

EXHIBIT 51

Andrew Romatz

From: Chris Dowhan [chris@direct-revenue.com]
Sent: Wednesday, June 08, 2005 6:20 PM
To: joshua@direct-revenue.com
Subject: Fw: an overview

Here is the doc, as well as one other note below that I conveyed to JP separately - you can tell me if you disagree:

"I am trying to make all of our bundle deals CPA going forward, as opposed to Rev Share. I think there is an incorrect notion in the industry that Rev Share is the only way to keep distributors honest. I completely disagree. Rev share stops one type of bad behavior, which is purposefully churning out users and then reinstalling to get paid each time on CPA deals. But even with Rev Share you could have 2 distributors doing the same thing to each other. Basically, bad distributors are bad distributors and changing from CPA to Rev Share doesn't make them act differently. My goal is to simply eliminate them, and then work with people we trust on a CPA basis because our margin is higher."

7/18/2005

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State of Distribution

Overview:

The success of our Distribution efforts is currently gauged by 2 main criteria:

1. Is the daily volume of newly acquired desktops enough to grow the network
2. What is the average price we pay for those new desktops, (i.e. what profit margin)

The irony is that both criteria are heavily influenced by factors outside of the Distribution group's core competencies. Item 1 depends on our ability to minimize the churn rate – whether it is churn due to A/V software, competitive threats, or users running myPCTuneup – it's all the same in terms of how many desktops we need to replace in order to keep our network from shrinking. Item 2 depends on our ability to monetize these desktops once we have them. Our daily value per user has been stabilizing around \$0.05/day per user checkin, so the length of time we keep users (limiting churn) becomes the main variable in lifetime value of a desktop. This lifetime value dictates how much is an acceptable amount to pay when acquiring users. So it's hard to look at Distribution in a vacuum, but I will outline all of the factors that I think are relevant to understanding how I approach the job.

Current Status:

We are doing well in Distribution right now due to a new, high volume bundle partner, but the overall health of the network is tenuous.

- We have 2 main types of distribution – Bundle and Banner.
- Bundle Distribution is done through brokers who bundle up multiple products and manage the promotion of their own utilities. The average desktop costs us about \$0.40 US, \$0.20 EU (\$0.01 - \$0.02 elsewhere if we pay anything at all) through brokers.
- Banner Distribution gets its name because it is primarily a process of purchasing banner image placement on networks like AskJeeves, where we promote our own utilities (screensavers, freephone voice-over-IP product that we license, etc.) bundled with just our adware. It is not currently working properly, but projected to be out of development soon.
- The cost of acquiring a desktop through banner distribution is higher than bundle deals, but these desktops typically generate more revenue, so margins on banner deals may be better in some cases. We track profitability broken down by distribution channel to weed out the bad performers.
- Even if margins are not better, banner distribution has the enormous benefit of being 100% within our control. This eliminates the overhead of having to police partners who might engage in questionable distribution practices, as well as the negative PR and suspicion that surrounds almost all bundle distribution.
- Bundle and Banner distribution build out our network of users. Each day, depending on the day of the week, we have been seeing between 3 and 4 million worldwide computers check-in to our servers for ads. Roughly 60% are US desktops.
- We have determined that, on average, users only check-in every other day. Using this rule of thumb, our Network size is actually between 6 and 8 million desktops worldwide.

- We have recently been averaging 75K new US desktops/day and 40K new International/day
- This is not enough to grow our network, which means our churn is larger than 115,000 desktops/day. The loss has been barely 1% daily so we believe that approximately 100,000 daily US and 50,000 daily International new desktops would keep us from shrinking and possibly grow the base very slightly – all other factors remaining constant.
- That said, churn has not been constant over the past few days. The opt-out rates through MyPCTuneup have grown from roughly 5K per day to 25K per day over the past 4 days. This coincides with our upgrade to make all ad clients branded with an add/remove entry. We have gone from 30% to 70% branded during this time, and will probably level out at 90% branded in the next couple weeks. It is unclear whether or not this opt-out surge is a “front-loaded” effect, or if it will continue at this pace or worse over time. Either way, this is affecting churn.
- Note that only a small, but growing, percentage of our 115K daily churn is seen through the MyPCTuneup opt-outs – the remainder is presumably from A/V types of apps and firewalls blocking communication, competitive attacks and other incompatibilities.

