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## Interview with Mark Kahn from TRAFFIQ Inc.



**Adrian Bye:** Okay so today I am here with Mark Kahn. And he's going to tell us a little bit about his company and what it is he does.

**Mark Kahn:** So, I was born and raised in New York City, and I grew up here, went to Connecticut College. After College, I had a stint at Club Med, and then my job from being a scuba diving instructor and a water ski instructor was to be in the News Room at CBS News during the Gulf War doing the Overnight Desk and weekend is with Connie Chung, and CBS Sunday Morning with Charles Osgood and did hard core television news production for a spell, which was quite a change from the days of Club Med. Then moved to the News Corporation, Rupert Murdoch's little company, and spent a good period of time there in a variety of marketing and business management positions, mostly in the interactive space.

But at that time in the early 90's, pre-TCPIP and web-based technologies, it was Delphi Internet Services, CopyServe and Protege, News Crash was sort of the cutting edge at that time in so far as they purchased Delphi Internet Services Company, which was the second largest ISP in the United States at the time, and all ASCII based interface and pre-GUI anything. They really put their toe in the water well before the whole industry was going to explode, probably a little bit before they should have, but I spent a spell there at Delphi.

Then American Sky Broadcasting in the Corporate Development Group, an interactive games company that they had bought called Kesmai which was the leading multi player games business around which was subsequently bought by Electronic Arts. I was one of the early employers at iVillage, now part of NBC, and then went back actually to the News Corporation after being in iVillage and spent a variety of my time mostly in the corporate space there for about another four years and then left to join a paid search network called MIVA...

**Adrian Bye:** Oh, you worked with MIVA...

**Mark Kahn:** I did, I think when I started it was called FindWhat then merged into MIVA, I looked after their corporate development activity which included the acquisition of Espotting which was the

largest second tier paid search network in Europe, a company called Comet Systems which had a comet cursor, I don't know if you remember the Comet Cursor...

**Adrian Bye:** That was kind of spy ware stuff, isn't it?

**Mark Kahn:** When we had looked at that acquisition we did a lot of due diligence, obviously as a public company to buy what would be perceived as a spy ware kind of engine would not be a good thing. Comet actually really did practice best practices in that business, and today, actually, still through [ScreenSavers.com](http://ScreenSavers.com), they are one of MIVA's fastest growing businesses, and a big partner of Google, and I think it's partly because they sort of stayed on the right side of the wall when it came to spy ware issues while many others didn't. But I think they kept their head above the crowd in that regard. So I looked after all these acquisitions that MIVA had made, and in a pretty short period of time, it ingested 200million worth of six companies, probably bought too much too fast so the integration was difficult to say the least.



I then moved to run their business development group which was the whole distribution network of MIVA which was 2000 partners in the United States and a similar footprint in Europe, and out of that experience, actually which was being in the middle of advertisers on one side, and lots of them 25,000+ and lots of distribution partners on the other side, and MIVA being in the middle of these two constituents that really had no visibility into the other side was really the foundation for my thinking and the partners who started TRAFFIQ in terms of turning that model in its head, and creating really an open and transparent marketplace where buyers and sellers can interact with one another. So, after four years of MIVA...

**Adrian Bye:** So, you're saying that it was kind of going through...FindWhat on MIVA, so, being in the middle of PayPerClick, where it's a non-transparent marketplace is what tended you to want to create an open marketplace?

**Mark Kahn:** I think at the heart and soul, that is exactly it. One of the partners in the company in TRAFFIQ today ran the Ad Sales Group, he would joke not so jokingly, but *"Where is my Geico ad?"* or *"Geico just called and said they were on a site for insurance fraud."* I'd say, okay I have no control over that. But, yes, it was the frustration and the total inefficiency that I had seen first hand between advertisers and publishers that was really the nexus for saying there's got to be a better way to do this. Buyers and Sellers need more control of the buying process, they need more efficiency in the process, and they ultimately need more transparency in the process, which was really what TRAFFIQ was meant to do. So, with that kernel of an idea, it morphed into a business plan of some sort and we were successful in closing on an initial round of funding back in September of 2006 for \$7million and away we went.

**Adrian Bye:** Now I mean this is a space that have obviously become hot because there has been all these acquisitions that have happened, a bunch of marketplace is starting up, I'm a little bit naïve in the area or marketplace, so maybe you'll help me understand that a little bit better, but isn't this just

like jumping on the train of a hot market or a hot technology and it's a bit authority-filled since all the acquisitions are done?

**Mark Kahn:** When we just started, many of those acquisitions hadn't been announced. It has been a hot market in so far as the advertising market in general is a hot market and has been for years and years and years, as new players figure out new models that work in some way. Certainly, more recently there's been a lot of interest in the notion of an exchange or in the notion of a transparent market, and there are examples of companies that have been bought, it's adECN by Microsoft, Google buying DoubleClick, I don't think they bought them for an exchange, they bought them for the power in their ad server and then display media.

