(83)</sup>



Time Warner is a diversified media and entertainment company, whose businesses include interactive services, filmed entertainment, television networks and publishing. Time Warner is a major player in Web video with the multitude of brand names that the company holds in this sector.

Time Warner continues to push innovations in their technology, products, and services. The company's digital products and services reinforce the company's industry-leading brands on all platforms with a focus on growth, engagement, and monetization. Time Warner's digital and online initiatives include: Warner Bros., Studio 2.0, Digital Cinema, Total Hi-Def disc as well as multiple digital downloading and VOD distribution agreements; AIM, MapQuest and Moviefone; HBO on Demand and AT&T mobile devices; Time's People.com, SI.com and Time.com; and joint initiatives like TMZ.com from AOL and Warner Bros. as well as CNNMoney.com from Time and Turner.

## Selected Leaders in Web Video<sup>(74)</sup> (cont.)



TiVo, first debuted in 1999, offers a digital video recorder used to record and playback video content. The TiVo DVR is able to handle content from not only regular TV programming, but also from Netflix Instant, Amazon On Demand, and Blockbuster on Demand. The new TiVo for DirecTV, which will offer DVR support to satellite customers, is slated for a 2011 release.



Turner Broadcasting System creates and programs branded news, entertainment, animation, and young adult media environments on television and other platforms for consumers around the world. TBS is based in Atlanta, GA, and employs more than 9,000 people worldwide. Many are familiar with TBS's groundbreaking network, CNN, one of the world's most respected and trusted sources for news and information. TBS is also home to familiar entertainment networks such as TBS, TNT, Cartoon Network, Turner Classic Movies, Adult Swim, and truTV. With current events and news representing 53% of Web video content watched by adults in the US, CNN will be a major play in Web video. CNN.com is a free advertisement based website that currently provides short, professional clips of CNN news reports.

## VIACOM

As a global entertainment content company, Viacom delivers content across the globe through television, motion pictures, and a wide range of digital media. Viacom's family of brands includes the multiplatform properties of MTV Networks, BET Networks, Paramount Pictures, and Paramount Home Entertainment. In addition, digital assets such as Neopets, Xfire, Atom, Harmonix, and Quizilla offer interactive content, providing deeper connection with focused demographics.

Through Paramount Pictures, Viacom has access to a huge library of top films through brands like Paramount Pictures, Paramount Vantage, MTV Films, Nickelodeon Movies and Paramount Home Entertainment.

The distribution of these movies through online channels such as Netflix will position them as key players in Web video as the delivery of major motion pictures evolves.



Yahoo! Video has a mix of professional short-form content including music videos, news, sports, autos, comedy, TV clips, and movie previews for users to view. In addition, they allow for the creation of user profiles and uploading of user generated content. Once the user videos are uploaded, the site allows users to view, rate, and review videos.

They monetize through a mix of video and banner advertisements. Pre-roll advertisements are the main form video advertisements used on the site.



Web Video Sector Profile Company: Hulu<sup>(74)(80)(81)</sup>



**Description:** Hulu is a Web video provider held by NBC Universal, News Corp., Disney, and Providence Equity Partners. The site focuses exclusively on professional content and does not take on YouTube directly as a viral video destination. Hulu provides professional content through its website as well as through distribution via partner sites. It features content from most major networks and studios (CBS, CW, MGM, and Lionsgate being exceptions).

Since launching in March 2008, Hulu has grown to 40 million unique visitors a month and over 200 Fortune 500 advertisers, an impressive and important accomplishment in an industry segment that is still shaping itself. The company is second only to YouTube in terms of online viewers, with 790 million in August.<sup>(84)</sup> It currently ranks as the highest among online video properties, more than double that of YouTube.<sup>(85)</sup>

Hulu is looking to expand its services into the UK and Japan in the future.


**Recent Development:** Hulu recently reported that it is planning an IPO that may value the firm at more than \$2 billion. As of October 8, 2010, the IPO size is “expected to be \$300 million, likely to be led by Morgan Stanley. Investment banks including Goldman Sachs, Bank of America, and JP Morgan, pitched in August to lead the offering.”<sup>(86)</sup> Earlier this year, Hulu announced that revenues reached \$100 million in 2009 and forecasted that revenues will hit \$250 million for 2010.<sup>(80)</sup> Hulu also claimed net profitability in Q4 2009 and for Q1 2010. A source “familiar with Hulu’s economics puts the profitability at \$70 million.”<sup>(86)</sup>

The site seemed to be a strong number two to YouTube, however recent changes to comScore’s tracking methodology have altered that picture significantly. In previous methods, YouTube and Hulu were near the top, however the new methodology shows YouTube fully secure at the top with over 144 million unique views, while Hulu is holding on to the number 10 slot with a little more than 24 million. While this may be the case, Hulu serves up three times as many ads as YouTube.

There is some degree of doubt about Hulu Plus. The issue is whether enough consumers will be willing to pay for an additional service on top of their cable bill and other established subscription services like Netflix.

**Partner Sites:**

Hulu's flexible options allow general users and websites to distribute premium videos through their own framework. Hulu currently has over 226 content partners. Below is a list of some of Hulu’s partners:

<p><b>Major Portals</b></p> 	<p><b>Fan and Information Sites</b></p> 
<p><b>Social Networks</b></p> 	<p><b>Web Video Portals</b></p> 
<p><b>Search</b></p> 	

Source: New Century Capital Partners

**Web Video Sector Profile Company: Hulu<sup>(74)(80)(81)</sup> (cont.)****Management Team:**

*Jason Kilar, Chief Executive Officer*

Jason joined Hulu after nearly a decade of experience at Amazon.com where he served in a variety of key leadership roles. After writing the original business plan for Amazon's entry into the video and DVD businesses, he ultimately became Vice President and General Manager of Amazon's North American media businesses, which included the company's books, music, video, and DVD categories. He later served as Senior Vice President, Worldwide Application Software, where he led an organization of hundreds of world-class technologists and reported directly to CEO Jeff Bezos. Jason began his career with Walt Disney, where he worked for Disney Design and Development. He received his M.B.A. from Harvard Business School and BA from the University of North Carolina, Chapel Hill.

*Eric Feng, Chief Technology Officer and Senior Vice President of Audience*

Eric is responsible for the design and implementation of the Hulu user experience. Prior to joining Hulu, Eric was the Founder and CEO of Mojiti, a Web video annotation service located in Beijing. Eric's past experience also includes several years at Microsoft and Microsoft Research Asia; Tsinghua University in Beijing, where he served as a visiting professor; and Trilogy Software where he incubated Uberworks.com, an Internet startup later acquired by a public company.

*Jean-Paul Colaco, Senior Vice President of Advertising*

Jean-Paul Colaco joined Hulu as Senior Vice President of Advertising where he is responsible for all advertising sales and operations as well as innovating on advertising products and services. Before joining Hulu, JP spent over twelve years at Walt Disney, where he last served as Senior Vice President, Business Development reporting directly to CEO, Bob Iger. Previously, JP was President and General Manager of Radio Disney worldwide, a music intensive radio network for kids and families. JP's experience also includes McKinsey and Company where he served as a consultant focused on strategic planning for entertainment and high technology companies.

*Andy Forssell, Senior Vice President of Content Acquisition and Distribution*

Andy Forssell joined Hulu as Senior Vice President of Content Acquisition and Distribution where he leads all business strategy and development for content and distribution partnerships. Prior to Hulu, Andy had nearly a decade of experience at Siebel Systems, where he last served as Vice President, CRM On Demand Hosting and Business Development, responsible for strategic business planning, datacenter operations, applications management, and customer care. Following Oracle's acquisition of Siebel, he led Oracle's CRM on Demand Hosting Operations as Vice President and was responsible for all aspects of delivery for hosted multi-tenant CRM applications. Andy's career began in the US Army where he achieved the rank of Captain.

*Tom Fuelling, Senior Vice President and Chief Financial Officer*

Tom Fuelling joined Hulu as CFO with more than twenty years of professional experience in finance, accounting, and operations with growth-oriented companies in the media/entertainment and Internet/technology industries. Tom's previous CFO experience includes Ascent Media's Network Services division, a \$250 million media services business that was part of Liberty Media; ARTISTdirect, a publicly-traded Internet company; Sega Gameworks, a location-based entertainment company; and Village Roadshow Pictures, an independent filmed entertainment production company. Tom is a CPA and began his career at PricewaterhouseCoopers where he spent 9 years in Los Angeles and London.

## Web Video Sector Profile Company: Hulu<sup>(74)(80)(81)</sup> (cont.)

### A Conversation with Hulu

During a July 14, 2010 interview with the Los Angeles Times<sup>(87)</sup>, Jason Kilar, Chief Executive Officer of Hulu, provided insight into Hulu's operations and the future of Web video.

The interview consisted of three focal points: fairness for content owners, Hulu Plus, and the outlook for Web video.

Jason believes that the only way that Hulu can continue to grow is through great services for all its customers. He stressed the importance for the Web video business model to work economically between content owners and advertisers in order to deliver an overall experience for users.

“The only way that great services work is for all the customers to be served. For Hulu that means three different customers: users, advertisers, and content owners. It has to work economically for content owners, it has to work for advertisers and it has to work as an overall experience for users.”

“Content owners are ultimately going to be the ones to decide how best to monetize their content. There is going to be a class of content which will be best served through a subscription service. There will also be a class where the content owner is going to make the decision because it is economically better for them to go into a free ad-supported service. That's a function of the amount of revenue that they will get from advertising to as many people as possible.”

When asked about Hulu Plus and its skeptics, he responded that the free version of Hulu and its premium version, Hulu Plus are meant to complement each other, rather than compete.

“Hulu Plus provides three things unique to Hulu Plus: One is more content, the fact that you can get season passes to all episodes from the current season for over 40 of television's top programs. The second is device access, the fact you can watch it on mobile device like tablets, iPhones, Internet connected TVs and gaming consoles. The third is high-definition.”

On describing the future outlook of Web video compared to traditional forms of watching television, Jason believes that eventually the leading form of content distribution will be through the Internet.

“It will be complemented by access over mobile devices, computers, and screens that haven't yet been invented.”

### Hulu Plus<sup>(66)(67)(82)</sup>

The Web video streaming service Hulu, recently launched a paid subscription service, Hulu Plus. At \$9.99 a month, users will have access available across multiple platforms—desktop, mobile, game consoles, and Apple devices (iPhone, iPad, and iPod). The service will offer streaming HD content in 720p.

The new service provides users access to a vast content of episodes for shows within the Hulu library (a full season of current shows and an expanded library of older shows), and expands access to a broader range of devices. Content partners include NBC and FOX (not CBS and CW) and several movie studios such as MGM and Lions Gate. Subscribers will be able to access Hulu directly on the TV, using specific Samsung home-theatre devices with a downloadable Hulu Plus application. Hulu Plus is also available on Wii, Sony PlayStation 3 (PlayStation Network), and Microsoft Xbox 360 (Xbox Live). Hulu plans to expand the service to upcoming Sony and Vizio TVs/Blu-ray players, considerably broadening the available market. Apple device (iPhone, iPad, and iPod) users will have access through a downloadable app, over Wi-Fi or 3G/4G. Although currently in private beta, Jason Kilar, Hulu's CEO believes in widespread integration someday: “You are going to see Hulu pretty much anywhere there is an Internet connected device.”<sup>(88)</sup> One key feature for the new premium service, Hulu Plus allows users to switch devices and resume a paused show. The paid version of Hulu will also include advertisements, however Hulu's CEO mentioned the possibility of an ad-free version that could be \$5-\$10 more than the current \$9.99.

**Web Video Sector Profile Company: Hulu<sup>(74)(80)(81)</sup> (cont.)*****Hulu Plus (cont.)***

The free version of Hulu—which has over 40 million users a month—will remain virtually unchanged from its current form. Users should not be concerned that Hulu might phase out its free version, as Hulu Plus is designed to complement Hulu.com. More specifically, Hulu Plus was designed to be an extension of the Hulu brand and not a direct competitor to Netflix. Hulu Plus adds a new model in the Web video industry, one that is accessible across multiple platforms and will facilitate testing of new forms of distribution among content owners. The true winner should be the users, as Hulu Plus provides another way for digital content to be consumed and paves the way for new mediums of delivery. However, there are a few criticisms thus far for Hulu's premium service as the content is virtually similar to the free site, with some shows actually omitted from Hulu Plus. Competitors such as Comcast's Fancast and direct network sites like CBS offer more up-to-date content and are displayed in HTML5, which plays directly on a device such as Apple's iPad.

**The Economics Behind Hulu<sup>(89)(90)(91)(92)</sup>**

As we dug into Hulu's bottom line, we found conflicting viewpoints among industry analysts, a significant difference from the Web video giant YouTube, and an operating loss.

Information reported from Financial Times, and discussed in an "All Things Digital" article, paints Hulu in a more positive light, particularly when compared to YouTube. Screen Digest analyst Arash Amel, who supplied the numbers to the Financial Times, states that Hulu is already making a small profit—perhaps \$12 million a year. This is in stark contrast to Google's YouTube, as previously discussed. Amel's model assumes that while Hulu is showing far fewer video streams to many fewer people than Google, it is able to sell ads on all of them. Hulu served up more than 566 million ads in June 2010, according to comScore, the highest among any online video properties and more than double that of YouTube.<sup>(85)</sup>

However, when analyzed further, Amel suggests that Hulu is generating a modest gross profit, not an operating profit. As analyzed and reported by the Silicon Alley Insider, gross profit does not include Hulu's costs of selling advertising (10% of sales), marketing, product development (Hulu's platform), management administration salaries. When these costs are considered, Hulu's operating profit is therefore likely far less than what Amel's conclusions suggest.

Importantly, these economics will likely not change much as bandwidth costs decline, especially if Hulu runs high-resolution video. As a result, even if Hulu implements a low-cost P2P distribution platform, for example, the economics are challenging. In short, it is the royalty split that significantly negatively impacts Hulu. As a result, unless the content contributors are willing to settle for a very low royalty, it will be difficult for Hulu to have expansive operating profit margins over time.

**New Century Capital Partners' Conclusions**

Web streaming is the future with more and more people becoming accustomed to sites like Hulu and YouTube. Consumers want easily accessible content, on their own time and anywhere they want it, and Web video allows for this. Traditional forms of digital media, such as broadcast television, is at its apex as people will look to bypass an expensive monthly cable subscription and opt for cheaper Web-delivered video. New technologies will continue to enhance the Web video viewing experience and the entire process of accessing and viewing video is much simpler and conventional, allowing even the most inexperienced user to setup. Companies like Hulu, Netflix, and Fancast are all competing with one another and with the major cable companies. This will ultimately lead to the development of new ideas to reach consumers. At the moment, Hulu is ahead of many of its competitors due to the number of content partnerships with major studios and the accessibility options offered through Hulu Plus.

There are concerns about whether this is the right time for Hulu to issue an IPO, given the company's lack of significant profitability, coupled with a relatively weak IPO market.<sup>(81)</sup>

Web Video Sector Company Profile: Netflix<sup>(74)</sup>

**Description:** Netflix is a service offering online flat rate DVD and Blu-ray Disc rental-by-mail and video streaming in the U.S. With more than 15 million members as of July 2010, Netflix is the world's largest subscription service streaming movies and TV episodes over the Internet and sending DVDs by mail.

Netflix has revolutionized the way people rent movies - by bringing movies directly to them via the mail or Web video streaming. Netflix offers Web video streaming (Watch Instantly) to all subscribers, enabling the viewing of films directly on a PC, Mac, mobile devices or their TV at home. Web video streaming comes at no additional charge with Netflix's regular subscription service, however, only a limited portion of Netflix's content is available via the Watch Instantly option. The Watch Instantly service features around 20,000 movies and recorded television shows (about one fifth of its titles in the DVD catalog) but does not include recent Hollywood hits because the "company has been unable to negotiate rights from all the studios"<sup>(93)</sup> Major studios including NBC Universal, MGM, 20th Century Fox, CBS/Paramount, ABC/Disney, Warner Bros., Lionsgate Entertainment and New Line Cinema are all distributing films and television shows via the service.

