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Interview with Keith Richman from Break.com



Adrian Bye: So, today I'm here with Keith from Break.com. Keith is going to tell us a little bit about him, his business and what he's been up to. So, Keith, why don't you take it away?

Keith Richman: Great. I think by way of introduction, last week Break actually transitioned from being Break.com to Break Media. Break Media, the transition was made primarily because in addition to Break we now own and operate a total of four sites which I can go into a little bit. We've also created an ad network specifically targeting men 18-34. So, when advertisers come to us we can offer them a variety of niches and psychographics to advertise against us as well as just offering them pure scale. In total, Break Media now reaches, I think, 38 million unique visitors a month globally and 25 million unique visitors a month domestically. Our goal is to try to become a dominant entertainment brand for men 18-34, both from an advertiser's standpoint and a user's standpoint.

Adrian Bye: So, what will be your total monthly visitors then?

Keith Richman: If you count wholly on sites and the network itself, it's I think 38 million globally and domestically is 25 million.

Adrian Bye: So, globally by that you mean the total is...

Keith Richman: Worldwide.

Adrian Bye: So, that means Fark.com with his 1 million a day he's in 30 million a month. So, he's at a pretty solid range.

Keith Richman: I think on a daily basis we add up a total reach. So, this is unique visitors who stop by every single day or at least once a month. I think in total number of pure visits, if I added up across the properties it's probably in the neighbourhood of 130-150 million visits a month. We've got a fairly loyal audience for certain properties that come back all the time. I think the average person comes back to Break.com itself four and a half times a month. We've got a couple of more niche sites, one's called Holy Taco which is men's entertainment. One is called Cage Potato which is mixed martial arts. The people who come back there come back almost daily. Then if you look at some of our network partner sites, they're very similar. They've got some fairly similar engagement figures.

So, I think Break itself does about 50 million or 54 million total visits a month to 20 million unique visitors. So, does that differential makes sense? They'll show you some guys who come back more often than others?



Adrian Bye: Yes, totally. I have to ask these kind of dumb questions because I don't understand your model that well.

Keith Richman: Yes.

Adrian Bye: I'm sorry for that. So, your leader site, your main side is Break.com and then HolyTaco.com is another?

Keith Richman: Yes, it's another. The last one which we just launched about a week ago is called Chickipedia which is exactly what it sounds like. It's a wiki for celebrity females. The goal is to be the largest celebrity database.

Yes, you can't get a much better name. If you ever have a chance to visit the site, you'll see why people are coming back a lot. It's completely user generated, it's completely user moderated. But there's already I think over 1,600 celebrity profiles on there.

Adrian Bye: I'm just trying, I keep mistyping it. Yes, it's the kind of stuff that we all laugh at and say, "Oh, that's just garbage. I'd never visit something like that." But we all secretly go and visit anyway.

Keith Richman: There are a very few high concept things on the Internet that are left. It's very few things, you can just say the name of something and suddenly everyone gets what it is that you can actually acquire the domain name and build a useful product around. By the time you intercept all those circles, there's just a very few. So, when we found one that we believed in, we were very excited for it and we went out and pursued it full force.

Adrian Bye: So, I'm looking at the Jessica Alba page right now, a nice picture of her. So, this is your users have gone in and they're writing the bio and adding more photos and stuff for the profiles. Is that thing that happens here?

Keith Richman: That's it. My guess is this page has been protected, meaning only registered users can edit it. At the end of the day, a wiki is completely editable. But if you're a registered user you

can go and update, put whatever you want on the page. If you say something nasty, it will probably get changed by another registered user.

Adrian Bye: I mean you got all these photos here and Wikipedia sometimes has trouble getting photos? How do you deal with the copyrighted stuff?

Keith Richman: It's under GMCA. The nice thing about being a wiki, anyone can put it up and anyone can take it down. So, if the copyright editor comes by, they can just take down the picture. Obviously, when you upload a picture to us, you're claiming that you own the rights to it. The cases where that's not true, the best part about wiki software is it is completely open. So, people can go in and just delete whatever pictures they want even if they don't know that they can do that, unfortunately.

Adrian Bye: So, to understand your model a bit better then, you have four sites – Cage Potato, Holy Taco, Chickipedia and Break.com. Are they your main four sites? Do you have any other big ones?