The problem is that umbrella word Exchange or a Network really does cover so many things, so we get lumped in, if you will, with sort of anything that is under that umbrella, which is one of the challenges for a start-up company with a new model, is to let the market know how we're different, how we serve our constituent audience in either a better way or a more efficient way. I think when people actually look under the hood to sort of see how TRAFFIQ works, relative to adECN which is a great business and has obviously value to Microsoft, it's fundamentally a very different business, even though it's an Exchange that what TRAFFIQ is.

**Adrian Bye:** Maybe...could you help me understand what was that Microsoft bought, and what is it that you guys do that are different.

**Mark Kahn:** Well Microsoft bought adECN, I have no idea what the price was, but adECN is an Exchange between basically ad networks that become members to adECN so other ad networks of different sorts, like [Advertising.com](http://Advertising.com) is an ad network. Then, you basically buy impressions on an impression to impression basis, and you bid into that market, so, really they are aggregating a lot of feeds, right, which are ultimately blind feeds, into a single point, and then you're buying into that feed aggregation by setting your bid price, whatever that might be, and then they'll serve you an ad from the feed aggregator that meets your bid price, which is a good model, a very, very different model..

**Adrian Bye:** Is it remnant inventory or branding inventory or both?

**Mark Kahn:** I'm not looking into disparage anybody's business, and when you server put remnant next to a company's name, it tends to do that. We don't really think that there is remnant inventory per se. Remnant inventory is inventory that really didn't get sold directly, and therefore they call it remnant which is probably not a good word to use. The way you can...you can still inventory on your page that you can't sell direct by bringing in ad feeds, whatever ad feed that is, if it's a display feed, by CPX interactive or Right Media or its a paid listing feeds by Yahoo or Miva or Google, and that you could say is remnant inventory and its provided to fill that inventory by some third party that just feeds you an ad feed.

That's really the model that TRAFFIQ is not trying to pursue. That's a blind model, and remnant generally means very low CPM rates or CPC rates, or at the end of the day effective CPM what you generate on that page in total. You know, you could be generating \$0.10 to \$2.00 but you're not

commanding the kind of higher CPM rates that you get from a transparent market where you have visibility and control into what you're buying, when you're buying it, what the creative is, what your out costs are, who the seller is, you know...

**Adrian Bye:** Okay, so you are more looking at...so this is where your interest is then, for... T-Mobile wants to advertise, they can go into a fairly transparent marketplace and pick things, it's basically like self-served media buying. Would that be a more accurate way instead of having the vagueness of people behind it that it's more open and they can go and pick what they want.

**Mark Kahn:** I think that's a really good description. It's very much of a buyer and seller controlled environment where anyone can come to TRAFFIQ they can have visibility as to who the sellers are and potentially who the buyers are through a feature called Request for Listing where buyers can come in and say, here's the TRAFFIQ attributes, the media buy that I'm looking to make, Sellers please let me know if you have the inventory that meets my buying requirement, and the buying and selling activity is matched in the Exchange and deals are obviously consummated between buyers and sellers, if the prices are met and agreed to by both parties. TRAFFIQ serves as a big dating service between buyers and sellers, it's built upon the fundamental premise that TRAFFIQ and what buyers are looking to buy what sellers have to sell is some combination of geography, what category you're in, so US TRAFFIQ in the health category, my audience is mostly male, my income level of my audience are x, the age group of my audience is y. Those attributes go deeper and deeper and deeper to ad unit size, frequency capping, flight base...you know, keep on going down that attribute tree, and whatever combination of those attributes you've got to sell, or your buyer is looking to buy makes up your TRAFFIQ profile, and that TRAFFIQ profile is ultimately what you're buying. Hopefully, you as a buyer who know your market are buying the best market profile that converts best for you, and the products and services that you are going to sell...

**Adrian Bye:** Let me ask you. Because the model I'm more familiar with is [Fark.com](http://Fark.com) with Drew Curtis who I've spent quite a bit of time talking with him about his model and how he is handling his stuff. He's worked with Federated Media who had been handling his media sales. He's worked with Gorilla Nation and now he's working with Maxim and it seems to be working quite well with Maxim. Drew is a picky guy, and quite rightly so. He gets top offers for his inventory. Are you familiar with Fark.com?

