The Jordan Edmiston Group, Inc.

JEGI Capital

Since 1987

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Independent Investment Banking for Media, Information, Marketing & Related Technology

In This Issue...

JEGI's Media and Technology Conference

January 21 at the Four Seasons Hotel, NYC

Panel Discussion *(from left)* John Rose, Senior Partner & Managing Director, Boston Consulting Group (moderator and sponsor); Rick Erwin, President, Data Division, Experian; Tom Phillips, CEO, Media6Degrees; Michael Zimbalist, VP, Research & Development, New York Times Company; Russell Glass, CEO, Bizo; and Al DiGuido, CEO, Zeta Interactive.

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JEGI Media and Technology Conference

Retooling for Growth

The Jordan, Edmiston Group (JEGI) hosted its sixth annual Media and Technology Conference focused on revenue growth at the Four Seasons Hotel in New York City on January 21, 2010. The Conference provided an unsurpassed learning and networking opportunity for more than 200 c-level media, information, marketing services and technology executives and senior private equity and venture capital investors.

JEGI's Founder and CEO Wilma Jordan previewed the conference's focus with the following three observations:

1. Conference attendees don't have to think very long or hard to realize that some genuinely important shifts have taken place in media, marketing, and technology, including dramatic shifts in spending for advertising and measured media.
2. Behavioral targeting and Return on Investment (ROI) have become the mantra for marketers, and a number of new businesses have been launched in recent years that reflect these trends.
3. There is a clear trend toward real-time data and search, and the resulting impact of this shift affects both marketers and users.

The Conference's program reflected these dynamic changes and ended with Gian Fulgoni, Chairman of comScore, providing key insights on digital media spending.

Excerpts from the event's keynote speakers, panel discussions, case studies and presentations follow:

Keynote Fireside Chat

Keynote Speaker: Nada Stirratt, Chief Revenue Officer, MySpace, *a leading social network with 100 million members.*

Moderator: Wenda Harris Millard, President, MediaLink, *a leading strategic advisory and representation firm for the media industry.*

MySpace is being positioned as a social entertainment experience, not a communications device. It is being built from a music standpoint and is a network used to either discover content or be discovered. Approximately 13 million bands and artists maintain MySpace pages and nearly a million of them actively manage their fan base through MySpace.

With over 100 million global unique users and 65 million in the U.S., MySpace is well-positioned as a hub of entertainment and the socialization of content. Music, with its extraordinary content base, allows MySpace to take its core offering into other areas of entertainment, like movies and gaming. MySpace's core audience – ages 14 to 24 – cares about photos and karaoke, with ambitions of becoming the next star. Those in the 24 to 34 age range care primarily about the music and want to be in the know about new bands.

MySpace feels it is absolutely critical to be real-time with the demographics of its user base, so the company is focused on making sure it has the talent and the content to serve its users in real-time. For example, MySpace maintains an artist dashboard, which enables artists to see in real-time heat mapping of how the MySpace audience is talking about them. It then provides a graph that highlights the markets where the artist is most important and not important at all.

It is critical for MySpace to have this kind of relationship with content producers (artists), and the company is now learning how to use

At JEGI's Media and Technology Conference *(from left)* Nada Stirrat, Chief Revenue Officer, MySpace; Wenda Harris Millard, President, MediaLink and JEGI Advisory Board Member; and Wilma Jordan, Founder & CEO, JEGI.

(continuation of Keynote Fireside Chat)

this data as a predictive tool. Additionally, by using the mapping technology, MySpace has been able to discover new music and new bands as they are starting to become popular.

Monetization A banner ad may not work in certain situations and may not be valued properly by advertisers, so MySpace is investigating monetization by combining things like engagement, interaction, and flow of conversation. MySpace has extraordinary scale, and by using data and hyper-targeting, it is possible to extract the most value from each impression.

Many folks automatically lump MySpace with Yahoo, AOL and MSN, but the ad container in the social space is very different from the content space. Social has a strong tie to offline, because users have offline experiences that they share online. This offers marketers a number of creative ways to produce content to take advantage of user behavior. For example, "Married on MySpace" enables couples to meet on MySpace, the MySpace social graph plans their entire wedding, and JC Penney is the enabler. This is a great example of driving offline behavior back to online to continue the context and the content flow.

(from left) Matthew Lyness, Senior Managing Director, GE Capital Markets (speaker and sponsor); Wilma Jordan; and Peter Foley, Senior Managing Director, GE Capital Markets.

MySpace produces 350 music concerts a year, and the company's powerful social graph is used to notify people of upcoming events. MySpace recently announced an exclusive partnership with Simon Fuller (founder of American Idol), who is using MySpace Karaoke as an audition platform to create a new real-time show around the talent. The show can be watched by anyone, anywhere, and mobile is very important to the youth market that MySpace serves.

The biggest difference between MySpace and other online sites is that MySpace is an open social graph; nearly all other social networks are closed – they require visitors to be friends to see each other's preferences. Our perceived "sense of urgency" lies in the foresight that nearly every person has digital capability and a year from now, they will be talking about the social connections of their digital property. Everything will be in social media.

Keynote Presentation: Bloomberg's Retooling of *BusinessWeek* for Growth

Keynote Speaker: Norman Pearlstine, Chief Content Officer, Bloomberg, *a global information, news and media company.*

"Why did a 21st Century media and information company like Bloomberg invest in a weekly magazine?"

