



"Staying in the Game: What Your Business Must Do To Survive the Digital Age"

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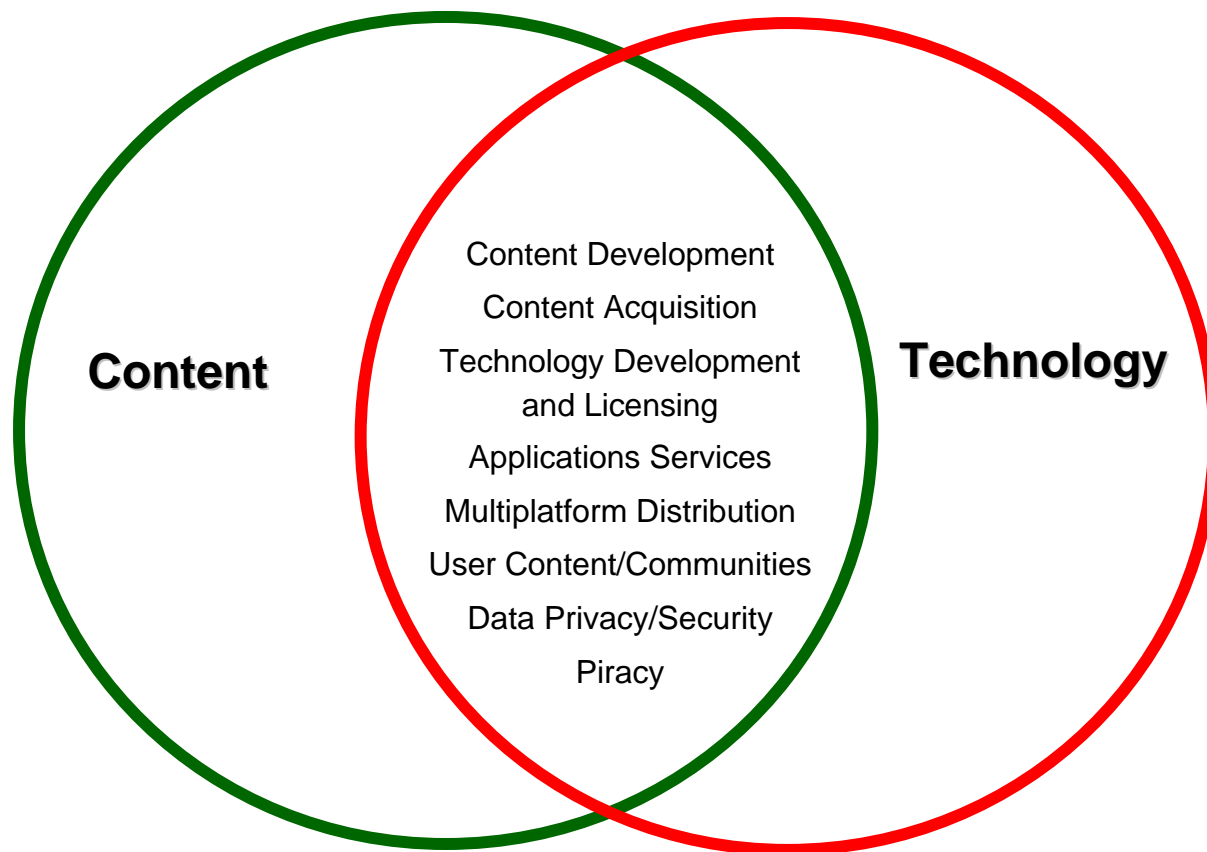
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INTRODUCTION

Overview of the Digital Age Maze:

- ◆ New technologies and communication methods
- ◆ Effects on established mainstream business models
- ◆ Acquiring and distributing content
- ◆ Technology-related issues
- ◆ Conclusion

NEW TECHNOLOGIES AND COMMUNICATION METHODS: Combining Content and Technology



NEW TECHNOLOGIES AND COMMUNICATION METHODS: Digital Platforms

- ◆ Internet
- ◆ Digital cable
- ◆ Telco IPTV
- ◆ Mobile
- ◆ Consumer electronics
 - DVR
 - Set-top box
 - Gaming consoles
 - Handheld devices

NEW TECHNOLOGIES AND COMMUNICATION METHODS:

Digital Applications

- ◆ HDTV
- ◆ Broadband video
- ◆ Data applications (messaging, ringtones, gaming)
- ◆ VoIP
- ◆ Contextual and targeted advertising
- ◆ E-commerce
- ◆ Audio and video file sharing
- ◆ Interactive virtual and social networking
- ◆ Business applications: e-billing, customer service