**Mark Kahn:** Why do I know...maybe because Federated is a partner of ours, maybe that's how I've heard of him.

**Adrian Bye:** He does a million to two million pages a day, it's kind of update news stuff. Fark.com is the site. He is now working with Maxim and that seems to be working reasonably well. It seems like one of the key attributes is that Maxim as a company has similar types of relationships with ad buyers as Drew has on his side. So therefore they are able to leverage those relationships and handle custom buys. Then I talked with Aaron from Gorilla Nation which we just published yesterday. In the interview, he talked about how they do specifically very much custom deals the ones that are hard to put together. Where do you fit in between the Gorilla Nation business model and the Fark.com business model?

**Mark Kahn:** Well, I mean, in many ways we're really an enabling platform for them. TRAFFIQ is very much an efficiency tool for buyers and sellers and certainly a marketplace at the end of the day, but at its core, it's there to put together, custom media plans for buyers or to be downstream of an RFP or in our case we call it an RFL, for sellers to get their inventory in front of the right buying audience. So, from what I understand about their model, which is not very much, but from what I think I discern is we would very much be a good venue for them to buy and sell and I think actually...I know Federated is on TRAFFIQ today, they may in fact be using it, I don't know.

Does that make sense, TRAFFIQ as an enabling platform?



I just wanted to make the distinction that TRAFFIQ is really an ad enabling platform it is not a blind network. You don't come to TRAFFIQ and sort of sign up and get an ad feed. Think of it more like a Futures market, where I go in and say, *"Here is the inventory that I'm looking to sell for this period of time,"* which is exactly the way sellers sell today. They put out a media kit, they call up somebody, a buying agency, and say, *"I've got this package*

*that I want to look at buying we think it needs your client or yourself spot-on."* The same kind of things happen on TRAFFIQ. Sellers put up inventory into the market and buyers request inventory, it's just a very efficient way of going about it as opposed to filling innumerable calls, going out to 10 lunches, it's an enabling platform that gives back the control to buyers and sellers, where I think in today's market, we've seen it first hand...where the buying process is terribly inefficient today in a sort of direct non-automated world, the selling process...

**Adrian Bye:** What I want to understand here is who do you actually work with? Do you work with Fark and then you get a tag to put on Fark's site, and so T-Mobile can come into your site and say *"Oh, there's this space on Fark and we're going to buy it,"* or does Federated Media go and put the tag into Fark and they play stuff, then Federated Media puts the inventory out on TRAFFIQ and then T-Mobile comes and buys or... Who do you work with directly?

**Mark Kahn:** We work directly with the buyers, either buyers themselves or buyer aggregator or media agencies. We work directly with publishers, be them large publishers like Yellow Pages, White Pages who are both on TRAFFIQ, or Hachette Publishing, or any large publisher that has lots of

inventory, or even small publishers that has a little bit of inventory. We provide when a deal is consummated, like a buyer has bought some block of inventory from a seller, TRAFFIQ provides all the ad tags to serve the ads, if the buyer-seller wants us to serve the ads or we integrate with third party ad servers and track against those ad server TRAFFIQ king reports.

**Adrian Bye:** Let's say the Fark.com example. So T-Mobile wants to buy on Fark. They will pay you, they would give you the Creative, then using your tracking tags, using your ad servers that will then be displayed on Fark's site. Is that right?

**Mark Kahn:** Yes that's right, they don't pay us. They pay us to pay the seller, there's no fee for buyers on TRAFFIQ. So buyers can come and participate and make buys through TRAFFIQ at no fee to them., We charge a commission on the sell side. That's exactly the process. A buyer will come to TRAFFIQ, maybe put up a Request for listings I'm looking to buy this particular type of TRAFFIQ. The TRAFFIQ matching engine would identify sellers that meet the TRAFFIQ buyers requirements, the two then correspond through the system, if a deal is struck then a contract is set. There are certain parameters in that contract, be them out clauses as an example of one, which are set by the buyers and sellers, we are not setting those clauses, they have a choice of 2-day Out Clause, 3-day Out Clause whatever it may be. Creative is loaded into our system on the buyer side, then we TRAFFIQ the ads to the seller, or we integrate the TRAFFIQ king of the ads with the seller's ad server.

**Adrian Bye:** So, it's an E-bay style market place, do they leave feedback for each other like on E-bay.

**Mark Kahn:** That's a great analogy. It's really...when I could probably look at the first business plan which probably in there had something that said Ebay needs the NASDAQ for on-line advertising. There is a whole user recommendation environment as well, so yeah, you can both comment on the quality of buyers and sellers.