Keith Richman: Not at this point, we don't. Then we have a network of sites that we sell advertising for and that's another 20 sites which we don't have to go into each one. Essentially, verticals that we had advertisers who wanted to spend money, we went out and found partners who had also large audiences.

Adrian Bye: Right. I'm fascinated by a site like Break.com. I mean you're out there, you've got this monster amount of traffic. You've got a great domain name. How does it make money and can you talk about what kind of money that actually makes? I mean you're Alexa rank, because I'm looking at it right now, is 412. How good of a model is it?

Keith Richman: It's great. For Break specifically we've got anywhere between 1.25 million and 1.5 million people a day. We show anywhere from...I think page impression wise, we do anywhere from 15-30 million page impressions a day. So, we got a fairly massive amount of inventory. The inventory is all for a demographic that is not watching TV anymore, spending a lot of time playing video games and on the Internet. So, we've built a really successful advertising model around helping advertisers reach that demographic and entertainment, and engage them.

So, originally when we first started, we just leveraged advertising networks, which are third party networks to just fill your inventory. In July '06, we hired our first sales person and we now have a team of 8 sales people and about 12 people that support them or 12-25 people. So, in total we've got a fairly significant ad organization and then we go out, we try to sell ads and create experiences for advertisers trying to reach the audience.

Right now we're running campaigns for some clients who are in the entertainment space like TBS and Paramount Pictures. At the same time we're running campaigns for people in the fast food space, we've just finished something with Burger King, alcohol, anybody trying to reach people who are 18-34 become our advertisers. But it is a very good model if you have the scale. If you are not as large as we are, it is very difficult to justify hiring a sales force.

When you look at the network properties that are our partners, the reason that we sell their ads for them is because it just wasn't cost effective for them to build their own sales teams. It took us two years and cost us well in the worth of \$3 million to build our sales organization.

Adrian Bye: So, why do it, why not just work with Gorilla Nation or with John Battelle...

Keith Richman: Federated?

Adrian Bye: Someone like him. Why bother going out and building your own sales force, why not get one of those guys to do it for you?

Keith Richman: ...because at Break we saw we had the kind of property that you can build a much large base off of. If you look at whether it's the traffic figures or the engagement figures or the loyalty figures, we have such a strong audience. If you let any of those guys control your access to the advertisers, you're naturally limiting yourself. On top of that, we knew at one point we would leverage this audience and start new properties.

So, it's okay if you just have one site but at some stage if you run five properties and in total you're reaching 25 million people, you could really justify the cost of it. We cross that critical threshold about the time we hired our first sales guy. Up until then, we weren't sure. We were in the same that boat a lot of site owners are which is, are you going to cross the threshold to the point of which it makes sense to invest in people.

For somebody of a normal website size, and there are thousands of these I guess anywhere from zero to two million unique visitors a month, it absolutely makes sense to partner with somebody whether it's Break or Gorilla Nation, Federated, Glam or somebody else to handle your sales.

Adrian Bye: Right.

Keith Richman: Selling ads is a tough business.

Adrian Bye: Selling ads is a tough business?

Keith Richman: Yes.

Adrian Bye: Maybe we can just talk a little bit more about Break because that's a model I'm really intrigued by, if you don't mind. Then we can go on to talk about how you sell ads and how you manage that. Would that be okay?

Keith Richman: Sure.

Adrian Bye: Well, Break itself, I mean how many people are behind Break? Can you talk about some of the revenues behind it?

Keith Richman: So, Break itself, full-time people devoted to the site. You know, I don't even know, it's somewhere...it's probably 35. A lot of that is sales people. Break started out trying to be exactly what it is which is we never started out trying to be YouTube. We started out trying to be a video entertainment destination for guys. We did it because back in '04 when we were really starting out, there was no great place where you had a great user experience and good content. None of the traditional media companies had really put up really strong video sites yet. We just wanted a place where we can go and watch funny videos and be immature.



The site traffic was modest at first and then what we started doing was buying original videos from the audience. That was really a differentiator at first and still remained a differentiator which is, if you upload a video to Break and we feature it, we will pay you for your content. We pay anywhere from \$200-2,000 for a video. We paid out, I think if you to the site you'll see well north of a million dollars to people. We filled technology in the back-end that handles...that sort of filters through the content and let's us know which videos to feature. So, we don't actually have anyone here watching all these videos, we get thousands of submissions. So, it will be prohibitive to do that.