In August 2010, Netflix announced it had reached a five-year deal worth nearly \$1 billion to stream movies from Paramount, Lionsgate and MGM. The deal increases the amount Netflix spends on streaming movies annually. The Company spent \$117 million in the first six months of 2010 on streaming, up from \$31 million in 2009. They have also come to agreements with Starz and Relativity Media to bolster their content profile. Additionally, Netflix recently launched a streaming only plan in Canada, which it intends to launch in the US and UK in the near future. Watch Instantly currently has support or will have support in the future for the following devices: Apple (iPad, iPhone, and iPod Touch), Boxee Box, Insignia (Blu-ray disc players and home theater systems), LG Electronics (Blu-ray disc players and home theater systems), Microsoft Xbox, Nintendo Wii, Panasonic (Blu-ray disc players and home theater systems), Philips (Blu-ray disc players and home theater systems), Popbox, Roku Samsung (Blu-ray disc players and home theater systems), Seagate (FreeAgent Theater and HD Media Players), Sony (Blu-ray disc players, home theater systems, and Playstation 3), TiVo, and Vizio (Blu-ray disc players and home theater systems).

The strategy has been to write "big checks" to obtain fresh and original content and to bolster their media library. In addition to building their library, then want to add more hardware partners for their streaming platform. Netflix has been relatively successful in building their subscriber model, and currently have 15 million subscribers. The company expects to increase subscribers to around 18 million by the end of the year.<sup>(94)</sup>

**Recent Development:** Epix and Netflix announced an agreement through which Netflix members can instantly watch an array of new releases and library titles from Epix streamed over the Internet. Movies from the multi-year deal started streaming from Netflix on September 1, 2010 and include movies from Paramount, Lionsgate and MGM. Epix has subscription pay-TV rights to new releases and movies from the libraries of its partners and will make these movies available to Netflix 90 days after their premium pay-TV and subscription on demand debuts. Historically, the rights to distribute these films are pre-sold to pay television for as long as nine years after their theatrical release.

#### Management:

- **Reed Hastings** *Founder, Chairman and Chief Executive Officer*
- **Neil Hunt** *Chief Product Officer*
- **Leslie Kilgore** *Chief Marketing Officer*
- **Barry McCarthy** *Chief Financial Officer*
- **Patty McCord** *Chief Talent Officer*
- **Andrew Rendich** *Chief Service and DVD Operations Officer*
- **Ted Sarandos** *Chief Content Officer*

**Company Outlook:** On July 19, 2010 Netflix announced that in the Fall of 2010, the company intends to expand streaming service into Canada, making Canada the first international market expansion for Netflix.

"The big knock against Netflix historically is that they are running stale content, what they would prefer to call 'vintage' content."<sup>(94)</sup> Although Netflix doesn't boast a selection of many current titles, the company's strategies are to lock up as much content as possible and have it be available on any product.<sup>(95)</sup>

**Web Video Sector Profile Company: Netflix<sup>(74)</sup> (cont.)****Netflix: We're An Ally of Premium Channels<sup>(96)</sup>**

Is Netflix a friend or foe to the pay-TV industry? Netflix says it's a friend, providing premium cable channels a way to make more money from reruns and attract new subscribers.

“My core belief is that a Netflix subscription very much makes your cable subscription better,” said Ted Sarandos, Chief Content Officer for Netflix. For example, with Netflix streaming, people can sample reruns of original shows like Showtime's “Dexter” and “Weeds” and decide whether they want to subscribe to the premium channel to watch new episodes, he says. Also, streaming video gives consumers a reason to pay for the fastest broadband Internet service they can afford, Sarandos says. And broadband is a very profitable business for cable operators, he says.

Netflix has more than 15 million subscribers for its hybrid service of DVDs by mail and instant streaming, in which people get video from the Internet. They get it via set-top boxes, Internet-connected television sets, Blu-ray Disc players, or video game consoles. In the second quarter, 61% of Netflix subscribers watched more than 15 minutes of a television episode or movie on streaming video, vs. 37% a year ago and 55% in the first quarter. Netflix has “crossed the threshold” and is showing that an over-the-top TV (OTT TV)—video delivered over broadband Internet—future is “inevitable,” Sarandos said. “The disruption has occurred.” The Los Gatos, Calif.-based company is aggressively pursuing content deals with movie and television studios, Sarandos says.

On July 6, 2010, Netflix announced an exclusive deal with Relativity Media to stream that firm's theatrical movies to Netflix subscribers during the traditional “pay-TV” distribution window, which occurs after home DVD sales start and before the movies are made available to free Television. Both films are set for theatrical release later this year and will be available on Netflix in early 2011. The Relativity deal is welcome news for movie studios because it shows that Netflix could provide guarantees for pay-TV revenue at a time when such opportunities are shrinking, Sarandos says.

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## Web Video Sector Company Profile: YouTube (Google)<sup>(74)</sup>



**Description:** YouTube is the leader in Web video, and the premier destination to watch and share original videos worldwide through a Web experience. YouTube is a consumer media company for people to watch and share original videos through a Web experience. It allows people to upload, tag, and share personal video clips; browse original videos uploaded by community members; find, join, and create video groups to connect people with similar interests; and customize the experience by subscribing to member videos, saving favorites, and creating play lists. YouTube also operates as a destination on the Internet for video entertainment. In 2006, Google bought the video website for approximately \$1.65 billion. YouTube has been notoriously unprofitable since its acquisition, though analysts predicted this year that the service would turn profitable in 2010.<sup>(85)</sup> According to Alexa, YouTube is the third-largest site on the Internet, with 2 billion views per day. Each user spends an average of 15 minutes a day on the site. YouTube's content continues to grow exponentially as 24 hours of video content are uploaded every minute. YouTube receives 45 million home page impressions every day in the U.S. alone.<sup>(97)</sup> The Company was founded in 2005 and is based in San Bruno, California and operates as a subsidiary of Google.

**Recent Development:** “The Financial Times (FT) reported that YouTube is in talks with major studios to launch a global pay-per-view video service, which would let visitors pay to stream single movies. YouTube has been talent king to the major studios about such arrangements since at least last September, although FT says they've sped up in part due to competitive pushes from companies like Netflix, Hulu and Apple.”<sup>(98)</sup>

### Management:

- **Chad Hurley** *Co-Founder and Chief Executive Officer*
- **Julie Supan** *Senior Director of Marketing*
- **Steve Chen** *Co Founder and Chief Technology Officer*
- **Suzie Reider** *Chief Marketing Officer*
- **Anna Bateson** *European Marketing Director*
- **Kevin Donahue** *Vice President of Content*

### Investing in the Future of Web Video: YouTube Announces Partner Grant Program<sup>(99)</sup>

YouTube has over 10,000 partners, and 94 of Ad Age's top 100 advertisers have run campaigns on YouTube and the Google Display Network. YouTube announced earlier this year its YouTube Partner Grants program that will invest \$5 million across select new and emerging YouTube Partners. The goal of the program is to catalyze the creation of new ideas and production models from some of the most innovative and original content partners for the benefit and advancement of the entire industry.

The idea behind YouTube Partner Grants works as follows. Funds from YouTube Partner Grants will serve as an advance against the partner's future YouTube revenue share. This additional funding can allow partners to invest in better cameras, achieve higher production quality, expand their marketing efforts, expand their staff, or just hire more talent. Anything that will help them evolve their art, business, and ultimately the entire creator community. YouTube looks at this as an investment that will bring an even richer body of content for users and advertisers, and raise the creative bar for Web video.

How it works:

- YouTube is identifying eligible partners based on factors such as video views, subscribers, growth rate, audience engagement, and production expertise.
- Selected partners are contacted by YouTube and invited to submit a Grant proposal.
- Proposals are evaluated by YouTube based on signals which include projected performance, distribution plan, marketing plan, cost requirements, and appeal to advertisers.
- If approved, funds are transferred to the partner so they can get started on their project.

YouTube Partner Grants represents another step forward in the evolution of both Web video and YouTube. The hope is that through the program these investments will help nurture talent and bring more great videos to YouTube for users to enjoy.

**Web Video Sector Profile Company: YouTube (Google)<sup>(74)</sup> (cont.)****4K Video Comes to YouTube<sup>(100)</sup>**

At this year's VidCon 2010 conference, YouTube announced support for videos shot in 4K, meaning that it now supports original video resolution from 360p all the way up to 4K. To give some perspective on the size of 4K, the ideal screen size for a 4K video is 25 feet; IMAX movies are projected through two 2K resolution projectors.

In December 2009, YouTube announced support for 1080p, or full HD. At 4096 x 2304 pixels, 4K is over four times the size of 1080p.

Because 4K represents the highest quality of Web video available, there are a few limitations: video cameras that shoot in 4K are costly, and projectors that show videos in 4K are typically the size of a small refrigerator; and watching these videos on YouTube will require a significant amount of bandwidth.

**YouTube Increases Web Video Upload Length to 15 Minutes<sup>(101)(102)</sup>**

Since YouTube's inception, user-made YouTube videos have been limited to 10 minutes — the length is now being extended to 15 minutes.

YouTube says its Content ID system makes the extra five minutes possible. With all major movie studios and music labels using Content ID to detect copyrighted material, and the technology improved enough, YouTube can afford to relax the upload limit, which was introduced to keep pirated television shows and movies off the site. Content partners, such as CBS, have always been able to upload longer videos, including full-length television shows and feature films.

To promote the change, YouTube is asking users to create their own "15 Minutes of Fame" videos.

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Web Video Sector Profile Company: Auditude<sup>(74)</sup>

**Description:** Auditude is a technology platform for video management and monetization, helping some of the biggest names in media. They help scale video ad sales and unlock value by providing tools to manage content, ad targeting, ad delivery, multi-party sales, and user ad experiences. They optimize inventory availability, define audience advertising experiences, and easily manage content and distribution rules. Additionally, they improve yield with flexible content targeting, innovative ad solutions, inventory expansion and multi-party ad sales.

Auditude is an open platform that works across all members of the value chain from content owners, to websites, to ad product creators and demand providers. They work with companies such as Comcast, Yahoo!, MLB, MySpace, DailyMotion, Universal, WB, and many more.

**Management:**

- **Nicholas Seet** *Founder*
  - **Adam Cahan** *Chief Executive Officer*
  - **Brooke Chaffin** *President*
  - **Mike Gaffney** *Chief Revenue Officer*
  - **Marc Zachary** *SVP, Business Development*
  - **Lily Teng** *VP, Finance & Administration*
-

Web Video Sector Profile Company: Qiyi (Baidu)<sup>(74)</sup>

**Description:** qiyi.com operates as a video website. It provides video content and launches various channels for TV shows, movies, documentaries, cartoons, music, and variety shows. Qiyi follows Hulu's model and does not support user-generated content (UGC) and solely concentrates on high-definition, copyrighted video content with the revenue flowing in from video-advertisements. Qiyi currently hosts over a 1,000 licensed movies and TV series, along with thousands of hours of long-form cartoons, documentaries, TV programs. The company is based in Beijing and operates as a subsidiary of Baidu.

Baidu provides Chinese and Japanese language Internet search services. Its search services enable users to find relevant information online, including Web pages, news, images, multimedia files, and blogs through the links provided on its websites. The company also offers online community-based products and entertainment platforms; an instant messaging service; and a consumer-oriented eCommerce platform. In addition, it designs and delivers online marketing services and auction-based P4P services that enable its customers to reach users who search for information related to their products or services. The company serves online marketing customers consisting of small and medium sized enterprises, large domestic corporations, and Chinese divisions or subsidiaries of multinational corporations primarily operating in the medical, machinery, education, franchising, electronic products, eCommerce, ticketing, tourism, information technology, consumer products, real estate, entertainment, and financial services industries. It sells its online marketing services directly, as well as through its distribution network.

Baidu operates its advertising service, Baidu TV, in partnership with Ads it! Media Corporation, an online advertising agency and technology company. Other forms of its online advertising services allow customers to display query sensitive and non-query sensitive advertisements on its websites, including graphical advertisements.

**Management:**

- **Yanhong (Robin) Li** *Chairman and Chief Executive Officer*
- **Jennifer Li** *Chief Financial Officer*
- **Haoyu Shen** *Senior Vice President of Business Operations*

**Current Investors:** Providence Equity Partners

**Previous Capital Raised:** Qiyi's last capital raise was for \$50 million on February 26, 2010. Providence Equity Partners participated in the funding.

Web Video Sector Profile Company: blinkx<sup>(74)</sup>

**Description:** blinkx is one of the world's largest and most advanced video search engines. blinkx has over 35 million hours of searchable video and more than 720 media partnerships, including national broadcasters, commercial media giants, and private video libraries. blinkx pioneered video search on the Internet, developing an engine based on technology that was conceived at Cambridge University, enhanced by \$150 million in research and development over 12 years, and is now protected by 111 patents. The company's products and solutions also comprise blinkx Brasil; blinkx it, a video widget that enables users to integrate Web video into their sites; blinkx Red Label, a hosted Web video search service; blinkx Remote, a tool for finding TV episodes on the Web; blinkx Remote for Kids to access children's television shows online; blinkx Video Wall, a tool that allows bloggers and Website creators to embed a video wall of clips into their sites; and Pico, a search engine that automatically finds relevant results from the news, blogs, video, Web, Wikipedia, images, shopping, and individuals information from online communities, including MySpace. As of August, 2010, it had over 35 million hours of indexed audio, video, viral, and television content.

Blinkx's video search engine differs by using speech recognition to listen to the audio component of the video content, and then uses both the phonetic and text transcripts to match content with search queries. blinkx also indexes and searches podcasts and video blogs. It claims to be the largest deep indexed Web video search engine with over 35 million hours indexed and agreements with over 720 content companies

The company was founded in 2004 and is based in the United Kingdom.

**Management:**

- **Suranga Chandratillake** *Co-Founder, Chief Executive Officer and Executive Director*
- **Kathy Rittweger** *Co-Founder*
- **Jonathan Spira** *Chief Financial Officer*
- **Matthew Service** *Chief Operating Officer*
- **Matthew Scheybeler** *Chief Technology Officer*
- **Federico Grosso** *Senior Vice President of Business Development*

Web Video Sector Profile Company: Boxee<sup>(74)</sup>

**Description:** Boxee is a free, open-source software platform that integrates personal media with Internet media along with social networking. Boxee uses free and open source XBMC media center software as an application framework for its GUI and media player core platform, together with some custom and proprietary additions. Boxee allows users to instantly access their personal library of digital movies, TV shows, music and photos, and stream content to their TV from websites like Netflix, MLB.TV, Comedy Central, Pandora, Last.fm, and Flickr. Boxee is wired to social networking sites like Facebook and Twitter, allowing users to share their favorite media with friends and family.

**Management:**

- **Avner Ronen** *Founder and Chief Executive Officer*
- **Andrew Kippen** *VP of Marketing*
- **Zach Klein** *Chief Product Officer*

**Company Outlook:** Boxee is currently developing a dedicated set-top-box (hardware) called “Boxee Box” in cooperation with D-Link. The device is set to be in stores in November 2010. Boxee Box will allow users to watch movies, TV shows, and clips from the Internet to a TV. Boxee also plans to license the media center software and its social networking service as a third-party software component to other companies for them to use the Boxee software in their hardware, such as set-top-boxes from cable-TV companies or embedded computers built-in directly into television-sets. Boxee’s goal is to also have Boxee run on as many third-party hardware platforms and operating systems as possible.

**Market Opportunity:** Boxee’s social networking component allows users to share information about what they’re listening to or watching with other Boxee users or friends on social networks. By pairing both Web video and social networks together, Boxee has grabbed seats in two of the fastest growing segments in the Internet and technology sector.

**Previous Capital Raised:** Boxee received \$6 million on August 12, 2009. Investors included: General Catalyst Partners, Spark Capital, and Union Square Ventures.

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Web Video Sector Profile Company: Break Media<sup>(74)</sup>

**Description:** Break Media is the Internet's source for an entertainment community for men. Through wholly owned branded properties (Break.com, MadeMan, Chickipedia, Cage Potato, Holy Taco, Screen Junkies, and All Left Turns) and the Break Media Network, Break Media reaches 70 million men worldwide aged 18-34 each month. The company claims to be profitable. Traffic across all its websites grew by 35% in 2009, with 27.9 million visitors in February 2010. The company's network of websites, many which create original video content, make it the 11th most popular video network online. The Break Media Network has a deep, trusted, and credible content from more than 90 sites that speak to a highly targeted and desirable demographic of young men.

Break.com, one of the company's 7 sites, is the premier online entertainment destination for guys with over 18 million unique viewers and 50 million page impressions per month. Men aged 18-34 visit Break.com for the best content online, viewing over 12 million videos and 5 million picture views daily.

