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This Week in Social Media: THE SECOND INTERNET

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- Key Attributes of THE SECOND INTERNET Winners
- The World Has Never Seen the Growth and Innovation Happening Today

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The Second Internet

We believe Social Media is changing the world to a far larger degree than Wall Street currently appreciates. Furthermore, we believe that for the foreseeable future, the news flow on the sector will be highly positive. To keep investors abreast of the latest developments in the sector, we publish this weekly newsletter on all things Social. In this issue:

IN THIS ISSUE:

- **Our New Framework is THE SECOND INTERNET, aka THE SOCIAL INTERNET**
 - One Million B.C. - 1993: The Offline World, moved slowly, major winners included Walmart.
 - 1994 - 2009: The First Internet, moved much faster than The Offline World, major winners included Amazon and notably few of the winners from The Offline World.
 - 2010 - ?????: The Second Internet, moves much faster than First Internet, is much bigger than the First Internet, major winners include (must read report), and surprisingly few of the winners from the First Internet.
- **Key Attributes of SECOND INTERNET Winners**
 - Social is a Core Element of their DNA: Slapping '.com' to the end of Walmart didn't make it an Internet company, neither does adding a facebook Connect Button or creating a facebook Fan Page make you a Second Internet company.
 - It's About The Customer: Second Internet companies realize it's about empowering the customer to create content and engage with the brand in an authentic manner that drives people connected to the customer to also engage.
- **The World Has Never Seen the Growth and Innovation Happening Today**
 - facebook's 600mm+ users are amazing, but most impressive is its pace of innovation. We now believe facebook could be worth more than \$200B in 2015.
 - It's early (i.e. 1996), and it's huge, and NOBODY (including us) really has their arms around it. But to add some perspective, we have asked some of the companies we have met in our recent travels to provide guest posts with their views on what's happening. We're proud to have pieces in this report written by some great emerging companies, including Kabam, ShoeDazzle, Branchout, Jive Software, SB Nation, Epic Social, and the band Xylos. We look forward to having many more guest posts in future editions.

The Emergence of THE SECOND INTERNET — It’s Bigger Than You Think

We once lived solely in an offline world. This offline world developed over millions of years globally, and over hundreds of years in the United States. Over this time, there emerged a number of companies that came to dominate their particular line of business.

The fabric of this offline world changed forever when the Internet burst onto the scene in 1994. Like with most new technologies, the Internet’s early adopters were not the entrenched companies. Rather, we saw a wave of new entrants become the first users. As opposed to earlier technical evolutions which developed over years, the pace of innovation brought about by the Internet had never been seen before, and as a result new companies that harnessed its fullest potential experienced unprecedented growth.

Figure 1: Amazon Ramped at Rates Never Before Seen in Retailing

First Internet Accelerated Growth



Source: Company data, Wedbush Securities, Inc.

Amazon, not Walmart, was able to become the dominant online retailer because the core competencies needed to succeed online were ingrained in Amazon’s DNA. Amazon was an Internet company that retailed; Walmart was a brick-and-mortar retailer first and focused the vast majority of its resources on its physical stores. Walmart simply had bigger fish to fry and figuring out the emerging Internet was not a priority. Conversely, Amazon focused solely on the Internet and every strategic decision was made through a prism with a singular focus.

Of course, it was not just Walmart. Many of the offline leaders were unable to evolve to become the leaders of their verticals in the new Internet world (which we refer to as The First Internet):

Figure 2: The Transition from Offline to First Internet Ushered in a New Set of Relevant Players

<u>Genre</u>	<u>Offline</u>	<u>1st Internet</u>
News	NBC News	CNN.com
Q&A	Encyclopedia Britannica	Yahoo Answers
Gaming (Casual)	Electronic Arts	MiniClip
Gaming (Hard Core)	Dungeons & Dragons	Blizzard (World of Warcraft)
Shoes & Accessory Retailer	DSW	Zappos
Career	Manpower	LinkedIn
Work Productivity	Microsoft Office	Google Docs
Sports News	Sports Illustrated	ESPN.com

Source: Wedbush Securities, Inc.

We are now in the next revolutionary stage which we believe to be as dramatic as the leap to Internet from offline: **THE SECOND INTERNET (aka The Social Internet)**

Once again, there are distinct competencies demanded and, as a result, we believe that this revolution will usher in a new set of companies, with the Second Internet in their DNA, which will come to dominate their verticals.

Over the last number of months we have discovered a large set of potential winners who are already scaling at unprecedented rates in their verticals (like Amazon was unprecedented relative to Walmart) and, if they can continue to execute, are poised to create massive shareholder value.

In this report, we highlight just a few that are well positioned to become market leaders in The Second Internet.

Figure 3: The Transition to the Second Internet Permeates Many Verticals

<u>Genre</u>	<u>Offline</u>	<u>1st Internet</u>	<u>2nd Internet</u>
News	NBC News	CNN.com	Huffington Post
Q&A	Encyclopedia Britannica	Yahoo Answers	Quora
Gaming (Casual)	Electronic Arts	MiniClip	Zynga
Gaming (Hard Core)	Dungeons & Dragons	Blizzard (World of Warcraft)	Kabam
Shoes & Accessory Retailer	DSW	Zappos	ShoeDazzle
Career	Manpower	LinkedIn	BranchOut
			LinkedIn
Work Productivity	Microsoft Office	Google Docs	Jive Software
Sports News	Sports Illustrated	ESPN.com	SB Nation

Source: Wedbush Securities, Inc.

While we believe that most First Internet winners will not transition to become Second Internet winners, we believe that LinkedIn, given its social networking DNA, has the opportunity to also be a major beneficiary of the Second Internet.

What Makes The Second Internet So Different From The First Internet?

The Second Internet is not just about a transition to something new; it represents a revolution brought about by disruptive business models that we believe, when combined with the mobile computing revolution, will usher in another period of great wealth creation.

Figure 4: Attributes that Define Second Internet Companies

Attribute	What's Different About 2nd Internet Companies
Platforms	Platforms open up their API to developers
Pace of Innovation	Continuous and rapid (see facebook)
Customer Focus	It's no longer all about the company/brand
Customer Content Creation	Company/brand listen to the dialogue and participate
Personalization	Customer contribution is a large % of the value/experience
Discovery	Every customer has a tailored experience
	Social graph connections drive discovery

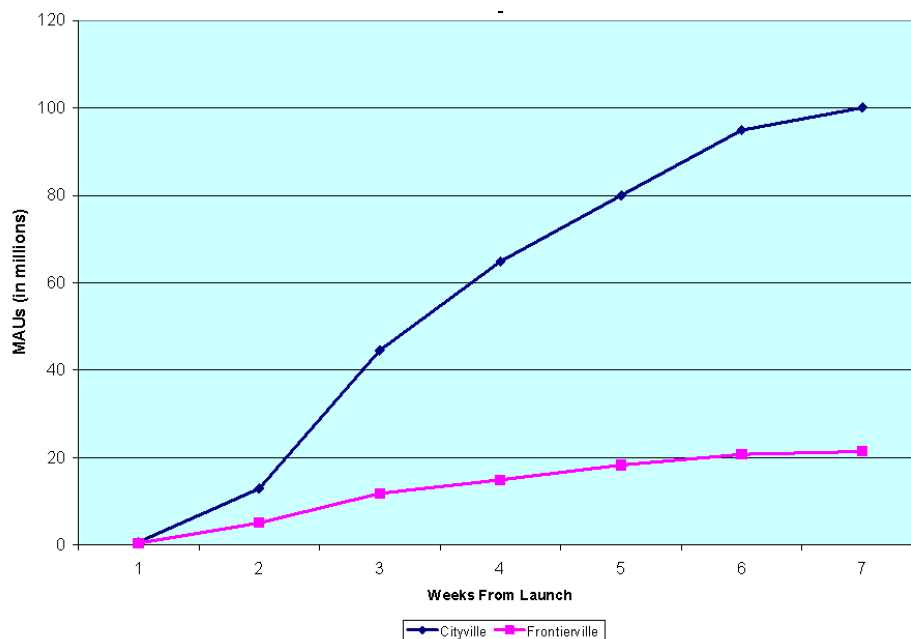
Source: Wedbush Securities, Inc.