Bloomberg is primarily driven by its commitment to the professional investor and the Bloomberg terminal. The company has approximately 300,000 customers who pay $20,000 a year for access to the terminal. When Editor in Chief Matt Winkler identified an opportunity to increase Bloomberg's coverage of commodities, he hired 30 journalists around the world, at a cost of $5 million a year. Bloomberg was able to identify 2,500 new customers for the terminal ($50 million in revenue). When there is this kind of opportunity to grow revenue from hiring journalists, the difference between Bloomberg and other media companies is clear.

Bloomberg's reputation for news coverage has also been critical to the growth of terminal sales. Bloomberg L.P. has about 2,400 editorial employees around the world and 146 bureaus in 72 countries. *BusinessWeek* provides access to a corporate class of readers and leaders in government. Additionally, the magazine has a dedicated audience of 900,000 and a total audience of 4.8 million for the English language edition. To enhance its reputation and gain access, Bloomberg expanded its coverage to the consumer market with the launch of Bloomberg Radio in 1992, Bloomberg Television in 1994, bloomberg.com in the mid-'90s, and a Bloomberg syndication service that puts articles in the hands of about 500 newspapers globally.

BusinessWeek, in addition to being an 80-year-old magazine with a dedicated audience, has a web site that is roughly the size of bloomberg.com. The demographics of *BusinessWeek* and Bloomberg are very similar; but the psychographics are quite different, so there's virtually no overlap between the audiences. If Bloomberg is successful in combining the two businesses, it will have created the largest business web site after the portals.

With *Fortune*'s decision to go to 18 times a year and *Forbes* focusing on its web site, *BusinessWeek* has a strong position as a business weekly. Additionally, with *The Wall Street Journal* giving up space in its first section to general news, there is a market opening for a pure business weekly. By increasing its page count from 55 pages to 66 pages, *BusinessWeek* will equal the minimum page count of *The Economist*, and a total redesign in April will double *BusinessWeek's* story count from 30 to 60.

Bloomberg is finding that *BusinessWeek* is providing global access. In late November, at a *BusinessWeek* conference in China, the head of the Bank of China was there. He knows *BusinessWeek* well, because it has produced a Chinese language edition for 23 years, with a circulation of 160,000, and he also has a Bloomberg terminal on his desk. He was attracted to the conference by the news that Bloomberg now owned *BusinessWeek.*

(from left) Duncan Edwards, President and CEO, Hearst Magazines International; Cathie Black, President, Hearst Magazines; Norman Pearlstine, Chief Content Officer, Bloomberg (keynote); and Scott Peters, Co-President, JEGI.

The staff of *BusinessWeek*, with its 80-year tradition of fact-based reporting and a culture of searching for pragmatic solutions, fits very well with Bloomberg's. A recent issue of *BusinessWeek* included a 20-page special report on Washington that was created by Bloomberg's 150-person bureau in the district. This is the kind of depth and reach that is totally different from other news organizations and media companies and fits very well with *BusinessWeek.*

Furthermore, weekly is the strongest place in magazines today. *The Economist*'s circulation has doubled in the last decade and advertising for the magazine has been very strong. Certainly, Bloomberg is also attracted to *BusinessWeek's* ability to jumpstart the company's ambitious efforts online. If a multi-platform opportunity didn't exist, Bloomberg may not have been as attracted to the acquisition.

***Case Study:* Data, Data Everywhere, Not A Thought to Think**

Moderator: Tolman Geffs, Co-President, The Jordan, Edmiston Group

Panelist: Joe Zawadzki, CEO, MediaMath, *automated media-trading platform that provides powerful analytics and rich data.*

Demand side platforms (DSPs), together with user-level targeting data providers, such as BlueKai and eXelate, are revolutionizing how agencies buy secondary (non-premium) ad inventory. Currently, spending by agencies on these exchanges is small, but the expectation is that within two years, a significant percentage of media budgets, perhaps up to 30% or more, will move from network buys to exchanges.

(continued on page 4)

A New Class of Marketing Services

By David Clark, Managing Director, JEGI, davidc@jegi.com

A new class of marketing services disciplines has emerged amid the rubble of the 2008-2009 advertising and marketing recession. Web-native and data-driven, these emerging disciplines are adding new spokes to the traditional marketing services wheel. Innovative companies are building revenue and awareness within such recently established categories as Customer Experience Management (CEM), Best Customer Marketing, Customer BI (Business Intelligence), and Social CRM (Customer Relationship Management).

The emergence of these disciplines has coincided with the sustained decline in measured, "above the line" media spending. Even before the recession, marketers had begun shifting more of their budgets from broadcast media and branding initiatives to offline and online tactics specifically designed to acquire customers, move product and retain or increase wallet share. The recession has only accelerated this secular shift.

In the current economic environment, more traditional "below the line" marketing service categories have fared reasonably well. For example, upwards of $47 billion still get spent each year on promotional and shopper marketing services designed to shape consumer behavior at the marketing "moment of truth". Furthermore, the outlook for growth in these categories remains positive (estimated at 3% to 5% per year for the period 2010-2014), especially as they continue to evolve and migrate online.