Break Media was founded in 1998 and offers advertisers opportunities to market directly to a young, male demographic using ad formats to introduce relevant brands to the audience either broadly or on a targeted, integrated basis.

**Management:**

- **Keith Richman** *Founder and Chief Executive Officer*
- **Avi Brown** *Vice President, Ad Operations*

**Current Investors:** Lionsgate

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Web Video Sector Profile Company: BrightCove<sup>(74)</sup>

**Description:** BrightCove is an online video platform for video distribution, monetization, and custom online video applications. BrightCove also offers the BrightCove TV Everywhere Solution Pack, which allows TV programmers to operate branded and authenticated TV Everywhere-compatible catch-up TV services. The company also provides BrightCove Mobile Experience for Adobe Flash Player 10.1, a solution that enables organizations to deliver an optimized video viewing experience across Smartphone platforms running Flash Player 10.1. The company offers its services by using a software-as-a-service model. The company serves content owners, consumers, Web publishers, and advertisers in broadcast and cable, newspaper, brand marketers, magazine, and music entertainment industries.

In December 2005, BrightCove partnered with Reuters to create a program to syndicate customized news video players. In 2006, BrightCove completed Internet TV partnership deals with a number of big media companies including The New York Times, Discovery Communications, and Sony BMG. A couple of years ago, BrightCove started to capitalize on a trend of magazine and newspaper publishers expanding into online video by signing deals with print media companies including Time and TV Guide.

The company was founded in 2004 and is based in Cambridge, Massachusetts.

**Management:**

- **Jeremy Allaire** *Chairman and Chief Executive Officer*
- **Elisabeth Bentel Carpenter** *Senior Vice President, Global Support and Services*
- **Andrew Feinberg** *Senior Vice President, Corporate Development and General Counsel*
- **Bob Mason** *Chief Technology Officer*
- **David Mendels** *President and Chief Operations Officer*

**Current Investors:** Accel Management, Allen and Company, AllianceBernstein, AOL, Brookside Capital Management, General Catalyst Partners, Hearst Interactive Media, IAC/InterActiveCorp., Maverick Capital, The Hearst Corporation, The New York Times, Time Warner, and Transcosmos Investments and Business Development.

**Previous Capital Raised:** BrightCove's latest capital raise was \$12 million on March 25, 2010. Investors included: Accel Partners, AllianceBernstein, AOL, Brookside Capital Management, General Catalyst Partners, Hearst Interactive Media, and Maverick Capital.

Web Video Sector Profile Company: BuzzMedia<sup>(74)</sup>**BUZZMEDIA**

**Description:** BUZZMEDIA is one of the fastest growing entertainment publishers reaching more than 50 million monthly pop culture, music and celebrity enthusiasts worldwide. Its influential and authentic social media properties afford brand advertisers unique access to impassioned and engaged audiences through a blend of professional editorial, expert opinion, user contributions and customized marketing solutions.

BUZZMEDIA's more than 40 category-leading brands include Buzznet, Celebuzz, Absolute Punk, GoFugYourself, JustJared, Stereogum, TheSuperficial, WWTDD, SocialiteLife, Idolator and the official sites for celebrities like Britney Spears, Kim Kardashian, Nicole Richie, and others.

**Management:**

- **Tyler Goldman** *Chief Executive Officer*
  - **Alan Citron** *President*
  - **Matt Emmerson** *Chief Financial Officer/Chief Operating Officer*
  - **Karina Kogan** *Chief Marketing Officer*
  - **Jay Westlin** *Executive Vice President of Corporate and Business Development*
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Web Video Sector Profile Company: Canoe Ventures<sup>(74)</sup>

**Description:** Canoe Ventures is a company founded by the nation's leading cable operators including Bright House Networks, Cablevision Systems Corporation, Charter Communications, Comcast, Cox Communications, and Time Warner Cable. Based in New York City, the company is focused on making cable's advanced advertising solutions easier to buy, use, and measure.

Canoe Ventures will combine the operators' research, knowledge and resources to deliver more value to advertisers, including a focus on addressability, interactivity, and data. The cable coalition already has been working to leverage the industry's unique position to enhance the way advertisers, programmers, and ultimately, viewers, utilize new cable technologies.

**Management:**

- **David Verklin** *Chief Executive Officer*
- **Kathy Timko** *Chief Operating Officer*
- **Vicki Lins** *Chief Marketing Officer, Vice Chairman, Canoe Advisory Board*
- **Neil Schaffer** *Senior Vice President, Finance*

**Company Outlook:** Canoe Ventures intends to create a standardized cross-operator platform capable of supporting targeted advertising that already exists on the Internet. Their goal is to combine reach and targeting through addressable advertising, where advertising can target a specific ad to certain demographic areas.

**Market Opportunity:** Cable operator advertising revenue was approximately \$6 billion in 2008. The growth rate for cable ad revenue has been virtually flat since 2002, versus the Internet ad revenue which was 5 times higher in 2008 than in 2002 (Street Research). Canoe Ventures intends to develop and market products in an attempt to reverse this trend.

**Partners:** Bright House Networks, Cablevision Systems, Charter Communications, Comcast, Cox Communications, and Time Warner Cable.

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Web Video Sector Profile Company: Critical Media<sup>(74)</sup>

**Description:** Critical Media offers real-time broadcast media capture, search, syndication and information services. The company provides tools and services to content consumers, providers, distributors, and advertisers, leveraging its real-time broadcast capture infrastructure.

Critical Media digitizes and monetizes over 10,000 hours of keyword searchable broadcast content from 4 continents on a daily basis. The company is comprised of three divisions, the Information Services Group which markets Critical Mentio, the company's dynamic real-time business intelligence platform, utilized by 25% of the Fortune 100, the Broadcaster Services Group focused on building the world's largest ad-supported repository of fully searchable, authoritative video news and information, and lastly the Media and Publishing Services Group, which is building the largest ad supported, viral distribution platform for professionally generated media through their product clipsyndicate.

Critical Media was founded in 2002 under the name Critical Mention by Sean Morgan, one of the founders of Screaming Media - the largest text syndication company on the Internet now owned by Dow Jones - and is headquartered in New York City.

**Management:**

- **Sean Morgan** *Chief Executive Officer*
- **Rey Contreras** *Chief Financial Officer*
- **Tom Gilley** *Chief Technology Officer*

**Company Outlook:** The Company plans to expand its reach to newspaper sites with Syndicaster for newspapers. As news organizations of all stripes make video a bigger component of their online offerings, Syndicaster is hoping to become the industry standard for ingesting, editing, and distributing these videos. Syndicaster has also recently added an on-location feature which allows TV reporters and crews to upload clips directly from wherever they are capturing the footage, and making that footage available as Web video clips even if it never gets airtime. Syndicaster charges a flat subscription fee of about \$850 a month per TV station or news organization. With 60 paying customers, that comes to about \$50,000 a month a few months after launch, with a lot of runway for growth.

**Partners:** Associated Press Television News, CNBC, the Newshour, Lone Buffalo, Cymfony, Biz360, CARMA, and LexisNexis.

Web Video Sector Profile Company: Demand Media<sup>(74)</sup>

**Description:** Demand Media, Inc. is a privately held online media company that operates online brands such as eHow, LIVESTRONG.COM and Cracked, and is known for creating online content based on a combination of measured consumer demand and predicted ROI. The company also provides social media platforms to existing large company websites and distributes content bundled with social media tools to outlets around the web. The company also owns eNom, the world's second-largest domain registrar.

The company employs an algorithm that identifies topics with high advertising potential, based on search engine query data and bids on advertising auctions. These topics are typically in the advice and how-to field. It then commissions freelancers to produce corresponding text or video content. The content is posted on a variety of sites, including YouTube (where Demand Media is one of the largest suppliers of videos) and the company's own sites such as eHow, LIVESTRONG.COM, Trails.com, GolfLink.com, Mania.com, and Cracked.com.

Demand Media was created in 2006 by a former private equity investor, Shawn Colo, and the former chairman of MySpace.com, Richard Rosenblatt.

**Management:**

- **Richard Rosenblatt** *Co-Founder, Chairman and Chief Executive Officer*
  - **Shawn Colo** *Co-Founder and Head of M&A*
  - **Charles Hilliard** *President and Chief Financial Officer*
  - **Joanne Bradford** *Chief Revenue Officer*
  - **Dave Panos** *Chief Marketing Officer*
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Web Video Sector Profile Company: Fancast (Comcast)<sup>(74)</sup>

**Description:** Fancast is a Web video site dedicated to television. Fancast gives users instant access to an extensive video collection of full-length television shows, feature films, trailers, and clips, as well as in-depth news, and editorial content surrounding entertainment. Fancast also offers comprehensive editorial and blog coverage with in-depth recaps and analysis on what's hot and happening everyday in the world of television and entertainment.

The site is best known for its extensive library of current and archival television shows. Fancast has an editorial team that conducts interviews and live chats with popular talent, as well as gets the latest news and recaps of television shows. Comcast Interactive Media gets content for Fancast via distribution deals with NBC, ABC, CBS, Fox, and Warner Bros. Besides programming from these larger networks, the site has more than 100 sources of content in all. The Fancast site also offers customizable TV listings and a patent-pending "Six Degrees" application which lets users explore connections between TV shows, movies, and their casts and crews through an interactive format.

Free content is supported by advertising. The company also offers paid video-on-demand via the Fancast Store. The site offers downloads for purchase and rent from major television and film studios including Fox, Lionsgate, Sony, Paramount, Warner Bros., and Disney.

Fancast was founded in 2008 and is a division of Comcast Interactive Media, the Internet division of Comcast.

**Management:**

- **Brian Roberts** *Chairman and Chief Executive Officer, Comcast*
  - **Stephen Burke** *Chief Operating Officer, Comcast*
  - **David Cohen** *Executive Vice President, Comcast*
  - **Michael Angelakis** *Chief Financial Officer, Comcast*
  - **Amy Banse** *Senior Vice President, Comcast; President, Comcast Interactive Media*
  - **Robert Pick** *Senior Vice President, Corporate Development, Comcast*
  - **Alix Cottrell** *General Manager and Vice President, Fancast at Comcast*
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Web Video Sector Profile Company: Freewheel Media<sup>(74)</sup>

**Description:** FreeWheel Media offers Web video advertising solutions. FreeWheel's technology enables global media companies and content distributors to effectively manage ad sales rights, produce accurate inventory forecasts for live or on demand content, deliver a yield-optimized set of ads, and analyze video business performance. It offers the Monetization Rights Management (MRM) suite to syndicate video. FreeWheel's platform serves video and companion ads. Its clients include content owners, distributors, and third-party ad sellers and ad networks. The company helps media companies sell better to advertisers and agencies. The company is based in San Mateo, California with additional offices in New York City and Beijing.

**Management:**

- **Jon Heller** *Co-Founder and Co-Chief Executive Officer*
- **Doug Knopper** *Co-Founder and Co-Chief Executive Officer*
- **Diane Yu** *Co-founder and Chief Technology Officer*
- **Brent Horowitz** *Vice President, Business Development*

**Market Opportunity:** FreeWheel offers the most formidable system for digital video ad management and monetization. Built from the ground up by a handful of former DoubleClick executives, FreeWheel's solution-set has already armed companies like Turner Broadcasting System, Warner Brothers, CBS, VEVO, Discovery Communications, and others with the tools and services necessary to make more money from their video content.

**Partners and Customers:** blinx, blip.TV, BrightRoll, CBS Television Distribution, Collective Media, Fancast, Google Ad Sense, Grab Networks, Joost, Roku, ScanScout, Sling.com, Warner Bros., Tremor Media, Veoh, Viddler, and Videoegg

**Previous Capital Raised:** The last capital raise for FreeWheel was for \$16.8 million on April 26, 2010. Investors included: Steamboat Ventures, Turner Broadcasting System, Battery Ventures, and Foundation Capital.

Web Video Sector Profile Company: Glowpoint<sup>(74)</sup>

**Description:** Glowpoint offers a suite of advanced and robust telepresence and video communications service solutions empowering global organizations to dramatically enhance the impact and productivity of their internal and external communications, while reducing their ongoing operating costs. Glowpoint's track record and quality-of-service commitments have earned various industry awards and credits for providing an innovative customer experience through use of IP-based video functionality and advanced managed services. Glowpoint provides a comprehensive service offering for enterprises and their end users that can support any of the telepresence and video conferencing products available today. Currently, Glowpoint supports thousands of video communications systems in more than 35 countries with 24/7 managed video services. Glowpoint powers Fortune 500 companies, major broadcasters, small/medium-sized businesses, as well as global carriers and video equipment manufacturers, and their customers, around the world. Glowpoint is a public company with a market capitalization of approximately \$35 million.

**Management:**

- **Joseph Laezza** *President and Chief Executive Officer*
- **Edwin Heinen** *Chief Financial Officer and Executive Vice President of Finance*
- **Anil Balani** *Senior Vice President, Product Development*
- **Martin Monson** *Vice President, Business Development*

**Company Outlook:** Glowpoint utilizes a direct and indirect sales approach and also offers wholesale "white label" services that are rebranded as video communications services of other large service providers – to meet growing demands. Currently, Glowpoint's wholesale program supports: a world-leading video conferencing and telepresence hardware manufacturer; a leading global IP network service and telecommunications carrier; and the world's largest audio-visual integration company. Sales production through direct and indirect channels continues to grow, with the indirect sales channel contributing the highest amount of new sales on average through 2009. Approximately 10% of new sales were realized through these channels in 2006, growing to roughly 70% in 2009.

**Market Opportunity:** Glowpoint's managed services for video are positioned for increased demand due to economic, health, security, quality of life, and environmental issues and pressures. According to some industry analysts, the market for managed video services and networks will exceed \$4 billion globally in the coming years. Frost and Sullivan recently highlighted Glowpoint, indicating that "Key [conferencing service providers] such as AT&T, BT Conferencing, Global Crossing, Glowpoint, and Verizon Business continue to dominate the market. In this era of cloud computing and virtualization, Glowpoint's video-as-a-service (VaaS) model and proprietary applications are leading the way for video communications. Glowpoint is committed to retaining their position as the leader in this growing market by defining the next generation of "plug and play" solutions for the global video user community."

**Capital Raised:** The latest capital raise for Glowpoint was for \$10 million on March 29, 2010.

**Partners and Customers:** KBZ Communications, Cenero, Whitlock Group, Conferencing Advisors, and MSpace.

Web Video Sector Profile Company: Harmonic<sup>(74)</sup>

**Description:** Harmonic designs, manufactures, and sells video products and system solutions that enable service providers to deliver broadcast and on-demand services. Its broadcast and on-demand services include high-definition television, video-on-demand, network personal video recording, and time-shifted TV. The company provides content management software that comprise CLEARCut storage encoding and CarbonCoder software, which facilitate the creation of multi-format video for Internet, mobile, and broadcast applications; ProStream 8000 solution that allows operators to present on-screen mosaics with various channels tiled within a single video stream; and Armada and Streamliner products for the management of an operator's video-on-demand assets and the distribution of these assets to subscribers. Harmonic also provides consulting, implementation, and integration services. It sells and markets its products through direct sales force, independent distributors, and integrators to various broadband communications companies primarily in the United States. The company was founded in 1988 and is headquartered in Sunnyvale, California.

**Management:**

- **Patrick Harshman** *President and Chief Executive Officer*
- **Carolyn Aver** *Chief Financial Officer*
- **Matthew Aden** *Vice President, Worldwide Sales and Service*
- **Shahar Bar** *Vice President, Corporate Development*

**Company Outlook:** Harmonic is redefining video delivery with some of the industry's leading solutions for live and on-demand content preparation and distribution of video to TVs, PCs and mobile devices. Harmonic's 20 years of technical innovation and market leadership enable the company to offer a unique and comprehensive solution portfolio—including encoding, transcoding, content preparation, stream processing, asset management, edge processing, and delivery.

On May 6, 2010, Harmonic entered into a definitive agreement to acquire Omneon, a privately-held company headquartered in Sunnyvale, California. The proposed acquisition of Omneon is intended to strengthen Harmonic's competitive position in the digital media market and to broaden relationships with customers who produce and distribute digital video content, such as broadcasters, cable channels and other major owners of content. The acquisition is also intended to broaden Harmonic's technology and product lines with digital storage and play-out solutions which complement their existing video processing products.