I think by having an audience that watches and rates the videos, and by building a community around men, we manage to grow really, really quickly. It became sort of a virtuous cycle of more people were giving us good content, the more

people that gave us good content, the more people that came to the site and the more people that gave us good content. Now, we're legitimately one of the most important places I think online to distribute content if you're trying to reach the male demo.

You can put an equivalent video on YouTube's homepage and our homepage, they might get slightly more video views for the video but they're not going to get many more views and ours will all be of a particularly focused demo. So, that's why you see people and content creators in particular coming to us to work and try to figure out how they can reach our audience.

In terms of money, we don't really disclose how much money we make but we've got a fairly large team here, we didn't raise any capital until July of this year. So, revenues has been substantial enough that we've afforded it, that we're able to build the business, grow it and hire a decent sized staff. I think we have 75 people now, without really raising money. So, you can do the math there if you have an inkling on how much people cost in Los Angeles which is where we're based.

Adrian Bye: That's working out. So, how did you get started? Was it a couple of you guys in the basement? Where did it actually come from?

Keith Richman: No, not at all actually. So, I've spent a bunch of years up in Silicon Valley where I helped start a company. I worked with a company called Classified 2000 that got bought by Excite and then I helped start a company Billpoint that got bought by eBay. Then, I started a company called OnePage that was bought by SyBase and I really wanted to do something more fun than what we were doing at OnePage which was corporate software.

I moved down to LA and I started playing a lot on the Internet and looking at video. I found this site that I really, really loved called Big-Boys. I literally called the guy up or I e-mailed him and I said, "I love your site, can I partner with you?" He said, "Sure." So, we became partners and a little later on we brought in a third friend of mine. We've been building up a business ever since. He still works out of his home in Huntley, Illinois. We've built the staff and the team out here in Los Angeles. But it really was I found the product that I really, really liked. I called the guy up and I asked how we could work together and the rest is just basic building the business from there.

Adrian Bye: So, Break.com used to be BigBoys.com?

Keith Richman: Yes. It was even worst than that, it was Big-Boys.com. You had to actually remember to type in the dash or you couldn't even find us.

Adrian Bye: I think I do remember that site.

Keith Richman: Yes, it was great. We had to switch the name though because we couldn't get the name without the dash.

Adrian Bye: So, you went with the domain Break.com?

Keith Richman: Yes. We went out early on and decided that if we're not going to win getting name, we better have an alternative.

Adrian Bye: May I dare ask what you paid for the domain?

Keith Richman: A lot, let's just leave it at that. Enough that we had to get it but it didn't break the bank.

Adrian Bye: Yes, right.

Keith Richman: It's not Drugs.com, we didn't pay \$850,000.

Adrian Bye: Yes, right. Fair enough. There's some expensive domains out there.

Keith Richman: Yes, I think all of them are expensive nowadays.

Adrian Bye: Yes. So, this started out as a partnership between you and Big-Boys.com, then you became CEO and turned it to Break.com.

Keith Richman: Yes. But I mean the guy from Big-Boys still works with us, he's a great guy.

Adrian Bye: How does he think of the direction now? I guess he had something he's running out of his basement, fold it in, and now you've gone and made it into a bigger company.

Keith Richman: He's still part owner, so he's pretty happy. I mean I think he'd be less happy if he didn't own it. He's on to it.

Adrian Bye: Is he in Los Angeles as well?

Keith Richman: No, he's still based in Chicago. When it's warm, I make it out to Chicago and see him. He has only come out here one time. It's one of those very Internety relationships where we've only met a couple of times but we've been working together everyday for a number of years.

Adrian Bye: That's interesting. So, that's an interesting point right there. So, he's someone that's basically...it's his mind, his personality that built that site and now you're running it. Is he the one that makes the final decision on what runs on the site or how does that sort of work?

Keith Richman: I mean he's definitely influential. It was one of things where he had a good voice and he had a good eye for editorial. So, it wasn't one guy having to focus all day, we've managed to sort of grow it and institutionalize it. I don't think he's involved everyday in picking out which content we feature. I think what he really did was he figured out how to appeal to the 15 year old boy in all of us. We've done a good job of sort of institutionalizing how to make immature content across a number of different properties, not just Break but on the other ones as well.

