

## **President's Report**

### **“A Successful Transformation”**

**November 25, 2007**

**By Randall Rothenberg**

As 2007 nears its end, I am very pleased to report that the transformation of the Interactive Advertising Bureau has been a success. We have gained clarity into and stabilized IAB's finances; rebuilt the senior ranks of the organization; instituted standardized processes for managing our trade association; strengthened relationships with the Board of Directors and the membership; communicated more aggressively to the public, the media, our industry, and our trading partners; and become a more visible presence in the interactive marketing, advertising, and media marketplace during this historical moment of transition.

More importantly, the IAB has made striking progress on the strategic agenda, which we called “The CMO Growth Project,” and which management outlined for the Board last winter. That agenda defined our mission simply as growth – the growth of interactive advertising spend, and of interactive media's share of marketing spend. The mission was supported by three strategic platforms: Engagement, Accountability, and Operational Effectiveness. Those platforms were underpinned by six campaigns to change industry and public opinion. And the campaigns were realized through 10 priority tactics.

Market conditions have favored our mission. But it was the work of the IAB's staff and the support of our members that enabled us to make significant progress on nine of our 10 priority activities during the year, and to put us on course for a productive 2008.

### Progress Against Priorities: 2007

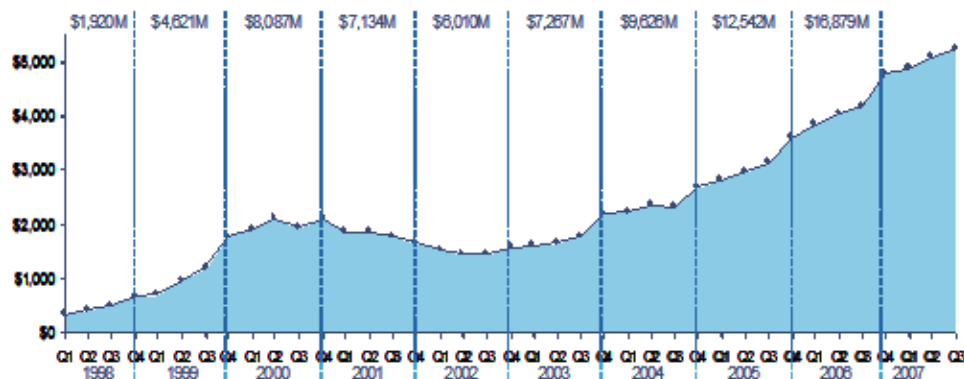
	Engagement	Accountability	Operational Effectiveness
1. "CMO Growth Show/Interactive Marketing Boot Camp" (with ANA)	√	√	√
2. Digital Video Best-Practice Report/Creative Standard Use Findings	√	√	√
3. Impression and Audience Measurement Guidelines 2007: AJAX/Rich Internet Apps Impact Report; Draft Guidelines on Time Spent and Uniques, Clicks & Click Fraud, Digital Video		√	√
4. Measurement Certification Campaign: Discrepancy Resolution – 3PA's, agencies and media companies		√	√
5. Reduce Operational Friction between buyers and sellers – Ad Ops Council: Late Creative eBusiness Insertion Order Automation Billing Processes and Systems		√	√
6. Relaunch IAB.net: Interactive marketing & advertising "thought leadership portal"	√	√	√
7. Washington policy office: publish Spyware and Privacy Reports		√	√
8. Initiate Member Services capability through launch of "Insights Center"	√	√	√
9. Upgrade & build IAB Events	√	√	
10. Launch Professional Development: Sales, Ad Ops			√

In this report, I will outline the activities IAB has undertaken since our last Board meeting in June.

## Finance

Growth in our industry remains robust. Internet advertising revenues exceeded \$5.2 billion for the third quarter of 2007, representing yet another historic high for a quarter and a 25.3 percent increase over Q3 2006, according to the *IAB Internet Advertising Revenue Report*, conducted by our association with Price Waterhouse Coopers. All three quarters in 2007 have set new highs— Q1 at \$4.9 billion, Q2 at \$5.1 billion, and now Q3 at \$5.2 billion. Revenues for the first nine months of 2007 totaled \$15.2 billion, up nearly 26 percent over the \$12.1 billion recorded during the first nine months of 2006. We anticipate that interactive advertising revenues, as measured by IAB and PWC, will top \$20 billion in 2007, a milestone for our industry.

### Quarterly Internet Ad Revenues



The Veronis Suhler Stevenson media investment bank has projected that interactive advertising spend will reach \$62 billion by 2011, surpassing newspapers as the nation's leading ad medium in 2011.

These figures should not obscure the maturation of our industry. Growth is slowing – from an annual rate of 35 – 40%, to a rate of 25 – 30%. Economic uncertainty in the United States, where many economists are predicting a recession, could lead to even slower growth rates. This could challenge many of our members and our association; association dues are calculated as a percentage of members' interactive advertising revenues, and slower growth could affect IAB's ability to invest in certain activities and projects.