**Market Opportunity:** Broadcast, cable, Internet, mobile, satellite, and telecom service providers around the world choose Harmonic's IP-based digital video, software, and broadband edge and access solutions. Using these award-winning and industry-leading solutions, operators can reduce costs and differentiate their services by offering consumers a higher quality, personalized multi-screen experience. Harmonic enables cable operators to offer bundled packages of digital video, voice and data services in order to obtain a competitive advantage over DBS, telecom and newly emerging video service providers and to create additional revenue streams. Cable operators continue to upgrade their networks in order to offer more digital channels and better picture quality, HDTV and interactive services such as VOD, high-speed Internet service residential telephony, and business services. Harmonic enables telephone service (Telco) operators to deploy new video services, in part as a competitive response to increasing competition in their traditional data and voice markets. In addition, Harmonic has begun to address the emerging video processing opportunities with a variety of video content owners and aggregators that distribute video via traditional television services and/or directly over the Internet.

**Web Video Sector Profile Company: Joost (Adconion Media Group)<sup>(74)</sup>**

**Description:** Joost, an Adconion Media Group brand, provides legal, professionally-produced videos to a worldwide audience. Working with content copyright owners, Joost collects and curates thousands of videos to provide a selection of music, TV, movies and more that appeal to people everywhere.

For brand advertisers, Joost.com offers a safe, cost-effective alternative to achieve the maximum impact of Web video advertising. With Joost.com and the Joost Content Network, brand advertisers and agencies can target precise niches or broad audiences and entice them with a compelling advertising experience that brings brands to life with sight, sound and motion. Adconion and Joost also offer real-time analytics and asset control to enable easy campaign monitoring and modification.

For publishers, Joost.com provides a library of professionally-produced video with targeted, meaningful advertising that create a more engaging – and more monetizable – experience for visitors. Publishers also have total control over the amount and type of video content and access to real-time, in-depth analytics through Adconion’s full suite of reporting tools.

For content owners, Joost.com provides a destination site and network of quality distribution partners to monetize original and existing video content. The Joost Content Network lets content partners to distribute their videos via the Apple iPhone/iPad.

**Management:**

- **Matt Zelesko** *Chief Executive Officer and Senior Vice President of Engineering*
- **Janue Friis** *Co-Founder*
- **Owen O'Donnell** *Chief Financial Officer*
- **Danny Passmany** *Global Head of Programming*
- **Jason Gaedtke** *Chief Technology Officer*
- **Lisa Gelobter** *Vice President of Business Operations*

**Acquisition:** Adconion UK Limited acquired certain key assets of Joost N.V. on November 24, 2009. The financial terms of the transaction were not disclosed. Adconion acquired the technology behind Joost's video platform, access to its content library, and the Joost trademark. Post transaction, Adconion continues to operate Joost.com, providing clients with a destination site to showcase and distribute their branded entertainment content.

Web Video Sector Profile Company: KIT Digital<sup>(74)</sup>

**Description:** KIT Digital provides Internet Protocol (IP)-based video asset management solutions. The company's end-to-end software platform KIT VX enables enterprise clients to acquire, manage, and distribute video assets across computers, mobile devices, and IPTV-enabled television sets. Its KIT VX application ranges from commercial video distribution to internal corporate deployments, including corporate communications, human resources, training, security, and surveillance. KIT Digital also provides content provision, content management system, integration services, and marketing services. The company serves a range of industries, including media and entertainment, telecommunications, retail, consumer/packaged goods, shipping/logistics, automotive, and financial services. KIT Digital is a truly global company, with 25 offices across 5 continents. The company was formerly known as ROO Group and changed its name to KIT digital in May 2008. The company was founded in 1998 and is headquartered in Prague, Czech Republic, with additional offices in Atlanta, Cairo, Cologne, Dubai, Melbourne, London, New York, Stockholm, and Toronto.

**Management:**

- **Kaleil Isaza Tuzman** *Chairman and Chief Executive Officer*
- **Gavin Capion** *President*
- **Robin Smyth** *Chief Financial Officer*
- **Barak Bar-Cohen** *Executive Vice President, Global Business Development*
- **Andy Steward** *Chief Technology Officer*
- **Ted Steube** *Head of Corporate Development*

**Company Outlook:** KIT Digital is focused on the ongoing integration of the company's regional offices and products units. Operational initiatives begun and continuing in 2010 include: (i) increased standardization of client contracts; (ii) improvement of existing company-wide sales commissions program; (iii) regional expansion and sales force development in Asia; (iv) improvement of behavioral analytics and report-routing capabilities on the VX platform; (v) development of "off-deck" mobile publishing and delivery capabilities; and (vi) introduction of inter-departmental invoicing and cost-based accounting.

**Market Opportunity:** With companies still struggling to monetize Web video, KIT Digital is positioned to become a key player in solving the monetization problem. KIT Digital is an expert in developing, delivering, and monetizing Web video assets. KIT digital can monetize Web video through a variety of models, including campaign sponsorship (e.g., micro-sites and framing), subscriptions, advertising-supported, and video-on-demand. KIT Digital owns video production, ingestion, and localization facilities in Europe and the Middle East and has a global Content Delivery Network (CDN) footprint for distributing this content around the world.

**Partners and Customers:** ABC/Disney, Associated Press, Beeline, China Mobile, Czech TV, ESPN Star, GE Money, General Motors, Google, IMG, K-Mart, Media Rights Capital, NASDAQ, News Corp., Polkomtel, RCN, RCS, Tabcorp, Telefonica, Verizon, and Vodafone.

**Previous Acquisitions:** Benchmark Broadcast Systems (\$9.7 million), Multicast Media Technologies (\$25.8 million), Nunet (\$11.2 million), FeedRoom (\$16.6 million), and Narrowstep (\$0.4 million).

**Previous Capital Raised:** The last capital raise for KIT digital was in early 2010 for \$58 million.



Web Video Sector Profile Company: Kontiki<sup>(74)</sup>

**Description:** Kontiki, a spinout of VeriSign, provides on demand enterprise video delivery solutions. It offers Kontiki Live, a method of streaming live video using existing network infrastructure, and Network Publisher, which allows content publishers to target content delivery for users or groups by manually creating users and groups, or using existing groups. The company also provides Network Protector, which manages and controls to support authorized and sanctioned publishing activities; and Network Manager, which enables to control delivery network use. In addition, it offers Network Analyzer, a reporting and analytics tool that shows video data delivered, as well as metrics, such as who has viewed which content, when, and for how long. The company's solutions enable delivery of live and on-demand video for companies to deliver corporate video, corporate training, and digital media content. Kontiki was formerly known as Zodiac Networks and changed its name to Kontiki, in June 2001. The company was founded in 2000 and is based in Sunnyvale, California with regional sales offices in Denver, Dulles, and London.

**Management:**

- **Eric Armstrong** *President and Chief Executive Officer*
- **Wade Hennessey** *Chief Technical Officer*
- **Christine Costa** *Vice President of Finance*
- **Kevin Crayton** *Vice President of Business Development*

**Partners and Customers:** Accordant Technologies, CMMMA, Crews Control, DutchView, Gekko Productions, Groovy Gecko, MMulticast, Ioko365, and OnStream Media.

**Previous Capital Raised:** Kontiki announced its latest capital raise of \$553,481 on April 30, 2009.

Web Video Sector Profile Company: Ku6<sup>(74)</sup>

**Description:** Ku6.com is a Web 2.0-based online video website and has quickly become one of the leading Web video portals in China. In June 2008, Ku6 was the first privately held video portal to receive a License for Internet Broadcasting Audio-Visual Programs issued by the State Administration for Radio, Film, and Television (SARFT). Afterwards, Ku6 was awarded by CCTV, China's national broadcaster, the rights to provide VOD services for the 2008 Beijing Olympic Games using CCTV's video images, as the first one amongst all online video portals. Ku6 received its first round of venture funding in 2007 and second round of venture funding in 2008, which were led by Draper Fisher Jurvetson and DT Capital Partners, UMC Capital, and SBI Broadband Fund respectively.

Ku6.com agreed to acquire Hurray! Holding from Shanda Interactive Entertainment and other shareholders in a reverse merger transaction on November 27, 2009. Hurray! Holding issued 723.7 million ordinary shares including 44.4 million American Depositary Shares, each representing 100 ordinary shares.

Ku6 was founded in 2006 and is based in Beijing.

**Management:**

- **Haibin Qu** *Chief Executive Officer and Director*
- **Kevin Li** *Founder*
- **Li Yao** *Chief Financial Officer*
- **Li Shanyou** *Director*
- **Jianwu Liang** *Chief Technology Officer and Senior Vice President*

**Current Investors:** Draper Fisher Jurvetson, ePlanet Ventures, GGV Capital, Hotung Venture Capital, Itochu, SBI Investment, and UMC Capital.

**Previous Capital Raised:** Ku6's last capital raise was for CNY 238.8 million (\$34 million USD on July 21, 2008. Investors included: UMC Capital, SBI Broadband Fund, Itochu, Hotung Venture Capital, DT China, and Draper Fisher Jurvetson.

Web Video Sector Profile Company: Kulabyte<sup>(74)</sup>

**Description:** Kulabyte develops and sells advanced high definition (HD) live video encoding and streaming solutions. Utilizing proprietary and patent pending encoding techniques, Kulabyte provides significantly higher quality live HD H.264 Flash video and streaming HTTP video than any other encoder on the market, hardware or software, while requiring lower delivery bandwidth. As a result, Web video can now be streamed in professional quality HD at consumer-level broadband speeds.

Kulabyte's video encoding and streaming solutions are available as standalone software or as complete turn-key portable and rack-mount systems and are being used every day in a variety of vertical markets including live church streaming, telepresence based education, HD Internet TV, corporate event broadcasting, live sporting event streaming, and military and Department of Defense applications. In addition to live video encoding and streaming, Kulabyte also offers live and video on demand (VOD) players, rich media presentation support (XStream Live 2), live streaming servers, and video asset management solutions. Kulabyte's technology has been used to live stream notable events, including Obama's acceptance of the Nobel Peace Prize and Formula 1 racing.

The company was founded in 2004 and is based in San Marcos, Texas.

**Management:**

- **Peter Forman** *Chief Executive Officer*
- **Chris Gottschalk** *Co-Founder and Chief Technology Officer*
- **Blake Wenzel** *Co-Founder and Executive Vice President*

**Partnerships:** Adobe, Akamai, CDNetworks, Edgecast Networks, Limelight Networks, Human Monitoring, Main Concept, Myspace, NextComputing, Octoshape, On2 Technologies (Google), Premiere Entertainment Network, WebCast-TV, and Wowza Media Systems.

Web Video Sector Profile Company: LoveFilm<sup>(74)</sup>

**Description:** LOVEFiLM is a well respected entertainment and film site in Europe. LOVEFiLM provides great value for the money, an outstanding selection of movies, and a source of movie and home entertainment information. They pride themselves on value for money, choice, quality, speed, innovation and customer service.

Since launching, they have made a combination of 10 mergers and acquisitions across Europe, each skillfully targeting the right market and the right opportunity.

They have created exceptional partnerships with some other major companies in Europe including in the UK; Tesco, easyGroup, CD WOW!, Guardian Newspapers, WHSmith, Odeon and Vue Cinemas, some of whom offer a fully white-labeled service. These partnerships offer the opportunity to share knowledge, market presence and target audience that has helped them to grow.

Their active membership base of over a million users share their views on films, values and interests. LOVEFiLM's current members have generated over 82 million film ratings and over 875,000 reviews and film blogs. In the UK it is the third most visited Entertainment and Movie website and, in total, the business has over 3.5million unique visitors every month.

**Management:**

- **Charles Gurassa** *Non Executive Chairman*
  - **Simon Calver** *Chief Executive Officer*
  - **Simon Morris** *Chief Marketing Officer*
  - **Jim Buckle** *Chief Financial Officer*
  - **Andrew Ground** *UK Director*
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Web Video Sector Profile Company: Magnify.net<sup>(74)</sup>

**Description:** Magnify.net powers site-centric, peer-driven, video discovery, dubbed Vertical Video. Magnify.net powers user-generated video channels for web publishers, media companies, and video bloggers. The Magnify platform searches, sorts and delivers video based on a site's unique interest and engages their users to discover, share, rate and rank them for relevancy and entertainment value. Our peer-driven video review solution provides a brand-safe advertising environment.

Some features include: uploading, sharing, creating playlists, making comments, reviewing, easy design templates, content controls, site reporting, help forums, and monetization options. The service allows integration of the popular video hosts and offers powerful admin tools to customize video pages. Upload, Storage, and bandwidth are all inclusive as part of the plans, including the free model.

**Management:**

- **Steve Rosenbaum** *Founder and Chief Executive Officer*
- **Alan Medvin** *Chief Operating Officer*
- **Kimberly Peterson** *Vice President, Technology*
- **Simon Cavalletto** *Co-Founder and Technology Advisor*
- **Pamela Yoder** *Manager, Business Affairs*

**Market Opportunity:** Magnify.net has an early advantage in driving the integration of video into high-traffic vertical content sites. The growth of these niche sites (which matches similar segmentation trends in television and magazines) attract advertisers looking to target specific audiences. Their ad revenue sharing model encourages channel and network creation. This puts Magnify.net in the position to take advantage of the increasing U.S. online video spend, estimated to be \$2.9 billion in 2010.

**Previous Capital Raised:** Angel and Private Funding: Lead David Rose, Rose Tech Ventures, New York Angels; NextStage Capital; and private investors.

Web Video Sector Profile Company: Move Networks<sup>(74)</sup>

**Description:** Move Networks is a global provider of comprehensive solutions that delivers the next generation of live, multi-channel television over the Internet. Move Networks integrates middleware, content management, subscription packaging, billing, and digital rights management to deliver a rich television experience through the Internet. Move's platform provides both telecommunications providers and media companies with the ability to generate revenue through both subscription-based services and enhanced advertising solutions.

Move Networks' service includes live, multi-channel television experience with the portability, personalization, and interactive features of the Internet; a rich multi-media experience for consumers on their television, personal computer and mobile device; the efficiencies and capabilities of the Internet to deliver to consumers a real television experience when and where they want it; a compelling business model that will deliver enhanced distribution opportunities for content providers; and an innovative TV platform for telecommunication providers and media companies to give their customers access to live, archived, and time-shifted TV.

**Management:**

- **Drew Major** *Founder and Chairman of the Board*
- **Jamie Harper** *Chief Financial Officer*
- **Marcus Liassides** *Executive Vice President of Sales and Business Development*

**Previous Capital Raised:** Move Networks is venture backed by: Benchmark Capital, Hummer Winblad Venture Partners, Steamboat Ventures, and Televisa.

Web Video Sector Profile Company: OnStream<sup>(74)</sup>

**Description:** Onstream Media operates as a Web service provider of live and on-demand Internet video, corporate Web communications, and content management applications. Its Digital Media Services Group consists of Webcasting, Digital Media Services Platform (DMSP), User Generated Content (UGC), Smart Encoding, and Travel divisions. Specializing in Web audio and video corporate communications, Onstream Media's pioneering digital asset management ASP technology provides the necessary tools for webcasting, Web conferencing and content publishing services focused on increasing productivity and revenues for any organization in an affordable and highly secure environment. Onstream Media's digital media services are used by many Fortune 100 company executives to broadcast their announcements and across the enterprise in sales, marketing, communications, Investor Relations, Human Resources, and training.

Earlier this year, Onstream Media introduced MarketPlace365, an all encompassing lead generation, social media marketing, and comprehensive communications platform that enables publishers, associations, trade show promoters, and entrepreneurs to rapidly and cost effectively self-deploy their own highly profitable online virtual marketplaces. Onstream Media recently signed MarketPlace365 promoter agreements with World Dental Expo, Pets and Vets, TSEA MarketPlace, and Proactive Capital Forum.

Onstream Media Corporation was founded in 1993 and is headquartered in Pompano Beach, Florida, along with additional offices in New York, San Francisco, and New Jersey.

**Management:**

- **Randy Selman** *Chairman, President and Chief Executive Officer*
- **Alan Saperstein** *Executive Vice President, Chief Operating Officer*
- **Clifford Friedland** *Senior Vice President, Business Development*
- **David Glassman** *Senior Vice President, Chief Marketing Officer*
- **Robert Tomlinson** *Chief Financial Officer*

**Market Opportunity:** Digital technology has greatly enabled the creative and production community as well as sales and marketing organizations in creating and distributing their message. To further this enablement, Onstream Media's goal is to free customers from the need to build, manage and operate their own media asset management infrastructures by providing a powerful set of tools that lets users search, access, share, and distribute assets all within a secure hosted platform.

