

# CEO CFO

# YANGAROO INC

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## With DMDS Becoming The Preferred Method Of Delivery For Music And Advertising In Canada, YANGAROO Is Leading The Way In The United States Having Received Notice Of Allowance For Their U.S. Patent Application For Their Content Distribution System And Method

Business Services  
Computer Software & Processing  
(YOO-TSXV, YOOIF-OTC: BB)

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**John Heaven**  
President and CEO

### BIO:

John Heaven, President & CEO of YANGAROO, brings over 20 years of strategic financial and entrepreneurial experience to YANGAROO. He is responsible for the company's over-all vision and financial direction. Heaven's professional history includes three successful start-ups and two successful IPO's for industry leading companies in the technology space.

Prior to YANGAROO in 1981, Heaven co-founded Coesyl Ltd., a software company, where he was responsible for strategy, product design, financial management and marketing. Subsequent to Coe-

syl Ltd, Heaven held the position of Chief Financial Officer and Director for Telepanel Systems Inc. ("Telepanel"), where he was instrumental in successfully taking the company public. Heaven helped Telepanel grow from a fledgling concept to the world-leading electronic shelf label company listed on the Toronto Stock Exchange and NASDAQ with \$10 million on sales. In his role as CFO, Heaven carried out a broad range of executive responsibilities, including sourcing and/or structuring a variety of private and public financings, implementing all accounting and manufacturing management systems, and developing and implementing a global direct sourcing strategy for manufacturing, including the establishment of Malaysian assembly facilities. He was also responsible for investor and shareholder relations, regulatory compliance, taxation planning and compliance, intellectual property management, internal and external financial reporting, and financial planning and management.

Heaven is a Chartered Accountant and has a Bachelor of Commerce degree (magna cum laude) from McMaster University in Hamilton, Ontario and a Master of Business Administration degree from the University of Toronto.

### Company Profile:

YANGAROO® Inc. offers professionals, who need to send and receive sensitive and often large digital media from point A to point B, a patented, easy to use, highly secure web-based delivery solution called Digital Media Distribution System (DMDS).

YANGAROO's patented Digital Media Distribution System (DMDS) is a leading secure B2B digital delivery solution for the music and advertising industries. DMDS is a web-based delivery system that pioneers secure digital file distribution by incorporating biometrics, high-value encryption and watermarking. DMDS replaces the physical distribution of musical recordings and advertising to radio, media, retailers and other authorized recipients with more accountable, effective, and far less costly digital delivery of broadcast quality media via the Internet.

YANGAROO's DMDS has made over six million deliveries of over 12,000 songs from more than 600 record labels to destinations which include radio stations representing over 35 US broadcast chains. U.S. record labels made 1.3 million deliveries of songs via DMDS in the first nine months of 2008. DMDS is the only system that can digitally deliver music across the U.S., Canada and the UK.

YANGAROO has offices in Toronto, New York, Los Angeles, and London, UK. YANGAROO trades on the TSX Venture Exchange (TSX-V) under the symbol YOO and in the U.S. under OTCBB:YOOIF.

Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com

**CEOCFO:** Mr. Heaven, what is the vision at YANGAROO?

**Mr. Heaven:** "Our mission is to be the leading global provider of secure business-to-business digital media distribution using the internet. YANGAROO is a leading player in the mega-trend to re-

place traditional physical means of delivering content, such as copying music or advertising to CDs, DVDs or tapes, via courier. We are replacing the delivery of these packages with faster, more secure, less expensive and far more environmentally friendly digital delivery. Therefore, our goal is to help industries transition from older physical media workflows to vastly more efficient digital workflows. How we accomplish this is by leveraging the ubiquitous high-speed internet and powerful desktop computer infrastructure that our users already have in place, with our advanced web based technology. We've made a very simple, user friendly, but very powerful solution for secure digital content delivery.