Nonetheless, management is confident in the abilities of our finance team, led by Chief Administrative Officer Patrick Dolan, Senior Director of Finance Mark Goldman, and Treasurer Bruce Gordon, to continue to manage our association prudently. We anticipate ending 2007 with revenues of \$8.7 million, an increase of 22% over 2006. We further anticipate finishing the year with a surplus of more than \$600,000. This superior financial performance is due to several factors, including delays in hiring and program execution until the Third and Fourth Quarters; overperformance by the Events business; careful expense controls; and improved asset management.

One anticipated extraordinary expense cited to the Board in our last report will not take place: IAB is no longer planning a \$150,000 renovation of our existing office space at 116 E. 27<sup>th</sup> St. to accommodate staff expansion. Thanks to Mark Goldman's research, we became aware of a sublease on the 10<sup>th</sup> floor of our building. This additional space appears sufficient to cover staff growth for up to five years.

Details relating to our financial position will be covered by Patrick Dolan in his finance report at our Board meeting.

### **Our Organization**

The staff of the Interactive Advertising Bureau continues to go through reasonable yet significant change. Since our last Board meeting, we have added two new Senior Vice Presidents. Patrick Dolan joined us as SVP and Chief Administrative Officer, a new position; and Sherrill Mane joined us as Senior Vice President for Industry Services, also a new position.

The positions, and the individuals filling them, reflect IAB's growth and growing responsibilities to and for our membership. Patrick has had a distinguished career as a senior finance and operating executive in media, interactive advertising, and not-for-profit management. He was director of finance and director of business operations for Doubleclick International; the executive director of finance and operations for The Locomotion Channel, a Latin American cable TV network co-owned by Hearst; and the EVP and CFO of the Early Learning Coalition of South Florida.

Of more pertinence is what he did in these and his other positions. He has overseen the selection and implementation of MIS systems. He has set up international operations and negotiated real estate deals for startups and for established companies. He has led HR teams building staff for growth companies. He has overseen strategic planning. Most importantly, he

understands the IAB's mission and role in the interactive industry, and is excited to be joining us. His references uniformly described him as someone who takes anything and everything thrown his way and calmly deals with it, manages it, and turns it into an opportunity. One of his former employers said: "He went from head finance guy to head of everything except programming. Patrick took over all the general management duties – from moving the office to creating a standalone office operating system to creating an outsourced back office operation to anything else we needed. He did close the books, but he also ran the day-to-day operations, from legal, to programming, facilities, adhering to service contracts, chasing down service providers, making sure signal quality was intact. He was the man ultimately responsible."

Sherrill is an equivalently accomplished, well known media strategist, research executive, and senior advertising-sales support leader. During a 14-year career at Turner Broadcasting, she served as director of CNN Ad Sales Research, VP and SVP of CNN Marketing Services, and most recently, as SVP of Market Strategy for News. She has intimate familiarity with our space. She helped supervise internally the Media Rating Council's auditing and accreditation of CNN.com, and has pioneered significant cross-platform research.

Stephen Kim, Microsoft's research head and chairman of IAB's Research Council, supported her candidacy, saying she "has spent real time in the trenches working with her sales teams understanding the challenges of evangelizing and advancing our medium." One of our Board members said: "She definitely knows both TV and online in the research space. In terms of understanding relationships with agencies, how they work, how we as television broadcasters and interactive publishers work, Nielsen, and Donovan – she would come in with all that knowledge."

Sherrill and Patrick join me and SVP Marketing and Thought Leadership David Doty as the IAB's new, streamlined senior leadership team. Sherrill and her team will oversee research, supply chain issues, audience measurement issues, and our committees. David and his team will oversee all aspects of our communications to members, the public, and the media; in addition, he will assume oversight of our Events portfolio. Patrick will supervise finance and operations; additionally, he will oversee the Member Services portfolio.

Our third significant hire was of Joe Laszlo as Director of Research for the IAB, filling a critical position that had been vacant for nearly a year. Joe joined the IAB following eight years as a senior analyst and research director at Jupiter Research, where he contributed to Jupiter's coverage of many aspects of the Internet economy, including technology and media trends. Lately Joe's primary area of focus has been on Internet video, including business models for user-generated content and evolution of video advertising. Other research topics in which he's been involved include growth of broadband, ISP business models, interest in home networking technologies and applications, consumer adoption of mobile Internet, and massively multiplayer online games.

In addition to research expertise, Joe brings a wide range of capabilities, which bolster our ability to take our research reports into the realm of meaningful industry statements. He has had extensive experience writing on the subject areas he's been involved with and speaking at industry events and talking to both the industry and mainstream press. He has a particular interest in translating new media trends and jargon into terms normal people --our own "digital immigrants" if you will--can understand.