**Previous Capital Raised:** On April 30, 2010, Onstream Media filed documents to sell \$6.6 million in new shares.

**Web Video Sector Profile Company: Providea Conferencing<sup>(74)</sup>**

**Description:** Providea Conferencing provides videoconferencing, audio-visual, and networked solutions to an extensive amount of public, private, and government sectors. It offers presence boardroom systems and telepresence solutions.

The company provides custom design and build solutions, including computer and video displays, presentation equipment, video and audio distribution systems, and video and audiovisual conferencing and camera controls. The company also provides networking solutions, such as video-only, converged, MPLS, Internet, overlay, backup, private IP, and public IP. Furthermore, it also offers video conferencing infrastructure solutions for dial-out or dial-in bridging, video streaming, attended or unattended calls, event coordination, and IP, ISDN, or mixed conferencing. The company was founded in 1999 and is based in Camarillo, California.

**Management:**

- **Tom Bailey** *Vice Chairman*
- **Todd Luttinger** *President and Chief Executive Officer*
- **Todd Steiner** *Chief Financial Officer*
- **John Price** *Executive Vice President*
- **Steve Cogliano** *Executive Vice President/Operations*

**Company Outlook:** Providea Conferencing was the first to deploy the first true high definition multipoint conferencing service across North America. Providea led the development of the world's most reliable switched digital business, AT&T's G-ISDN Division, growing it from \$20 million to \$500 million in revenues.

Providea also pioneered the transmission of video conferences over ATM, private line and frame relay to support video over IP (VoIP). In addition, they designed cutting-edge video communications programs for some of the largest companies in the world and implemented video conferencing for hundreds of others.

**Market Outlook:** The company's customers span a variety of industries, but share a common need: to communicate and collaborate more effectively across multiple locations. The company addresses this need by offering best-of-breed video conferencing and audiovisual solutions along with a commitment to customer service.

**Previous Capital Raise:** WestView Capital invested an undisclosed amount in the company on July 1, 2008.

**Recent Acquisition:** Videré Conferencing



Web Video Sector Profile Company: Sezmi<sup>(74)</sup>

**Description:** Sezmi markets and distributes digital broadcast and broadband solutions to the consumer sector in the U.S. The company provides digital media receivers and home entertainment content services. It offers equipment and solutions to integrate cable network programming, on demand movies, Internet based videos, and live broadcasting services. Designed from the ground up with next generation TV functionality, Sezmi puts consumers in total control with a personalized on-demand viewing experience. Sezmi is working with broadcast and broadband partners, content providers and advertising partners to create a new TV choice for consumers.

Sezmi combines live TV, on-demand movies, Internet video, and DVR capabilities in one seamless experience. Recently, Sezmi announced its Sezmi Select service package, available immediately in a total of 36 markets in the U.S. Sezmi was founded in 2003 as Building B, and changed its name to Sezmi in May 2008. The company is based in Belmont, California.

**Management:**

- **Buno Pati** *Co-Founder and Chief Executive Officer*
- **Phil Wiser** *Co-Founder and President*
- **Mark Benschmidt** *Vice President, Broadcaster Business Development*
- **Martin Lundie** *Chief Financial Officer*
- **Michael Youssefmir** *Chief Technology Officer*

**Current Investors:** Advanced Equities, Index Ventures, Legend Ventures, Morgenthaler, OmniCapital Group, TDF, and Western Technology Investment.

**Previous Capital Raised:** The last capital raise for Sezmi was for \$25 million on November 16, 2009. Investors included: Morgenthaler, OmniCapital Group, Index Ventures, Legend Ventures, TFD, and CCP.

Web Video Sector Profile Company: Sina<sup>(74)</sup>

**Description:** Sina is an online media company and MVAS provider in the People's Republic of China and the global Chinese communities. With a branded network of localized websites targeting Greater China and overseas Chinese, the company provides services through five major business lines including Sina.com (online news and content), Sina Mobile (MVAS), Sina Community (Web 2.0-based services and games), Sina.net (search and enterprise services) and Sina eCommerce (online shopping). Together these business lines provide an array of services including region-focused online portals, MVAS, search and directory, interest-based and community-building channels, free and premium email, blog services, audio and video streaming, game community services, classified listings, fee-based services, eCommerce, and enterprise e-solutions. The company generates the majority of its revenues from online advertising and MVAS offerings and, to a lesser extent, from search and fee-based services.

Sina Video is an online video platform that provides the latest, high-quality, easy-to-use interactive video products. Sina Video is divided into various vertical categories, including News, Entertainment, Music, Sports, Financial, Life, VIP Chat, Movie Premieres, and Sina TV. The latter includes streaming a broad range of television programs both in real time and on an on-demand basis.

**Management:**

- **Charles Chao** *President and Chief Executive Officer*
- **Herman Yu** *Chief Financial Officer*
- **Hong Du** *Chief Operating Officer*
- **Tong Chen** *Executive Vice President and Chief Editor*
- **Gaofei Wang** *Vice President and General Manager of Sina Mobile*

**Current Investors:** CITIC Capital Asset Management, Citigroup CIB, FountainVest Partners, IDG Capital Partners, Sequoia Capital China, and Shanda Interactive Entertainment

**Previous Capital Raised:** Sina's last capital raise was for \$180 million on September 21, 2009. Investors included: CITIC Capital MB Investment Limited, CITIC Capital China Access Fund Limited, Early Success International Limited, FountainVest Partners, Sequoia Capital China, and members of the company's management.

Web Video Sector Profile Company: Spot Runner<sup>(74)</sup>

**Description:** Spot Runner is an Internet-based ad agency that provides advertising on television services to various businesses in the U.S. The company offers commercial production, media planning, and media buying services. It provides a library of professionally produced ads, which are viewed, purchased, and personalized in an online process. The company also creates customized media plans by using information entered by the advertiser, such as industry, target demographics, and budget. Spot Runner is unique in that it employs proprietary technology and analytics to inform every media plan, target advertisers' best prospects and optimize each campaign across television, the Web, radio or out-of-home. It has a strategic alliance with Stuller. The company was founded in 2004 and is based in Los Angeles, California.

**Management:**

- **Mark Rosenthal** *Vice Chairman and President of Media Platforms*
- **Nick Grouf** *Co-Founder, Executive Chairman and Chief Executive Officer*
- **David Waxman** *Co-Founder, Vice President of Creative Services and Marketing and Director*
- **David Waxman** *Co-Founder, Vice President of Creative Services and Marketing and Director*
- **John Gentry** *President*

**Current Investors:** Allen and Company, Battery Ventures, Capital Research and Management, CBS, General Trust, Foundation Capital, Groupe Arnault, Grupo Televisa, Index Ventures, Interpublic Group of Companies, Legg Mason Capital Management, The Capital Group Companies, Tudor Investment, and WPP Digital.

**Previous Capital Raised:** Spot Runner's last capital raise was for \$51 million in its fourth round of funding on May 7, 2008. The company issued common shares. Investors included: Daily Mail and General Trust, Grupo Televisa, Legg Mason Capital Management, and Groupe Arnault, and returning investors CBS, Allen and Company, Interpublic Group of Companies, WPP Digital, Index Ventures, Tudor Investment, and Capital Research and Management.

**Web Video Sector Profile Company: Thought Equity Motion<sup>(74)</sup>**

**Description:** Thought Equity Motion increases the value of video content rights through its advanced technology platform and rights development services. The company's integrated offering delivers large scale archive management as a cloud service in alignment with licensing strategy expertise to enable rights holders to generate new value from their content, providing greater control while reducing cost and complexity.

Thought Equity Motion delivers advanced application sets around large scale video archive management, including preservation, access, rich metadata management, and delivery. Thought Equity Motion's Platform Services provide a strategic foundation to connect the master archive to a wide range of current and emerging delivery models, including broadband, broadcast, multi-screen, non-linear production, and file-based distribution.

Thought Equity Motion works with more than 400 rights holders globally, including BBC Motion Gallery, Paramount Pictures, Sony Pictures Entertainment, National Geographic, The New York Times, and the NCAA. The company's footage storefront and global sales force license news, sports, editorial, and creative content to the world's leading producers in advertising, film, television, publishing, and interactive media.

**Management:**

- **Kevin Schaff** *Founder and Chief Executive Officer*
  - **Steve Joanis** *President and Chief Operating Officer*
  - **Eric Toler** *Chief Financial Officer*
  - **Mark Lemmons** *Chief Technology Officer*
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Web Video Sector Profile Company: Tremor Media<sup>(74)</sup>

**Description:** Tremor Media, an online video advertising network, provides video advertising solutions. The company focuses on offering advertisers with in-banner and in-stream video advertising on publisher sites with various video streams. It also offers Acudeo Video Monetization Platform, a suite of products and services to monetize streaming video; service solution, which provides tools for advertisers and publishers to utilize online video advertising as a medium; Rx In-Stream, an in-stream advertising solution developed to address the needs of the pharmaceutical industry; and vChoice, an in-stream advertising format that allows for multi-video and Website-like experiences delivered inside the player within a pre-roll advertising. The company creates custom vertical channels for various fields, including automotive, business/finance, careers, entertainment, family/parenting, games, health and fitness, kids, men's and women's, music, news and information, shopping, sports, technology, and teen travel. Tremor Media was formerly known as Tremor Network. The company is based in New York, New York.

**Management:**

- **Jason Glickman** *Chief Executive Officer*
- **Randy Kilgore** *Chief Revenue Officer*
- **Mark Pinney** *Chief Operating Officer*

**Current Investors:** Canaan Partners, Draper Fisher Jurvetson, European Founders Fund Management, Masthead Venture Partners, MeriTech Capital Partners, SAP Ventures, and Triangle Peak Partners

**Previous Capital Raised:** The last capital raise for Tremor Media was for \$40 million in Series D funding on April 22, 2010. Investors included: Draper Fisher Jurvetson Growth Fund, Canaan Partners, SAP Ventures, MeriTech Capital Partners, and Triangle Peak Partners.

Web Video Sector Profile Company: TubeMogul<sup>(74)</sup>

**Description:** TubeMogul is a video advertising and analytics platform that connects advertisers with highly targeted audiences. TubeMogul's advertising solution is powered by the company's data platform that tracks billions of video streams every month from the Internet's top publishers. This unique technology enables TubeMogul to help advertisers find consumers who want to watch their videos - and watch them longer. Advertisers and marketers don't have to choose engagement and accountability over reach if they use TubeMogul's video advertising and analytics platform.

Through its acquisition of Illumenix in October 2008, TubeMogul was also able to offer rich engagement and performance metrics to video sharing sites, content creators and advertisers. After surpassing 150,000 users, TubeMogul announced the launch of its data-driven PlayTime ad platform in March 2010.

**Management:**

- **Brett Wilson** *Co-Founder & Chief Executive Officer*
- **John Hughes** *Co-founder and President of Products*
- **Jason Lopatecki** *Chief Strategy Officer*

**Current Investors:** Foundation Capital, Trinity Ventures, Knights Bridge Capital Partners, and NetService Ventures Group

**Previous Capital Raised:** The last capital raise for TubeMogul was for \$10 million in Series B funding on October 8, 2010. Investors included: Foundation Capital, Trinity Ventures, and Knights Bridge Capital Partners.

Web Video Sector Profile Company: Tudou<sup>(74)</sup>

**Description:** Tudou.com is the largest Web video sharing platform in China, where users can upload, view and share video clips. Tudou went live on April 15, 2005 and has grown into one of the world's largest content delivery networks, serving over 300 million videos each day with more than 50,000 new videos published daily, including amateur content such as video-blogging and user-generated videos, and professional content such as movie clips, TV series and music videos from our content partners. Tudou has established extensive business relationships with over 2,500 well-known content providers, content agents, traditional and new media, as well as mobile operators in the Asian region. Starting in 2009, Tudou works closely with China Mobile and other regional operators, mobile and handheld device manufacturers such as Nokia, Samsung, Motorola to extend its video services and content offerings to the broader mobile phone consumer base.

Tudou's video playback technology is based on Macromedia's Flash Player. This technology allows the site to display videos with quality comparable to more established video playback technologies (such as Windows Media Player, QuickTime and RealPlayer) that generally require the user to download and install a Web browser plug-in in order to view video. Tudou accepts uploaded videos in a variety of formats, including .WMV, .AVI, .MOV, MPEG, and .MP4.

Tudou reports that it's one of the world's largest bandwidth users, sending over 1PB (Petabyte) of video files per day, which is nearly 100Gbit/s of sustained traffic. The company uses a variety of proprietary and commercial content distribution networks (CDNs), such as ChinaCache to distribute videos around China.

**Management:**

- **Gary Wang** *Founder and Chief Executive Officer*
- **Marc van der Chijs** *Co-Founder*
- **Grace Wang** *Chief Financial Officer*
- **Sam Lai** *Chief Operating Officer and Director*
- **Steve Mushero** *Chief Technical Officer*
- **Vicky Wang** *Vice President of Business Development*

**Current Investors:** Capital Today, Citic Trust and Investment, CyberAgent Investment, General Catalyst Partners, GGV Capital, IDG Capital Partners, JAFCO Investment, Japan Asia Investment, KTB Securities, KTB Ventures, Spring Capital Asia Limited, Temasek Holdings, and Venrock

**Previous Capital Raised:** The last capital raise for Tudou was for \$50 million on August 3, 2010. Temasek Holdings participated in the funding.

**Web Video Sector Profile Company: Twistage<sup>(74)</sup>**

**Description:** Twistage provides a Web video platform for publishing the client's videos. Its platform is used for pre-roll and post-roll, in-stream, and overlay advertising applications. Twistage was formerly known as Roe River. The company was founded in 2004 and is based in New York.

Twistage has re-imagined workflow for video platforms. The Twistage platform solution is both modular and flexible, giving you the freedom to define and customize your own workflow.

One of Twistage's differences is its open architecture. The company offers robust solutions for content ingestion, content management, video delivery, monetization, syndication, and reporting through a simple point-and-click console. There's no need to replace the player; you can keep your custom or third-party solution. The same applies to transcoding, reporting, digital asset management, content access control, and other components. The Twistage platform acts as the glue for a cohesive workflow, adapting to customer's needs.

The Twistage solution is designed to liberate media companies and enterprise companies alike, providing more return on existing investment. Already the platform of choice for many leading companies, Twistage is bringing simplicity to the once cumbersome workflows surrounding Web video.

**Management:**

- **David Wadler** *Co-Founder, Chief Executive Officer and Director*
- **Dave Wegman** *Co-Founder, Chief Technology Officer and Director*
- **Bruce Wang** *Co-Founder and Director of Technology*

**Current Investors:** Sterling Equities

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Web Video Sector Profile Company: Ustream.tv<sup>(74)</sup>

**Description:** Ustream is the leading live interactive broadcast platform that enables anyone with an Internet connection and a camera to engage their audience in a meaningful, immediate way. Unlike previous webcasting technology, Ustream uses a one-to-many model, which means that the user can broadcast to an audience of unlimited size. Ustream's platform has been used to broadcast everything from high school sporting events to Hollywood movie premieres, and people are finding new and innovative uses for it every day. Ustream consists of a network of diverse channels providing a platform for live casting and live video streaming of events online. The website has over 2 million registered users who generate over 1.5 million hours of live streamed content per month with over ten million unique hits per month. Ustream was recently recognized as one of the "Hottest Silicon Valley Companies" by Lead411. Monthly uniques grew from 2 million to 3 million from April to August 2010.<sup>(105)</sup>

While Ustream's basic service is still free and supported by advertising revenue, Ustream has started to offer Watershed, a pay-as-you-go version of their service. Watershed customers pay per viewing hour, charging from \$0.25 to \$1 per viewer. Watershed users don't have to display Ustream's advertisements and logos and instead can provide their own. Notable customers of Watershed are Disney, Duke University, Sun Microsystems, and Sling Media.

Ustream was founded in 2006 and is based in Mountain View, California.

**Management:**

- **John Ham** *Co-Founder*
- **Brad Hunstable** *Co-Founder*
- **Gyula Feher** *Co-Founder*
- **Tim Villanueva** *Chief Technical Officer and Director*

**Current Investors:** Band of Angels, Doll Capital Management, Infinity Venture Partners, Labrador Ventures, SoftBank Capital, SoftTech VC, and Western Technology Investment.