Our principal business is the development and marketing of our patented Digital Media Distribution System, which we know as DMDS. The first market vertical we focused on was the music industry; it had the most pressing need for a secure digital solution. Several of our team members came from the music business and they had an intimate understanding of serious issues that the music business was facing. You've probably read and heard about them over the past few years, where there have been many leaks of high-profile artists' new works, prior to the intended launch date. A lot of this stemmed from the production of promotional CDs that were being distributed within record labels prior to public release. For the music industry, DMDS replaces the physical distribution of promotional releases, which had traditionally been put on what are called CD-Pros. Thousands of these would be made for distribution through media, radio, retailers and also within the record labels themselves. The record labels employ thousands of people in several different countries, so they distribute, particularly major artists' releases, among all of their international affiliates."

**CEOCFO:** Is it pretty standard in the music industry now to use DMDS?

**Mr. Heaven:** "In Canada, DMDS has become a verb, because people will say, 'just DMDS that track over to me'. The

Canadian music industry has led the world in first fully transitioning from physical CD media delivery to secure digital delivery, with DMDS. All four of the major record labels use us in Canada: Sony, BMG, EMI, Universal and Warner. In the United States, they are using us as well. The good news is a tremendous watershed event for us. We've just received notice of allowance for our U.S. patent application for our Content Distribution System and Method. That is the title of the patent application and we've received allowance from the U.S. Patent and Trademark office. This is a seminal event for our industry in that this is a fundamental, very broad, industry-defining patent. It covers a method of distributing digital content, such as music or advertising, to selected individuals over the

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internet; It is a system where the content provider uploads the content, selects the individuals that are entitled to access the content, sets release conditions for the content, (such as the time and date) that it could be available at; and where the identities of these selected individuals are verified at log-in and are provided with access to the uploaded content if their release conditions are met."

**CEOCFO:** What is it that differentiates YANGAROO's technology?

**Mr. Heaven:** "This is the third patent that we have received and this confirms our position as the leading innovator in our field. We have also had the same Content Distribution System and Method patent granted in Canada. Therefore, DMDS is the only such system available to the North American record, radio, and advertising industries today that has U.S.

and Canadian patent protection for these essential components of such systems, enabling a content provider to authorize selected individuals to access content such as a music track. They can allow these individuals access to a specific track on a specific date and stream the track only, where they can't download it yet. They can even verify who these individuals are when they log into the system to make sure that they are the correct individuals and make sure that release conditions are met. This is what makes us unique, in that we keep all of the control in the content provider's hands. They determine who gets their content, when they get it, how they get it and what they can do with it when they get it; whether they can only stream it, or only view it, or just download it. The content providers can also rescind access rights to the content."

**CEOCFO:** So when a record label is ready to jump into the 21<sup>st</sup> Century they have to come to you.

**Mr. Heaven:** "We believe that we've carved out a solid niche for ourselves. These patents provide a significant barrier to entry for competitors. They would have a very difficult time overcoming or circumventing the patents and still have a functional system. Without the features that en-

abled us to get a patent, you would have a dysfunctional system that would not meet the needs of the industries that we serve. We've actually filed a \$15 million infringement claim already in Canada against a competitor; Destiny Media Technologies, which is traded under DSNY on the OTC BB in the United States. Our intention is to file a larger claim against them in the U.S., based upon our new patent. However, that might not be necessary; since given their latest financial filings, they appear to be insolvent, so they may go away anyway."

**CEOCFO:** How can anything transferred over the internet be secure today, when everything seems to be able to be breached?