IAB has suffered some losses of good personnel since the Board last convened. SVP and General Manager Sheryl Draizen, who so ably managed the IAB during our transition to new leadership, resigned effective Nov. 1 to launch an entrepreneurial business in the social-action sector. Vice President for Member Services and Revenue Development Andrew Kraft also announced his resignation, to pursue sales leadership opportunities in interactive media. Andrew was an effective steward for IAB in the marketplace, and played an important role in developing our membership and growing our revenues. And last week, Vice President for Events Jonathan Moore said he would be leaving in mid-December to take an equity position in a startup company led by former colleagues of his. Jonathan and his team built an excellent conference business for the IAB, as evidenced by its strong profitability this year. The IAB owes all three of these executives enormous thanks for their contributions.

The association will not be left hanging. We will look both internally and externally to fill the Events position. As for Member Services, I am pleased to announce that we are promoting Senior Director Michael Theodore to Vice President for Member Services, effective January 1, 2008. A Princeton graduate and a Harvard MBA, Michael has had a distinguished career in interactive media and marketing that already has served IAB well. He was a media and telecommunications consultant for Arthur D. Little; a General Manager at both Citysearch and Kozmo.com; the Chief Operating Officer of the New York New Media Association; and the president of the Connecticut Technology Council. In his eight months at IAB, he has been instrumental in building our Member Services capability. We have no doubt that he will prove a superb driver of the function as Vice President.

### **Industry Services**

As the Board knows, functional focus was an important part of IAB's transformation program. To achieve it, we reorganized the association into six functional units. I will briefly review the achievements of each of these units, starting with Industry Services.

As previously noted, Industry Services guides the IAB's research, negotiations, and activities aimed at fostering the growth and lowering the costs associated with interactive advertising. Working with our various member Committees and Councils, this team oversees the development of standards and guidelines that promote consistency and interoperability across interactive platforms and among trading partners; and brings to market whitepapers and other materials that highlight emerging practices in interactive media and marketing.

The team's achievements since June have been prodigious:

*Audience Measurement:* Since our last Board meeting, the two major interactive audience measurement services, Nielsen//Netratings and comScore, have followed through on the commitments they made at our historic Audience Measurement Summit in May, and began their audits with the Media Rating Council. Both companies are currently undergoing the first phase of their audits, meter evaluation.

Also at the May 16 summit, the IAB agreed to help lead an industry-wide initiative to educate marketing, media, and agency executives about best and emerging practices in audience measurement, and continue to drive the consensus development of measurement guidelines for interactive media. Delivering on that commitment, and responding to industry-wide interest

stirred by the interactive media trade association's push for transparency in audience measurement, the IAB is launching our Audience Measurement Leadership Forum. This full-day event, scheduled for this Thursday, November 29, is designed to demystify audience metrics for media, agency, marketing, and research executives. The first of a planned annual event, the conference will explore and explain different methodologies, highlight distinctions among various measurement models and provide insights on the current state of metrics.

Also pursuant to its commitment, the IAB's Audience Measurement Working Group, in conjunction with the MRC, has moved forward on the promulgation of Audience Measurement Guidelines. The guidelines will define unique visitors, page views and time spent, and they include a review of the impact of cookie deletion, international traffic, spiders and bots and other factors on audience measurement. This will be the first time that industry guidelines exist for audience measurement. The Audience Measurement Working Group includes representatives of media companies, agencies, and measurement firms.

To further its audience measurement initiatives and its commitment to marketplace education, the IAB also established a new Research Advisory Board, a strategic adjunct to the already existing IAB Research Council, whose charter is to define the cross-industry efforts necessary to educate the industry about critical issues in audience measurement. The members of the IAB's Research Advisory Board are: Keith Berkelhamer, CNN.com; Dr. Thomas Evans, ESPN.com; Betsy Frank, Time Inc.; Corey Jeffrey, MTV Networks; Stephen Kim, MSN; Scott McDonald, Condé Nast; Dan Murphy, Univision Online; Bruce Rogers, Forbes.com; and Barbara Rice, ex-officio.