**Previous Capital Raised:** The last capital raise for Ustream was for \$75 million in Series B funding on July 10, 2010. Softbank Capital participated in the funding.

Web Video Sector Profile Company: Veoh (Qlipso)<sup>(74)</sup>

**Description:** Veoh, a Qlipso brand, is a social content sharing company revolving around Web video. Veoh delivers video programming through the Internet. Its portfolio includes Veoh.com that provides video hosting services on the Internet; and VeohTV, a free downloadable application that turns Web video into Internet television. Veoh uses both peer-to-peer for its player software application and Adobe Flash-based streaming video for its website technologies.

On February 11, 2010, due in large part to ongoing legal battles and challenges of the broader macro-economic climate, Veoh filed for Chapter 7 bankruptcy. On April 8, 2010, it was announced that Israel-based Qlipso, backed by Jerusalem Venture Partners, acquired Veoh for an undisclosed sum. The company was founded in 2004 and is headquartered in San Diego, California with an additional office in Los Angeles, California.

**Management:**

- **Dmitry Shapiro** *Founder and Chief Executive Officer*
- **Bruce Wiseman** *Senior Vice President of Finance and Operations*
- **Michael Henry** *Senior Vice President of Advertising Sales*
- **Annie Morita** *Senior Vice President of Marketing and Programming*

**Company Outlook:** On April 8, 2010, Qlipso, a social feature-rich multi-party content-sharing platform with 3D avatars, webcam and voice, announced its purchase of substantially all of the assets of Veoh. The purchase enables Qlipso's unique synchronized media sharing and socially-interactive environment to tap into Veoh's library of more than one million videos, TV shows, online games and other interactive content, as well as Veoh's tens of millions of active monthly users.

The transaction immediately transforms Qlipso from an early-stage, pre-revenue technology start-up into a high-tech, rich-media company that boasts a powerful community prime for online advertisers. To facilitate advertising needs, Qlipso has partnered with Outtrigger Media in New York for direct advertising sales.

**Market Opportunity:** The purchase of Veoh's assets by Qlipso signifies a shift in the changing nature of online media consumption with users transitioning from an individual viewing experience to a multi-platform, social media experience all within the same user interface.

Web Video Sector Profile Company: ViewCast<sup>(74)</sup>

**Description:** ViewCast develops industry hardware and software for the transformation and delivery of digital media over Internet protocol and mobile networks worldwide. The company's products include Osprey Video's line of capture cards for video acquisition/capture/streaming; Niagara Streaming Systems and Software for live video streaming; SimulStream and Niagara SCX software; and ViewCast Media Platform (VMp) Software, which develops software solutions to manage and automate media from production to scheduling, editing, processing, and content distribution. In addition, it provides professional services and support services, as well as installation, service, and maintenance services. The company serves broadcasters and narrowcasters; federal, state, and local governments; small, medium, and large enterprises; mobile and wire line carriers; content delivery networks; and digital signage integrators. ViewCast.com markets and sells its products and professional services through directly to end-users or through original equipment manufacturers, value-added resellers, resellers, distributors, and computer system integrators. ViewCast.com was founded in 1994 and is headquartered in Plano, Texas.

**Management:**

- **David Stoner** *President and Chief Executive Officer*
- **Laurie Latham** *Chief Financial Officer, Senior Vice President Finance and Administration*
- **Jeff Kopang** *Vice President of Marketing*

**Company Outlook:** ViewCast intends to stay focused on their product Niagara Systems due to the existing and growing demand for the appliance-base technology. The company's ability to deliver streaming content more economically than their competitors, and the addition of the Ancept content management technology and services, all combine to significantly increase the company's target market opportunities.

**Market Opportunity:** Digital media has moved to the mainstream as a strategic business tool for enterprises—including education and corporate enterprise, and consumer segments—while advertising, media and entertainment look to capitalize on increased viewership over a variety of devices. Customers are looking for solutions that will drive business value either directly or indirectly. From a technology standpoint, the quality continues to improve due to increased available bandwidth and more efficient encoding technologies. More importantly, customers have learned how to increase profits by using the Internet as an alternative distribution medium for their content.

**Web Video Sector Profile Company: Visible Measures<sup>(74)</sup>**

**Description:** Visible Measures operates as an independent third-party measurement company for Internet video publishers, advertisers, and viral marketers. It specializes in measuring the consumption and distribution of Internet videos. The company's solutions include VisibleSuite, which shows video publishers how their audiences interact with their content; VisibleCampaign, which shows advertisers and agencies the true viral reach and audience engagement of Internet video campaigns; and True Reach, which measures total audience that has been exposed to a viral video campaign. The company also offers analytic, data, and professional services. The company's products and services help Internet video publishers and advertisers to understand audiences' behavior, as well as predict and analyze the success of Internet video programs. The company was founded in 2005 and is based in Boston, Massachusetts.

**Management:**

- **Brian Shin** *Founder and Chief Executive Officer*
- **Seraj Bharwani** *Senior Vice President Business Development and Analytics*
- **Tom Brennan** *Chief Financial Officer*

**Company Outlook:**

The market for Internet video is evolving rapidly with new content being generated, viewed, and shared at unprecedented rates. Research firm eMarketer projects that by 2011 more than 85% of the U.S. Internet population will consume Internet video, up from roughly 63% in 2006. As an independent third-party measurement provider, Visible Measures video performance metrics are industry-accepted and standards-compliant. The company ensures consistent, comparable results data across every aspect of your Web video initiatives, which enables clients to make apples-to-apples comparisons across paid, owned, and earned media assets, and against competitors.

**Previous Capital Raised:** Visible Measures' last capital raise was for \$10 million on October 6, 2009. Investors included: Northgate Capital, General Catalyst Partners, and MDV-Mohr Davidow Ventures.

Web Video Sector Profile Company: Vudu<sup>(74)</sup>

**Description:** The VUDU box and service deliver instant access to thousands of movies and TV shows directly through the television, without requiring a computer or cable/satellite TV service. VUDU has struck unprecedented deals with every major studio and more than twenty independent and international distributors to offer approximately five thousand movies, HD films, and TV shows. Via their broadband Internet connection, VUDU users have the ability, on a studio-specific basis, to rent or buy titles and begin viewing them instantly.

VUDU allows users to access a vast library of movies and TV titles from all Hollywood studios and leading independent distributors directly from their HDTV. Uniquely, users are able to watch newly released movies the same day the DVD becomes available. VUDU offers the highest quality internet-delivered format, HDX, featuring true 1080p HD, Dolby Digital Plus 5.1 surround sound. With over 3000 HD titles VUDU has the largest collection available anywhere, physical media included. Hundreds of Apps available to help users access free videos and photos from popular sites like Facebook, Twitter, and Flickr. It also has the ability to stream free internet radio from Pandora.

VUDU is available without a monthly subscription or contract. Rent or buy high definition and standard definition movies anytime.

Walmart announced in February 2010, a definitive agreement to acquire VUDU.

**Management:**

- **Edward Lichty** *General Manager*
  - **Tony S. Miranz** *Co-Founder, Executive Vice President Sales & Business Development*
  - **Prasanna Ganesan** *Chief Technical Officer*
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Web Video Sector Profile Company: Youku.com<sup>(74)</sup>

**Description:** Youku.com operates as a Chinese Internet video Website. It offers user-generated and professional video content in China and internationally. The company also provides Youku Index, an online video ranking to track the popular videos in real-time. In addition, it offers Partnership Plan 3.0, a strategic map aimed at rationalizing and developing an online copyright market for China. The company enables Chinese Internet users to watch and share videos.

Youku has partnered with over 1,500 license holders, including television stations, distributors, film, and TV production companies in China that regularly upload media content on the site.

Youku's video library includes many full length, popular films and TV episodes from the West. Viewers from around the world can see these films on Youku for free, though often with Chinese subtitles. Other popular sites such as YouTube cannot display this content because of copyright restrictions, but these laws either do not exist in China or are poorly enforced, enabling Youku to broadcast copyrighted content from their website without license. In January 2010, Youku implemented a digital fingerprinting technology intended to eliminate copyright infringing content on the site.

Some Youku videos are blocked to international IP addresses because of licensing issues.

**Management:**

- **Victor Koo** *Founder and Chief Executive Officer*
- **Liu Dele** *Chief Financial Officer*
- **Yao Jian** *Chief Technical Officer*

**Previous Capital Raised:** Youku's last capital raise was for \$40 million in Series E funding on December 20, 2009. Investors included: Chengwei Ventures, Sutter Hill Ventures, Brookside Capital Management, and Maverick Capital.

Youku used the proceeds to syndicate professional media and produce Web-based content, to further enhance user experience, and on both PC-based and mobile research and development.

Web Video Sector Profile Company: ZillionTV<sup>(74)</sup>

**Description:** ZillionTV operates as a television entertainment services company in the U.S. It allows customers to access on-demand television shows, movies, sports, and music from Hollywood studios and TV networks. The company's service also allows consumers to choose their personal advertising preferences. It delivers its services to the television set via an Internet connection. It serves consumers, studios, advertisers, and Internet service providers. ZillionTV is fueled by unprecedented agreements with major Hollywood studios and TV networks, including Disney, NBC, Universal, Sony Pictures Television, and Warner Bros. ZillionTV also engages TV lovers in an exciting new way by empowering them with the choice to select personal advertising preferences and providing a unique opportunity for innovative commerce directly through the TV in partnership with Visa, a leader in global payment processing.

ZillionTV is based in Sunnyvale, California.

**Management:**

- **Mitchell Berman** *Co-Founder and Executive Chairman*
- **Drew Anderson** *Co-Founder and Senior Vice President of Operations and Integration*
- **Charles Cataldo** *Senior Vice President of Digital Entertainment*

**Previous Capital Raised:** ZillionTV's last capital raise was for \$10 million on February 24, 2010. Qwest Communications participated in the funding.

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Industry and Sector Trading Multiples for Publicly Traded Companies <sup>(104)</sup>

Sector	LTM* as of January 31, 2011		NTM** as of January 31, 2011	
	Revenue	EBITDA	Revenue	EBITDA
CDN	2.7x	10.5x	2.3x	8.8x
Web Video	2.7x	12.8x	2.4x	9.8x
Video Conferencing	1.9x	10.2x	1.7x	7.4x
Video Software and Technology	2.9x	17.5x	3.1x	12.9x

Detailed Sector Data, Valuation Multiples and Metrics <sup>(104)</sup>

## CDN

(\$ in millions, except per share amounts)

Company	Price 10/13/2010	Market Cap	Cash	Debt	Enterprise Value	Enterprise Value as a multiple of				Price Per Share as a mult. of	
						LTM Rev.	NTM Rev.	LTM EBITDA	NTM EBITDA	LTM EPS	NTM EPS
Akamai Technologies	\$45.93	\$8,328.0	\$503.6	\$63.6	\$7,888.0	7.0x	6.1x	18.2x	13.2x	43.4x	25.9x
Internap Network Services	\$474.00	\$242.5	\$78.8	\$40.4	\$204.0	0.8x	0.8x	5.4x	5.4x	NM	NM
Level 3 Communications	\$0.89	\$1,448.0	\$442.0	\$6,264.0	\$7,269.0	2.1x	2.1x	9.9x	9.3x	NM	NM
Limelight Networks	\$6.18	\$612.0	\$82.8	\$0.3	\$529.0	1.6x	1.2x	NM	9.7x	NM	NM
SAVVIS Inc.	\$19.67	\$1,087.1	\$118.7	\$734.3	\$1,702.7	1.8x	1.6x	8.5x	6.4x	NM	NM

Mean	\$2,343.5	\$245.2	\$1,420.5	\$3,518.5	2.7x	2.3x	10.5x	8.8x	43.4x	25.9x
Median	\$1,087.1	\$118.7	\$63.6	\$1,702.7	1.8x	1.6x	9.2x	9.3x	43.4x	25.9x
High	\$8,328.0	\$503.6	\$6,264.0	\$7,888.0	7.0x	6.1x	18.2x	13.2x	43.4x	25.9x
Low	\$242.5	\$78.8	\$0.3	\$204.0	0.8x	0.8x	5.4x	5.4x	43.4x	25.9x

## Web Video

(\$ in millions, except per share amounts)

Company	Price 10/13/2010	Market Cap	Cash	Debt	Enterprise Value	Enterprise Value as a multiple of				Price Per Share as a mult. of	
						LTM Rev.	NTM Rev.	LTM EBITDA	NTM EBITDA	LTM EPS	NTM EPS
Amazon.com	\$155.17	\$70,075.6	\$5,108.0	\$132.0	\$65,099.6	1.7x	1.3x	27.8x	17.0x	47.8x	39.6x
Apple	\$300.14	\$272,734.8	\$24,288.0	\$0.0	\$248,240.8	3.7x	2.8x	12.0x	9.2x	19.0x	15.4x
Disney (Hulu)	\$34.91	\$67,531.1	\$2,951.0	\$12,627.0	\$78,653.1	2.0x	2.0x	9.1x	8.0x	15.9x	15.7x
eBay (Skype)	\$24.87	\$32,075.6	\$4,897.9	\$0.0	\$27,135.2	2.5x	2.4x	8.2x	6.8x	10.8x	12.6x
Google (YouTube)	\$543.30	\$172,544.1	\$30,059.0	\$0.0	\$142,485.1	4.8x	4.1x	11.5x	9.2x	20.8x	16.7x
Microsoft (Zune)	\$25.34	\$213,601.3	\$36,726.0	\$5,972.0	\$182,155.3	3.1x	2.8x	7.1x	6.5x	12.1x	10.9x
Netflix	\$154.61	\$8,135.9	\$279.1	\$237.2	\$8,094.0	2.8x	2.2x	19.3x	14.6x	40.3x	32.2x
News Corporation (Hulu)	\$15.88	\$41,620.0	\$8,709.0	\$13,320.0	\$45,920.0	1.3x	1.3x	7.4x	7.0x	13.5x	12.7x

Mean	\$109,789.8	\$14,127.2	\$4,036.0	\$99,722.9	2.7x	2.4x	12.8x	9.8x	22.5x	19.5x
Median	\$68,803.3	\$6,908.5	\$184.6	\$71,876.3	2.7x	2.3x	10.3x	8.6x	17.5x	15.6x
High	\$272,734.8	\$36,726.0	\$13,320.0	\$248,240.8	4.8x	4.1x	27.8x	17.0x	47.8x	39.6x
Low	\$8,135.9	\$279.1	\$0.0	\$8,094.0	1.3x	1.3x	7.1x	6.5x	10.8x	10.9x

Source: New Century Capital Partners and Capital IQ



Industry and Sector Trading Multiples for Publicly Traded Companies (cont.) <sup>(104)</sup>

## Video Conferencing

(\$ in millions, except per share amounts)

Company	Price	Market	Cash	Debt	Enterprise Value	Enterprise Value as a multiple of				Price Per Share as a mult. of	
	10/13/2010	Cap				LTM Rev.	NTM Rev.	LTM EBITDA	NTM EBITDA	LTM EPS	NTM EPS
Cisco Systems / WebEx	\$23.18	\$126,331.1	\$39,861.0	\$15,284.0	\$101,682.1	2.7x	2.4x	9.6x	7.6x	17.0x	13.5x
Polycom	\$28.33	\$2,377.3	\$457.0	\$0.0	\$1,905.5	1.9x	1.6x	14.9x	9.3x	56.4x	18.6x
Premier Global Services	\$7.48	\$449.4	\$42.3	\$265.9	\$673.0	1.0x	1.0x	6.2x	5.3x	48.4x	13.3x

Mean	\$43,052.6	\$13,453.4	\$5,183.3	\$34,753.5	1.9x	1.7x	10.2x	7.4x	40.6x	15.1x
Median	\$2,377.3	\$457.0	\$265.9	\$1,905.5	1.9x	1.6x	9.6x	7.6x	48.4x	13.5x
High	\$126,331.1	\$39,861.0	\$15,284.0	\$101,682.1	2.7x	2.4x	14.9x	9.3x	56.4x	18.6x
Low	\$449.4	\$42.3	\$0.0	\$673.0	1.0x	1.0x	6.2x	5.3x	17.0x	13.3x

## Video Software and Technology

(\$ in millions, except per share amounts)