HOW BIG? HOW DISRUPTIVE?

Over the past seven months, we have met with social media companies that impressed us for a variety of reasons. Over and over again, what continues to stand out most is the incredible rate of growth these companies are achieving by leveraging social media platforms where hundreds of millions of users are *already* tightly connected.

facebook, Twitter, and foursquare are the Second Internet's leading platforms, and most successful Second Internet companies are leveraging these platforms (as well as email which remains the dominant sharing tool) to drive user engagement. Because these platforms have opened their APIs, programmers can develop applications that extend the interconnectivity and utility. Thus, new applications that leverage the existing platforms can scale at rapid rates, as witnessed by the unprecedented growth of Zynga's Cityville which reached 100mm+ players in just seven weeks (vs. 20mm sales for one of the best video games of all time *Call of Duty: Modern Warfare*):

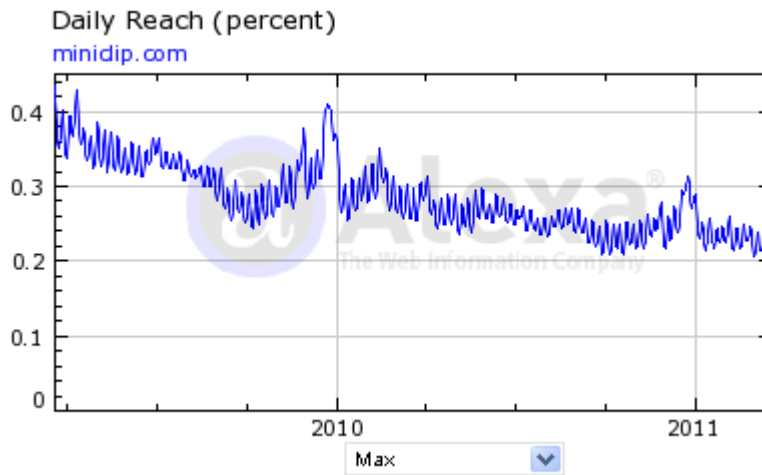
Figure 5: Zynga's Cityville Grew to 100 Million MAUs in 7 weeks after its November 2010 Launch



Source: DeveloperAnalytics

As these early Second Internet companies have flourished, leading First Internet companies have often felt the pain. The Alexa chart below shows the 40%+ drop in players at MiniClip, a leading First Internet casual gaming site.

Figure 6: While Zynga Traffic has Exploded, First Internet Gaming Companies like MiniClip are in Decline

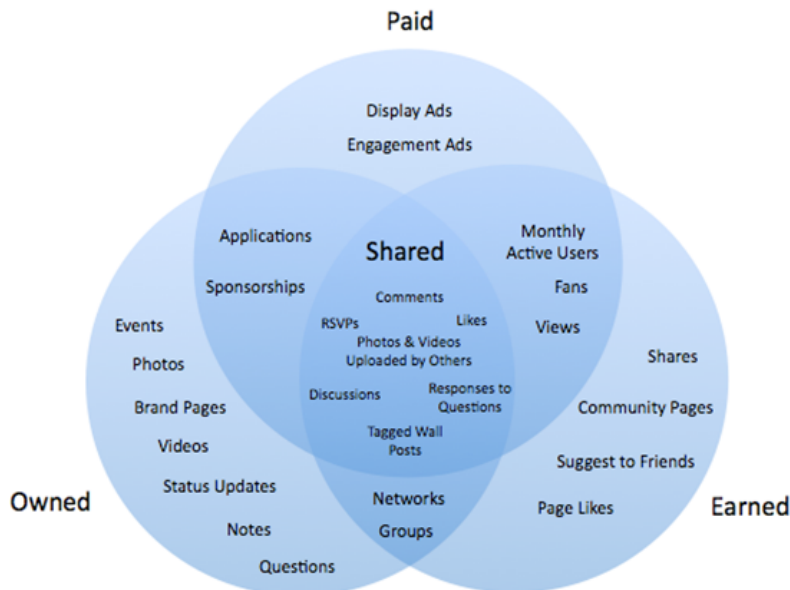


Source: Alexa.com

New Dynamics and Economics Are Altering Strategies:

Second Internet companies are thinking about marketing differently; executing strategies that convert paid media into free customer acquisition. Whereas the traditional Cost Per Click Search Engine Marketing methods typically become more costly over time, social customer acquisition methods can spread virally and become more efficient with scale.

Figure 7: The New Media Paradigm: Paid, Drives Owned Media Which Combine To Drive Earned Media



Source: AllFacebook.com

As a result, owned media has been scaling at tremendous rates:

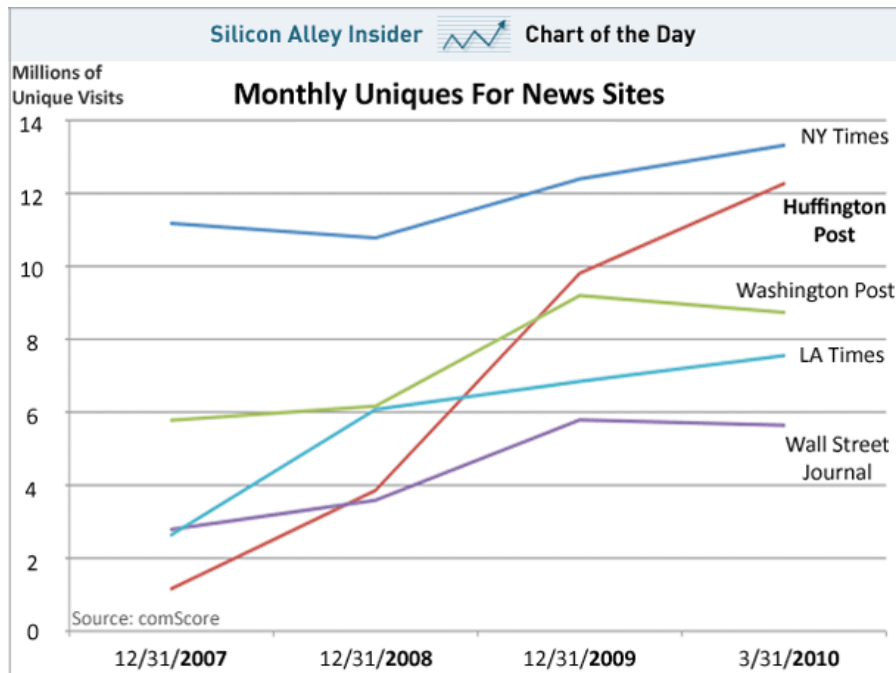
Figure 8: Brands Are Focused on Growing Owned Audience

Facebook Fans			
	Aug-10	Mar-11	CAGR
YouTube	11,370,000	29,348,000	508%
Coca-Cola	10,524,000	23,651,000	401%
Starbucks	12,642,000	20,221,000	224%
Disney	5,711,000	18,198,000	729%
MTV	3,710,000	17,702,000	1457%
Oreo	8,562,000	17,359,000	336%
RedBull	7,701,000	16,124,000	355%
Skittles	8,502,000	15,608,000	283%
Converse	4,741,000	14,393,000	671%
V's Secret	6,238,000	11,951,000	305%
Total	79,701,000	184,555,000	422%

