

Letter from the Chief Executive Officer
December, 2009

Dear customers, colleagues and partners,

Ironically, the global economic crisis of 2009 was one of the best things to happen to our sector.

On the one hand it compelled companies to move towards more efficient business models. The ones who couldn't adapt were forced out by the market pressure, while the viable operations consolidated their positions.

On the other hand, advertisers also had to reexamine their spending. Diminishing returns from the beleaguered traditional media demand that marketers look for more effective and accountable ways to communicate with consumers. And this is the moment for digital signage to shine. Even at its relatively early stage, no other medium has proven to be more capable of reaching people when they are receptive to advertising messages. Advertising dollars are increasingly shifting towards digital signage/digital out-of-home.

All this leads analysts to forecast a double-digit growth for the medium over the next 5 to 7 years.

We used the recession as an opportunity to hit the "reset" button and bring back a focus on the fundamentals that had helped our initial success. We also kept investing in new strategic initiatives that we believe will secure our long-term leadership in the field of network management solutions for digital signage.

Most of BroadSign's client networks have remained in business and many new ones joined the 'BroadSign Universe', making it the largest shared tenant infrastructure in the industry. This high-tech ecosystem of connected networks presents an unprecedented potential for enabling automated cross-network campaigns – a game-changing opportunity national advertisers have been waiting for.

The company is coming out of the recession re-structured, rejuvenated and positioned for achieving new heights in 2010.

I am attaching a more detailed summary of BroadSign's progress in the 2009 business year for your review.

I wish you all a happy holiday season and I look forward to seeing you back in January!

Sincerely,

Brian Dusho
Chief Executive Officer
BroadSign International

BroadSign.



Brian Dusho

BroadSign in 2009

Continued progress in 2009; company positioned to lead the market.

At the recent 2nd annual Out-of-Home event held by the Advertising Club of New York, top out-of-home companies and major agencies stated that OOH was the only medium that maintained growth this year, largely due to the economy-defying proliferation of digital signage networks. This phenomenon was mirrored by the performance of BroadSign - a worldwide provider of software for digital out-of-home networks.

Despite the turmoil of the recession in the first three quarters, 2009 has been a good year for BroadSign overall. The company managed to keep expanding its client base and steadily implemented strategic initiatives that we see as building blocks for a long-term market leadership.

BroadSign has grown its client base from 160 networks in 2008 to 230 in Q4 of 2009, which today constitutes the largest connected aggregate of digital signage networks.

We also won a number of new prominent customers such as Blockbuster, Virgin Megastores, TMT Factory (Barcelona Airport), Visser Digital Media, Media Landscape and Digital News TV, to name a few.

Most existing client networks continued to deploy new screens. Two nationwide health care networks - AccentHealth and ContextMedia (over 10,000 digital sites between them to date) kept growing rapidly, taking advantage of the scalability of BroadSign platform. Reach Sports Marketing managed to double its size this year.

1. Diversification into distribution channels. BroadSign Creator.

Early in the year BroadSign diversified its sales efforts into distribution channels by joining forces with major distributors in North America and Europe. The partnerships with Ingram Micro and Bell Micro started producing reseller deals towards the end of the year. Some regional distributors followed suit and added BroadSign software products to their reseller inventory.

BroadSign Creator 1.2, released in the fall is a lighter version of BroadSign flagship software that allows smaller networks to easily create, schedule and play back high-quality content on their screens. BroadSign Creator is a reseller-friendly software-as-a-service solution that can be subscribed to separately or as part of an all-in-one (screen/PC/software) package.

The release of Creator 1.2 was quickly followed by contracts with major content providers. Accuweather, AP, Bluefox, Genr8 and The Window Channel have signed deals with BroadSign that allow them to sell packaged and custom-made content feeds to network owners through BroadSign's infrastructure.