*Impressions Measurement:* On October 31, IAB and the American Association of Advertising Agencies (AAAA) held an Impressions Discrepancies Summit at the AAAA headquarters in Manhattan. This was the first meeting to bring together senior leaders of both agencies and interactive media companies – including presidents, CEO's and CFO's – in an effort to develop a cross-industry supply chain agenda, aimed at reducing complexity and cost in the interactive advertising supply chain. Attendees included:

## IAB-AAAA Impressions Discrepancies Summit Attendees

### AGENCIES

- Irwin Gotlieb, Group M, CEO
- Marc Goldstein, Group M North America, CEO
- John Montgomery, Mindshare Interaction, CEO
- Sam Recennello, Carat Americas, CFO
- David Cohen, Universal McCann, SVP, Interactive Media Director
- Jeff Lupinacci, Universal McCann, CFO

### MEDIA COMPANIES

- Curt Viebranz, Platform A/AOL, President
- Martin Nisenholtz, NY Times, SVP Digital Operations
- Sarah Chubb, Conde Net, President
- Bruce Gordon, Walt Disney Internet Group, CFO
- Ari Bluman, 24/7 Real Media, SVP North America
- Tom Phillips, Google, Director of Doubleclick Integration
- Zack Rogers, CNET, VP Sales and Marketing Operations
- Mike Hard, Microsoft Digital Advertising Solutions, VP Sales

### THIRD PARTY AD-SERVER

- Karl Siebrecht, Atlas, CEO
- Jonathan Bellack, Doubleclick, Dart for Publishers, VP
- Sean Harvey, DoubleClick, Snr Product Manager

### OTHER

- Mike Donahue, AAAA, EVP
- Harold Geller, AAAA, SVP, Digital Initiatives
- Randall Rothenberg, IAB, CEO
- Sheryl Draizen, IAB, SVP and General Manager
- Jeremy Fain, IAB, Director of Industry Initiatives
- Erica DeLorenzo, IAB, Director of Industry Practices

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The preparation and leadership exhibited by IAB – especially by Director of Ad Operations Jeremy Fain and members of the IAB’s Ad Operations Council – led the group to agree to form a Cross-Industry Task Force on Supply Chain Complexity and Discrepancies. The agency representatives were as ardent as the media executives on the need to create improved interoperability standards and processes for our industry. Jeremy will report in more detail to the Board about expectations for this Task Force.

In October, IAB released the final guidelines for ad impression measurement in Rich Internet Application (RIA) environments. The Rich Internet Application Ad Measurement Guidelines determine at what point an ad impression is counted in rich internet application environments built with technologies such as AJAX and JSON. These guidelines specifically address online browser or browser-equivalent based Internet activity, where page content changes and ad serving are no longer linked. The guidelines are applicable to Internet media companies and ad-serving organizations.

These guidelines supplement the Ad Campaign Measurement and Audit Guidelines released in 2004, which details the standard for counting an online ad impression. For companies that have already been audited and accredited against the current guidelines, the IAB recommends the Rich Internet Application Ad Measurement Guidelines be included in the next annual auditing and certification cycle. These Rich Internet Application guidelines are intended to be supplemental to the auditing and certification process.

In an effort to educate the industry on the use of these guidelines, the IAB RIA Ad Measurement Working Group hosted a webinar, including participation from the Media Rating Council, to review and explain key components of the guidelines on Friday, October 19.

In November, IAB announced a 30-day call for "public comment" on a set of Rich Media Measurement Guidelines, which determine at what point a rich media ad impression is counted.

Rich media advertisements are defined as those with which users can interact as opposed to solely animation, and they include such formats as transitionals and various over-the-page units such as floating ads, page take-overs and tear-backs. The guidelines, issued by the IAB's Measurement Council, are primarily applicable to Internet media companies, ad serving organizations and rich media vendors. Members of the industry (advertising agencies, advertisers, online publishers and technology vendors) are encouraged to read the proposed guidelines and submit comments on the IAB site at [www.iab.net/RMM](http://www.iab.net/RMM). After the 30-day comment period, the feedback will be reviewed and the guidelines will be finalized and publicly released. These guidelines represent the next phase of the Measurement Certification Initiative led by the IAB, and facilitated by the Media Rating Council (MRC), and are meant to be an addendum to the existing IAB Ad Impression Measurement Guidelines published in 2004. (Those guidelines can be viewed at: [www.iab.net/standards/measurement.asp](http://www.iab.net/standards/measurement.asp).)

To decrease complexity even further, IAB in October announced the release of *On-Time Delivery Toolkit* for interactive media and *Billing Methods Best Practices*, two important industry initiatives designed to improve operational efficiencies in interactive advertising. The *On-Time Delivery Toolkit* for interactive media consists of the Creative Delivery Best Practices document and the web-based Creative Specs Database, two tools developed by the IAB's Industry Services team working with IAB publishers and representatives of key advertising agencies. The Creative Delivery Best Practices document is designed for use by marketers, agencies, and publishers as the basis for internal process improvement. A project-plan template for rich and non-rich creative development, it extends from marketer briefing to publisher launch of an advertising campaign.

The Creative Specs database was developed to ensure that agencies have access to publishers' most current advertising specifications (specs), and serves as the single source for accurate specs data throughout the industry. The information is provided by publishers and can be accessed freely by all advertising agencies. To date, over 300 agencies have registered to use the database, which currently houses the specs of over 170 leading web publishing companies representing hundreds of sites.