Source: facebook.com

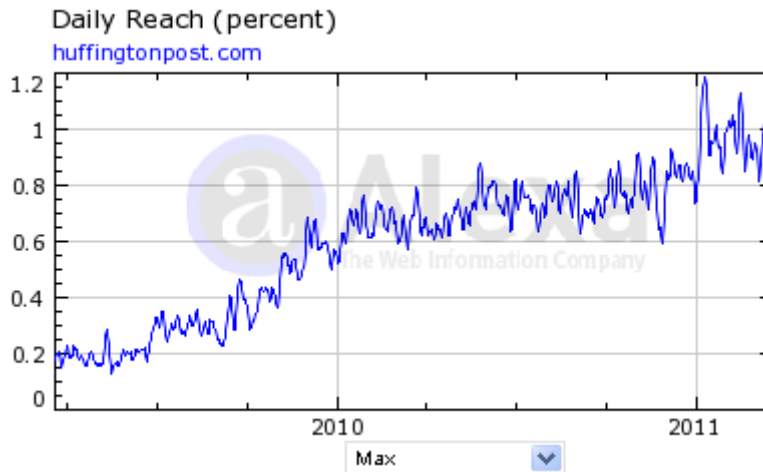
In order to put the Venn diagram above into context, let's take a closer look at The Huffington Post — a Second Internet company, with social in its DNA, that is generating massive earned traffic as it inexorably marches to ever greater scale at a pace that far outstrips its competitors:

Figure 9: The Huffington Post Taking Share From the Incumbents



Source: Business Insider.com compiled from comScore

Figure 10: The Huffington Post Reach Continues To Surge



Source: Alexa.com

To help understand what is “social” about The Huffington Post, let’s look at Sunday’s lead story:

Figure 11: The Huffington Post’s Lead Story on March 20, 2011

THE HUFFINGTON POST
THE INTERNET NEWSPAPER: NEWS BLOGS VIDEO COMMUNITY

March 20, 2011 | Welcome Lou Kerner | Edit preferences | Logout

FRONT PAGE POLITICS BUSINESS ENTERTAINMENT MEDIA TECH SPORTS STYLE WORLD LIVING IMPACT CAMPUS LOCAL

JAPAN EARTHQUAKE RELIEF: HOW YOU CAN HELP

FROM AP: France: Qatar to join Libya operation within hours... 3 minutes ago

LIBYA OPERATION ENTERS NEXT PHASE

U.S. Stealth Bombers, Jets Hit Gaddafi's Defenses

Source: The Huffington Post

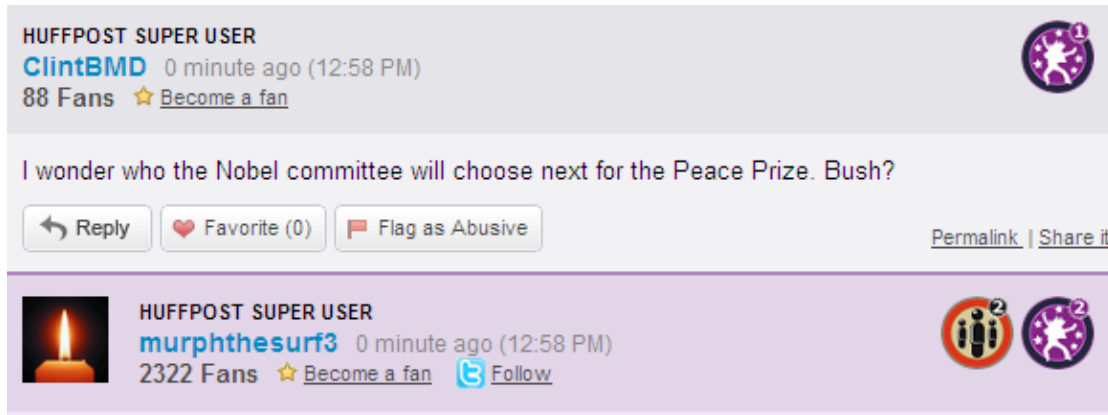
The lead story is written by the AP, with content coming from CNN, Reuters, Fox News, MSNBC and others. People can debate the quality of the content, but we are contented with the belief that you don’t become the thirty-third most trafficked site unless a lot of people approve of the content you are providing.

Equally important to Second Internet companies is the engagement of the audience. By mid-afternoon on Sunday, the lead story on the Huffington Post had 9,748 comments from their massively engaged audience.

Comments **9,748** Pending Comments **2** [View FAQ](#)

But it doesn't end there. The first two commentators have their own followings that further amplified the impact of their comments:

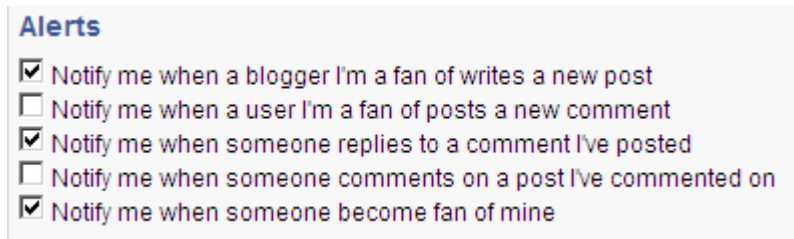
Figure 12: User Comments Amplify Distribution and Engagement



Source: *The Huffington Post*

Murphthesurf3's 2,322 "Fans" are people who have connected with him or her on The Huffington Post, friended Murph on facebook, or who followed Murph on Twitter. A "Fan" can then set preferences for when they want to be contacted by The Huffington Post.

Figure 13: My Notification Preferences on The Huffington Post



Source: *The Huffington Post*

Second Internet companies leverage the social connections of their users to drive traffic back to their site, driving further engagement, without flooding the member's social network with spam. What's the reward for all this participation/commenting? First, s/he has built an audience. In addition, the Huffington Post has awarded him or her with six badges. Financial incentives are not necessary; instead Murph is motivated to participate by the opportunity to be recognized as HuffPost Super User and to attract an attentive audience. Murph has earned STATUS, which is the dominant currency driving the Second Internet.

Figure 14: The Huffington Post is Gamifying User Engagement

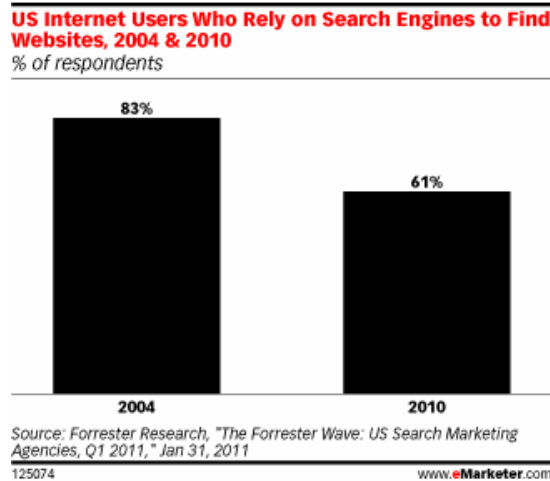


Source: *The Huffington Post*

This example exposes an important implication of the evolution that is occurring online: while the first Internet is primarily powered by Search, the Second Internet has opened another key path for accessing content — Social Discovery. Unlike Search, with Social Discovery, ideas and topics are pushed to the user, thereby planting the seeds for new interests in the user’s mind.

Social discovery is particularly impactful as a “word of mouth” mechanism for uncovering content and companies are trying to find ways to maximize the opportunities to spread their brand through the persistent conversation. Notably, the NY Times which recently announced it would charge users who wish to read more than 20 articles per month, is allowing all clicks generated on Twitter and facebook to freely bypass this newly installed paywall.

Figure 15: A Greater Percentage of Users Are Finding Content Without Search Engines



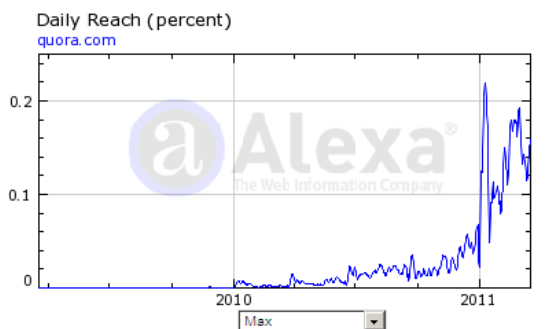
Source: eMarketer

Some are bemoaning this new phenomenon. At this year’s TED Conference, Moveon.Org President Eli Pariser posited that the personalization of the web is making us less smart by only providing information that fits into already narrow perspectives.

Our original thesis when we launched coverage of Google last August, was that the more social a site, the greater the percentage of traffic that originates on facebook relative to Google. Our thinking has evolved, however, and we now recognize that social discovery and search work in tandem. Social discovery helps expose individuals to new concepts, and search then helps an individual refine the understanding of concepts that are of interest.