I think the other big thing is we really did listen of the community. I'm a big believer that if you have a site and people are telling you stuff everyday whether it's in what they watch, where they go, what they do, I think what we're both really strong at was figuring out what the people in our audience wanted and didn't want, not just imposing our own tastes on them.

So, I would say more so than anybody in particular who had editorial voice, it was the community's voice which is why we're really good at understanding what men like to do, what they like to watch and what they like to read because we're very good at understanding what's happening on our own properties and figuring out what that means and what the properties should be.

Adrian Bye: Yes. So, there's a team of 35 behind Break.com that keeps it running, selects the video and puts up new stuff. Is that right?

Keith Richman: We have so many different properties now and so many initiatives, it's hard to know where one starts and one stops quite honestly. But I think it's probably about right. It might even be closer to 45, if I think about it.

Adrian Bye: Are you innovating or doing new stuff on the side or is the main thing to focus on the advertising and then to bring in new properties?

Keith Richman: I think we're always trying to figure out cool, new products. In a lot of ways I think we have the most advanced Flash Player out there for watching videos. We've got probably the best recommendation system for content. So, if you sum up a video you'll get some really cool videos that are relevant to you based on collaborative filtering. We've got some great mobile products and a lot of people access their content on the site through either WAP or the iPhone.



So, we're continuing to innovate on the breakfront, on the product wise. But everything we do on the innovation side really is oriented around how we can serve our audience more effectively. So, we try to figure out what guys are doing on the Internet and offline and try to make sure that we're doing a good job helping create products for them.

Adrian Bye: One thing I don't understand that I want to ask you because maybe you can help me understand it. I see these sites because I know one of the issues with a site like Break is you have a lot of traffic that sometimes driving a lot of revenues is hard. One of the things that we do with just a general direct response business model is you have a lot of people coming in. Let's say that they're looking at your products and maybe considering buying them and then a certain percentage of those is called the funnel.

So, a certain number will spend \$10 with you, a certain number will spend \$100, a certain number will spend \$1,000, a certain number will spend \$10,000 and some will spend \$100,000. As long as

you have enough of people coming through and there's this funnel all the way through, there's certain numbers of people who will pay for things for different price points. I don't see Fark or any of these...I mean Fark has its members section which drives a little bit of revenue but not much, but I don't see much with these sort of sites doing that sort of stuff. The most that I've seen to see is t-shirts. Can you help me understand the thinking of why you're not doing those kinds of things?

Keith Richman: I think there's two reasons. We do partner with guys who do that, I think is the short answer. In LA, it's got a huge direct response community as I'm sure you know. So, we're taking meetings all day long with people who we think are products and services that will appeal to our audience. Sometimes it works and sometimes it doesn't. I don't know offhand examples of either one. But I think we're very good about trying to test things and help other people achieve the funnel, achieve getting people through that funnel and getting our fair share.

In terms of why we're not out trying to do that for products for ourselves, it's just simply a resource allocation issue. We probably consider it and figure stuff out, it might even be worth it to do that. But at any given that when you've got millions of people coming to your site and they're complaining, they have features that they want to see, they've got products and you've got advertisers you're dealing with they want stuff, it's hard to take a step back and say, "What else should we be doing that's just not completely related?"

So, we know what we're good at, we know what we're not good at and we try to meet with a lot of people who are doing exactly what you described and we just try to help funnel our traffic over to them.

Adrian Bye: It's about focus that would be the main reason you're not doing it.

Keith Richman: Yes. I think one of the early partners we had really, really early on is the guys from Double Your Dating and we would run tons of campaigns and promotions with them. It's still something we do on occasion. Certainly as different products approach us, we're always looking for a way to maximize the value of the audience. But also, to try to find products and services the audience actually like. If we can help give our audience help introduce them to a product, that helps our brand equity as well.

Adrian Bye: Yes. I'm thinking about just before this call today. I mean, a TV station doesn't do that. You don't get a t-shirt from...nobody cares about t-shirts from ABC.

Keith Richman: Right.

Adrian Bye: That would be kind of dumb, but some websites do that and I think they do okay. I mean, I guess maybe I feel like the Internet should be different, why can't you have like the Break.com LA party or the Break.com training seminars on how to make your own videos and that kind of thing.