The *Billing Methods Best Practices* document is aimed at significantly decreasing the operational inefficiencies surrounding billing and discrepancy resolution processes, which are a time consuming element of the interactive advertising process. The document provides recommendations for agencies and publishers to proactively work together to resolve discrepancies. It details how to improve billing processes through the early detection of discrepancies, decreased input errors through improved communications and better tracking of terms and revision documentation.

*Emerging and Best Practices*: Finally, the Industry Services team fulfilled its mission to uncover and highlight emerging and best practices in our industry with the release of two important reports. *The Video Game Interactive Advertising Platform Status Report*, released in October, provides a detailed overview of the current state of advertising in and around video games. Developed by the IAB Games Committee, the report outlines the myriad opportunities for advertisers to reach and engage consumers in the highly immersive environment of video games. To showcase the variety of games, advertising formats and insights for successful campaigns the Committee hosted a seminar for agencies and marketers on November 6 at IAB headquarters in New York.



Games Committee member companies include:

Advanstar Communications, Inc.	M:Metrics
Advertising.com	Massive Incorporated
Agency.com	MSN (Microsoft Digital Advertising Solutions)
Akamai	PerfSpot.com
AOL	PointRoll
Atlas Solutions	Range Online Media, Inc.
AtomShockwave Corp.	RealNetworks, Inc.
CNET Networks, Inc.	Skyworks Technologies
Comcast Corporation	The AMC Group
comScore	Traffic Marketplace
Deloitte & Touche, LLP	True North, Inc.
Double Fusion, Inc.	UGO
Dynamic Logic	Univision Online
Exent Technologies Ltd.	Viewpoint
Eyeblander	Vizi
Google, Inc.	WeatherBug
IGA Partners Worldwide	WildTangent
IGN Entertainment	World Wrestling Entertainment, Inc.
Ignited	Zango
Internet Broadcasting Systems	Ziff Davis Media, Inc
Leapfrog Online	

And in August IAB and its Lead Generation Committee released *Lead Generation Data Transfer Best Practices*, the latest component of a longer term initiative designed to educate both advertisers and publishers on security and operational best practices. The goal of this most recent document is to help standardize the transfer and receipt of data between advertisers and lead generation service providers. The report addressed security and common format and setup for lead generation data, an important and growing segment of the interactive advertising marketplace. More than a score of companies endorsed the practices, including:

- 360i
- Active Response Group
- Cox Newspapers, Inc.
- Edmunds.com
- Geary Interactive
- IDG
- Innovation Ads
- Jordan Edmiston Group, Inc.
- Motive Interactive Inc.
- Move, Inc. Related Services
- NextAction
- Permission Data
- PointRoll
- Q Interactive
- Reed Business
- Return Path
- SendTec
- TARGUSinfo
- The AMC Group
- ValueClick Media
- Vizi Media
- WebTrends

### **Public Policy**

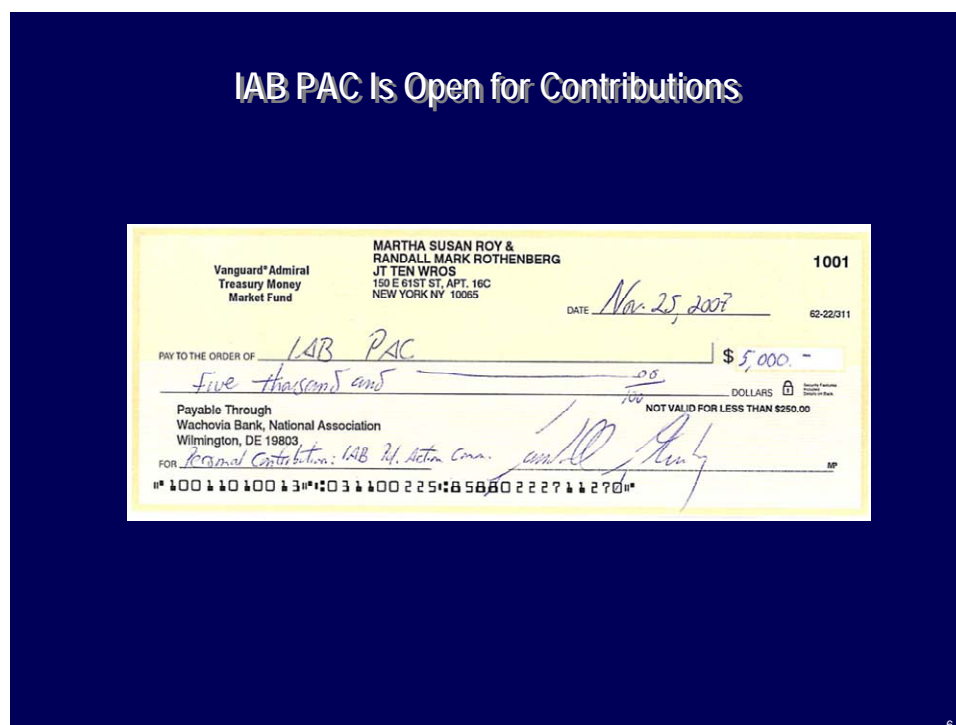
In June, we held our Board meeting in Washington, DC, to highlight symbolically the importance of public policy to our members and our industry. The timing could not have been better. Since then, the interactive media and advertising industries have been a center of attention in Congress and at regulatory agencies. IAB's policy operation, led by Vice President for Policy Mike Zaneis, and our Policy Council, led by Dave Morgan of Tacoda, have provided a much-needed hub for members' activities in Washington, as we attempt to fend off ill-considered regulation and legislation.