Quora, a highly social Second Internet question & answer property is capitalizing on this behavior by providing a platform for people to ask and answer questions, and earn status in the community by doing so. Quora also effectively leverages the facebook and Twitter connections of its users to drive traffic back to the site. As a result, the site is scaling rapidly:

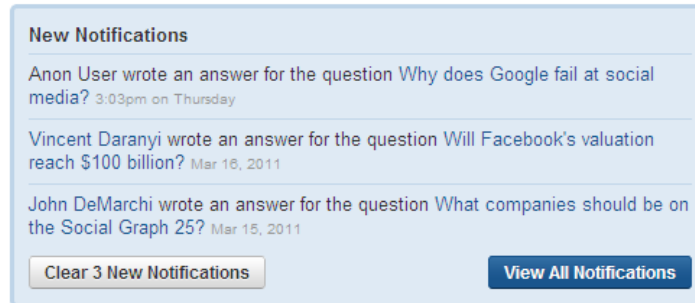
Figure 16: Quora Has Begun Scaling



Source: Alexa.com

However, the content created by Quora is generally not timely. Below are three questions that we had outstanding notifications on the day of this publication:

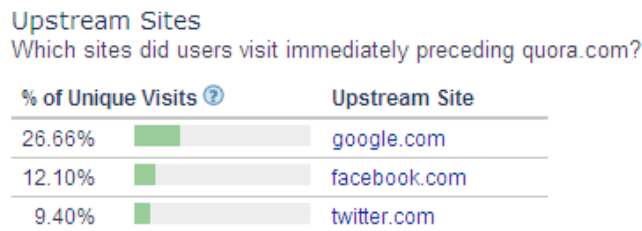
Figure 17: Quora Notifications Show Highlight Topics That Are Of Interest



Source: Quora.com

This socially created data has significant long-term value. But how will people find the data once it's been in their Twitter and facebook feed? We believe that significant amounts of socially created content will be found via Google/search. In fact, the Quora's clickstream data from Alexa, shows that Google is driving more than twice the traffic to Quora than is facebook.

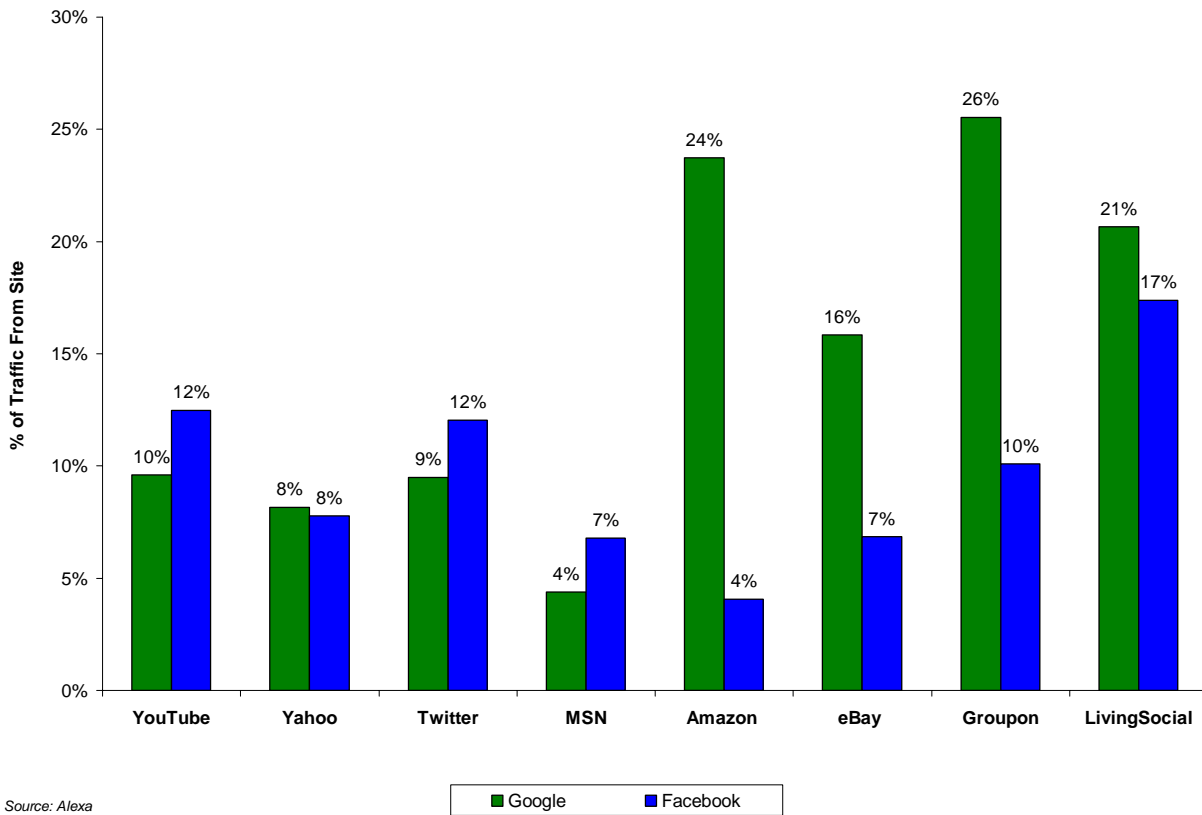
Figure 18: More of Quora's Traffic Comes from Google than from Facebook



Source: Alexa.com

However, we recognize that facebook is driving massive amounts of traffic, and that sites that have a large element of discovery (e.g. YouTube, LivingSocial) will have ever-increasing percentages of traffic coming from facebook:

Figure 19: Source of Traffic by Site, From facebook vs. Google



Source: Alexa.com

As facebook continues to enhance functionality on facebook.com, as well as its social plug-ins that are being implemented by millions of websites, it will continue to grow the percentage of audience it sends to other sites. Two weeks ago, facebook introduced a new plug in for comments on sites. The community sports blog network SB Nation (which has a guest post later in this report), has seen referral traffic from facebook grow an astounding 400% on the sites on which the new system was incorporated!

The Coming Wall of Data

While providing significant utility to users, highly social properties like Quora are also introducing an impending issue that we term “The Wall of Data”. There is a scene in the movie *Poseidon Adventure*, when a crew aboard the S.S. Poseidon looks out a pair of binoculars to see this massive wall of water approaching:

Figure 20: The Poseidon Adventure Wave of Data



Source: YouTube

When we gaze through our binoculars at the tremendous amount of data being produced by The Second Internet, we see the same massive wall approaching. It is overwhelming, unprecedented, and the impact is widely under-appreciated. And the pace of data creation will only increase as we move towards ambient socialization — where instead of having to manually update statuses and whereabouts, these behaviors will be broadcast automatically.

We have met with multiple companies that speak about the massive amount of data that they aggregate from their one billion+ monthly users. Given the scale of their data, the thought of using Amazon’s cloud to manage their data is out of the question. Five years ago, that data would have been epic. Today, that amount is being aggregated in lots of pockets of The Second Internet.

When we think about how all of that social data is going to be indexed and made searchable, we come back to Google. That’s one of the reasons why we believe that Google gets social. While facebook and social broadly is great for discovery, if you’re searching for data in the social graph, Google has unique capabilities to help you find it.

How Big Is The Second Internet?

In order to start sizing The Second Internet, we have to start by sizing facebook, as there is little doubt that facebook is at the epicenter. They are the big dog at the social party. In February of 2010, prior to joining Wedbush, we wrote a research report on facebook that we posted on our blog valuing the company at \$50 billion, based on a value of \$100B in 2015 and discounting it back.

facebook has evolved substantially since that original report. While we were broadly ridiculed for the report's bullishness, at the time, we believed we were being conservative. As it turns out, we were being far too conservative.