Keith Richman: We actually can, absolutely. It literally is just it becomes a focus issue. CollegeHumor has done a really good job on the t-shirt side, leveraging that business. But it's hard

when you have so many different things going on and I feel like what you're talking about is what people do in phase, one and a half or two of their business. Which is right now we're just building audience and scale. I think in two years we'll figure out how we can leverage them and what other ways we can process them. In a lot of ways if you think about what we're doing on the mobile front, it is kind of leveraging. That's the transactional business. Some people watch our videos on certain phones and we get paid. It's was a low hanging fruit. I think someone else was doing it.

Adrian Bye: Yes, I completely agree with you when you talk about focus. There are so many people who aren't focusing properly. So, I certainly respect that.

Keith Richman: Yes.

Adrian Bye: So, when you talk about the advertising, what percentage of your site would be sold as like brand, high CPM advertising and how much do you run as remnant and how do you run ad sales.

Keith Richman: I don't know. I'm sure if I do, the answer would be it depends on the day. There are certain phases and life cycles or products where a lot of stuff happens in the world. So, I'm sure over the holidays it was almost 100% branded. In January, it's probably a little less. It also depends on how fast we grow on a month to month basis.

One of the most interesting issues with the Internet is just pure forecasting of inventory. You have a really strong month or in particular for a site like Break where certain things become very viral and you can have an extra 30 or 40 million impressions a month that you didn't count on having. That stuff usually ends up as remnants just because it's not like I can get on the phone and fill that with a branded advertiser.

Adrian Bye: But if you get on the Digg or something like that, that's where you get the ton of volume?

Keith Richman: Yes or you just have one video that pops or if you have a bunch of videos that pop and suddenly you literally just end up with a ton more traffic. It's not monetizable really. It's sort of like when a TV show has an unexpected hit. It's great that the advertiser benefited but it's not like the network's sold more ads around it for the first episode.

Adrian Bye: So, the spiking traffic isn't that interesting, you want consistent traffic.

Keith Richman: I mean you always want as much traffic as you can. But the spiking traffic is harder to monetize, whether it's remnant or otherwise because you're just not prepared for it.

Adrian Bye: So, you need stuff where you can go to someone like T-Mobile, talk with them about a campaign, they come back to you with brand objective that they want to achieve and then you work it into your site...

Keith Richman: You got it.

Adrian Bye: ...you put some other things in the site. That's basically where you're spending your time, is that right?

Keith Richman: Yes. They benefit from the spike. If it happens to be that there was a big day, they'll get twice as many users exposed to them.

Adrian Bye: Right. How do you keep those guys happy? Where I come from is just straight direct response where every dollar has got to count, all that kind of stuff. When you're doing that, you're selling... Like in '99, that was a great time to be selling inventory because the CPMs were very high, but they seem to go up and down like stocks.

Keith Richman: Right.

Adrian Bye: How do you handle the size and keep them happy, get them feeling like their getting value, and how do they know they're getting value?

Keith Richman: It comes down to anytime there's money involved, you have to demonstrate an ROI. So, increasingly there are tools to help do that on the Web. I mean certainly there are better tools that exist in traditional media when you barely know how many people that are even watching your ads. But they have brand list studies that they do, there's a whole cottage industry of people who do ad effectiveness.

At the most base level, a lot of times it's just how many people went over my site though a click-through. There's how many people who viewed the video which are video views and then there's complete third party studies which they can survey an audience, find out how many people knew beforehand and how many people know afterwards.

So, it's a lot less tangible in certain ways but there are certainly tools where people are trying to measure their ROI. If they don't feel that they achieved the proper ROI, they end up not coming back. Fortunately for us, I think we have almost 100% hit rate on return advertisers. So, we're definitely doing something right.

Adrian Bye: I mean I like your site.

Keith Richman: There we go. Again, like you're not paying.

Adrian Bye: I'm kind of among your four-visits a month, I think.

Keith Richman: Here we go.

Adrian Bye: Four times going back. I do see videos on. So, would you ever see that the branding guys that the CPMs they're paying will drop and they'll become more return processed or do you think things will stay where they are today?