The most important activity in which Mike, the Council, and our Washington representatives at Venable engaged was the Federal Trade Commission's Behavioral Advertising Town Hall on November 1-2. With industry merger-and-acquisition activity as a backdrop, consumer groups opposed to advertising generally and interactive advertising specifically succeeded in getting the FTC to explore practices and concepts associated with behavioral targeting. IAB staff had anticipated an event biased against our industry. But intervention by Mike and our extended team led to a more balanced and open conference, where Mike sat on the Self-Regulation panel, and such members as Dave Morgan of AOL and Tim Armstrong of Google also served on panels. Erica DeLorenzo and I live-blogged from the Event; together with our media relations activity, this helped shape a positive outcome for our industry.

I was invited to be one of four introductory presenters. I used the opportunity to set up the arguments that will underpin IAB's "Value of the Ad-Supported Internet" education campaign, about which the Board will hear more at our meeting. To help guide this campaign, IAB formed a Policy Development and Communications Task Force. This group will work with Mike, our Marketing & Communications Team, and our newly hired p.r. firm, Robert Marston Communications, on the campaign.

Also since our last Board meeting, IAB issued letter of support for S.2168, the Identity Theft and Restitution Act, favoring the criminalization of spyware; and continued to educate the Senate on the dangers of supporting the burdensome spyware legislation that passed the House of Representatives earlier this year.

Finally, the Public Policy team formalized the establishment of IAB PAC, a political action committee for our trade association. As we discussed at our last Board meeting, a PAC remains the most effective and efficient way for our industry to channel contributions and achieve impact in the Congress. With well-placed contributions to the right candidates in the right districts, even a small PAC can make a difference. Contributions are personal, and voluntary. I and Dave Morgan have already seeded the PAC with the maximum personal contribution allowed by law -- \$5,000 -- and we hope as many of you as possible will take the leap with us and help IAB become a larger presence in our nation's capital.



### Marketing, Communications & Thought Leadership

The highlight of the Marketing Team's activities since the Board last met was the unveiling of Phase I of *Media-Marketing Ecosystem 2010*, a pro bono study by the consulting firm Booz Allen Hamilton for the IAB, the AAAA, and the Association of National Advertisers (ANA). This study aims to identify critical needs, gaps, and emerging practices across the marketing-media value chain as the digital transformation of marketing and advertising continues to advance. Phase I of the study consisted of qualitative interviews with more than 60

media companies, marketers, and advertising agencies, drawn from the memberships of the three sponsoring organizations, and a survey of marketers.



Results of Phase I were unveiled at the ANA’s Annual Meeting in Scottsdale, Arizona in October. IAB received significant billing and verbal credit by the Booz Allen team in the main stage presentation, which was attended by approximately 1,000 people. In addition, IAB accepted an offer from the ANA to sponsor a “CMO Roundtable” at the event, which featured as panelists Derek Gordon, Vice President, Marketing, The Clorox Company; Casey Keller, Chief Marketing Officer, Motorola, Inc.; Becky Saeger, EVP and Chief Marketing Officer Charles Schwab Corporation; and James R. Stengel, Global Marketing Officer; The Procter & Gamble Company. At the Roundtable, we announced the launch of IAB’s Interactive Boot Camp for Senior Marketers, and received requests from marketers in real time as the Roundtable was taking place.

The Board will learn more about Phase II of the *Media-Marketing Ecosystem 2010* study and the Interactive Boot Camp during our meeting.

The Board will also learn more about the relaunch of [www.IAB.net](http://www.IAB.net), a fundamentally important part of our transformation and a crucial activity the entire Marketing team has undertaken during the past several months. As the Board will learn in our meeting, we have rebuilt much of our Web site’s infrastructure and architecture, which had remained untouched for some five years, giving us new and scalable capabilities that will enhance IAB’s ability to communicate to our members, the public, and our trading partners. Also of note: as part of the Web site’s revamp, I also launched a “clog.”

