



# CEOCFO

## Interviews & News!

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### ONSTREAM MEDIA: THE RICH MEDIA POWERHOUSE



**Technology  
Business Software & Services  
(ONSM-NASDAQ)**

**Onstream Media Corporation**

**1291 SW 29 Avenue  
Pompano Beach, FL 33069  
Phone: 954-917-6655**



**Randy Selman  
Chairman, President and CEO**

#### **BIO:**

Mr. Selman has served as Chief Executive Officer, President and Chairman since Onstream Media's inception in May 1993, and as Chief Financial Officer from September 1996 through June 1999. He is also a member of the Compensation Committee of the Board of Directors. Prior to Onstream Media, Mr. Selman was Chairman of the Board, President and Chief Executive Officer of SK Technologies Corporation (NASDAQ: SKTC), a publicly-traded company that developed and marketed software for point-of-sale with complete back office functions such as inventory, sales analysis and communications. He founded SKTC in 1985 and was involved in their public offering in 1989. His

responsibilities included management of SKTC, public and investor relations, finance, high-level sales and general overall administration.

#### **Company Profile:**

Onstream Media Corporation (Nasdaq: ONSM) is a leading online service provider of live and on-demand internet video, corporate web communications and content management applications. Onstream Media's pioneering Digital Media Services Platform (DMSP) provides customers with cost effective tools for encoding, managing, indexing, and publishing content on the Internet. The DMSP provides clients with intelligent delivery and syndication of video advertising, and supports pay-per-view for online video and other rich media assets. The DMSP also provides an efficient workflow for transcoding and publishing user-generated content in combination with social networks and online video classifieds. Onstream Media also provides live and on-demand webcasting, webinars, web and audio conferencing services. Almost half of the Fortune 1000 companies and 78% of the Fortune 100 CEOs and CFOs have used Onstream Media's services.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Selman, what was your vision when Onstream began and where are you today?

**Mr. Selman:** "The original company which was Visual Data Corporation was started back in 1993, with the intent to develop video libraries for an interactive television – an early buzz word at the time. This was prior to the Internet having the capability of streaming video

online, and quite frankly, most people had not even heard of the Internet in the early 90s. We decided that we would create these libraries containing everything from travel information, such as hotels, destinations, cruise ships as well as medical libraries including healthcare and medical procedures. We did this with the intent that people would want access to information once the right medium was in place. We began developing these data bases for interactive television; however, when the Internet came along, we decided to convert them into streaming videos.

We then created a web site where you could go in and view this kind of content. We created HotelView and DestinationView, MedicalView and several others. As the internet progressed, it was clear that the way to monetize and build value for these types of libraries didn't seem to come to fruition as fast and as beneficial as we thought it would, so we had to look at alternative ways of creating cash flow. We took the knowledge that we learned in streaming video and we applied it to the ability to conduct webcasts, live broadcasting online. We created a complete end-to-end solution to do web casting. In addition, we made a few, early strategic acquisitions that enhanced our product offering and expanded our client base. Although where we started and where we are today are very different places, we are still in the video-based services arena."

**CEOCFO:** Please tell us about the further changes from current mergers/acquisitions.

**Mr. Selman:** "We made two acquisitions in the last couple of months, Auction Video, Inc. and Infinite Conferencing. Our Auction Video acquisition also included Auction Video Japan, so that was

two companies in one acquisition. Auction Video brought to the table a technology that we see as very beneficial as part of our Digital Media Services Platform (DMSP). We acquired them so that we could realize cost savings from the fees we were paying to use their software. In addition, this technology was a very fast growing requirement for many of the new Web 2.0 applications such as social networks, video classifieds and video based portals. The technology is a flash transcoding/ingestion utility that allows people who have generated their own content, such as from a camcorder, to be able to upload it through this mechanism and have it transcoded into Flash, very similar to what happens on YouTube (acquired by Google Inc. - NASDAQ: GOOG, LSE: GGEA).

We acquired the company so that we could have control of the technology and to integrate that technology into an evolving array of current and future product offerings. As a result, we have been able to utilize the technology with Dell, Inc. (NASDAQ: DELL) and Televisa, the Mexican production and broadcast company for its Esmas.com portal. We have several more of these types of user generated content sites in the works.