Keith Richman: I absolutely believe that on the average CPMs will drop for remnant inventory because there's going to be an endless supply of remnant inventory, to a certain extent. I think what we try to offer is a really premium engaged experience where we can get you in front of an audience, hopefully transfer some of our brand equity over to you and offer a suite of services which as we said, help really introduce your brand to any of the users of any of our properties.

So, we're finding that CPM's for premium value audiences are going up. But, it's because it's so much harder and so much more work to provide the kind of access that we do. So, the challenge for us is continuing to maintain the same level of quality as we have as we grow. But if you can, there'll always be a premium paid for stuff that advertisers are pretty confident are going to work for them. Does that make sense?

Adrian Bye: Yes, it does. When I talked with Aaron about this on the last call, and he suggested that there is a lot of time and effort to putting these deals together, each one is like a custom deal. So, it's a high volume custom deal for each advertiser which therefore you can present justifying a higher value.

Keith Richman: Yes. I think one of the benefits of Break and the fact that we own properties, the properties that we own are scale and have great loyalty, it's easier to justify that. You're not looking at anything we're doing and saying, "Oh, we're dealing with 500 sites." When a lot of it is we feel like we're trying to build a Viacom of the Internet where we have very strong branded properties each with their own audience and what we're doing is we're aggregating it from a sales perspective.

Adrian Bye: Right. I know that you cross promote on your site, so that's probably I imagine you'll start some more sites before too long, won't you and just keep cross promoting them...

Keith Richman: Yes, as long as they keep being successful. I mean we came out of that with three properties that were still massively successful. We try not to get arrogant about it. Just because you've been successful three times doesn't mean you're fourth one will be a hit. So, we're not exactly jumping out to create another 10 sites. We want to make sure we do these right and they're not just one month wonders. So, I think if in a couple of months these all continue to have great traction, then absolutely we'll try to figure out what's next.

Adrian Bye: So, on Break, for example, you don't have like a membership program or any extra benefits? You're not collecting e-mails or doing any of that sort of stuff?

Keith Richman: No, I mean you can register. You have to register to do a bunch of stuff and we do collect e-mails. I think we have well over 1 million registered users, it could even be closer to 2 million. But we've not began monetizing it yet so I haven't really tracked it to be honest. I think over time, you'll see more and more reasons to become a member.

I think you'll see not only us but probably most sites within a few years have that premium distinction in their membership levels because it makes sense. It's like any business, you want to differentiate your best customers. So, the question is, "What value can you provide someone in order for them to do that?" That's what we're working through right now.

Adrian Bye: Yes, with Fark...I keep talking about Fark because I've talked with Drew quite a bit. His site is just status state, they like to have that little extra status. I think there's a couple of other little things but that's the main one.

Keith Richman: He's built a great site...it's an amazing amount of audience. So, he knew exactly what status meant to them. On ours, we can be a Break Pro Star or something but I'm not convinced that that's enough for the audience.

Adrian Bye: Right.

Keith Richman: We're trying to figure out what else can we really do for them.

Adrian Bye: So, in getting this started did you ever buy media or did you just leverage the Big-Boys traffic you had in the beginning?

Keith Richman: We leveraged the Big-Boys traffic and we did a lot of real viral marketing. So, we get ourselves booked on radio shows, stuff like that. Get a lot of radio early on, get a lot of TV outreach and things like that. In a lot of ways, that's what we're doing with Chickipedia and the other properties now. It's a model that we know works. So, we've been really effectively telling...we know radio people need you talk about stuff 24 hours a day. So, we just try to help give them something to talk about.

Adrian Bye: Fair enough and that's exactly what Drew has done with his site. How do people come back to your site, is it through RSS or is it just type-in traffic and coming back?

Keith Richman: Most of them type back. We have an amazingly high direct traffic figure. I think it's something like 50-60% just typing in. One way we can really improve is actually get better search engine optimization. But we are very similar to Fark in that we've got very loyal audiences and that drives I think the rest of the people that come that day. You know the guys that share videos to their friends and do stuff like that. But there's a lot of opportunity, I think, for growth and capitalizing on the natural trends of the Internet and other natural traffic that are traffic growth mechanisms. We haven't done those yet.

Adrian Bye: Very interesting. Alright, so moving on then. The four sites, now you're doing ad sales around those and you're doing ad sales for another 20 sites?

Keith Richman: Yes, that's correct.

Adrian Bye: How does that work and can you talk about any kind of numbers there, what kind of stuff you're doing and who you'd like to work with?