Company	Price	Market	Cash	Debt	Enterprise Value	Enterprise Value as a multiple of				Price Per Share as a mult. of	
	10/13/2010	Cap				LTM Rev.	NTM Rev.	LTM EBITDA	NTM EBITDA	LTM EPS	NTM EPS
Adobe Systems	\$27.71	\$14,071.1	\$2,578.0	\$1,516.0	\$12,998.6	4.3x	3.4x	13.1x	7.8x	39.7x	14.1x
Avid Technology	\$13.99	\$518.2	\$46.8	\$0.0	\$471.2	0.7x	0.7x	NM	5.2x	NM	NM
DivX	\$6.75	\$251.4	\$143.2	\$0.0	\$115.8	1.5x	1.4x	NM	14.8x	NM	53.1x
Juniper Networks	\$31.64	\$16,590.6	\$2,223.4	\$0.0	\$14,367.9	3.4x	2.9x	15.0x	10.4x	36.3x	20.7x
KIT digital	\$12.65	\$294.7	\$70.0	\$3.0	\$233.4	3.5x	1.9x	NM	9.0x	NM	20.9x
Onstream Media	\$1.07	\$9.5	\$0.7	\$4.4	\$13.8	0.7x	NA	NM	NA	NM	NA
Rovi	\$49.85	\$5,173.1	\$460.0	\$524.2	\$5,245.5	9.0x	8.3x	24.5x	16.7x	45.5x	20.9x
Sonic Solutions	\$12.23	\$374.7	\$54.9	\$0.1	\$319.9	1.8x	1.7x	NM	26.5x	NM	NM
TiVo	\$10.31	\$1,201.1	\$243.0	\$0.0	\$958.5	3.0x	4.3x	NM	NM	NM	NM
ViewCast	\$0.27	\$9.7	\$0.5	\$5.9	\$15.1	1.1x	NA	NM	NA	NM	NA

Mean	\$3,849.4	\$582.1	\$205.4	\$3,474.0	2.9x	3.1x	17.5x	12.9x	40.5x	26.0x
Median	\$446.4	\$106.6	\$1.6	\$395.6	2.4x	2.4x	15.0x	10.4x	39.7x	20.9x
High	\$16,590.6	\$2,578.0	\$1,516.0	\$14,367.9	9.0x	8.3x	24.5x	26.5x	45.5x	53.1x
Low	\$9.5	\$0.5	\$0.0	\$13.8	0.7x	0.7x	13.1x	5.2x	36.3x	14.1x

## Web Video: Selected Investments and M&A Transactions

### Selected Investments and M&A Transactions <sup>(105)</sup>

**Tudou.com Closes US\$50 Million Series E Funding:** Tudou.com announced that it has closed a \$50 million Series E funding round on August 5, 2010. The new funding was led by Singapore-based Temasek Holdings. The round also saw participation from existing investors.

**HireVue Secures \$5 Million in Series B Funding; Chris Hollenbeck to Join Board of Directors:** HireVue announced the closing of its Series B financing totaling \$5 million. The round was led by new investor, Granite Ventures, with participation from previous investors, including JCP Capital.

The company also announced that Chris Hollenbeck will join its Board of Directors. Hollenbeck is currently a Director of companies such as Convio and Decision View among others.

**GlideTV announces a financing transaction:** GlideTV announced that it will raise a mezzanine round of funding on July 19, 2010. The company will issue shares of series A preferred stock pursuant to Regulation D of Securities Act. The preferred stock is convertible into common shares. The company will receive a total of \$28,64,823 from sale of series A preferred stock and the conversion of such preferred stock. The round will remain open for more than one year. As of July 31, 2010, the company received \$2,727,252.

**Cisco Systems completes the acquisition of CoreOptics:** Cisco Systems entered into a letter of intent to acquire CoreOptics for approximately \$99 million in cash and retention-based incentives on May 20, 2010. CoreOptics employees will become part of the Cisco service provider technology group and work with Cisco's existing optical engineering teams in Monza, Italy; Bangalore, India; and Richardson, Texas. The acquisition is subject to customary closing conditions and is expected to close in the second half of calendar year 2010.

**HireVue announces that it expects to receive \$4.9 million in funding:** HireVue announced that it will raise \$4,913,780 in its equity round of funding on July 12, 2010. The company will issue the securities pursuant to Regulation D. Each investor has to invest minimum of \$14,328 in the transaction. The transaction will include investment from five investors.

**Compass EOS announces that it expects to receive \$20 million in funding from Benchmark Capital, Cisco Systems, Crescent Point Group, North Bridge Venture Partners, and Pitango Venture Capital:** Compass EOS announced that it will raise \$20 million in a round of funding led by new investor Crescent Point Group on July 8, 2010. The round will include participation from existing investors including Benchmark Capital, North Bridge Venture Partners, Pitango Venture Capital, and Cisco Systems. On closing of this round the company would have raised \$55 million in funding till date.

**Cisco Systems signed a definitive agreement to acquire an unknown stake in MyCity Technologies from Wipro and Lavasa:** Cisco Systems signed a definitive agreement to acquire an unknown stake in MyCity Technologies from Wipro and Lavasa on July 7, 2010.

**Splash Media acquires the assets of WebDex Media Group:** Splash Media acquired the assets of WebDex Media Group on July 1, 2010. The financial terms of the deal were not disclosed.

**TurnHere announces that it expects to receive \$3 million in funding:** TurnHere announced it will receive \$3,000,000 in funding from seven investors in a round of funding on July 1, 2010. The company will issue common shares pursuant to Regulation D under the Securities Act.

**RGB Networks acquires Ripcode:** RGB Networks acquired Ripcode on June 23, 2010. The financial terms of the deal were not disclosed. Following the acquisition, Ripcode will continue to operate out of its office in Austin, Texas and nearly all of its employees will be retained. Jacqui Depares and Claire Ayles of Johnson King and John Giddings and Tamara Parker of Mobility Public Relations acted as PR advisor to RGB Networks, Andrew Luh, Matthew Karwoski, Blake Martell, Aaron Hou, Matthew Forkner, Ralph Pais, Ron Schrottenboer, Idan Netser and Chris Joslyn of Fenwick and West acted as the legal advisor for RGB Networks.

**BurstPoint Networks announces that it expects to receive \$2.1 million in funding:** BurstPoint Networks announced a private placement of equity for gross proceeds of \$2,109,299 on June 18, 2010. The company will issue the securities pursuant to Regulation D in the transaction.

**Web Video: Selected Investments and M&A Transactions (cont.)**

**BurstPoint Networks announces that it expects to receive \$2.1 million in funding:** BurstPoint Networks announced a private placement of equity for gross proceeds of \$2,109,299 on June 18, 2010. The company will issue the securities pursuant to Regulation D in the transaction.

**CrunchyRoll announces that it has received \$0.8 million in funding from Bitway:** CrunchyRoll announced that it has raised \$0.8 million of funding from Bitway on June 15, 2010. Bitway acquired 7% stake in the company through the transaction.

**Jivox announces that it has received \$4 million in funding from Helion Venture Partners and Opus Capital:** Jivox announced that it has received \$4 million in funding from returning investors Opus Capital and Helion Venture Partners on June 10, 2010. The company has raised \$15 million in two rounds with seed investments by two promoters.

**Swiffen Limited announces that it has received funding:** Swiffen Limited announced that it has received funding from private investors on June 8, 2010.

**CaptchaAd GmbH announces that it has received funding from Paua Ventures GmbH:** CaptchaAd GmbH announced that it has raised an undisclosed amount of funding from new investor Paua Ventures GmbH on May 26, 2010.

**Movie Clips announces that it expects to receive \$0.8 million in funding:** Movie Clips announced it will receive \$0.8 million in a round of funding on May 21, 2010. The company will issue convertible debt securities and options, warrants or other rights to acquire other securities pursuant to Regulation D under the Securities Act.

**Metacafe announces that it expects to receive \$6 million in funding:** Metacafe announced it will receive \$6,000,000 in funding from 14 investors in a round of funding on May 11, 2010. The company will issue convertible debt securities and options, warrants or other rights to acquire other securities pursuant to Regulation D under the Securities Act. The company will issue convertible promissory notes and the underlying preferred stock issuable upon conversion of such notes and the underlying common stock issuable upon conversion of such preferred stock.

**Tudou.com announces that it has received \$30 million of funding from Citic Trust and Investment and other investors:** Tudou.com announced that it has raised \$30 million in its fifth round of funding from an investment consortium led by Citic Trust and Investment in April 2010. The round also saw participation from existing investors.

**Tremor Media announces that it expects to receive \$40 million in funding:** Tremor Media announced it will raise gross proceeds of \$40,000,000 in a round of funding on April 22, 2010. The company will issue equity securities pursuant to Regulation D of the Securities Act. The transaction will involve participation from 16 investors.

**Imagine Communications announces that it has received \$10 million in funding from Carmel Ventures, Columbia Capital, Court Square Ventures, and other investors:** Imagine Communications announced that it has raised \$10 million of funding on April 20, 2010. The round included participation from all returning investors including Carmel Ventures, Columbia Capital and Court Square Ventures. The company has raised more than \$34 million to date.

**Encounter Technologies Announces Financing Agreement with Spire Investment Group for Up to \$10 Million:** Encounter Technologies announced that the company negotiated a financing contract with Spire Investment Group for up to \$10 million to support their June 2010 launch of their Web site MusicMatrix.com. Tranches will be invested into Encounter Technologies on a monthly basis. The financing has been put into place to support the promotional campaign with Mpower Entertainment for MusicMatrix.com.

**FreeWheel Media announces it expects to receive \$16.8 million in funding:** FreeWheel Media announced that it will raise \$16,799,998 in a round of equity funding on April 5, 2010. The company will issue common shares to six investors in the transaction pursuant to Regulation D.

**YouTube acquires Episodic from Granite Ventures and other investors:** YouTube acquired Episodic from Granite Ventures and other investors on April 2, 2010. The financial terms of the deal were not disclosed. Google is drawing upon its cash hoard of \$24.5 billion to pay for its acquisitions. Episodic's service is going to be folded into YouTube and YouTube offices will be joined with the Episodic staff. Cleary, Gottlieb, Steen and Hamilton acted as legal advisor to Google.

## 2010 VS. 2009 Private Placements Transaction Summary

(\$ in millions)						
Sector	Through July 31, 2009			Through July 31, 2010		
	Agg. Value	# of Trans.	Avg. Size	Agg. Value	# of Trans.	Avg. Size
Web Video	\$322	42	\$8	\$404	51	\$8

Year-over-year Change		
Agg. Value	# of Trans.	Avg. Size
25%	21%	7%

## Private Placements

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Company	Amount Raised (\$mm)	Investors	Business Description
7/28/10	Silicon Alley Insider	3.0	RRE Ventures; Kohlberg Ventures; Pilot Group; Allen & Company	Publishes a business and community site 'The Business Insider' (TBI).
7/21/10	Camelot Entertainment Group	0.4	N.I.R. Group	Operates in the film, television, digital media, and entertainment industries.
7/16/10	SouthPeak Interactive	5.0	AQR Funds - Diversified Arbitrage Fund; AQR Capital Management; Cnh Partners	Develops and publishes interactive entertainment software.
7/14/10	7 Star Entertainment	10.0	Kodiak Capital Group	Offers services such as online marketing, online videos, online dating, custom acquisitions, and social networking.
7/13/10	Vivox	2.0	Peacock Equity Fund	Provides voice chat, video, instant messaging, and presence for online games and other online communities.
7/12/10	Dashwire	0.5	Undisclosed	Provides Connected Services platform to deliver mobile-Web consumer services.
7/12/10	HireVue	5.0	Granite Ventures; JCP Capital	Operates as an online video interviewing company in the United States and internationally.
7/6/10	Lockerz	Undisclosed	Kleiner, Perkins, Caufield & Byers	Operates as a Website community to connect members through content and social networking.
7/6/10	Jiubang Digital Technology	Undisclosed	IDG Capital Partners; CBC Capital; JAFCO Investment (Asia Pacific); WI Harper Group	Wireless application protocol portal that offers downloading services.
7/5/10	Intema Solutions	0.2	Undisclosed	Provides original technology marketing solutions for small and medium businesses in North America.

Source: New Century Capital Partners and Capital IQ

## Private Placements (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Company	Amount Raised (\$mm)	Investors	Business Description
7/5/10	M2M	0.5	Undisclosed	Provides voice services over broadband Internet connections utilizing the SIP technology.
7/1/10	TurnHere	3.0	Undisclosed	Operates as an Internet video solutions provider.
6/30/10	Fliqz	0.8	Undisclosed	Offers online video solutions, as well as operates an Internet video platform.
6/30/10	AudiSoft Group	5.5	Odco Asset Management; Orkos Capital SAS	Offers video conferencing solutions for mobile telephones.
6/29/10	Big Green Company	2.5	Undisclosed	Operates an online store for audio CDs, music videos, songs, and TV episodes.
6/29/10	Packet One Networks	101.5	SK Telecom	Offers data, voice, and video services to mobile enterprises, SOHO, and residential users.
6/28/10	Althea Systems & Software	3.0	Undisclosed	Provides solutions that simplify online video discovery and consumption across various screens.
6/28/10	QuStream	2.4	Undisclosed	Designs, develops, and distributes integrated products to creators and distributors of video content.
6/28/10	Zoo Digital	1.3	Multi Packaging Solutions	Provides productivity tools and services for video postproduction, pre-media, and interactive markets.
6/28/10	Envivio	15.0	Undisclosed	Offers video compression and IP video convergence encoding products and solutions.
6/15/10	CrunchyRoll	0.8	Bitway	Operates an online video-sharing platform that allows people to upload, tag, and share personal video, movies, and music.
6/15/10	Metamedia Capital	0.9	Undisclosed	Provides video conferencing, animation content, and consumer media technologies service.

Source: New Century Capital Partners and Capital IQ

## Private Placements (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Company	Amount Raised (\$mm)	Investors	Business Description
6/10/10	Jivox	4.0	Opus Capital; Helion Venture Partners	Provides an interactive video advertising technology for online media companies and advertisers.
6/7/10	nValeo	0.5	Undisclosed	Operates an online media delivery system that provides access to high-definition video content.
5/26/10	CaptchaAd	Undisclosed	Paua Ventures	Provides online video advertising solutions.
5/21/10	Sonru	0.3	Kernel Capital	Provides an automated online video tool used in recruitment, education, CRM, and training applications.
5/19/10	Dilithium	4.0	Undisclosed	Offers converged video solutions for the mobile, broadband, and the Internet markets.
5/11/10	Metacafe	6.0	Undisclosed	Operates as an online video site.
5/10/10	GoConnect	0.5	Undisclosed	Engages in the online delivery of interactive audio/video content.
5/7/10	Blip Networks	10.1	Bain Capital Ventures; Canaan Partners	An online television network, features, promotes, and monetizes shows on the Web.
4/30/10	Tudou.com	30.0	Citic Trust & Investment	Operates an online video broadcasting site.
4/22/10	Tremor Media	40.0	Canaan Partners; SAP Ventures; Triangle Peak Partners; Draper Fisher Jurvetson; MeriTech Capital Partners	On line video advertising network, provides video advertising solutions.
4/20/10	DigitalPost Interactive	2.3	Undisclosed	A software as a service and application provider, delivers digital media sharing solutions.
4/14/10	Complex Media	1.7	Undisclosed	A consumer portal, operates as an online destination for content.

Source: New Century Capital Partners and Capital IQ

## Private Placements (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Company	Amount Raised (\$mm)	Investors	Business Description
4/8/10	Affine Systems	0.8	Undisclosed	Provides video search solutions.
4/5/10	FreeWheel Media	16.8	Steamboat Ventures; Turner Broadcasting System; Battery Ventures; Foundation Capital	Offers online video advertising solutions.
4/5/10	Tumblr	5.0	Spark Capital; Union Square Ventures	Operates as a platform to share and post text, photos, and videos from the client's browser.
3/30/10	Myskreen	2.0	Habert Dassault Finance SARL; Le Figaro SA	Operates as a video portal which indexes the French legal video download and television streaming market.
3/25/10	Brightcove	12.0	Accel Management Co; AOL; Maverick Capital; AllianceBernstein; Brookside Capital Management; General Catalyst Partners; Hearst	Provides Internet television services.
3/18/10	Panvideo	2.0	evaluate AG; Contour Venture Partners; NYC Seed; Draper Fisher Jurvetson Gotham Ventures; Wider Wake Networks	Engages in the on-demand video preparation, processing, and distribution of entertainment and advertising content.
3/15/10	Wistia	1.0	Undisclosed	Provides business video sharing, management, and collaboration tools for sales, marketing, and training applications.
3/15/10	MyOutdoorTV	1.3	Undisclosed	Operates an Internet video network for outdoor entertainment programming.
3/8/10	SeaWell Networks	7.0	Northwater Capital Management; Ontario Centres of Excellence; BDC Venture Capital	Provides technology for the distribution and delivery of Internet video.
2/28/10	British Internet Broadcasting Company	0.4	Undisclosed	Provides video content distribution services to media businesses and consumers.
2/26/10	ImageSpan	4.1	City Light Capital; Bertelsmann Digital Media Investments	Provides digital content licensing solutions.
2/26/10	qiwi.com	50.0	Providence Equity Partners	Operates as a video Website.