General approaches to improving the status quo:

- We can try to get access to more desktops each day (internal lingo = increase Wide Open counts)
 - ☒ ...we do this, but there is overhead to managing more brokers/bundle partners, figuring out which ones are legitimate, and keeping them from overlapping with each other by buying into the same bundles, etc.
 - ☒ We still do not have our Banner Distribution system up and running which will allow us to buy our own media and promote our own utilities
- We can try to better convert on the ones we currently access (internal lingo = increase Install Efficacy)
 - ☒ For every 2 desktops where the user agrees to our terms and they are “wide open” for installation, we have been installing on only 1 – 50% install efficacy on average since the release of Aurora.
 - ☒ This number was historically as low as 25% with our old ad client, pre-Aurora
 - ☒ A couple of our large partners have recently shown efficacy in the 80% range so we know this is attainable (and that has helped our overall average), but we do not have a good grasp on what causes all of this breakage at install time
 - ☒ There may be some business conditions I can control that will help this, but I believe that this problem will need technical resources to understand, e.g., how much breakage is from A/V, how much from other incompatibility, how much from network communication failure, etc.
- We can try to hold desktops longer, so that we need fewer new desktops each day to grow the base (internal lingo = Churn or Retention – often confusing on reports that use them interchangeably, but most of the “churn” reports actually show a % of retention)

- ☒ This is currently outside of the scope of the Distribution team's capabilities
- ☒ As quickly as possible we should be creating a tightly-coupled relationship between our ad client and the utilities that consumers download. At that stage, churn can be addressed by licensing better and better apps with greater appeal so users don't want to uninstall.
- ☒ Until this is in place, our strategy has been to make the ad client as hard as possible to uninstall through any means other than MyPCTuneup (and through this endorsed method, it should be fully removed).

Organizational Structure

Mia Simonsen – Manages Bundle Partners, generates new utility licensing opportunities

Wendy Miller – Manages Banner Distribution, generates new utility licensing opportunities

Gideon Lin – (added to the team 2 weeks ago) Distribution Analyst for all traffic, will focus on tweaking conversion rates and profitability of banner distribution once that launches. Generally, Gideon will be looking for optimization across all distribution, helping to maximize spend on channels with higher margins and efficiently weed out bad performers, rotate creatives, etc. If he has time I will also put him in charge of keyword buys through Google, Overture, etc. for the same utilities that perform well in Wendy's banner media buys.

Need to hire the following:

Affiliate Programs Manager – someone to ramp up our recently built affiliate program (both adult content and PG) to generate downloads through webmasters, and build out the new Shareware affiliate site we will build to take advantage of the download.com "no adware" policy.

Analyst/Researcher?? – the following projects are currently handled as we can, often times relying on other departments as they have time. They now amount to a full-time position: someone to run A/V apps, firewalls, competitors, etc. - *every day* - to see who is affecting our installs. This is a moving target that changes daily, and although QA has expressed interest in owning it they have not had the capacity to keep up with it. There are many apps that could be greatly affecting install efficacy rates, but we just don't have the resources to quantify this. In addition, when we have 2 distribution channel that are potentially overlapping, we need a resource to immediately download and compare the apps on QA machines to reconcile. Same goes for the routine policing of distributors' practices, as well as the ongoing troubleshooting and hand-holding with bundle partners. We have fallen behind on populating our database with info about all of the "unknown" apps on our overlap reports. We do zero competitive analysis of what other installers are doing. And we should define and manage a repeatable, standardized process for taking the new utilities that we license and getting them ready for actual distribution through Wendy's banner buys (coordinate the banner image creation, the new EXE creation, setting up reporting, collection and verification of contracts). This position could be part of QA if that individual was clearly dedicated to distribution issues as their #1 priority whenever they arise.