Keith Richman: It's all going great because we're providing I think a pretty solid value to the advertisers. The network and the selling in the other sites, having said that, is also what we've done only for about eight weeks now. As you know from your own experiences, it's a matter of making

sure that the products you offer on each property are right and your ability to deliver what you promised to the advertisers are right.

So, we're just now going through all those processes. But there's no doubt there's a lot of advertiser interest and particular on sites that are more niche. Like Cage Potato, it appeals to mixed martial arts enthusiast site. Endemic mixed martial arts people love to advertise on there, people trying to rich manly men try to advertise on there. So, it's trying to make sure that you can deliver the right kind of advertisers to the right kind of audience. We're just understanding those audiences right now because they're growing so fast, it's hard to get a beat on them.

Then the network sites, those already have more developed communities. So, I think what we're finding with those guys is that it's actually fairly easy to try to sell them and we have a great advertiser interest so far.

Adrian Bye: So, does this mean, like let's say if you do a deal with T-Mobile for CagePotato.com. I don't know if that's a fit or not but let's assume that it is. Does that mean you then...

Keith Richman: Try another for that one but go ahead.

Adrian Bye: Let's say you do a deal with the UFC to advertise on CagePotato.com and that's working there, could you then take that ad buy and say you're already spending X dollars with us here, why don't you do it around these other five sites as well. Basically, you're leveraging your time and resources there.

Keith Richman: You got it.

Adrian Bye: Is that how that works?

Keith Richman: You got it. I think it's more on the inquiry. If someone says, "Hey, they want to advertise on Cage Potato," we can say, "Not only can we bring you Cage Potato, we can bring you Chickipedia, Holy Taco, Break, FretPlay, NinjaDude and all these other sites."

Adrian Bye: So, what are some of the bigger sites that you have in your network?

Keith Richman: We've got a couple of game sites, Bubblebox.com has a very loyal male audience. FreeArcade has a very loyal male audience. FretPlay is a music, guitar chord site. Those are the three I personally go to the most because I like to play games on the Internet and I like to play guitar. So, I'm a little partial from a usage standpoint. But if you break them down into categories, it breaks down into games, lifestyle, music and...I'm forgetting the other two categories.

We try to find sites that are in areas that we don't have inherent advantage, and there's Break. So, we're not going to feel competitive with the properties, if that makes any sense. Like we don't really have music...

Adrian Bye: They have to be similar but not too similar because otherwise it's a competitive issue.

Keith Richman: We want a similar type of audience but we don't want to feel like we can't share audience with the network sites. One value of joining in with Break is that we leverage the power of all the other properties to send more traffic to you. If you look at our homepage, we rotate links into all our network partners and it really is something that we're very happy to do because we feel like they're doing something better than we could do in that particular area. Again, it boils down to what the audience values.

Adrian Bye: It all depends on what's down there on the bottom.

Keith Richman: Yes, the audience benefits if we can show them cool products and cool sites that aren't just ours.

Adrian Bye: Now, at what point do these sites work with you and at what point to they say, "Well I want to go and hire my own sales team and this myself."

Keith Richman: I mean I think as we talked about earlier, you have to be at least I think it's like 3 million unique visitors a month to even have that thought because it's just so expensive. At this stage of the game, you'd probably want to be closer to 10. Not just that, I don't know how much you follow comScore but you have to show up pretty significantly on comScore as well because you could have 100 million people but if you don't show up anywhere on comScore, then the media buyers themselves don't see you. So, it's not only that you have the traffic, you have to have the traffic that you've got to hope it coincides with the panel system that they all use.

Adrian Bye: Have you had problems with that? I mean Drew's always complaining that he's not being represented properly there.

Keith Richman: Yes, I think anyone who's got a very loyal audience will not be represented. So, we've got massive issues. We still show up fairly high but we've got fairly significant issues. I imagine Drew has an even worse issue because the more loyal and the more naturally demographically focused your audience is, the more panel is just not going to register you. Whereas people who show up, who deliver 100% of their traffic from Google usually show up exactly right on the panel systems because Google's just a norm.

Adrian Bye: Part of his problem is that he has a very smart user base and they are the ones that don't tend to have the comScore spyware tracking thing installed.