Source: New Century Capital Partners and Capital IQ

## Private Placements (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Company	Amount Raised (\$mm)	Investors	Business Description
2/12/10	YuMe	25.0	Menlo Ventures; Accel Management; BV Capital; DAG Ventures; Khosla Ventures	Operates as a video advertising network on Web.
2/10/10	Kaltura	3.5	Undisclosed	Provides open source online video platform.
2/4/10	3Play Media	0.6	Undisclosed	Provides transcription and Web video captioning services.
2/1/10	Vivox	6.8	Canaan Partners; Benchmark Capital; GrandBanks Capital; IDG Ventures	Provides voice chat, video, instant messaging, and presence for online games, virtual worlds, and other online communities.
1/26/10	allvoices	3.0	VantagePoint Venture Partners	Operates as a community that shares news, videos, images, and opinions related to news events and people.
12/20/09	Youku.com	40.0	Maverick Capital; Chengwei Ventures; Brookside Capital Management; Sutter Hill Ventures	Operates as a Chinese Internet video Website.
12/18/09	Flixlab	0.6	Undisclosed	Provides online video production, indexing, sharing and archiving software and services.
12/15/09	Iveda	0.1	Undisclosed	Provides video hosting, archiving, and real-time remote surveillance services to businesses and organizations in the United States.
11/20/09	LeanStream Media	2.5	Undisclosed	Develops and markets video compression technology that delivers streaming HD-quality video on demand.
11/12/09	MediaMerx	1.2	Undisclosed	Provides online platforms and video tools for the streaming of digital videos to the Internet providers and broadband audiences.
11/6/09	Machinima	3.0	Undisclosed	Online entertainment network, provides videos from video games.
11/2/09	Masher Technologies	0.2	IBIS Media VCT 1; IBIS Capital	Offers online services for video creation.

Source: New Century Capital Partners and Capital IQ



## Private Placements (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Company	Amount Raised (\$mm)	Investors	Business Description
10/30/09	thisMoment	1.0	Undisclosed	Provides photo-and video-sharing, blogging, media and social networking services.
10/9/09	Ooyala	10.0	Sierra Ventures; Rembrandt Venture Partners	Provides video solutions to video content providers, advertisers, publishers, and consumers.
10/8/09	Dailymotion	25.4	Advent Venture Partners; Partech International; IDInvest Partners; Fonds Stratégique d'Investissement SA; Atlas Venture	Provides online video content in France and Europe.
10/5/09	Bluefin Lab	Undisclosed	Kepha Partners	Develops video search technology for analyzing and indexing sports video.
9/17/09	Vidyo	7.0	Star Ventures Management; Menlo Ventures	Provides Internet based video conference solutions.
9/4/09	YuMe	5.0	Khosla Ventures; BV Capital; DAG Ventures; Accel Management	Operates as a video advertising network on Web.
9/4/09	Vantrix	2.6	Undisclosed	Provides mobile video optimization and delivery solutions for streaming, browsing, and messaging for mobile and broadband networks.
9/3/09	Stream5	Undisclosed	Tiburon Partners; DuMont Venture Holding & KG; KfW Mittelstandsbank	Offers interactive Internet television and video-on-demand solutions.
8/25/09	Tremor Media	Undisclosed	SAP Ventures	An online video advertising network, provides video advertising solutions.
7/24/09	Konbini	4.3	NextStage	Provides video contents over the Internet.
7/24/09	iMemories	6.2	Capital Southwest Corporation	Provides a Web platform for digitizing, storing, and sharing personal videos and photos.
7/8/09	Qik	5.5	CampVentures; Quest Ventures	Operates a mobile live video streaming platform.

Source: New Century Capital Partners and Capital IQ

## Private Placements (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010<sup>(104)</sup>

Date	Company	Amount Raised (\$mm)	Investors	Business Description
7/8/09	Invodo	6.0	Sevin Rosen Funds; S3 Ventures	Operates an online video management platform for connecting manufacturers and retailers.
6/10/09	Nokeena Networks	6.5	Clearstone Venture Partners; Mayfield Fund; Trinity Ventures	Develops technology to distribute and store online video.
6/8/09	Avail Media	3.0	Novak Biddle Venture Partners	Provides IPTV and media services to broadband operators.
6/3/09	Adzoomi	0.6	Undisclosed	Provides a viral video platform that connects advertisers, creators, and promoters/publishers.
5/22/09	Fotolia	50.0	TA Associates	Provides photos and videos to customers for use across the Web.
5/13/09	BlogHer	7.0	Azure Capital Partners; Peacock Equity Fund; Venrock	Operates an online community and media network.
5/11/09	EveryZing	8.3	Accel Partners; Fairhaven Capital Partners; GE Media; Communications and Entertainment; General Catalyst Partners	Operates an audio and video search engine.
4/30/09	Kontiki	0.6	Undisclosed	Provides on demand enterprise video delivery solutions.
4/28/09	G2J.COM	1.1	Citizens Capital	Operates as a video-conference company.
4/22/09	Move Networks	Undisclosed	Benchmark Capital; Cisco Systems; Comcast Interactive Capital; Hummer Winblad Venture Partners	Provides online video broadcasting and streaming services.
4/21/09	Quick TV	0.5	NSTAR	Provides video services online.
4/15/09	Devotis	5.9	360 Capital Partners; LC Capital	Provides video digitalization services.

Source: New Century Capital Partners and Capital IQ

## Private Placements (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Company	Amount Raised (\$mm)	Investors	Business Description
4/13/09	Rubicon Project	5.0	Clearstone Venture Partners; IDG Ventures; Mayfield Fund	Provides online advertising solutions to Web publishers.
4/12/09	Collective Media	20.0	Accel Partners; iNovia Capital; Greycroft	Operates as an online ad network.
4/8/09	Anevia	7.0	CDC Innovation; Seventure Partners	Provides video over IP equipments.
4/6/09	Glam Media	10.0	Asatsu-DK; Dentsu; Mizuho Capital; Nikkei Business Publications	Operates lifestyle Website and blogs.
4/1/09	TubeMogul	3.0	Trinity Ventures	Provides online video analytics and distribution services for publishers.
3/31/09	VideoEgg	4.4	August Capital Management	Develops web-based video publishing solutions.
3/26/09	Visible Measures	10.0	General Catalyst Partners; Mohr Davidow Ventures; Northgate Capital Group	Measures the behavior of online video audiences.
3/24/09	FreeWheel Media	12.0	Battery Ventures; Foundation Capital	Provides video content owners with video rights and services.
3/24/09	GoViral	8.8	Kennet Venture Partners	Develops branded video content.
3/12/09	Pontiflex	6.3	Greenhill Capital Partners; New Atlantic Ventures; RRE Ventures; Silicon Alley Venture Partners	Operates as a cost per load market to connect advertisers with consumers.
3/12/09	JAG Media	5.0	Yorkville Advisors	Engages in gathering and compiling financial and investment information.
3/11/09	Contendo	7.0	Benchmark Capital; Sequoia Capital	Develops content delivery network architecture.

Source: New Century Capital Partners and Capital IQ

## Private Placements (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Company	Amount Raised (\$mm)	Investors	Business Description
3/11/09	Blade Games World	4.0	California Technology Ventures	Provides video game development solutions.
3/11/09	Auditude	10.5	Greylock Partners; Redpoint Ventures	Operates as a business-to-business company.
2/26/09	BridgeCo	6.0	Advent Venture Partners; Atila Ventures; Balderton Capital; Cipio Partners; Earlybird Venture Capital; Fidelity Ventures	Develops media networking processors and software.
2/24/09	Vidyo	15.0	Menlo Ventures; Rho Ventures; Sevin Rosen Funds; SVM STAR Ventures Management	Provides video conferencing over the Internet.
2/18/09	Online Video Guide	5.0	Baroda Ventures	Provides an online Internet video guide.
2/18/09	Tremor Media	18.0	Canaan Partners; European Founders Fund; Masthead Venture Partners; Meritech Capital Partners	Develops an online video advertising technology.
2/18/09	Tvtrip	9.0	AGF Private Equity; Balderton Capital; Partech International	Operates a website which enable hotel searches using online videos.
2/18/09	Visible Measures Corporation	10.0	General Catalyst Partners; Mohr Davidow Ventures; Northgate Capital Group	Measures the behavior of online video audiences.
2/10/09	WhistleBox	2.3	Undisclosed	Develops user-generated video platform/video applications for Websites.
2/9/09	Teliris	8.0	Columbia Capital; Fidelity Ventures	Provides interactive video conferencing solutions.
2/3/09	Mixpo	4.0	GrowthWorks; Madrona Venture Group; Yaletown Venture Partners	Develops video marketing solutions for small and medium sized businesses.
1/7/09	Motionbox	6.0	Canaan Partners; Constellation Ventures; SAS Investors	Provides online personal video sharing services.

Source: New Century Capital Partners and Capital IQ

## Private Placements (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Company	Amount Raised (\$mm)	Investors	Business Description
1/5/09	Ripcode	12.5	Covera Ventures; Granite Ventures; ATA Ventures; El Dorado Ventures; Vesbridge Partners	Designs dual-application infrastructure solutions for delivering video on-demand and real-time video streaming.
1/5/09	SundaySky	8.0	Carmel Ventures; Globespan Capital Partners	Provides digital video generation solutions.
1/1/09	Media Convergence Group	0.1	Undisclosed	Operates an online video news site that monitors, synthesizes, and presents world news.

**Total Summary of 2009-2010 Web Video  
Private Placement Transactions**

Mean Size of Investment	\$8.1
Median Size of Investment	\$4.7
Number of Transactions	109

## 2010 VS. 2009 Mergers &amp; Acquisitions Transaction Summary

Sector	# of Trans.		YOY Chg.	TTV as a Multiple of LTM* Rev.			YOY Chg.
	As of July 31, 2009	As of July 31, 2010	# of Trans.	As of July 31, 2009	As of July 31, 2010	TTV/Rev.	
Web Video	10	12	20%	Mean	0.6x	0.4x	-37%
				Median	0.5x	0.4x	-29%

## Mergers &amp; Acquisitions

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Target	Buyer	Total Trans. Value(\$mm)	Total Rev. (\$mm)	TTV/Rev. Multiple	Business Description
7/20/10	Lions Gate Entertainment	High Rise; Icahn Associates	1,358.1	Undisclosed	Undisclosed	Engages in the production and distribution of video-on-demand and digitally delivered content.
7/12/10	ADC Telecommunications	Tyco Electronics	1,905.2	Undisclosed	Undisclosed	Provides broadband communications network infrastructure products and related services worldwide.
6/1/10	DivX	Sonic Solutions	328.1	Undisclosed	Undisclosed	Creates products and provides services to enhance the consumers' media experience.
5/17/10	Global IP Solutions	Google	68.0	Undisclosed	Undisclosed	Engages in the development, marketing, and sale of IP voice and video processing software.
5/6/10	Omneon	Harmonic	338.3	Undisclosed	Undisclosed	Provides digital content storage and processing systems for media companies.
4/21/10	Qwest Communications	CenturyLink	24,092.2	Undisclosed	Undisclosed	Provides data, Internet, video, and voice services.
4/13/10	Videra	Elisa Oyj	14.5	Undisclosed	Undisclosed	Operates as a remote work and conferencing services supplier.
4/7/10	Ankeena Networks	Juniper Networks	100.0	Undisclosed	Undisclosed	Provides new media delivery infrastructure solutions to online media publishers and aggregators, and CDNs and service providers.
3/16/10	Optibase	Vitec Multimedia	8.0	Undisclosed	Undisclosed	Provides encoding, decoding, video server upload, and streaming solutions for telecom operators, service providers, broadcasters, and content creators.
2/25/10	Keda Communications	N/A	13.2	37.5	0.4x	Engages in the development, manufacture, and sale of video conferencing and video surveillance systems.
1/26/10	Beijing Leimone Shengtong Culture Development	ZOOM Technologies	7.2	Undisclosed	Undisclosed	Provides mobile video services.

Source: New Century Capital Partners and Capital IQ

## Mergers &amp; Acquisitions (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Target	Buyer	Total Trans. Value(\$mm)	Total Rev. (\$mm)	TTV/ Rev. Multiple	Business Description
1/22/10	StudioNow	AOL	36.0	Undisclosed	Undisclosed	Provides an online video, animation, and audio creation platform for the creation and distribution of on-demand video content.
11/12/09	BitBand	Motorola Israel	10.0	Undisclosed	Undisclosed	Provides video content distribution and delivery solutions over Internet protocol (IP) broadband networks.
10/15/09	The Orchard Enterprises	Dimensional Associates	14.6	Undisclosed	Undisclosed	Provides digital media services worldwide.
10/5/09	Interactive Netcasting Systems	NeuLion	7.9	Undisclosed	Undisclosed	Provides a platform for broadcasting video over the Internet.
9/30/09	Tandberg	Cisco Systems Netherlands Holdings	3,421.8	902.6	3.8x	Provides videoconferencing solutions worldwide.
9/30/09	The FeedRoom	KIT Digital	16.6	Undisclosed	Undisclosed	Provides Web video solutions and technology for corporations and media/publishing organizations.
9/1/09	Skype Technologies	Silver Lake Partners; Index Ventures; CPP Investment Board; Andreessen Horowitz	2,025.0	Undisclosed	Undisclosed	Software that enables individuals and businesses to make free video and voice calls, send instant messages, and share files.
5/5/09	Vignette	Open Text Corporation	159.6	158.0	1.0x	Develops and sells software for managing and delivering content.
4/30/09	Hulu (27% stake)	Disney	N/A	Undisclosed	Undisclosed	Provides online streaming video content.
4/15/09	Muze	Macrovision Solutions	16.5	Undisclosed	Undisclosed	Provides media information solutions, and media preview and discovery services.
4/7/09	GyaO	Yahoo Japan	5.3	Undisclosed	Undisclosed	Provides broadband broadcast and video streaming services.
4/7/09	Usen	Yahoo Japan	5.3	Undisclosed	Undisclosed	Provides online videos to consumers.
3/19/09	Pure Digital Technologies	Cisco Systems	590.0	Undisclosed	Undisclosed	Develops digital imaging solutions for the mass market.

Source: New Century Capital Partners and Capital IQ

## Mergers &amp; Acquisitions (cont.)

Selected Web Video Transactions January 1, 2009 to July 31, 2010 <sup>(104)</sup>

Date	Target	Buyer	Total Trans. Value(\$mm)	Total Rev. (\$mm)	TTV/Rev. Multiple	Business Description
3/12/09	MIVA Media International	Adknowledge	11.6	72.5	0.2x	Provides paid-for listings on an online marketplace.
2/19/09	Golden Pages Publications	Fortune Market Media	57.5	Undisclosed	Undisclosed	Provides mobile services and various digital-based applications.
2/10/09	Live Nation	Ticketmaster Entertainment	644.4	1,288.8	0.5x	Produces live music concerts worldwide.
1/5/09	TV Guide	Lions Gate Entertainment	255.0	Undisclosed	Undisclosed	Serves as a global technology and media company focusing on consumer entertainment.

## Total Summary of 2009-2010 Web Video M&amp;A Transactions

	Trans. Value (\$mm)	Rev. (\$mm)	TTV/Rev. Multiple
Mean	1,315.2	491.9	1.2x
Median	57.5	158.0	0.5x
High	24,092.2	1,288.8	3.8x
Low	5.3	37.5	0.2x



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**New Century Capital Partners' Mergers and Acquisitions, Restructuring and Capital Raising Experience and Relationships**



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