NEW TECHNOLOGIES AND COMMUNICATION METHODS: Impact Across Industries

- ◆ Media/telecommunications (industry convergence)
- ◆ Healthcare (electronic records, consolidation)
- ◆ Financial Services (industry consolidation, process improvements)
- ◆ Retail and other industries
 - Electronic services: e-billing, customer service
 - Product extensions/branding: websites, interactive virtual and social networking
 - Advertising: keyword searches, sponsored links, product placement, targeting, consumer generated content
 - Commerce

NEW TECHNOLOGIES AND COMMUNICATION METHODS:

Current Digital Media Trends

Communications Convergence

- Traditional telephony – local, long distance & wireless
- Internet-based telephony – voice and data
- Cable & telecom quadruple play – voice, video, data, mobile

Wireless Growing

- Role of wireless as viable media platform
- Technology advancing rapidly – WiFi, WiMax, VoIP
- Significant VC investment in wireless

Multiplatform Content Strategies

- New business models
- Niche content
- Opportunities to target/localize

Market Size Increasing Across Platforms:

- Digital TV
- Broadband
- VOD
- Mobile devices
- Telco infrastructure/IPTV

Strong Influence of Technology on Behavior

- Consumer – ease of use leads to changes in entertainment consumption (e.g., DVR)
- Business – impact on procurement and sourcing practices leading to RFP efficiencies, inventory management, CRM
- Business – e-commerce opportunities

Home Network

- New entrants – PC, CE

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EFFECTS ON ESTABLISHED MAINSTREAM BUSINESS MODELS:

Consumer Behavior Trends

- ◆ Mobility/location-based services
- ◆ Flexibility/portable content
- ◆ File sharing
- ◆ Fragmented across platforms
- ◆ Increased interaction level/content creation
- ◆ Time shifting (DVR)
- ◆ Social networking
- ◆ Community

EFFECTS ON ESTABLISHED MAINSTREAM BUSINESS MODELS: Advertising

- ◆ Shift in ad spending to new media platforms
- ◆ Contextual advertising
 - Keyword speakers
 - Sponsored links
 - Metatags
- ◆ New opportunities
 - Lead-in, lead-out video
 - Product placement
 - Targeting
 - Commerce
 - User-generated content

EFFECTS ON ESTABLISHED MAINSTREAM BUSINESS MODELS: Media Communications Industry Convergence

- ◆ Expand offering – voice, video, data, mobile
- ◆ Cross-platform strategy
- ◆ Operational flexibility
- ◆ Audience fragmentation
- ◆ Traditional revenue models
 - Advertising
 - Subscription
- ◆ Unproven digital economic model

EFFECTS ON ESTABLISHED MAINSTREAM BUSINESS MODELS:

Growth of Consumer-Generated Content

- ◆ Blogs
- ◆ Video
- ◆ Social networking
- ◆ Virtual worlds

EFFECTS ON ESTABLISHED MAINSTREAM BUSINESS MODELS: Challenges and Opportunities

Challenges:

- ◆ Proliferation of devices, networks
- ◆ Threats to existing business models
- ◆ Efficiencies for multiplatform content development
- ◆ Fragmentation poses threats
- ◆ Conflicting regulatory schemes
- ◆ Copyright, piracy and copy protection concerns
- ◆ Rights issues – ownership, global nature
- ◆ Value-add to differentiate from competition
- ◆ Data privacy and security

Opportunities:

- ◆ Standards enable seamless technology; opportunity for location-based reach
- ◆ Evolving business model
- ◆ Standards; new technology
- ◆ Targeted delivery
- ◆ Competitive marketplace forces
- ◆ Technology; compelling economic model
- ◆ Development opportunities
- ◆ Content, network quality, customer care
- ◆ Monetization of data

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ACQUIRING AND DISTRIBUTING CONTENT:

Type of Content

- ◆ Sports (players, teams, league)
- ◆ News (source, producer)
- ◆ Entertainment (talent, producer, direct, guilds)
- ◆ Music (writer/publisher, artist, record label)

ACQUIRING AND DISTRIBUTING CONTENT:

Type of Use/Rights Needed

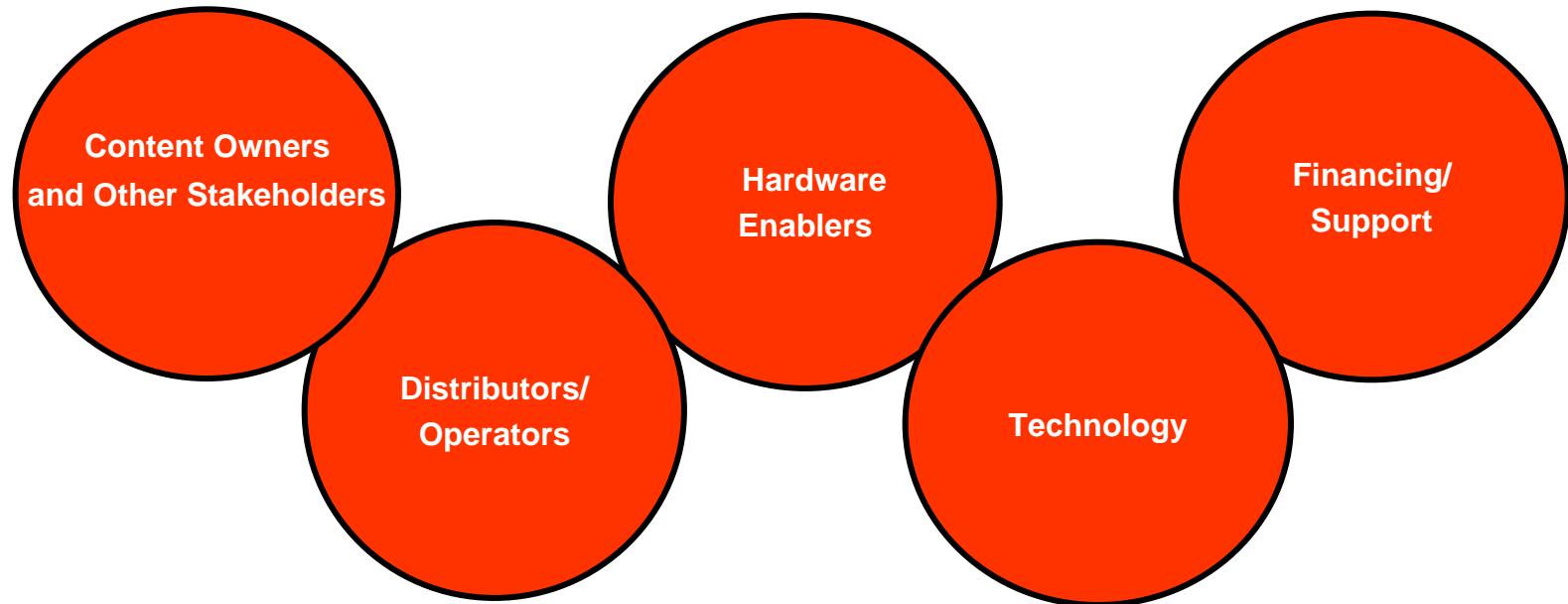
- ◆ Commercial (advertising, endorsements)
- ◆ Marketing (promotion of primary licensed rights)
- ◆ Licensing/merchandising
- ◆ Media (radio, television, print, Internet)
- ◆ Platforms (television, computer, mobile device, game console)
- ◆ Creation of derivative works

ACQUIRING AND DISTRIBUTING CONTENT:

Content Stakeholders/Rights Analysis

- ◆ Traditional legal principals, different challenges
- ◆ Multimedia, multiple owners
 - Video
 - Music
 - Games
 - Images/marks
 - Other elements
- ◆ Other interested stakeholders
 - Talent
 - Rights of publicity
 - Unions/guilds (SAG, DGA, WGA)
 - Performance societies (RIAA, ASCAP/BMI)
 - Existing third party licensees
- ◆ Blurring of platforms
- ◆ Geographic challenges
- ◆ Control over use/distribution (digital rights management)

ACQUIRING AND DISTRIBUTING CONTENT: Multiple Stakeholders



- Studios
- Music
- Games
- Programmers
- Guilds/unions
- Performance Societies

- MSOs
- Telecoms
- Wireless Carriers
- ISPs
- Utilities
- CE

- STB
- Handheld Devices
- Infrastructure
- Transmission
- PC
- Consoles

- Interactive Services Applications
- Hosted Outsource Solutions
- Multimedia Software
- Data Applications

- Advertisers
- Marketing Partners
- VCs

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ACQUIRING AND DISTRIBUTING CONTENT: Business Analysis

- ◆ To license or develop?
- ◆ Expectations as to ROI
- ◆ Defining the appropriate need for operational flexibility
- ◆ Defining acceptable levels of risk
- ◆ Practical limitations on control/protection

TECHNOLOGY-RELATED ISSUES:

Generation of Electronic Data

- ◆ Different types of data
 - Employee
 - Vendor
 - Customer
- ◆ Storage/access on multiple systems
 - Networks
 - Computers
 - Mobile devices
- ◆ Enterprise data flow
 - Collection
 - Use
 - Access (internal and external)
 - Storage
 - Disposal