Keith Richman: Right. I mean what kind of 25 year old male or 20 year old male who is going to respond to a random digit dial and accept that panel system, right? It's only if your parents...

Adrian Bye: Yes, they would see that.

Keith Richman: Yes, absolutely. Absolutely. But I think it's true for anyone who focuses on young men and young people as a whole. It's not the way our demographic functions.

Adrian Bye: Yes, they're a little bit smart.

Keith Richman: Smarter I guess. If you're doing a random digit dial of people's home phones, a lot of people in our demographic don't even have a home phone. So, you're not going to get them on the phone.

Adrian Bye: So, what are some of the other interesting things about your site and your model that you're doing that you can share with us?

Keith Richman: The coolest thing about is once you have this scale, with the cool things you can do, then nothing makes us happier when we can launch something like Chickipedia. Chickipedia launched 10 days ago and it's averaging 100,000 unique visitors a day.

Adrian Bye: Seven days ago and it's already...

Keith Richman: No, sorry, it's 10 days ago.

Adrian Bye: The Alexa rank is already 70,000.

Keith Richman: But that's a three month average. I think the daily Alexa rank is much higher, if you look at it.

Adrian Bye: Oh, wow.

Keith Richman: We barely linked to it from Break yet. I think it hit as high as 990 one day in terms of rank. So, it's great that you can do that. You have not only the traffic on your one site but on the multiple sites, then you have the in-house marketing knowledge to do that. So, that's part of the most exciting thing.

Once you get to the level where you actually have time to do these things, remember we've been around since essentially end of '04 and it took us till the late '07 to launch a second property. So, it takes a while to get there, but once you're there you really kind of start having some fun with your properties and what you're doing with them.

Adrian Bye: Do you have problems with peak traffic? I mean you guys must know more than just about anyone of handling spiked traffic.

Keith Richman: Yes, the problem is they cost a lot to prepare for it. But you can't do anything other than spend more money and have the right equipment so that when something happens you're in great shape. But I mean also, it goes back to you have to have the money and you have to have success somewhere to be able to afford service. So, if we had launched Chickipedia and didn't have the money and didn't know that we might get 100,000 people a day on average and that we might peak at 200,000 for one of the first few days, if we didn't know that, if we didn't have the rest of the infrastructure behind us, we probably wouldn't have the right machines in place. The site would

have been slow, it would have gone down and everyone would have thought it sucked and you would have been done.

So, it gets back to once you're in a place where you actually have a real infrastructure, taking on all this different projects becomes much more doable and easier as we talked about. So, maybe we do some of the direct marketing stuff ourselves in the phase 1.5 because we'll finally be in a place where we have enough infrastructure to do that. But in terms of our model, we are very well suited to continue to launch these new media businesses.

Adrian Bye: Is there anything that ever brings you down or to the limits of what you can handle? I mean do you find now like whatever people throw at you, you're going to be able to work through?

Keith Richman: Yes, I can't imagine. We got days we've had millions of people on the site so it's not... I suppose if everyone on the Internet linked to us and did a denial of service attack, we have some problems. But there's nobody on the Web except maybe for Google and Yahoo who wouldn't at that point.

Adrian Bye: Actually, have you had lots of problems with Diosevec?

Keith Richman: No. Knock wood. I think most people are pretty good and try not to screw you. That's on our experience.

Adrian Bye: Last question I can think of is let's say I have a product, and most of the guys that I know have random type stuff, and they want advertise on your site, how do they do that?

Keith Richman: Shoot me an e-mail and I'll get everyone together. Like I said, we're always looking for ways to make more money.

Adrian Bye: You don't just want branding stuff, you also want random stuff.

Keith Richman: Yes, we've got people in place whose job is to just test things. We're like everyone else, we test it, if it doesn't work, you move on. If it works, you keep doing it. We've got a lot of inventory to play with as we talked about. So, we're always looking for stuff.

Adrian Bye: Well, I've got a bunch of guys with things that are really converting that would love to talk to you. So, you're going to get some e-mails.

Keith Richman: That's great. I mean if we can all make more money, that's perfect.

Adrian Bye: Cool. Anything else that you'd like to talk about that we haven't?

Keith Richman: No, this has been great. I really appreciate your time.

Adrian Bye: Cool. Well, thank you very much for your time.

Keith Richman: Thank you, this was great.