The reason why we have that feature is some of it came out of my experience in the blind network world, where the network tries to police itself, which is incredibly difficult and not at all possible. We felt that a better model was to have the Exchange police itself by the participants who were on it. So you can flag somebody as a bad seller, or you can flag somebody as a great buyer. The quality of the TRAFFIQ they're selling can be made available to the market if they want it to be available. One thing that's worth mentioning is the way the buyers and sellers list their inventory on TRAFFIQ is completely at their discretion, so they can choose to say as much or as little as they want about what they're selling or what they're buying. We have very good data which, and this is probably not at all surprising, but the more that you tell the market what you are selling, the higher the CPM price you are going to get. It's no wonder when somebody says I'm a site about health and that's it...or maybe I'm a site with a large of male audience. Nobody is going to pay a premium for that kind of buy where there is very little visibility to what they are buying, so there's a direct correlation between the more information that a seller provides to the market, the higher the CPM price can go, and if very little information is provided it sort of have the appearance of a blind network, and therefore it commands remnant pricing.

**Adrian Bye:** In direct response marketing there is an ad-in for the same, the more you tell the more you sell.

**Mark Kahn:** I couldn't agree with that more, and we have hard evidence to prove it. Really that's what we're trying to combat in the world of blind networks that's why blind networks are so filled with remnant inventory, it's just a blast of continuous feed that is completely blind, and you don't know what's going on. We have done a lot of buying on many of the networks out there. You can get inventory for \$0.10 CPM or \$0.20, and you're getting exactly what you're paying for. You might be getting IP addresses from Bulgaria or who knows...

**Adrian Bye:** Or China...

What you are selling...what you have in your marketplace, it's very it's not like NASDAQ, if I buy a 100 shares of IBM I get a 100...it's a commodity, it's clear what I'm buying. Whereas on...what you're selling...first let me ask what are the types of inventory do you sell? As I understand...do you do standard pop-ups display, what kind of different stuff...Curtis also is.. or I don't understand how that works I guess.

**Mark Kahn:** Well, just to what you said when I buy IBM I am buying commodity and you know what you're buying...What you're really buying in IBM are the fundamental performance of IBM, you know, what it's earning growth are, the cost of capital is, the details that give you an idea what the value of that stock is, right? That's a very similar way that you should think about TRAFFIQ, and I mean TRAFFIQ spelled with a c and not with a q. When media buyers are buying TRAFFIQ, they're looking at the same combination of attributes but albeit in the TRAFFIQ environment not in the stock market environment, so not the company's performance,

**Adrian Bye:** But not necessarily because let's say I'm buying on Fark.com, For example, if I have a banner at the very top of the site, that's worth a lot; if I have a banner at the bottom of the site that's going to be worth a lot less. So even though its around the same company same issue same fundamentals, effectively a thousand pixels difference in positioning makes a massive difference in what you're buying.

**Mark Kahn:** That's a great point and that's why on TRAFFIQ you can transact, you would ask what ad type. We're fully IAB compliant, so all various IAB standard ad formats and sizes. We also support static ads as well as rich media ads or video ads. But what you just said is really the key. When ad placement above the fold as the leader board ad is going to command a higher CPM rate than potentially below the fold. That may or may not always be the case. Some advertisers actually, I've seen this first hand, some advertisers feel like they get a better performance of an ad at the end of an article, so well below the bottom of the fold because a reader is inclined to have finished the article and maybe then made a purchase decision or then looked at an ad. But on TRAFFIQ, you specify where your ad unit is and in fact, if you went to TRAFFIQ right now, you can look...are you online?

**Adrian Bye:** Yes.

**Mark Kahn:** I mean I'll just... Sometimes the easiest way to do is just to take a look. But if I go to TRAFFIQ right now, I can see that the average TRAFFIQ market activity as of today, it looks like the

average CPM rate on the exchange is about, I don't know, call it \$10 there? If I go into browse listings which is at the top left nav button right there.

**Adrian Bye:** For anyone who's looking inside, that's [TRAFFIQ](http://TRAFFIQ.com), T-R-A-F-F-I-Q .com. We're going for the browse listings which is at the top left hand middle.

**Mark Kahn:** So, I'm showing a listing of 583 matches and the first being Western 300 x 250. Is that for you as well?

**Adrian Bye:** Yes. 55 minutes left.

**Mark Kahn:** Just roll over that I, that info button right there and you'll see the ad unit itself has popped up and you can actually see exactly what the seller here is looking to sell. That it's a 300 x 250 above the fold right? In looking for unit price of \$8, he has a one click buy price of \$10. So the total price is \$10,000 for a million impressions.



**Adrian Bye:** So by doing this kind of display positioning like this, this is a kind of commoditize it a bit so the buyers can go through and very quickly see what it is they want. Is that correct?