Distribution Projections

Distribution is too volatile to predict future performance with any accuracy – **However** – we can project spending and make some assumptions. We currently spend roughly \$1M/month on all distribution, but this is mostly Bundle deals. When the new **Banner** system is working, we will want to ramp up spending significantly based on where we see the best conversion.

In addition, regardless of conversion rates, I think we should be spending some amount every month on \$0.25 CPM RON media across some premium websites. For \$100K/month spend on \$0.25 CPM banners, our ads will be shown on popular sites in the askJeeves network 400,000,000 times per month. In addition to promoting our utilities in these banners, I would include a phrase like “brought to you by the ABI Network” in the creatives. After just one month I’m guessing that our ad sales team will no longer have to answer questions like “How do you get your downloads” or “Where can I see a live link”, because they will be everywhere, highly visible.

If the team agrees that this is a good use of money, this is what I expect the banner spending would look like in month 1:

\$0.25 CPM	\$100K spend	1:20,000 conversion	\$5.00/desktops	20K desktops
\$1.50 CPM	\$100K spend	1:3,000 conversion	\$2.00/desktops	50K desktops
\$4.00 CPM	\$300K spend	1:250 conversion	\$1.00/desktops	300K desktops

The \$0.25 is RON impressions that require a user to click on the banner to start the download process.

The \$1.50 CPM will be media that requires a mouseover of the image to pop a download prompt and/or some slightly targeted buys that require onclicks. I expect it to convert worse than autopop inventory, but it’s worth trying.

The \$4.00 is the type of distribution that automatically pops up our download prompt along with our ad.

This would give us 370K users for \$500K in month one, for a blended average of \$1.35/desktop, and enough data to make some educated decisions on how to spend in month 2. This \$500K would be in addition to the ~\$1M spend on bundle deals.

Key Issues and Threats:

- Banner distribution – need it asap
- Tight-coupling – churn is changing dramatically right now with the addition of an add/remove programs entry, and there is currently zero disincentive for our users to run it. Why wouldn’t every user uninstall us now?: 1) They don’t know the add/remove programs entry is there, 2) they know but they don’t trust the MyPCTuneup site, they are afraid to actually download and use the uninstaller, 3) they fully understand that they got the ads when they downloaded one of our apps and incorrectly think that uninstalling the ad client will also uninstall the utility they want, or 4) they want the ads.
- Our position relative to the A/V and anti-spyware apps (I know we are starting the “White List” effort, so this is being addressed)

- Install Efficacy – why do we lose 30-50% of desktops during the install process?
Solving 10% of that loss would drop the average acquisition cost by almost 20%
- Network Communication in our installer (and ad clients after install) – related to the install efficacy issue. We do not understand the issues around when and how we fail with Network Communication very well. This has been assessed at up to 8% install breakage through internal tests, and distributors have complained of up to 30% breakage between how many of our installers they run, and how many are able to communicate back to our servers.

The Future:

Banner Distribution will need a lot of scrutiny to swap out creatives and optimize conversion rates to the point that we want to spend our dollars on that distribution channel instead of with bundle partners.

I am hopeful of this new opportunity that download.com has created for us - to give shareware and freeware developers a place to go for free marketing and distribution of their apps, along with the adware that will be a source of revenue for them. This site will be only as successful as the integration process is easy – if we can make these utilities tightly coupled with our apps through a point-and-click simple technology, then I think it will be wildly successful. If not, we will discourage too many developers with a process that is currently measured in weeks (from introduction to ready-for-promotion). As the cost of buying banner distribution media increases, the value of having a repository like www.ContentForFree.org (working title for our new download.com effort) will be magnified – we can promote the site as opposed to promoting individual apps – and eventually reap the benefit of word-of-mouth advertising and cross-linking from other websites, search engines, etc. I'll write up a brief on this effort asap.

Our affiliate network could be another excellent channel for distribution, but I am beginning to realize how much effort this requires and the lead-time for making it effective is longer than expected. The two outside resources who built the system are not doing a very good job of promoting it. I don't expect many downloads from this until we have a dedicated internal resource working on it.