## Events

The past two quarters were a time of significant accomplishment for our Events team under Vice President Jonathan Moore and Senior Director Josh Brous. The first half of the period was taken up with preparations for the MIXX Conference, Expo, & Awards – a trio of activities that, by all accounts, were a rousing success. With more than 2,600 registrants, 50 exhibitors, and panel appearances and speeches by some of the most significant leaders in our industry, this was the biggest MIXX event since IAB inaugurated it. Media and blog reports were copious and complimentary, and highlighted such participants as Carla Hendra, David Verklin, John Hayes, Arianna Huffington, Dave Moore, David Rosenblatt, Mark Read, and many more. The room was packed for two full days, and the breakout sessions had to turn people away. Staff and management believe the attendance record and the media attention were due to the quality of the programming, married to the flawless logistics.

The MIXX Awards were similarly successful: Submissions increased by 40%, dramatically elevating the quality of advertisers represented. Marketers present included Kraft, Honda, GE, Anheuser Busch, and HP, which won Best In Show. The show itself sold out the hall. Thanks to encouragement from the Board, IAB stood behind this Awards program. We now believe we are on solid footing to expand it next year and beyond.

Other events during the period included:

- ◆ Ad Ops Summit

- 130+ senior executives came together to work on streamlining the interactive advertising supply chain
- ◆ Professional Development
  - Launched in May 2007 and continued through the fall, more than 400+ people attended our first training series this year.
- ◆ Innovators Round Table Dinner Series
  - 33 dinners hosted by IAB to advance discussion on pressing industry topics, in Boston, NY, LA, San Francisco, Dallas, Atlanta, Detroit, Minneapolis, and Chicago
- ◆ Leadership Luncheon Series
  - Launched in 2007, these were high-level 2-hour discussions addressing key issues such as the future of branded content, mobile advertising and digital video

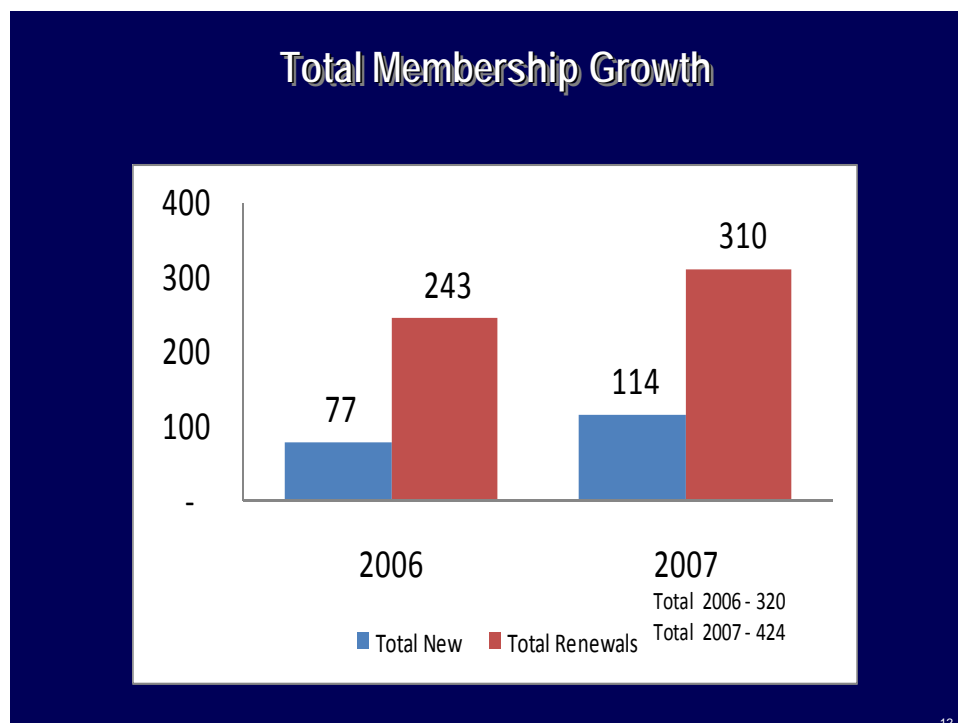
We had a mixed reception to this year's Agency Summit on November 12. More than 200 people registered to attend. This significantly exceeded our expectations because, for the first time, IAB was charging all attendees; under past association practice, marketers and agency personnel were allowed to attend for free. The willingness of audiences to pay for what previously had been offered free of charge was, we believe, due to the quality of the programming, including keynote speeches by agency CEO's Nick Brien of Universal McCann and Brad Brinegar of McKinney, as well as case study presentations featuring Conde Net, NBC, Carnival Cruise Lines, Wieden + Kennedy, BMW, TM Advertising, and others.

Yet while the event was profitable, we experienced a significant no-show rate – more than 33%. Staff and management are exploring the reasons for this.