TECHNOLOGY-RELATED ISSUES:

Digital Data Concerns

- ◆ Emphasis on data privacy and security
 - Type of data
 - Understand all relevant systems
 - Understand data flow
 - Applicable law
 - Corporate policies
 - Plans for data breach
- ◆ Piracy

TECHNOLOGY-RELATED ISSUES:

Data Privacy and Security Concerns

- ◆ Privacy concerns (classification)
 - Sensitivity (PII?)
 - Country of origin (EU issues)
 - Purpose of collection (inherent limitations)
- ◆ Security concerns (access)
 - Administrative security
 - Technical security
 - Physical security
- ◆ Information security (multiple goals)
 - Prevent loss, unauthorized access and misuse
 - Assess internal and external threats and risks to administrative (employee access), technical (systems access) and physical (facilities access) information
 - Provide control for
 - Confidentiality (privacy, authorization)
 - Integrity (authentic and complete)
 - Availability (accessible as needed by those authorized)

TECHNOLOGY-RELATED ISSUES:

Data Privacy Laws

- ◆ Multiple points of regulation
- ◆ Specific US laws applicable to certain types of data (market approach)
 - Fair Credit Reporting Act (“FCRA”)
 - Gramm-Leach-Bliley Act
 - HIPAA
 - COPPA
 - FTC authority (and state equivalent)
- ◆ EU Directive (privacy approach)
 - Focuses on an individual’s right of privacy rather than US market approach
 - Protects personal information maintained by a broad range of companies across different industries and restricts the flow of personal data outside the EU

TECHNOLOGY-RELATED ISSUES:

Data Privacy Laws

- ◆ Data breach/identity theft statutes
 - FACTA ("FCRA")
 - Data breach notification laws
 - No federal law
 - California S.B. 138
 - Inconsistent state laws
 - Criminal identity theft statutes
- ◆ Other relevant laws and proposed legislation
 - CAN-SPAM Act (commercial e-mail; preemptive)
 - Anti-Phishing Act of 2005
 - Spyware (state level prohibition or regulation)
- ◆ FTC

TECHNOLOGY-RELATED ISSUES:

Commercial Websites

- ◆ Website Privacy Policies
- ◆ Website Terms of Use (General)
- ◆ Website Terms of Use (Special)
 - Age limitations
 - Commerce-related

TECHNOLOGY-RELATED ISSUES:

Relevant Corporate Policies

- ◆ Technical security compliance requirements
- ◆ Business continuity/disaster recovery
- ◆ Hiring practices/background checks
- ◆ Data collection
- ◆ Document retention
- ◆ Records disposal
- ◆ Commercial website terms of use and privacy policy
- ◆ Breach notification policy/procedures

TECHNOLOGY-RELATED ISSUES: New Digital Challenges to Privacy

◆ Outsourcing

- Growth of outsourcing (IT, BPO, transformational, KPO)
- Provide hosted support for new converged services
- Cross-border privacy concerns
- Additional security concerns related to additional data flow
- Transitional services (operational and data disposal concerns)

◆ DRM

◆ RFID

◆ GPS-based services

TECHNOLOGY-RELATED ISSUES:

Digital Piracy

- ◆ Technology/format
- ◆ Need for balance between:
 - Interest of the copyright/owner
 - End/user privacy concerns
- ◆ File sharing (P2P)
- ◆ Digital Rights Management ("DRM")
 - Control file access (e.g., number of views, length of views)
 - Control use (e.g., ability to alter, share, copy, print and save)
 - DRM may be a threat to:
 - Privacy concerns
 - Open source software development/innovation
 - DMCA challenges (e.g., reverse engineering)
 - Fit with fair use principles

CONCLUSION:

The Role of Digital Opportunities in Allowing Businesses to “Stay in the Game” and Related Challenges

◆ **Opportunities:**

- Ability to monetize existing assets and create new revenue streams
- Support and evolve traditional businesses
- Formulate a strategic approach to licensing and development of IP
- Global reach, mobile access, cross-platform, targeting
- Enable and leverage new demographic and geographic reach and connection to customer

CONCLUSION:

The Role of Digital Opportunities in Allowing Businesses to “Stay in the Game” and Related Challenges

◆ Challenges:

- Customer acceptance and adoption (i.e., relevance, ease of use)
- Time frame for adoption (i.e., managing ROI expectations)
- Coexistence with traditional business models
- Privacy, security and piracy
- Acquiring content for use across platforms