Despite their success, these more traditional marketing tools are somewhat blunted in today's media and marketing world, where marketers still care about who their consumers are (demographics) and where they can be reached (media and channel), as well as what consumers are doing (behavior and experience), who they know and are connected to (social graph), what they are sharing (word-of-mouth), and what they want to know about a brand (content).

> *"CEM is about assessing every interaction that a consumer can have with a brand and considering how those interactions impact the overall buyer/user experience...marketers (and CEO's) are focused like never before on how customers experience their brands..."*

Coming out of the recession, marketers seem more willing to increase spending on services that help garner these additional insights, creating a great opportunity for innovation and growth across an array of new marketing disciplines and related technology solutions. Developments in the field of CEM provide an excellent case study for how and where this innovation can occur.

Customer Experience is Fundamental Most marketers would agree that the battle for customers is as intense as ever and that retaining the customer is Job #1. Against this backdrop, CEM has emerged as the new fundamental. It is about assessing every interaction that a consumer can have with a brand and considering how those interactions impact the overall buyer/user experience. CEM's key premise is that a single failed interaction can quickly cause a lost sale or lapsed customer, especially in hyper-competitive categories.

Across all categories, marketers (and CEO's) are focused like never before on how customers "experience" their brands, be it in front-line sales, web site navigation and performance, product usability, customer care and feedback channels, or CRM-based marketing communications. Each of these interactions is critical unto itself, and on a combined basis, they can have major implications for revenue (via retention), operating costs (via product development, service delivery and customer support) and marketing (to feature positive feedback or correct for negative feedback from customers).

CEM is ultimately about data – data capture, integration and analytics. Within the field, a growing set of specialized service and solution providers are putting an array of technology against these tasks. For example:

- Companies like Marketforce Information (backed by Monitor Clipper Partners) are re-defining mystery shopping, the classic source of customer experience data. Marketforce can "shop" and "report" on a sizable sample of a client's customer facing channels (e.g., levels of product or service quality at retail stores, franchise outlets, help lines and IVR systems) on a recurring basis; run analytics to identify product or service issues and how they impact financial results; guide intervention where necessary; and use the data to assess, support and re-train front-line employees.

- Companies like Clarabridge (backed by Grotech) help clients generate customer experience insights using text analytics software that can identify customer issues and sentiment within huge volumes of unstructured data, such as call center, survey, and user forum verbatims. Clarabridge helps large organizations build infrastructures designed to continuously monitor and mine these data streams, derived from positive or negative customer experiences, to improve decision making across product development, service delivery, customer support and marketing functions.

- Companies like ClickFox (backed by Ascent Ventures) have developed integrated Customer Experience Analytics (CEA) solutions that provide a single view of all customer interactions across all communication channels – POS (Point of Sale), CRM, call recording, IVR (Intelligent Voice Response) systems and web sites – and uses that data to create models of the actual paths by which consumers interact with a brand and determine how to improve upon customer contact and customer care interactions.

- Finally, companies like Lithium Technologies (backed by Benchmark Capital and others) employ social media platforms and collaboration tools to enhance customer experience and customer care, principally by enabling customers to interact with each other in an environment created and curated by brands. By seeding and supporting this "Social CRM", marketers learn what product features and brand interactions actually matter to customers and how customers may be sharing those experiences with others.

Each company has a slightly different approach to creating and leveraging customer data and insights. As a group, their success confirms the value of CEM to marketers who need closer views of their customers than more traditional marketing services can provide.

Developments in the CEM field also highlight other significant changes in the marketing services sector, including the following:

- Marketing services will increasingly take the form of software-based solutions, including SaaS (Software as a Service) models, which ClickFox and Lithium already employ;

- Marketing services will increasingly be delivered from platforms that operate on a continuous vs. campaign basis, creating data along the way that is closer to real-time; and

- Marketing services like CEM and Social CRM, which today look like emerging, specialized "applications", could soon become part of marketer's overall enterprise CRM and customer BI suites.

CEM and its variants, including Social CRM, are just two examples of how innovative companies are capitalizing on the continuing shift in budgets to below-the-line services and solutions, particularly those that help marketers orient themselves to a new view of a brand's "moment of truth", which for today's consumer is any time and any place they interact with a brand, and on their own terms. ■

(continuation of Case Study: Data, Data Everywhere)

If you look at the average media plan, most marketers are spending hundreds of millions of dollars in banner ads across 8 to 12 sites. Everything that remains is going into some form of remnant monetization, such as Google Ad Sense. The real transformation is the demand-side platform market.


(from top) Joe Zawadzki and Tolman Geffs

Once impressions are delivered, the data is scored and the estimated value of those impressions is given to advertisers and marketers, so that a price to pay is determined. The key is that if you have to make a large buying decision, you need to negotiate upfront. The shift to real-time bidding, the use of third-party data, and the use of algorithmic buying is a process of unpacking the value of each user and of each audience for each advertiser.

The big "So What?": providing more opportunities for advertisers to make smart decisions, with the ability to determine precisely what each person/impression is worth, moving from those 8 or 12 media buys to optimize each week, to literally ten million optimizations per minute.

A key ingredient in the optimization recipe is the ability to overlay data. As the first demand-side platform, MediaMath has led the industry in integrations with both on- and off-line data exchanges; being the first, for example, to participate in BlueKai's Certification Program. This partnership enables agencies to select from BlueKai's thousands of in-market, demographic, geographic, lifestyle and behavioral segments and – using MediaMath's unique optimization and biddable buying capabilities – reach target audiences with dramatically greater precision, scale and cost efficiency.