**Mark Kahn:** That's exactly right and you'll see that filter. You can filter the listings by category, ad unit size, age, gender, education level, household income, geography, ad position, or order size. So yes, you can drill right down into what you're potentially looking to buy and you're in the non-logged in TRAFFIQ environment and so in terms of the open and transparent, I don't think you can get really any more open and transparent than this. If you were logged in, you can also see the buyer requests, the request for listings. As a member of the exchange, right as a registered participant, if I'm selling within your message and alert center, you're getting updates as to who's making bids and offers in your system, in your particular message center, and deals are consummated within the exchange all the time, just between buyers and sellers interacting.

So, maybe that makes, I hope that makes it a little more clear in so far as, we're not in the middle of these transactions. We're not pushing an ad feed to somebody and say here take this feed. We're providing a market where buyers and sellers can come. We're providing tools. We're providing data.

We're providing technology in so far as the ability to help match buyers and sellers and like with the dating service or like with the stock exchange, we're providing the infrastructure to enable the exchange of that transaction. Right, so...

**Adrian Bye:** I get it. I mean, it seems pretty clear. It seems very similar to, it's an EBay for advertising, for selling advertisements.

**Mark Kahn:** It is very similar. Yes. It really is.

**Adrian Bye:** I have a lot questions for you. So, let me shoot for a bunch of questions if I may.

**Mark Kahn:** Yes, please do. I hope by the way, I'm not talking too much. I sometimes do that.

**Adrian Bye:** It's interesting. What you're saying, it's just spurring a lot of interesting things so I've got like tons of notes here, I want to ask you them all. What kind of percentages do you charge people? How's the model? Do buyers get on the phone for free and then you just take a percentage of sales? Are they any kind of monthly fees? So how does that work?

**Mark Kahn:** Okay, so yes, there's no fee for buyers. So buyers can produce pay with zero cost to them. There's a fixed seller side fee of 30%. So, we provide ad serving for free, if you don't already have ad serving. So, you can sort of think about that in your cost structure because ad serving costs potentially anywhere from \$0.05 CPM to 2\$ CPM, depending on what kind of units and the amount of ads reserving. From time to time we offer programs, right now we're offering rebate program to buyers of 10% of their buy. We're putting together a buyer, similar to a buyer mileage program. So there'll be an accrued credit program for buyers to accrue credit and basically TRAFFIQ credits towards their buying activity. In terms of just the market, what the market pays when you hear the 30% on the sell side, its worth mentioning. Think of you as a publisher going to a blind network, or a network, and what you're doing is you're selling the network your inventory right? So you're saying, you pay me something from that ad dollar that's coming in. So you're selling them that inventory. What a network calls that is a rev share, right? So they'll say, we'll give you 50% of the dollar that we get from the advertisers. Rev shares can be as high as, I'm the network, I'm going to take 70%, you're going to take 30%, which...flip that on the other side...that means that I sold you that space, right? I only took 30%. You get it.

**Adrian Bye:** Yes, I get it.

**Mark Kahn:** You get it, right.

**Adrian Bye:** When you go to Federated Media and all those guys, they take a percentage, that's clear. Why does Federated Media work with you? Because then Federated Media takes their 30%, you take your 30%, the publisher gets a lot less. I mean, effectively, are you saying that this could negate the business model of Federated Media and Gorilla Nation as publishers come to sites like yours and work direct.

**Mark Kahn:** I don't think that businesses like Federated Media or Gorilla Nation will ever go away. They're always going to be aggregators who serve a purpose. I think, there'll be more cases of people going direct through exchange models like TRAFFIQ and others that provide an efficient tool for them to reach a larger buying audience. But I don't think it's going to be at the demise of these aggregator reseller businesses at all. If ultimately, it will all depend upon what the effect of CPM you get at the other end is because as a seller, if I got 80% of a \$1, that's not as good as getting 20% of 20\$. So, the rev share or the commission is not ultimately the most important factor. It's really what the effect of yield to me as a seller will be. We think that our model, is that ultimately higher yields will be drawn from transparent markets that are buyer and seller driven. Our technology around helping to match buyers and sellers through the matching engine and ultimately our yield management tools will provide the ability to command higher cpm's and that's the game. It's all about the tactics of the game.

**Adrian Bye:** So there's no cost for buyers, there's no cost for sellers. If I'm a publisher I can sign up for free. When you find me inventory, I pay 30%. Do you collect all the money then from the advertisers and then send it to me less 30% or do they pay me direct and I pay you?

**Mark Kahn:** No, we serve as the clearance house if you will? Often with our buyers we provide credit terms like most people do for agencies? So most agencies require credit terms and most large direct buyers as well, so we have a credit process and then we collect money from the buyer, and then we remit the payment to the seller based upon what the seller delivered on.