The second acquisition was Infinite Conferencing, which has more than 2100 Small to Medium Business (SMB) clients. They have a marketing program that is so effective it results in very low-cost customer acquisition. They are also familiar with our product lines and have been a reseller of our products. They have increased revenues for the past couple of years an average of 40% year over year. Also they brought to the table additional revenues and earnings that we believe, on a combined basis, will generate positive cash from operations from the combined company.

Therefore, it further stabilizes the fundamentals of the business, adds a strong marketing program and sizable customer base that we can cross-sell our other products to as well as further reduces our cost for audio conferencing services

which we were purchasing from third party vendors.

As a result, we are now getting almost a 75% reduction in our cost for audio conferencing minutes. We also have additional marketing staff to help us promote our products. The end result is we will have a much stronger growth capability from the combined business.”

**CEO CFO:** What do you provide for your customer and who is your typical customer?

**Mr. Selman:** “We focus primarily on mid- to large size business-to-business and enterprise customers. We also sell our services to the government. Our product line is two-fold. We have our Webcasting services; these include live and on demand, audio and video webcasts and webinars, Quickcasts and web con-

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***Randy Selman – CEO  
Onstream Media Corporation***

ferences. We provide those services to corporate America which uses them for everything from earnings announcements and shareholder meetings to major events such as rock concerts and Hollywood premieres. We also provide the ability for people to hold training classes online.

Our Quickcast service is an on-demand presentation tool allowing people to create their own PowerPoints, upload it, narrate it, create a URL, and then send it out. You can actually perform road shows or any type of lead generation product demonstration and send them out to the masses at very low cost since it is a URL, a link, and not a PowerPoint that is being distributed.

Our other core product offering is our Digital Media Services Platform which is a suite of enabling technologies that allow virtually any business to ingest, index and Metatag any type of video. They can

then easily publish it to the web, manage the whole process of maintaining a video library online as well as monetizing it through ad insertion, pay-per-view or other e-Commerce functionality.

Businesses can also protect the content through digital rights management. All those capabilities are built into the DMSP platform. The value in the DMSP is that in order to take advantage of these technologies you would have to spend millions of dollars to buy or license these technologies separately; we offer it under a subscription program with little or no capex requirement. Also in the Digital Media Services Group, we have our Ed-Net service where we transport audio and video for the entertainment industry, everything from motion picture film dailies to musical recordings. We provide full collaboration services connecting multiple locations across geographically dispersed teams or offices.”

**CEO CFO:** Please tell us about the competitive landscape and why companies are choosing Onstream.

**Mr. Selman:** “There are obviously competitors to our webcasting services and there are competitors to some of the functions and features that we

have on the Digital Media Services Platform. However, as far as we know, no one offers a one-stop-shop and solution for all the requirements for managing digital media on the web to achieve a high quality user experience resulting in the sale of a client’s products or for providing detailed information about products or services. Businesses come to Onstream because we are one of the most experienced companies in providing video on the web. In fact, we are probably the firm with the most history and proven track record in the industry. In addition, our products have always been very high quality. We are always looking for and integrating state-of-the-art technology and we are always upgrading and improving our infrastructure. We are extremely customer centric; we believe that our client base relies on us to have this expertise and we continue to provide them the best solutions possible on an ongoing basis.”

**CEOCFO:** How do you reach new customers?

**Mr. Selman:** “We have a lot of different programs. One of our key programs is through search engine optimization. We are constantly using the Internet as a means to acquire customers. We also have a direct sales force that goes out to meet with clients and introduce our products and services. We have a channel program as well. For example, we have about 65 resellers for our various products.”

**CEOCFO:** Do you see consolidation in the industry?

**Mr. Selman:** “Yes, there is consolidation going on in the industry. You have seen a very good indication of it through many transactions that have occurred in the past few months. It started with Google acquiring YouTube, triggering a definitive improvement in the market value of the many public companies involved in video on the web.