A great example of this partnership's impact is a recent campaign for a national automaker. The agency and automaker wanted to target Internet users who were actively shopping for specific classes of cars. Using impression-level bidding against in-market auto shopping data, MediaMath was able to deliver five times the targeting accuracy at 20% of the cost (for a 25x improvement). Additionally, with data in-hand, MediaMath is able to deliver more relevant ads to consumers and pay a significant premium for those targeted impressions – so consumers, publishers, and marketers all benefit.

This combination of technology, disaggregated media and data, and algorithmic sophistication shows the rapid evolution of display advertising.

Case Study: Transforming Educational Publishing to Educational Information

Moderator: **Michael Marchesano, Managing Director, The Jordan Edmiston Group**

Panelist: **Peter Davis, President, McGraw-Hill Education**, *one of the world's top educational publishers and information companies.*

Mr. Davis discusses three popular myths in the education market:

Myth No. 1: *The school market in the U.S. is in crisis, without a reasonable model for success going forward.* The reality is that the U.S. has fallen behind other industrialized nations in foundational skills, and it costs the U.S. 60% more than any other developed country per every point achieved on standardized tests. Systemic issues abound, such as outdated learning environments, and a reduction in tax receipts is expected to reduce school budgets 5%-10% in 2011.

A new model of education "data-driven instruction" combines assessment, interpretation, and instructional design. There are a number of

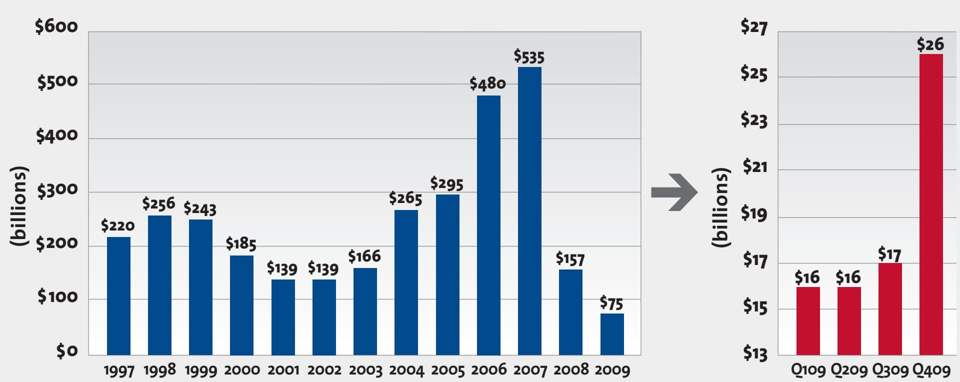
State of the Capital Markets

Speaker: Matthew Lyness, Senior Managing Director, GE Capital Markets, a global senior secured lender and a sponsor of JEGI's Conference.

GE was very active in 2009, despite the challenging conditions. When the year began, most of the equity markets were tanking. Defaults on bank loan paper, a key driver of GE's markets, totaled $28 billion in the first quarter of 2009, a very frightening annualized rate of 19.5%. Somehow, stability began, and the equity markets grew again. maintain the same torrid pace seen in the first several weeks of the year. Repayments will remain a key driver of investor demand. In other words, bond take-outs and repayments are going to keep the markets flush with cash, so companies will be looking to invest. All participants are expecting a much lower default environment. Spreads are going to continue to compress and terms are going to get more aggressive, with mid-5x leverage multiples available for select credits.

In the leveraged loan market, refinancings were the main theme for GE in 2009, especially early in the year. We did many "amend to extends," or refinancing some of our bank debt to extend maturity dates, giving us room to finance new issues, despite the massive amount of debt maturing in 2011 to 2013. The result is that nearly $180 billion of maturities have been extended by two or three years. This is important, because it provides a lot of running room and means that there is much less debt to be refinanced that would interfere with new issuance.

Leverage Loan Volume Picks Up in Q409



SOURCE: STANDARD & POOR'S LCD

By Q4 2009, new issue volume increased dramatically, and we began seeing more aggressive terms. Leverage rose and prices tightened. Deals got slightly more aggressive during the fourth quarter, but for the year, leveraged-loan market volume was off 52% from 2008 levels, which had declined 71% from 2007. In-flows and repayments exceeded new issuance volume by $36 billion. This means that cash balances are high, and investors have money to put to work.

In 2010, most market participants expect that new-issue volume in the loan market will roughly double to the $125 billion to $175 billion range, and GE expects the rally in high-yield and new issuance volume to

Investors are spending a lot of time looking at deals, and they are doing a lot of due diligence, so 2010 will see a bifurcation between the "weaker credits" and the "stronger credits." There will continue to be an illiquidity premium for issuing in the middle-market, since institutional investors are not active in this segment. The slight gap between aggressive structures and pricing will remain in favor of large-cap deals, versus those in the middle-market. ■

successful experiments taking place in the market – at charter schools, think tanks, etc. Systems fall short in understanding how to scale these new learning paradigms.