Most notably since our original report, we have come to believe that facebook's margins are much higher than we had earlier envisioned. We believe facebook is going to take a larger share of the global Internet advertising market, and finally we believe facebook's other businesses (including facebook Credits, facebook Deals, facebook Ad Network) will all scale at dramatically higher rates than originally anticipated. **As a result, looking out to 2015, we see facebook's value eclipsing \$200 billion.**

Figure 21: We Believe facebook Will Be Worth Over \$200 BN

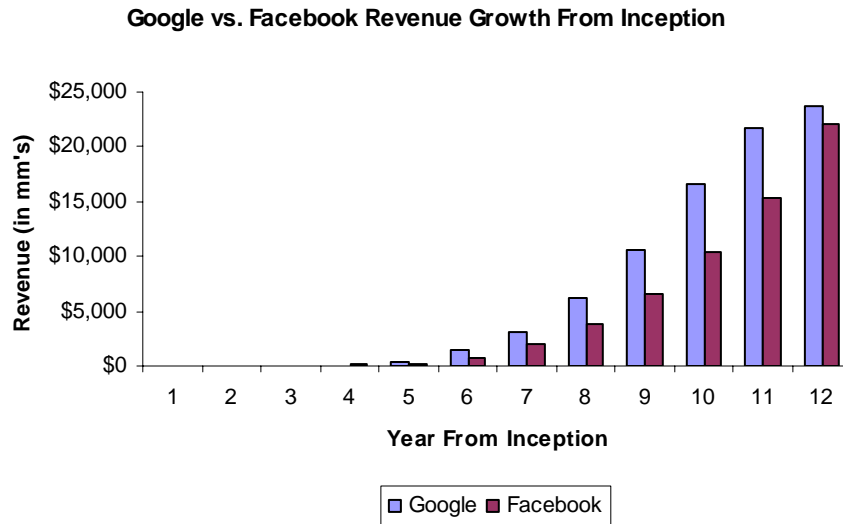
ESTIMATED FACEBOOK FINANCIAL DATA							
	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Global Online Ad Revenue	50,400	61,000	71,000	80,000	88,000	95,000	101,000
facebook % Share	<u>1.1%</u>	<u>2.4%</u>	<u>4.0%</u>	<u>5.9%</u>	<u>8.3%</u>	<u>11.4%</u>	15.4%
facebook Ad Revenue	525	1,464	2,840	4,720	7,304	10,830	15,554
Other facebook Revenue	<u>225</u>	<u>525</u>	<u>1,050</u>	<u>1,890</u>	<u>3,024</u>	<u>4,536</u>	6,532
Total facebook Revenue	750	1,989	3,890	6,610	10,328	15,366	22,086
facebook EBITDA Margin	<u>33.3%</u>	<u>50.0%</u>	<u>50.0%</u>	<u>50.0%</u>	<u>50.0%</u>	<u>50.0%</u>	50.0%
facebook EBITDA	250	995	1,945	3,305	5,164	7,683	11,043
Public Market Multiple							20.0X
Estimated Value 2015							220,858
Cash		1,500	2,278	3,600	5,666	8,739	13,156
Value (discounted @ 20% per year)			112,854	135,425	162,510	195,012	234,014
Private Market Discount (25%)			84,641				

Source: Wedbush Securities, Inc.

There are obviously risks to facebook. Government regulation due to privacy or other concerns is a risk. The fact that a majority of facebook traffic will likely come from Android devices by 2015 gives facebook platform risk. Twitter, RenRen, Weibo, foursquare, and others will also present competitive challenges. But we believe our 20% discount rate appropriately accounts for those risks.

Certainly facebook's growth is extraordinary, but it is not unprecedented. To help put our projected revenue ramp for facebook in perspective, we compare it to Google's revenue ramp rate.

Figure 22: Google Revenue Actual Growth Outpaced Our Projections for Facebook



Source: Company data, Wedbush Securities, Inc.

We still believe we are being conservative. We note that while we have EBITDA margins increasing from 33% to 50% in 2010 to account for the benefits of scale, we maintain this margin out to 2015 in order to remain conservative.

We appreciate that placing a value on facebook, or any company in this space, with the kind of hyper-growth these companies are experiencing, is more art than science, but we think the exercise is important.

And It's Not Just facebook That Is Building Tremendous Value

There are many Second Internet companies in a variety of verticals that are positioned to create significant shareholder value. In this section, we will hear from the companies themselves about their company and what makes the Second Internet so powerful:

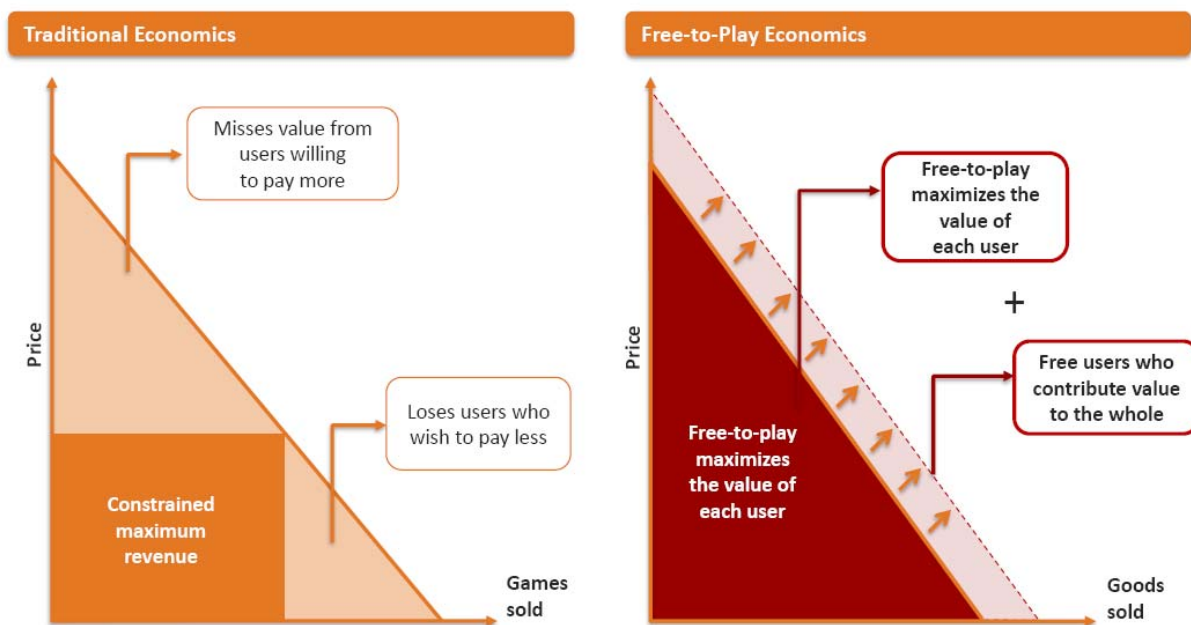
Kabam: De-risking video game development

Guest post by Chris Carvalho, Kabam COO



Kabam is poised to disrupt the overall games market by leveraging the social Internet to create a game experience that keeps users engaged and by utilizing a free-to-play virtual goods model where consumers only pay for what they want once they have derived value from playing the game.

Figure 23: Kabam's Model Captures More of the Potential Value

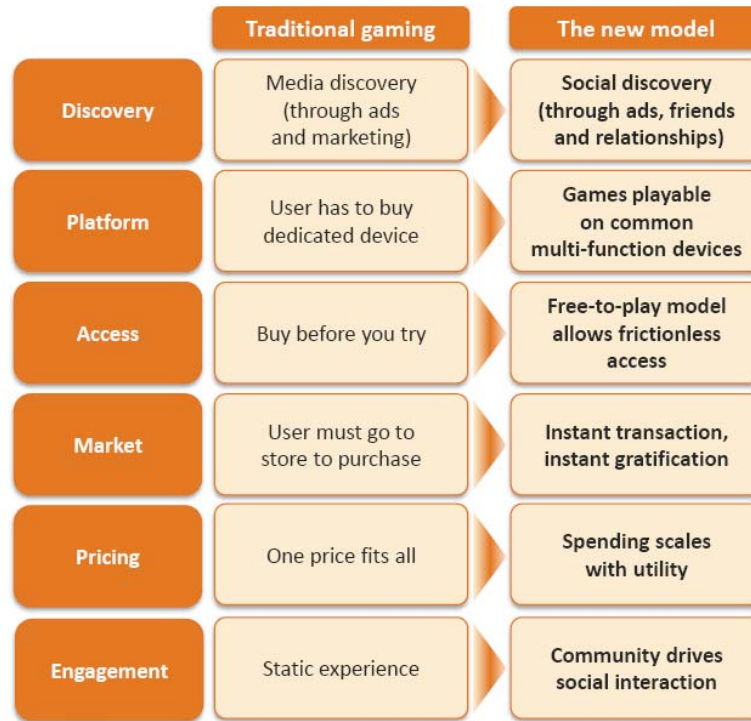


Source: Company data

At the top of the funnel, Kabam's games are discoverable by social tools that leverage relationships. Kabam leverages the cloud-based nature of the social Internet to facilitate frictionless sign up and game initiation. There's no hardware required (just internet access), no software to load or download, no payment upfront (since we are a free-to-play model). Simply point, click and you're on your way to playing one of our games.