So as an example, let's say I'm a seller and I'm selling a buyer a million impressions and I only delivered on 950,000. Well, you're only going to be paid for a 950,000 not a million. So we serve as clearance provider and we either default to the reporting system of the seller or if that's the ad server that they were using or ours and we track discrepancies and pay accordingly. This is completely common. There's always going to be a discrepancy between buyers and sellers, always in the tracking, sort of industry standard range of acceptance, sort of that 5% range. Where sellers will say, well I saw a million impressions and you say, I saw a million and 50,000. In many cases, a seller will say, I'll sell you my May inventory, run off site, a million impressions. I don't know why users disappeared in the month of May and I only did 600,000 impressions.

**Adrian Bye:** So what do you do in a situation like that? I mean, you're effectively the cop between buyer and seller.

**Mark Kahn:** Well, we're the reporting engine between buyer and seller. We pay sellers based upon what they deliver. We're really a buyer advocate in that regard. We're not going to charge the buyer for what they didn't get. So, a seller says to the market, here's what I have to sell. If I under deliver as a seller, well that can hurt your performance rating. It could hurt your quality scores as a seller, you're not going to get paid on what you didn't deliver on.

**Adrian Bye:** So, what happens if I bring to you some kind of freaky unusual ad unit that no one has ever heard of before, but it can work on my site, it will deliver huge value to T-Mobile, but I'm the only one that has this particular inventory on my site and I want to sell it. Can you handle that sort of stuff or is that a custom deal outside the network?

**Mark Kahn:** That would be a custom deal outside the network. As long as it's IAB compliant, I think there are 28 ad unit sizes. I'm not sure about the exact number but in that range that we handle, if it's outside of that IAB standard, then it would be a custom deal.

**Adrian Bye:** You don't support that all and no one is making a market place for that sort of stuff?



**Mark Kahn:** We don't support it. I don't know if anyone is. It would be a tough sell because both parties are constrained by ad-serving technology that is set around these industry formats and if you go out of those formats, there are going to be issues on both sides of the fence. Generally, a person who controls the deal is the buyer. We're very buyer-driven if there are buyers, sellers will come. Again, that's very similar to the e-bay model as well. So, I'm pretty certain that if a buyer said, "Well, sorry. We're not going to make that buy because it's not compliant and we have no ability to track it." The seller will generally change their mind, you know what I mean.

**Adrian Bye:** Right. If I said for example on...I'll change the logo on my site like let's say the logo on your site's TRAFFIQ, I'm willing to change that over to T-Mobile but it has to be pink only. So, that's sort of outside the parameters of how normal stuff works. That wouldn't go through TRAFFIQ, that would be an unusual buy and so what you'd hope is the T-Mobile who would convince me to do it in the normal way and then put it on the side properly.

**Mark Kahn:** Well, that example is interesting because TRAFFIQ does allow for sort of curve outs between buyers and seller. So, a seller can stipulate certain things and a buyer can stipulate certain

things that they require. Not necessarily about the ad unit itself but a buyer can say to a seller, "I'll only make that buy if you change the color of your background page to pink." If that is agreed to, then it's part of the compliance of the sale. Does that make sense?

**Adrian Bye:** You do have to make the conditions that can be built into a sales, would you say?

**Mark Kahn:** That happens all the time. Sellers might say, "This inventory is available for sale but no buyers in the telecom space are eligible." Who knows, maybe he has an exclusive deal with a telecom provider.

**Adrian Bye:** Why does the ad units expire?

**Mark Kahn:** because all ads run on flight dates. Much like today, all buy run of network for the month of May or I'll buy for this period of time. So, everything is around flight dates which is exactly the way that traditional direct sales happens today. You buy a period, whatever that period might be.

**Adrian Bye:** ...because the inventory space is expiring because it's being bought on a certain date. Right, I get it.

**Mark Kahn:** That's right. By the way, you may extend your flight date to cover the inventory. You're selling a million impressions for a week, you only made 800,000, you'll extend it three days to cover the million.

**Adrian Bye:** Fair enough. So, how is what you're doing different to RightMedia?

**Mark Kahn:** I would say that the two exchanges again or networks that are the most similar to TRAFFIQ's model are AdBrite and probably RightMedia. The difference with RightMedia is, RightMedia is a continuous auction. So, as opposed to our model which is buying units in a future's market. With RightMedia, you get an ad feed. Again, not to disparage RightMedia, that's not my goal. But you would see that RightMedia has a lot of remnant inventory. In fact now, with Yahoo, it's a Yahoo remnant exchange for lack of a better way to describe it. It's filled with Yahoo inventory and it's filled with CPX Interactive inventory, and it's a continuous auction. AdBrite on the other hand has more of a transparent model and allows you to bid into blocks of inventory that are based upon some set of attributes, which is much more similar to our model.

**Adrian Bye:** You made me think. Alright. This is very interesting. What about make-goods, how do you handle that sort of stuff? Does that ever happen?