Myth No. 2: *The U.S. college market is currently attractive, but it is subject to a high risk of disintermediation.* The reality is that higher education is growing (17.3 million students in 2004 vs. 19.1 million in 2010), in correlation with increases in unemployment. President Obama has earmarked $12 billion in funding for stimulating two-year college education growth, with the goal of having five million more two-year college graduates by 2020.

(from left) Peter Davis and Michael Marchesano

To offset the risk of disintermediation – anywhere, anytime access – we need to continue growing platform-based delivery of content and functionality that can be tailored accordingly. This model can be offered on a subscription basis via a system that is open and flexible.

Myth No. 3: *International education markets have high growth prospects, and there are ways to effectively monetize content for those markets.* The reality is that emerging nations do in fact have high growth prospects, large job gaps, and large educational needs. For example, education is the second largest urban household spending category in China.

However, published content monetizes poorly as a result of intellectual property piracy. For example, the price of a typical finance textbook is $9 in India, compared with $136 in the U.S. So, a viable path forward is in participating in learning outcomes. Prices increase exponentially when educational content is transformed into higher valued educational services.

Panel: Data-Driven Marketing and Marketing ROI

Moderator: John Rose, Senior Partner & Managing Director, Boston Consulting Group, *a global management consulting firm and a sponsor of JEGI's Conference.*

What do people define as the orbit of data-driven marketing and data-driven ROI?

Panelists

Rick Erwin, President, Data Division, Experian, *a leading global information services company, providing data and analytical tools.*

Experian's heritage is in database marketing, which measures ROI at the most granular level based on either geography or individual consumer behavior. The fragmentation of media and the convergence of technologies provide the opportunity for granular level data and analysis across all advertising. As such, ROI measurement in advertising will become very much like it has been for the world of database marketing over the past 10 years, and it likely won't take as long to get there, as it did for database marketing.

Al DiGuido, CEO, Zeta Interactive, *an integrated interactive marketing services provider.*

The data side is all about understanding the consumer down to the individual customer level and figuring out if you can allocate the right information to the right person. Many advertisers have transactional and profile information in their database, but have not figured out how to conduct target-based marketing. So, the question is, does the marketing community get it? I don't think so. The pivot point has shifted from legacy media to interactive media, so a number of the larger holding companies are building digital divisions, but they're still dragging along the legacy media channels to provide an integrated offering.

Michael Zimbalist, VP, Research & Development, New York Times Co., *a leading consumer media company.*

Data-driven marketing has its heritage in direct response targeting, and there's an opportunity to apply the principles of direct response, which work on a very deep funnel in a transactional market. But, there is also the potential to lose sight of the opportunity to build new business lines by remaining within the digital silo. Advertisers are in a closed loop that started with Google; this loop is intent-driven, with a focus on the last click, and it's measured within the digital silo. Gross Rating Points (GRPs), for example, can be bought across multiple media, and far more money can be unleashed by bringing back the dimension of frequency, which is a crucial component for getting messages to your audience. Major publishers have a huge advantage when it comes to frequency against target.

Russell Glass, CEO, Bizo, *an online targeting platform for B2B publishers and advertisers.*

This conversation is about a year behind where we actually are. All of the major ad agencies are creating new divisions to innovate and the major online media companies – Yahoo, AOL, MySpace – are aggressively moving forward with efforts to extrapolate their data effectively and figure out how to operate in regards to privacy. They are engaging Washington now, so this is not a "when-this-happens" business; this is a "we're-already-happening" business. The attendees in this room include demand-side platform folks, data and data platform guys, and publishers, who are aggressively moving their models to extend their audiences around the web. We're already here, so now the key is how well you measure it. How do you provide all the reporting that is necessary and how do you segment audiences properly and effectively?

Tom Phillips, CEO, Media6Degrees, *the leader in harnessing social graph data to drive advertising performance.*

Media6Degrees is focused on a new model, particularly with the social web, that if you can identify your customers, we can find the data that connects your customers to prospects in ways that build new audiences. This model includes demographics, psychographics, and social graphics. We are able to excerpt data mid-funnel and drive reasonably measurable brand-building performance in the mid-funnel that's independent of the context and demographics. It is based on connections between customers and prospects that we can identify. The innovators and start-ups will have to be the "canaries". Then, the bigger players will be ready to enter the markets with pre-existing scale to roll this out.

(from left) Karen Danziger, Managing Partner, Howard-Sloan-Koller Group (sponsor); Edward Koller, Managing Partner, HSK Group; Gary Fitzgerald, Chairman and CEO, Meister Media; and Carrie Molay, Partner, HSK Group.

John Rose

At one end of the spectrum, there's "spray and pray" – I have no idea where it's going and I have no idea who's going to receive it, and I've got wonderful data, but not effective measurements of the data. At the other end, you've got truly deep consumer insight direct marketing. But is there an intermediate step, which is about grabbing real-time information around profiles, where I don't know who the people are, but I do know they're using certain types of words and have certain types of attributes.

Panel: Operating in a Real-Time Media and Marketing World

Moderator: Heather Harde, CEO, TechCrunch, *a network of technology focused web sites.*

Real-time is very much an essential part of TechCrunch's editorial thesis, and it's an important confluence among mobility, cloud services, and social media, which have been adopted at both the enterprise and consumer

(continuation of Panel: Operating in Real-Time)

levels. One of the key questions is how do we effectively use all of this real-time data? There are very sophisticated trading algorithms, ingesting tremendous amounts of data for milliseconds of information advantage. That's where we need to focus to understand where business is heading.