Our last major event of the year takes place this week in New York: the IAB Leadership Forum on Audience Measurement, on November 29. The theme is "Demystifying the Metrics," and it features presentations by several of the leading measurement companies. IAB's recently created Research Advisory Board was instrumental in developing the agenda and soliciting speakers. The event will be keynoted Steve Wadsworth, President, Walt Disney Interactive Group. We expect that this will become an annual affair.

### **Member Services**

Since our last Board meeting, the Member Services Team under Vice President Andrew Kraft focused on building out our Membership. Total membership now stands at 424, a 33% increase over 2006. Incoming VP Michael Theodore has been writing descriptions of each new member company, its interests and its needs, and distributing these to staff, as a way of building familiarity, relationships, and a service orientation inside the IAB.



The team took our successful IAB Mixxer social-networking series out of New York City for the first time. The San Francisco event was attended by several dozen people. Working with the Sales Executive Council, the team also began plans to inaugurate an “Interactive Salespeople of the Year Award” at our Annual Meeting.

The only one of our 10 tactical objectives we made no progress against was our goal of launching an “Insight Center” for members, a staffed online vehicle that would enable members to obtain basic research into pressing questions they might have. This idea proved a bridge too far in 2007; it required us first to relaunch our Web site, then to build out our Member Services capability, and then to staff an information scientist in the team. We intend to evolve this priority in 2008, though, and not to drop it.

Finally, I have continued my personal rounds in the name of member relationships, speaking at numerous industry, member, and customer events. My goal, as I have indicated to the Board, is at least two such engagements per month, in addition to IAB events. So far, I’ve been able to hold to this schedule.

## CEO Flies IAB's Flag at Member & Customer Events

- ◆ 6/28/07: Discovery Networks "Immersion Day" (speaker)
- ◆ 7/12/07: Cox TV Stations Group Conference (speaker)
- ◆ 8/15/07: Cox Newspapers Internet Summit (speaker)
- ◆ 9/5/07: Newspaper Association of America Digital Media Executives Conference (speaker)
- ◆ 10/9/07: Google Agency Zeitgeist (panel moderator)
- ◆ 10/13/07: Association of National Advertisers Annual Meeting (roundtable introducer)
- ◆ 10/15/07: ABC TV Stations Group Conference (speaker)
- ◆ 10/23/07: Right Media Open (speaker)
- ◆ 11/1/07: Federal Trade Commission Behavioral Advertising Town Hall (speaker)
- ◆ 11/7/07: ad:tech New York "State of the Industry" panel (moderator)
- ◆ 11/8/07: Audit Bureau of Circulations Annual Conference (panelist)

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### Two Energetic Quarters

In summary, I am happy with the progress IAB made during the second half of 2007 against our strategic objectives. We are confident that our mission and strategic platforms are sound. We are proud that we made progress on nine of our 10 priority objectives. And based on the Board's feedback, we are satisfied that we can begin 2008 evolving our strategy, rather than conducting any sort of overhaul. This is why we are calling our strategic agenda for 2008 "Strategy 2.1." As the Board will hear, we intend to try to continue to influence the marketplace with advances on the "CMO Growth Agenda" we launched just short of one year ago.



*President's Report* **2007 Strategic Campaigns: A Recap**

<u>Campaign</u>	<u>Description</u>	<u>Status</u>
<i>Lead the Entire Industry Forward</i>	Get third-party measurement companies to reconcile their methodologies with publishers'.	Evolves into Audience Transparency campaign
<i>Drive the Transformation of Video Advertising</i>	Research effort to measure online video delivery vs. conventional television, identify best practices for use, and enhance marketer adoption of online video.	Due for delivery & marketing early 2008
<i>Simplify Advertising and Marketing Processes</i>	Simplify costly processes and implement absent processes like EDI across the media-marketing infrastructure.	Evolves into Supply Chain campaign
<i>Teach Interactive Media Companies the Best, Evolving Practices</i>	Use social networking tools, research, industry outreach, events, and training to highlight what's working functionally to drive growth	Evolves into Teach Me How campaign
<i>Build Bridges to CMOs</i>	Market the power of interactive marketing to senior marketers and their teams.	Evolves into Teach Me How campaign
<i>Chart the Future of Advertising</i>	Conduct major research to identify emerging best practices for engagement of consumers and generation of growth across marketing platforms	Evolves into Teach Me How campaign

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There are plenty of thanks to go around – to the older members that supported the IAB during lean years, to new members that are expressing confidence in us by joining our association, and to our Board, whose guidance and support have been profoundly helpful. But my greatest thanks are to the IAB team. I'm sure you felt in reading these pages what I felt in writing them: My God, they have done a lot! Yes, they have. They make us very proud.

Randall Rothenberg  
 President & Chief Executive Officer  
 November 25, 2007