**Mark Kahn:** It happens all the time and that's the case where I've sold you a million impressions for a week and we paced the ads. So, your ads server doesn't want to deliver 800,000 or million impressions on day one. Right? You want to deliver but equal amounts hopefully over the course of the campaign. If you're under-delivering, our system notifies you of under-delivery and notifies the buyer, and provides an option to extend or make-good on the transaction by extending the flight

dates, whether the buyer agrees to that, that's a different story. They cannot agree to it, but they have the option to agree to it.

Again, just to reiterate. That's very similar to a way that it happens in the direct sales world. I'll call my rep and say, "Hey, I'm looking at my tracking report. It looks like you're under-delivering." The sales rep will say, "Listen. I know. Are you willing to extend it?" "Okay, we'll extend it." Everyone change their ad tags. That's the inefficient way to go about it. Our system automatically makes that happen.

**Adrian Bye:** Okay. Again on the comparisons, I've talked to Paramount with Frank Addante with what they're doing with the Rubicon project. Are you familiar with that?

**Mark Kahn:** A little bit. Yes.

**Adrian Bye:** How does what you're doing either fit or compete with Frank Addante?

**Mark Kahn:** Oh, I don't want to speak out of turn. I don't feel like I know enough about it to really opine on it. Maybe you can tell me...

**Adrian Bye:** Well, I can tell you some of the basics that I understand. I get his is more of a system for remnant inventory where he put a tag on the side, they'll start testing the TRAFFIQ they'll run some offers against it, they'll see how it performs and let's say if you got a specific type of TRAFFIQ that works really well that gets high CPM, you'll start to get more of those sorts of ads, and they'll keep testing until they find what works. They're looking to aggregate all of the remnant inventory over the web. I guess that the answer is that you're not targeting remnant-type stuff at all, you're targeting branded-type advertisement.

**Mark Kahn:** Yes. Understanding it that way, that model is very different than ours. Though a good model and there are other examples of businesses that provide that were like CPX Interactive or even Advertising.com, they'll provide an ad feed, then they'll optimize that ad feed based upon the performance on your site and they'll determine what's good and what's bad. Hopefully, they're trying to figure out how to deliver the highest CPMs that will convert at the best rates. The main with that really is the antithesis of the TRAFFIQ model. Again, this is buyer and seller controlled, so we're not getting in there and say, *"Take this ad feed"* or *"We'll sell you this ad feed"* then we'll optimize against it.

TRAFFIQ allows for optimization through the exchange features that it provides. We're not sitting behind going, *"Let's turn the knob here, or turn the knob there."* To be honest with you, again it's sort of the reason why...the premise for why TRAFFIQ was born was...we don't think at least in our model that the network should control the destiny of the publisher. Without naming names, one of our strategic partners had said, big publishing house, they've been in the publishing business for years, and years, and years. They don't think that all of these networks should be in the business of telling them how to run their business, which is their business is an advertising business. They've had relationship with advertisers for many, many years. They understand the advertiser, they understand what converts well for them, they understand how to package their inventory. They're

not really interested in sort of the new kid on the block, telling them that they can do it through an algorithm. Does that make sense?

**Adrian Bye:** Yes, fair enough. Can you talk a little bit, just give us some indicators on the size of the business. You talked about you raised \$7,000,000. Can you talk about what kind of revenues you are at now, are you profitable, who are your clients, what kind of volume is going through?

**Mark Kahn:** Sure. We made the raise. We spent twelve months building the platform. We came out with what I would call control beta at the very end of the summer of '07. We went into open beta at ad:tech in November. So, we've been in the market, if you will, for November, December, January, February, so three and a half months of sort of in the market. We're about nearing 2 billion impressions on the exchange, about a 1,000 buyers and sellers and it's pretty well balanced between buyers and sellers. Not 500-500, but...

**Adrian Bye:** That two billion impressions, is that for a month or is that what you've done in since you started?

**Mark Kahn:** Two billion impressions that are available on the exchange at any given time for buyers and sellers to transact. So, that's like how many skews do I have up on Burb, for E-bay, how many products? The amount of inventory that's in the exchange right now. We grow at about 20 million impressions per week. Meaning, there's 20 million more impressions of listings going up on the exchange every week.

**Adrian Bye:** I understand.

**Mark Kahn:** The growth of buyers and sellers is in pretty even in terms of buyer and seller activity and growth, and we're signing up 25 buyers and sellers a week. For the most part, our buyers and sellers are...like today, they are what you may call A buyers and sellers. You can go on TRAFFIQ and look for yourself in terms of who the sellers are, but they include E-diets, Yellow Pages, White Pages, the Drudge Report, Timeout New York, TV Guide and the list goes on. You can just peruse yourself...and on the buyer side, mostly A buyers. All of the major media agencies, immediate buying agencies. We're now just starting to go after, if you will, the B community, the smaller agencies, the smaller direct buyers. So, we're seeing a lot of take up there.