Panel Discussion *(from left)* Heather Harde (moderator); Dennis Crowley; Ari Paparo; Brad Brodigan; and Emily Nagle Green.

Panelists

Emily Nagle Green, President & CEO, Yankee Group Research, *a leading market research and consulting firm.*

Mobile has become an indispensable part of our lives, and it's accelerating the rate at which people are joining the global economy, as a million phones a day are getting into new hands. In the U.S., there are 300 million mobile phones and 50 million smart phones. Globally, over the next five years, there will be around five billion mobile phones, and a large percentage will be used as platforms for computing. We are witnessing the rise of a new breed of consumer called "anywhere consumers", who have a strong appetite for "on-the-spot" services. A big opportunity resides in the coherence between devices, because ultimately, we want our media experience to have continuity. We want to be able to stop and start the consumption of media; we want to be able to move between local devices and locations. The impact of real-time efforts on customer service can be profound, and there's an opportunity for companies to engage in those conversations, as the voice of the customer becomes more important than ever.

Ari Paparo, Product Management Director, Google, *the global online media and technology company.*

Real-time advertising technologies are exploding through Google's ad exchange, which follows companies like MediaMath that enable marketers to bid on ad inventory in real-time. Advertising companies will face a transformative set of decisions, where instead of putting ad inventory into static pools, there will be opportunities for ad impressions to go to the highest bidder in real-time. Google recently acquired Teracent, a company that uses data to create ads in real-time to target consumers who shop at given advertisers with a coupon, as well as comparable products.

One of the biggest challenges is scale. Ad agencies are interested in purchasing a large amount of advertising as part of a media plan; they don't want 10 small buys, each with a different technology. A company that would enable marketers to see the entire social graph, interact with it, and buy in real-time, will achieve success in the marketplace

Brad Brodigan, CEO, Biz360, *an information services company that aggregates, measures and analyzes news media and consumer opinion.*

Biz360 is a traditional media measurement company that has become a real-time media market research company that helps clients understand the magnitude and sentiment of conversations about them, their products, and their services. Motorola, for example, is provided with a daily snapshot of what people are saying about their Droid phone versus the iPhone. In the past, they would have had to wait weeks or months to get this type of feedback. Plus, the response is straightforward and honest, because it's unfiltered. This developmental work is in its infancy, but there are a number of companies focusing on how to harness the power of unstructured customer data to provide clients with a way to make better business decisions immediately.

Dennis Crowley, Co-Founder, Foursquare, *a mobile application that enables friends to connect around a city.*

Our social environment for mobile phones makes cities easier to navigate and is also a friend finder. Foursquare keeps an aggregate of location data and then recommends places that are nearby. These elements are coupled with a social gaming network, which encourages users to engage through mobile social software. If you know where your friends are and what they've been doing, it helps make decisions about the types of places to go and with whom. Twitter is all about the "now" and what has happened in the last 15 minutes. Foursquare is about the data that users have entered over time, which allows us to start drawing trends. Facebook is a powerful aggregator, but it's like drinking from a fire hose. There's an opportunity for services to become niche aggregators, where they tap into the stream of data and information and cut them into more manageable pieces. This is going to be huge this year.

Keynote Presentation: Monetizing the Internet

Keynote Speaker: Gian Fulgoni, Chairman, comScore, *a leader in measuring the digital world.*

In 2009, total e-commerce sales declined 2% versus 2008 to $209 billion, led by a 5% decline in travel-related sales. Non-travel-related sales were flat year-over-year. On an "apples to apples" basis, excluding automotive and a couple of other categories, e-commerce represents approximately 8% of total consumer spending. Online spending has been growing, but no longer at the 20+% growth rates of the past.

E-Commerce Spending E-commerce's share of retail spending typically peaks in the colder seasons. In 2009, retailers became aggressive even before Thanksgiving, sending e-mails and using social media more proactively to communicate prices and deals. Toward the end of the Holiday season, online sales, which gained share of spending in most categories, peaked and seemed to last longer, as customers got more comfortable with last-minute shipping.

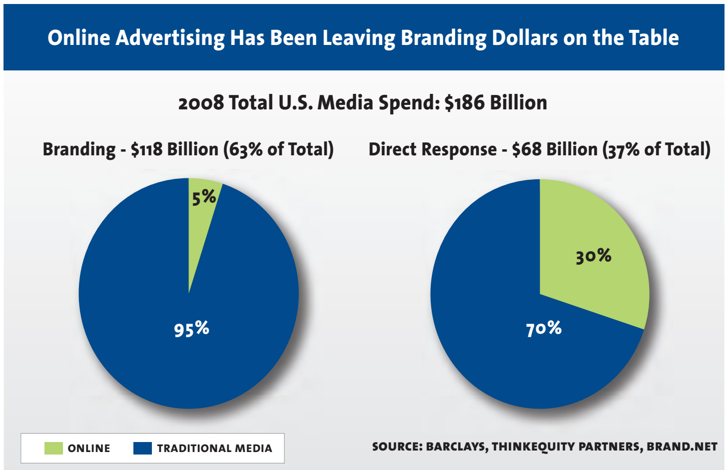
Online Spending Trends In a recent survey, almost three-quarters of the population said that they are spending less; coupon redemption increased for the first time in 14 years. Consumers are trading down, both in terms of brand name and price, and are buying when items are on sale. Free shipping has become a powerful marketing tool and is now the norm. Three out of four consumers would switch retailers if free shipping were not offered.