2. Technology behind reliable proof of performance reporting.

The issue of ad delivery compliance and proof of performance has been raised at every industry event lately. Media agencies often complain that it may take up to a few weeks for them to find out if their ad actually ran on a digital screen. No such complaints, however, came from clients who advertised on BroadSign-powered networks. BroadSign was one of the first companies to offer a scalable and reliable real-time reporting that was built in accordance with the practices of media buying houses.

Following up on the successful proof-of-play audit test conducted by Arbitron in late 2007, BroadSign hired the media measurement giant to perform a full audit of its proof-of-play reporting system in September.

Arbitron is using its PPM technology to conduct a series of annual audits capturing when encoded audio and video advertising content is displayed on networked digital screens in a representative sample of BroadSign-run locations across North America. The data will be compared with BroadSign's commercial play logs. This verification system

equips digital out-of-home networks with base metrics to substantiate return-on-investment to advertisers.

For screen audience numbers to be relevant to advertisers, you have to prove first that their ads played as scheduled and the screens were on. By auditing our proof-of-play reporting system with the help of Arbitron, we are giving our client networks an added level of transparency and assurance for justifying ad rate cards, as well as for negotiating with advertisers.

Digital Out-of-Home (DOOH) is a highly targeted medium. DOOH networks have versatile control over which message will be played where, and whether the screens are on and displaying the right content. The ability to control and target the content creates a logistical challenge for networks' reporting applications. The PPM technology-based proof-of-play audit by Arbitron is the first such service in digital out-of-home industry. It replaces manual monitoring of screens with advanced technology, which simplifies the task of verifying advertising compliance and makes the verification more scalable.

3. Supporting OVAB's Audience Metrics Guidelines

BroadSign has been involved in creating industry's first Audience Metrics Guidelines. The company's media specialist Nurlan Urazbaev contributed to the work of OVAB's Research and Standards committee whose collaborative effort delivered the audience measurement rulebook in a record 18 months. 11 out of 24 member networks of OVAB have already completed their 3rd party audience studies following the guidelines. These studies are available to the public via ovab.org web site.

4. Technology behind real DOOH media aggregation and automation

Another major strategic development at BroadSign was the release of BroadSign Open API that enables cross-network media transactions. Introducing BroadSign Open was the next logical step after building the largest shared tenant infrastructure - BroadSign's SaaS platform. BroadSign Open is the enabling technology for future automation of cross-network campaign execution, which will make DOOH media aggregation truly web-based and efficient.

It is an open secret that any cross-network media buys can be planned online via an aggregator interface, but when it comes to the actual booking and campaign execution, all these tasks are still performed manually. Human brokers are phoning each individual network and emailing insertion orders. After that they collect post-campaign reports, consolidate them manually and then send them to the buyers. All billing and accounting is done in the same fashion. This process is labour-intensive, cumbersome and not scalable beyond a modest number of participating networks.

Another flaw of existing aggregator interfaces is the fact that media space inventory levels cannot yet be updated in real time. This issue can also be resolved by integrating media planning applications with BroadSign Open.

Recognizing the strategic advantages of BroadSign Open, DOOH ad buying portals such as rVue and DOmedia have partnered with BroadSign, allowing BroadSign-powered networks to add their media space to their inventories. With BroadSign Open in place as a technology hub and networks opted in, cross-network campaigns can be planned, booked, executed and reported on without any human involvement on the network side.

Adding networks belonging to BroadSign's connected 'universe' to aggregator inventories is just the first stage of the partnership. The next stage will be automating the whole process - from planning to buying to cross-network campaign execution and reporting. This will help all stakeholders eliminate the huge cost and time involved in traditional manual processing, making the workflow truly web-based and efficient.

BroadSign is currently in talks with other DOOH ad portals (aka 'aggregators').

BroadSign is firmly positioned to further increase its market share in 2010. We are also going to start benefitting from partnerships with media aggregators, distributors and content providers.

Brian Dusho,
Chief Executive Officer

BroadSign International