In terms of financials of the company, we're not talking about financials right now because we're right in the middle of a series-B financing round. So, the business is pacing as we had hoped. We are not profitable but don't have any plans to be right now. We're very much in an investment mode and we'll probably continue to do that for I would say at least the course of '08.

**Adrian Bye:** How much are you looking to rise in your series-B?

**Mark Kahn:** Somewhere in the \$15-20million range.

**Adrian Bye:** So, where do you expect to be, based on the current growth, where do you expect to be say January 2009?

**Mark Kahn:** We expect to be a business that's generating about...we expect to be doing about three million a month. We expect to be cash flow positive.

**Adrian Bye:** Do you expect to generate \$3million a month in profit or revenues?

**Mark Kahn:** Three million dollars a month in gross revenues, cash flow positive. How it falls for our bottom line happens in different ways. But a cash flow positive business, three million a month in run rate and growing. If we grow as we're growing now, call it 20% a month growth rate. Probably in the order of 5,000 participants and probably in the order of \$20 billion impressions on the exchange at any given time.

**Adrian Bye:** What about random inventories? Is there any space in that for your stuff, or you're going to be focused around the A-list branding side?

**Mark Kahn:** We've had a lot of what you'd call the remnant inventory aggregators sign up for TRAFFIQ. It's a hard model for them to play in, because if they don't have clear visibility into where the ads are going to appear in terms of what site and the specifics as I've showed you, they can certainly list on TRAFFIQ. The question is when you want to buy from them. We have not seen...if you look at TRAFFIQ right now, you'll see there's very little \$.50 inventory, \$.30 inventory on there. There are some but there's just very little of it because it's a hard model to work on TRAFFIQ. Because we force transparency or because transparency is rewarded, if you will on TRAFFIQ, somebody who is managing a remnant inventory stream or themselves are saying, "Well, I'll sell you my daughter's photo album checkout page" or whatever it might be, they're going to command very low prices because at the end of the day, the quality will be seen.

**Adrian Bye:** That's sellers. What about buyers of remnant inventory?

**Mark Kahn:** Well, the buyers will only come if there's inventory for them to buy. So, it's sort of the cash22, if there isn't a seller side inventory, there's no reason for buyers to join. Though, we have seen and this is...I don't think that...

**Adrian Bye:** With that say, AdBrite is a remnant inventory. AdBrite is remnant inventory, publisher, and the buyers buy it. That's all it is. I don't think there's any branding on AdBrite, is there?

**Mark Kahn:** I think that it is very much a home to buy remnant inventory. We often say, if you look at sort of the sales effort of a site, the first 30% or 40% is sold direct. Right? Even if you took major publishers, they might say, "*We sell out 100% of our inventories in the month of December.*" But on the annualized basis, if a publisher is small, medium or large is selling 30% or 40%, that's pretty good direct. Once you go from direct in today's market, your only choice is a remnant ad feed. That's your choice. It goes from direct sales to ad operations. CPM rates go from \$20 to \$0.50. That's a really steep drop-off and it happens just overnight. Right? TRAFFIQ by design and what we've seen is it's a platform to extend that direct sales reach. If we can eek out, if you're selling 30% each day and our exchange in the market place allows you to sell 5% more on a direct model, or 12%, or 6%, or whatever it is, any incremental dollar more at that higher CPM rate because you have a larger market

audience with more buyers and sellers, any direct sales guy has their 20 contacts, 50 contacts, whatever the number is. Here, you got 500 buyers that are looking to buy inventory today in an ad-enabling environment. So, if you extend your direct sales opportunity by any incremental percentage of what you're doing today, that's an absolute win for you because after that, it goes remnant.

That's where you've heard back from publishers.

**Adrian Bye:** Yes, makes sense. We're pretty much out of time. Is there anything that we haven't covered that you'd like to talk about? If you want to take a few minutes to tell us something else, go for it?

**Mark Kahn:** Well, we covered a lot. I, having been at a big publishing company News Corp and it's second to your search network, actually for a start-up company, really a technology company. Building good technology is hard and it takes a long time. I think we've been really happy with the development efforts that we've put in to this platform and where it is today, and the take up in the market has been astonishing. We've grown so fast in such a short period of time and we're hopeful that it will continue. But it's clear the TRAFFIQ has a role in this market. How big or small it is, is anyone's guess. We certainly see a bright future.

**Adrian Bye:** Cool! Well, thank you very much for making time for the interview!

**Mark Kahn:** I appreciate it. It was very nice to meet you and I look forward to meeting you when you're in New York personally.