The number of online buyers increased 10% in 2009. Overall, 28% of consumers said that social media influenced their holiday purchases, while 13% cited consumer-generated reviews and 11% expert reviews as having an influence. Facebook and Twitter have emerged as more important components of marketing.

IN MEMORIAM

Don Welsh, the irrepressible publisher, serial entrepreneur, long-time friend and twice a client of JEGI, passed away in early February while vacationing in Tortola. In a consumer magazine publishing career that spanned four decades, Don's extraordinary salesmanship and keen eye for publishing trends helped him find success in numerous magazine endeavors – from his role as Ad Director during the formative years of *Rolling Stone*, as Publisher of *Outside* and of *US* (now *US Weekly*) to his own triumphs, including the sale of his kids' magazines to Marvel in 1994 and *Budget Travel* to *Newsweek* in 1999. To Don, every ad page unsold was tomorrow's agenda, every challenge was an opportunity. Principled, fun-loving, indefatigable, Don will be truly missed by his legion of friends, colleagues and former employees.

Now, here is something important and not pretty. The Top 25 retailers account for approximately 60% of all Internet sales, and as a group, their sales grew 11% in 2009, as compared to a 7% decline for all other online retailers. The big online retailers are getting bigger, a reflection of the fact that large retailers have more financial resources and can reach out to more consumers. For the six million small businesses that account for around two thirds of all our jobs, there is a real problem.



Online Advertising Trends Turning to advertising, the online ad growth rates of 20+% started slipping in mid-2008, and then went negative in 2009, due to a 30% falloff in online classifieds. Search was flat, and display (including rich media) grew 7%. Online accounted for 14% of all domestic ad spending in 2008.

Most ad spending on the Internet has been direct response (77% in 2008), while traditional media ad spending is nearly the opposite. The online ad skew certainly reflects not only the success of online search, but also the mental set of early online advertisers, which perhaps did not fully understand how branding works and considered the click to be the most relevant metric. Given that click rates on individual campaigns average about one tenth of 1%, advertisers have begun to wonder about the value of ads beyond the click.

A comScore study with Starcom in 2009 showed only one in six online users clicked on any ad in a given month. ComScore has done numerous studies to help show marketers how to evaluate advertising and reach the five out of six users beyond the click. In a study with the Online Publishers Association (OPA), comScore found that 20% of non-clickers who saw a display ad conducted related searches, and a third of them visited the web site of the advertised brand and spent more money overall. Over 200 of comScore's studies have confirmed how online advertising campaigns drive this type of consumer behavior.

In packaged goods, 80% percent of the campaigns comScore has evaluated have lifted retail sales by an average of 22%, with 100% reach. Evidence suggests that online advertising will lift sales 9%, if you run a campaign with a 40% reach, in three months.

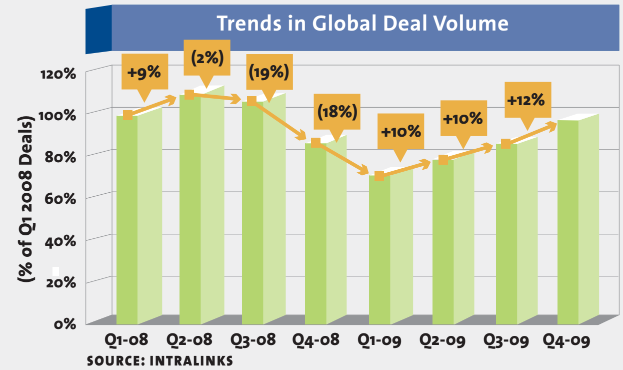
This is, I think, the kind of research that increasingly will persuade advertisers that are still spending most of their branding dollars in traditional media to move more dollars to the Internet. We have the beginning of what we call a "right-brain realization" that the consumer is often motivated by emotion, causing a shift away from click rate metrics to a growing recognition of the impact of branding. In short, I see a bright future for the online component of advertising. ■

Which Way for M&A in 2010?

Speaker: Fred Mather, EVP, Global Sales, IntraLinks, a leading provider of virtual data rooms and a sponsor of JEGI's Conference.

IntraLinks is currently involved in more than 50% of global deals valued at greater than $25 million, providing it with a unique perspective to assess deal flow trends. About a year ago, the company created a deal flow indicator, as a barometer of the M&A market.

Intralinks gets involved in deals early in the process, so the company's M&A data is real-time. The chart shows a very significant downswing in Q4'08 that continued into Q1'09. Subsequently, there has been some recovery through Q4'09. Global deal activity increased 12% in Q4'09 over Q3'09, and Q4'09 deal flow was nearly equal to Q1'08 levels. In North America, the M&A deal market bottom was seen in Q1'09, and deal flow increased 22% in Q2 and Q3 2009 combined. Bankers are becoming more confident and willing to bring deals to market.



The key drivers behind this confidence are the performance of the stock market, an increase in buying activity and investment by private equity and venture capital firms, strong corporate balance sheets and cash reserves, and a thawing of the credit markets.