Once signed in to a game, a player can invite existing friends from their social graph to play online with them, adding to their social interaction with current relationships. Interestingly enough, it's also common for players to make new friends within their game play experience and then incorporate these new relationships into their social graph.

Figure 24: Kabam’s Model Offers Advantages on a Variety of Dimensions



Source: Company data

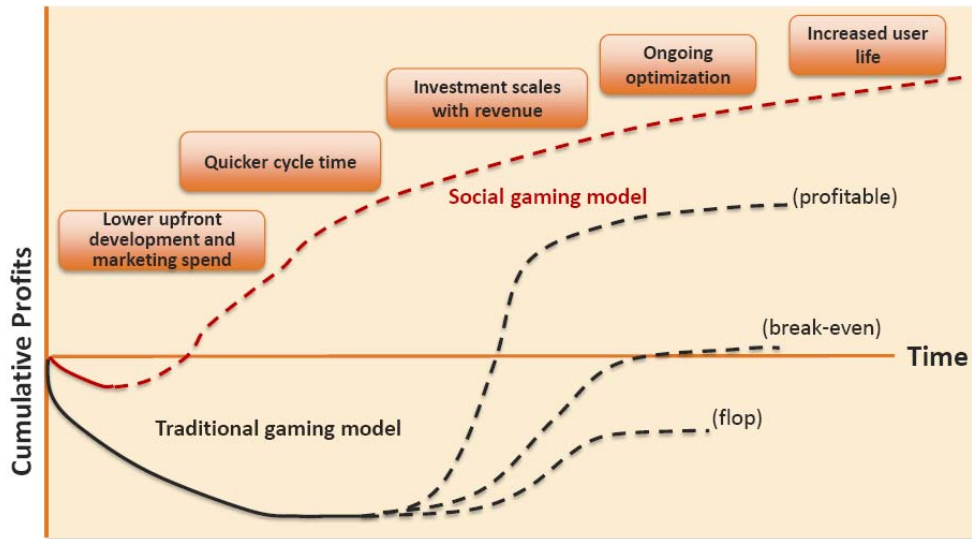
Social tools have also enhanced Kabam’s ability to utilize alliances in games. Users can join with over 100 other players to form alliances to play with and against other real people/alliances in real time. Alliances can meet online in real time in one of our persistent worlds, establish strategies, assign responsibilities and then go execute their plan. We recently conducted a survey among Kingdoms of Camelot heavy users: 76% indicated “I have made new friends in my Alliance and enjoy playing with them” as the number one reason they play the game.

From a business standpoint, fostering this tight-knit community helps contribute to greater game engagement and player retention, which are the key variables in determining the business potential of a social game — the more involved a player is, and the longer they stay involved, the greater their potential lifetime value.

For a cost perspective, Kabam’s model takes significant risk out of the game development. Retail games have a high cost of production and distribution (\$20-\$40MM is not unusual and costs for major titles are increasingly exceeding \$100MM) and can take years before they are released. Once the game ships, the bulk of the work is done; the developer can only cross their fingers and hope they’ve produced a hit.

Conversely, Kabam games have a significantly lower cost of initial production (\$1MM range) and take only months to launch. Once released, the fun really begins. Kabam continuously adds new features, optimizes game play, and makes fixes that are all informed by the players’ activity which can be monitored in real time.

Figure 25: Kabam's Model Takes a lot of Risk Out of Game Development



Source: Company data

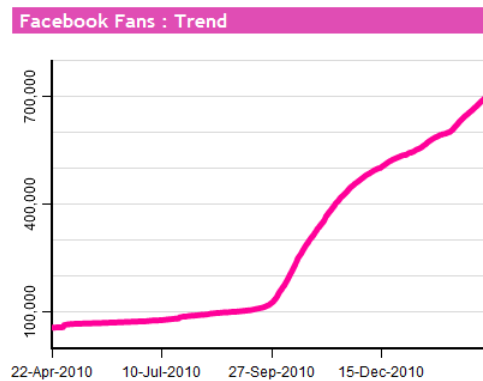
ShoeDazzle: Acquiring customers rapidly and cost-effectively

Guest post by Brian Lee, ShoeDazzle CEO



ShoeDazzle recreates the high-end boutique experience online by building intimate experiences customized for all of its members. The results have been astounding, as ShoeDazzle is now the #1 online fashion brand on facebook with over 700,000 fans. With users embracing the ShoeDazzle experience, the company has seen revenues increase by 300% in 2010 and the company is on pace to grow top line by 350% in 2011.

Figure 26: ShoeDazzle's facebook Connect Strategy Accelerated Growth Dramatically



Source: Company data

While the company was growing steadily early on, ShoeDazzle really took off in September 2010, after unveiling a facebook Connect marketing strategy that leveraged the highly social aspects of ShoeDazzle boutiques. ShoeDazzle users could invite facebook friends to become ShoeDazzle members. The invites sent exploded because they benefit not only the recipient who discovers ShoeDazzle, but someone new who discovers ShoeDazzle also increases the utility of ShoeDazzle for the person that invited them. Each ShoeDazzle member has a "Boutique", and "Boutiques" are linked, and with more friends, you can see more items, get more feedback on your choices that month, and make trades to ensure that you are picking the shoes that are the best match for you.

As ShoeDazzle's user base has grown virally, costs per customer acquired have continued to decrease. Marketing efforts are now split 50%-50% between paid marketing and viral/social.

BranchOut: Leveraging facebook's social graph to professionally network

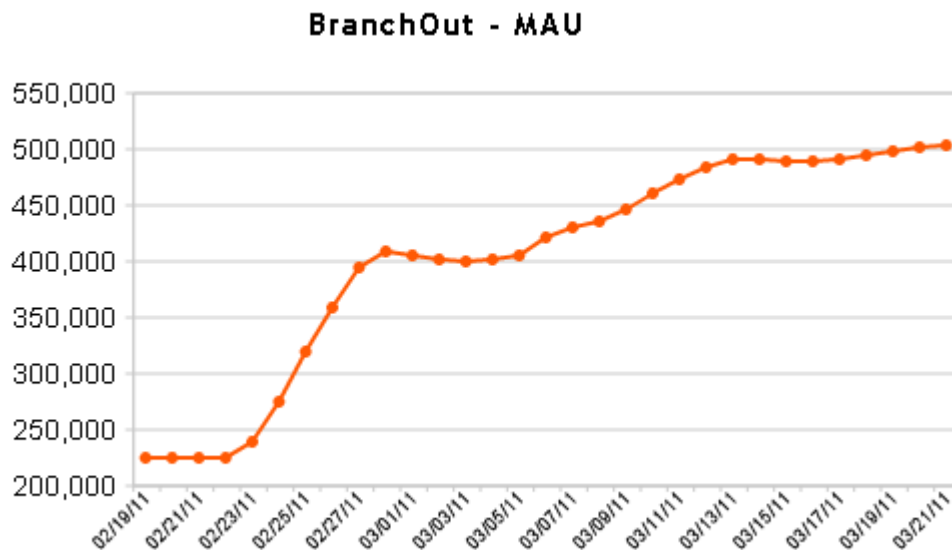
Guest post by Mike Del Ponte, BranchOut Marketing Manager



In July 2010, San Francisco based entrepreneur Rick Marini got a call from a friend who was looking for a sales lead at a particular company. Marini thought he knew someone at that company, but he couldn't remember exactly who it was. He tried searching for the company on facebook; however, facebook did not provide this kind of search. Marini had one of his engineers build the functionality he desired. When he saw the results, Marini immediately recognized the potential of using facebook for professional networking and BranchOut was born.