Then you saw Internap Network Services Corporation (NASDAQ: INAP) acquire VitalStream Holdings Inc. (NASDAQ: VSTH), Cisco (NASDAQ: CSCO) acquired WebEx (NASDAQ: WEBX), and on and on. There is a consolidation going on and I think the industry as a whole is growing rapidly and will be a major portion of the future Internet as far as both being able to create revenue streams as well as ‘brand sticky’ user experiences.”

**CEOCFO:** What is the financial picture of the company?

**Mr. Selman:** “For the trailing 12 months, our fiscal year ends on September 30<sup>th</sup>, we had revenues of approximately \$8.5 million. For the quarter ending December 31<sup>st</sup>, we had revenues of approximately \$2.2 million. Combining these results with Infinite Conferencing revenues which had approximately \$6 million for their prior year, we expect that we will have more than 15 million in combined revenues and expect to have positive cash from operations during the first full quarter after the merger closes. Considering Infinite’s growth record and looking at all the contracts and announcements we have made, we expect that we will be fundamentally stronger with solid growth potential.

Our recent announcements include our Qwest relationship, enabling our participation in the Networks project, the largest government communications contract in the history of the US government. We also announced our relationship with the National Press Club, our partnership with Akamai Technologies, Inc. (NASDAQ: AKAM) and our partnership with Five Across, which is now a Cisco company. Therefore, we have many things in the works to continue to improve the revenue outlook going forward.”

**CEOCFO:** You mentioned Auction Video Japan; do you do much outside of the US?

**Mr. Selman:** “We are just now starting to see some benefit from this new office. It is less than a month in our possession. However, what we are seeing is that there are significant opportunities in the Asian market. Also our Tokyo office is not just supporting the Japan market; it is also looking at the rest of Asia and the Middle East. We are looking at some interesting transactions involving our enabling technologies coming out of that market. If that is successful, and if we begin to get traction in the Asian and Middle East markets, then we will obviously also expand into Europe.”

**CEOCFO:** With changing technology how do you focus on being sure you have the newest, latest, best, and no surprises?

**Mr. Selman:** “We are very focused on the improvements that are being made almost on a daily basis. The space is dynamically changing and every day there are new technologies emerging. One of the benefits of the whole Onstream program is that we developed the Digital Media Services Platform using the best of breed technologies of many different companies.

We are constantly evaluating new technologies and when someone does create something powerful with real potential business value, we look to partner with them, license the technology and/or build it into our platform.”

**CEOCFO:** Why should potential investors be interested and how do they pick Onstream out of the crowd?

**Mr. Selman:** “The industry we call Digital Media and Digital Media Services is

an industry that is expected to grow into the \$20 billion plus range by 2011.

We have witnessed a lot of major corporations (i.e. Cisco) which is focused on almost changing their business model from a total infrastructure based hardware business to where they have now gone very heavy into the software based businesses concentrating on companies in the Digital Media space.

Their acquisition of WebEx and Five Across, along with many other companies, clearly demonstrates this is a space they are very excited about because they see the potential. Investors need to look at the fact that there are not a lot of public companies that are in this space now that are not the size of Cisco or even Akamai.

There are only a handful of those companies and there is a massive amount of business. Many of these companies are going to do extremely well from the market that is coming on strong now. Investors should focus on Onstream because of our short- and long-term business plan.

We focus on providing a low cost suite of enabling technologies that companies can depend on, that create transactional revenues, subscription revenues, bandwidth, storage revenues and professional fees. This is a very good, proven business model. The ASP based program has been proven to be an extremely beneficial model as we have seen from the success of companies like Salesforce.com (NYSE: CRM) and WebEx. In the same realm as those types of companies, we focus on the Digital Media marketplace which we just defined is going to be a very large market. Therefore, I believe Onstream is an extremely good value at this point.”

**CEOCFO:** In closing, what should people take away from this interview?

**Mr. Selman:** “The key is that there is an evolving market, Digital Media Services on the web that is growing significantly. The big corporations are eyeing this marketplace, so if they are not already actively involved in it, they will be soon. There are companies that will do extremely well in this marketplace and it is probably a very good place to put some of their speculative funds.”



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