Telecom and media deals have seen a jump of 32% in Q4'09 over Q3'09. Globally, $2.3 trillion of M&A was completed in 2009, the lowest level since 2004. Intralinks is optimistic about 2010, as M&A activity increased in January dominated by the middle market. ■

Earnouts: Recent Developments and Rules of the Road

Speaker: James Abbott, Partner, Seward & Kissel, a leading U.S. law firm and a sponsor of JEGI's Conference.

In today's economic environment, M&A transactions more frequently involve earnouts, which were historically used to bridge valuation gaps to help consummate deals. The use of earnouts has increased with valuations at depressed levels and reduced visibility of future earnings. There is also an increasing trend of earnouts representing a larger percentage of overall deal consideration. For companies that are distressed or in a state of flux, the entire consideration can sometimes be in the form of an earnout. Lastly, buyers and sellers are agreeing to longer earnout measurement periods than in years past.

When dealing with earnouts, there are three rules of the road that are helpful: **1)** Keep it simple. Make sure earn-outs clearly identify realistic performance metrics and targets designed to keep selling managers motivated; **2)** Provide for payments to be "carried forward" or "made up" in multi-year earnouts. The key here is to keep management motivated in the event of a downturn and to entice them to run the business consistently from year to year; and **3)** Make sure a carefully agreed to set of accounting rules are established for calculating earnout payments, with particular emphasis on industry-relevant accounting treatments like barter transactions and deferred revenues.

Years ago, many lawyers advised clients not to enter into earnout agreements, due to the perception that they were prone to disputes and litigation. However, the reality is that many clients have successfully used earnouts to consummate deals without significant disagreements. Earnouts work if structured and documented properly, and can result in a "win-win", where buyers pay for actual results and selling managers maximize the sales price for their business. ■

The Jordan, Edmiston Group, Inc.

JEGI Capital

Since 1987

INDEPENDENT INVESTMENT BANKING FOR
MEDIA, INFORMATION, MARKETING & RELATED TECHNOLOGY

The Leader in Media & Information M&A

Bloomberg 2008-2009 M&A League Tables

Top Advisors Serving The Us Media, Internet And Marketing Sectors*

2009			2008-2009		
Rank	Advisor	# Deals	Rank	Advisor	# Deals
1	**Jordan, Edmiston Group**	**12**	1	**Jordan, Edmiston Group**	**26**
2	Morgan Stanley	11	2	Morgan Stanley	23
3	Nomura Holdings	10	3	JP Morgan	15
4	Rothschild	9	3	KPMG Corp Finance	15
5	Jefferies & Co.	8	5	Jefferies & Co.	14
6	JP Morgan	7	5	Nomura Holdings	14
7	Grant Thornton International	6	7	Deloitte Touche Tohmatsu	12
7	Mizuho Financial Group	6	7	Goldman Sachs & Co .	12
9	Deloitte Touche Tohmatsu	5	9	Ernst & Young	11
9	KPMG Corp Finance	5	9	Rothschild	11

* INCLUDES: MEDIA (MULTIMEDIA, BOOKS, NEWSPAPERS, AND PERIODICALS); INTERNET (B2B E-COMMERCE, INFRASTRUCTURE SOFTWARE, INTERNET CONTENT AND NEWS, E-COMMERCE PRODUCTS AND SERVICES, AND E-MARKETING/INFORMATION); AND MARKETING.

Reed Business Information, a divison of Reed Elsevier has sold *Electronic Design News, Design News, Test & Measurement World* and *Packaging Digest* to Canon Communications LLC — February 2010

EDGAR Online, a leading distributor of company data and public filings for equities, mutual funds and a variety of other publicly traded assets has secured $12 million in growth capital from Bain Capital *Ventures* — January 2010

The Economist Group has sold CFO, the leading business-to-business media brand focused on the information needs of c-level and senior finance executives to CFO Publishing Holdings, Inc. a portfolio company of Seguin Partners — January 2010

burton group, a leading research and advisory firm serving the IT industry has been sold to Gartner — January 2010

e5 Global Media, a new entity formed by Guggenheim and Pluribus Capital has acquired *The Hollywood Reporter, Billboard, Adweek, Brandweek, MediaWeek, Clio Awards, Backstage, Film Journal International,* and Film Expo Business from nielsen — December 2009

Polaris, a leading library automation software and services company has been sold to PLS Partners, LLC — December 2009

WebMediaBrands has sold internet.com, a leading source of news, features and advice for developers and IT professionals to QuinStreet — November 2009

Reed Business Information, a divison of Reed Elsevier has sold its Television Group to NewBay Media, an affiliate of Wicks, The Wicks Group of Companies, LLC — November 2009

CQ, Congressional Quarterly Inc. has sold Governing, the premier provider of intelligence and analysis on state and local government to e.Republic Incorporated — November 2009

Miller's Standard Insurance Policies Annotated® has been sold to Westlaw, a unit of Thomson Reuters — November 2009

Experian has sold Vente, a leading online permission-based marketing and lead generation firm to Q Interactive, a portfolio company of Intrepid Investments — October 2009

Times Publishing Company has sold CQ, Congressional Quarterly, the premier provider of congressional news, insight and analysis to Roll Call, a wholly owned subsidiary of The Economist Group — August 2009

JEGI's client is mentioned first in each of the above transactions.

Contact Us to Discuss the Marketplace and Your Company's M&A Strategy.

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