BranchOut leverages the social connections of facebook's nearly 700 million users to provide unprecedented reach to job seekers, recruiters, and sales people. In addition to general information about people and businesses, facebook offers social insights, such as a former colleague's recommendation for a job candidate or crowdsourced evaluations of a company's office culture. On the back of facebook's infrastructure, Branchout has enjoyed explosive user growth:

Figure 27: Within a Few Months, BranchOut Has Reached 500K MAUs



Source: AppData

Three key trends have contributed to BranchOut growth and will continue to support future success:

1. *facebook usage has increased, while privacy concerns have decreased:* The average facebook user spends 7.5 hours on the site, and over 57% of users (i.e., almost 350 million people) log into facebook daily. While these numbers point to facebook's ability to build an addictive product, they are also related to an important shift in user attitudes and behaviors. Namely, users are less concerned about privacy than they were in the past. A key reason for this is that users now have more power to control who can see their personal information on facebook. BranchOut adds to this control by offering a professional profile. For example, if your boss wants to keep in touch, he can be your BranchOut connection on the facebook platform without having access to your personal facebook profile.
2. *A next wave of big companies on facebook will be utilities:* Social gaming was the first category to take off on facebook. Today, people no longer see facebook as all fun and games. Users want to do other business on the facebook platform. This is partly because it is convenient, but also because the facebook friend graph adds a social element to activities, ranging from shopping to dating to professional services.
3. *Gamification drives growth and incentivizes good behavior:* Gamification describes the use of game mechanics for non-game activities like how credit card companies use rewards programs to change consumer behaviors. BranchOut has incorporated skill-based badges, a leader board showing how connected you are, career quizzes, and a contest that helps students land internships at Google, facebook, Nike, and other top companies. By pairing gamification with facebook's viral channels, BranchOut has found a way to grow its network while adding value to its users.

Jive Software: Allowing social collaboration to improve work efficiency

Guest post by Ari Newman, Jive Software



What's happening in the consumer world is fundamentally changing the way we create, consume, and share information. Technology is no longer a barrier in our personal lives, and it shouldn't be a barrier in our work lives. We are seeing and hearing this trend in-play, as more and more discourse on the "consumerization of the enterprise" occurs.

"Social Business" is the term Jive Software coined to describe how the social web will forever change the enterprise. We see Social Business as the biggest transformation in a generation with the power to fundamentally change how business is conducted. Companies that get "it," that recognize there is a new way to work, are significantly improving their reported performance. In a recent survey, Jive customers were realizing a 37% increase in project collaboration and productivity, a 30% increase in customer satisfaction, and a 23% increase in win rates.

Companies have to build social from the ground up. You can't just take social features and add them to a content management or sales force automation system and have a social business solution. Success with social tools requires an agnostic approach to applications, content and processes. Imagine how less impactful facebook would be if you could only share content from a single website. User experience is paramount to adoption and thus success. Unlike many enterprise applications, you can't force users to be social. Thus, they need to see the inherent value of the application, and it must be dead simple to learn and use.

SB Nation: Creating local forums for passionate sports conversation

Guest post by Jim Bankoff, SB Nation CEO



Tyler Bleszinski was frustrated. As a diehard fan of the Oakland A's, he wasn't the only one who noticed that the national sports media did not pay attention to his team (with the possible exception of when the Yankees or Red Sox came through town). Worse yet, even in the Bay Area, the local sports TV segments and newspaper columns prioritized the other baseball team in town or the NFL teams. It wasn't just the lack of coverage that irked him; it was the nature of it. Sports coverage did not reflect the passion he held for his team. It was dry, it was one way. He visited Internet message boards to share opinions with other fans, but those forums were often caustic environments, not accessible, sophomoric and unwelcoming to newcomers.

Eventually Tyler decided to do something about it.

It was 2005 and the blogging craze had just begun. With some help, he started AthleticsNation.com, which quickly became the leading media property for all fans of that team. In addition to differentiated content, from the perspective of knowledgeable and passionate fans, a robust community of like-minded individuals emerged. A social network with context.

Fast forward to 2011. SB Nation, the company that Tyler started now boasts 300 fan-centric branded media properties. Each focused on a team, league, regional or national sports topic. We're one of the top-10 biggest digital sports media companies and by far the fastest growing. What exactly is going on here? I'd focus on three trends in media:

1. *Media is now social.* Spectator sports exist because of the conversations that they engender and SB Nation's platform fosters insights and conversation within a community of fans who share a common passion. Bloggers, who are lifelong fans of the team, manage each community. Their mission is very different than that of a beat writer whose job is to dispassionately report. Not only do the bloggers create compelling original content, but most importantly they facilitate the conversations. The comments and conversations on SB Nation are often as, or more, valuable as the content that our professional, paid writers create each day. Our company is focused on making these social interactions the best, most engaging possible solution for our audience.
2. *Real-time is reality.* Remember the news cycle? It was once dictated by news weeklies and then by news dailies. News cycles no longer exist, they have given way to an overwhelming amount of news and opinion coming from all angles. At SB Nation, we arm our team with tools and technology to analyze this wall of data in order to filter, provide context, report and comment on what is happening and get it to our audiences instantly and in a digestible format.
3. *Specific is more relevant than general.* Sure, some people are general sports fans, but most fans are interested in individual teams. So we've created brands that are fully dedicated to their areas of passion. This isn't only the case in sports. When was the last time you asked someone if they "caught some good TV last night?" No, instead you ask if they watched MadMen or American Idol. Asking someone if they are "into music" as opposed to asking them about their favorite band will get you an awkward stare. So, how do you scale in a world of fragmentation? The answer for SB Nation is commitments to consumer-centric products, innovative technology, and common and effective sales solutions.

All this change is creating enormous opportunity for media companies who are willing to embrace it. By engaging consumers via topical, social and real-time media, we are successfully creating a valuable platform for marketers who are looking to connect with one of the largest and most engaged group of sports fans on the web.

EpicSocial: Tips for Effective Social Marketing

Guest post by Matt Monahan, EpicSocial Director



Figure 28: Social Marketing Is Like Throwing a Keg Party

Channel	Description
Social Advertising	Buy the resources to construct their owned audience channels. These are the ads and the like buttons, or bright green flyers all around campus that promise an amazing night with friends.
Social Marketing	Maximize the value created by owning audience channels. These are the promotions and strategies that get people to engage positively with your brand. This is making sure you have good beer and a live band that everyone on campus likes.
Social Media	Create content to publish into the new communication mediums to create value for their owned audiences. This is something related to your brand that people want to share with their friends because it is of interest or creates value or is meaningful in some way. In the kegger analogy, these are probably polaroids you don't want to remember, or an invite to the next party.

Source: EpicSocial

Matt's tip of the week: Focus on NewsFeed Optimization

facebook has an algorithm call EdgeRank that surfaces the most relevant content to the top of the NewsFeed. The exact details of the EdgeRank algorithm are know by few, but the two major drivers of relevance between Brands and Fans on facebook are the number of Fans a brand has relative to other brands in its category and the post qualify score of the Brand's Social Media published through their audience channel. On facebook, post quality score is a 7-day rolling average of likes, comments, and shares of content distributed by a brand on facebook. It's important that brands maintain leadership in their category in terms of Fan number and post quality in order to effectively use the newsfeed as an audience channel to create EMV, cost avoidance and to drive sales.

Xylos: Using new social tools to market more effectively

Guest post by Eric Zeiler, Xylos guitarist, singer/songwriter



Circa 2002, I played in a band in Philadelphia called the Ally. At the time, we experimented with the limited online resources to spread word of the band. We had a frequently updated website, uploaded our live shows (as MP3s) on Archive.org for fans to download, and posted news of our shows on message boards. More of our focus, however, was on developing a street team of fans in cities around the Northeast to further promote the band by flyering and hanging up posters all over town.

Not that these days are completely behind us, but now in 2011, with my new band Xylos, much of our marketing is focused online. Using facebook, Twitter, and new apps such as Tout, we have been able to reach fans more effectively (both established fans and new ones) and more directly. Letting our fans know of a newly announced show is as easy as creating a facebook event invite and posting it on Twitter.

At the moment, we're on tour (traveling from Oklahoma City to Austin for South by Southwest). After each show, our fans list grows on facebook as the fans come to access our music and videos immediately, and photos are uploaded and shared on our facebook page before we're even finished packing up. The feedback is instantaneous and our community of fans congregate to communicate with each other and directly with us.

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About Lou Kerner



Lou Kerner is Managing Director of the Private Shares Group within Wedbush Securities' Equities Division. Prior to this, Lou was Wedbush and Wall Street's first recognized Social Media equity research analyst.

Before becoming an internet executive in 2000, Lou was an equity analyst following media and internet related companies for Goldman Sachs and Merrill Lynch. Lou started his internet career as CEO of The .tv Corporation, which licensed the top level domain .tv from the tiny island nation of Tuvalu. .tv was acquired by Verisign in 2001. Subsequently, Lou acquired one of the early leaders in social networking,

Bolt Media, which grew to over 20 million monthly uniques under his three years of leadership. Lou has a BA in Economics from UCLA and an MBA from Stanford University.

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Yahoo	YHOO	UNDERPERFORM	\$16.13	\$15.50
Google	GOOG	OUTPERFORM	\$582.16	\$750

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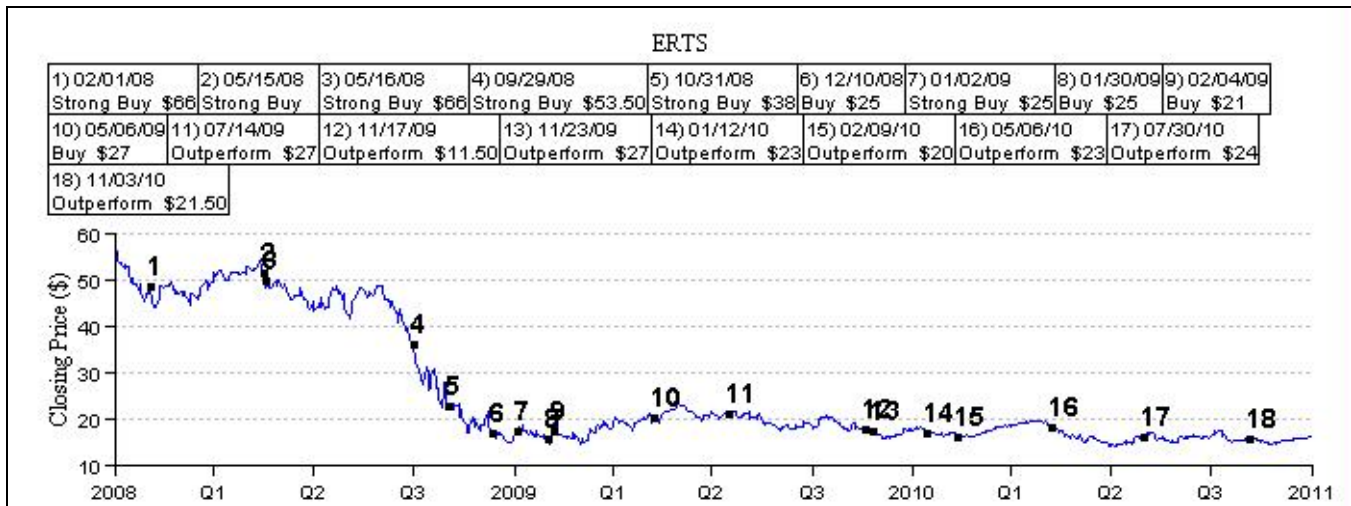
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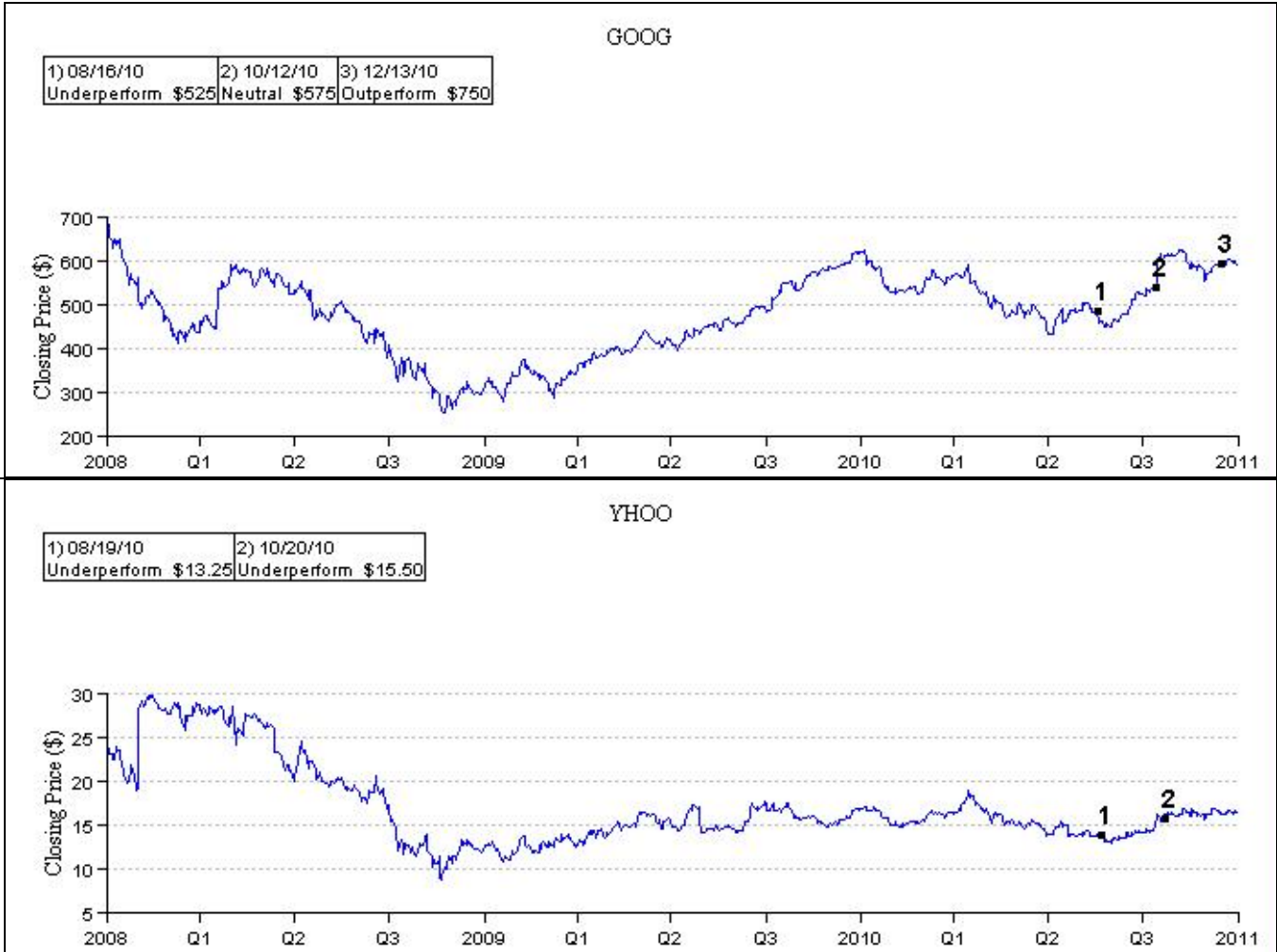
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