**Mr. Heaven:** "Everything can be breached. You can put better and better locks on your front door, but your house

has glass windows in it that anyone can break through. Therefore, security is a measure of degree, based on how difficult you make it for someone to do something that you don't want them to. With our system, one of the methods of verifying individuals that we use is biometrics. We have a patent on a Biometrics Rights Management method, which combines transparent biometric encryption and watermarking. What this does is that we employ a biometric called, 'Keystroke Dynamics' that identifies users, not only by the user name and password that they enter, but also by their typing rhythm. One of the great advantages of this type of technology is that it is software only, so you don't have to install a fingerprint reader or a retinal scanner, which makes it fully portable. Therefore, on DMDS, we can identify an authorized user from any internet access point with a computer on the globe. User names and passwords are not adequate to secure access to entertainment media. People will not share their user name and password for their bank account, but will share passwords to access entertainment media. That has been proven a million times over. The primary example is someone in a college dormitory subscribing to music service; they make the password 'the moon' and post that on a bulletin board. So now, you have an entire dorm accessing a music service. With our service, in the business-to-business arena, you have to have a higher level of security than that. You can imagine the millions of dollars that gets invested in a superstar artist's new release such as 'Coldplay' or Madonna and wanting to protect their new music releases prior to public releases. In addition, you still need to distribute them securely and we can achieve that by using our biometrics rights management technology that we've integrated into DMDS."

**CEO CFO:** How do you get new customers and what's going to change with the U.S. component for you?

**Mr. Heaven:** "What we are seeing, despite the economic downturn, in the first three quarters of 2008, is that the number of deliveries that the U.S. record labels did on DMDS went up 56%. In Canada, it went up 74%. Therefore, this illustrates what I view as a mega-trend towards

digital content delivery from physical delivery of the media and we are seeing greater adoption in the U.S. We saw greater revenues in Q3 2008 as our revenues were up 31%. Prior to that we've have a string of five years of steady revenue increases and that will continue through our fiscal year end, which is December 31<sup>st</sup>. We obtain customers by word of mouth as well, and we launched our DMDS Direct eCommerce service, which makes DMDS available to small independent artists on an eCommerce basis with a credit card. We are adding more and more destinations; in June of last year, we reached 2,000 U.S. radio stations registered on DMDS and in Canada, we have over 600. Adding that to what we have in U.K., its approximately 3000 radio stations that are registered on DMDS. So in the future, I see us continuing to benefit from this mega-trend to digital delivery. The economics of it just keep getting better and better. Physical delivery requires fossil fuels, so it is environmentally unfriendly. We estimate that we've saved over 600,000 pounds of polycarbonates that are included in CDs and .7 pounds of fossil fuels are used per delivery. We've made over 6 million deliveries of music through DMDS, so the environmental benefits, and the economic benefits are undeniable, and that ratio keeps increasing as the physical media delivery costs continue to rise."

**CEO CFO:** What is your revenue model?

**Mr. Heaven:** "Our revenue model is very similar to a courier in that our users pay us per delivery. Therefore, if a record label wants to send a track out to 2,000 recipients, such as radio stations and music publications and reviewers, we would charge them per delivery."

**CEO CFO:** Do you see applications beyond the music industry?

**Mr. Heaven:** "Yes, and we are working our DMDS version 5.0, which we expect to release early in 2009, and that will add a capability to handle video content, such as television ads and music video. Actually, our industry clients have been asking us if we could handle music videos for them, because it too is a physical workflow process that is frankly a real pain for them. They are dealing with beta-tapes and having to get dubs made

and couriered around, so we can really help them with that process. Likewise, for television advertising it is very cumbersome physical workflow that advertisers and television are wrestling with for the most part these days. Therefore, we are expanding into the advertising vertical, radio ads as well and video content, although not full-length films yet, but smaller video content. There are also news clips that we will be able to handle as well."

**CEO CFO:** What are some of the challenges as you've progress and how are you ready?

**Mr. Heaven:** "The challenges that we've had were convincing the industry to convert quicker than they have and getting their attention, but we are well along on that. Our other challenges are continuing to get our intellectual property respected and we've had to deal with a competitor that we've had to go to litigation with to deter their infringing activity. Part of the challenge is also handling our rapid growth, but that we believe that we can handle because we have a great team in place."

**CEO CFO:** What is the financial picture like for YANGAROO today?

**Mr. Heaven:** "We have over a years worth of cash on-hand, so we are fortunate to be in that position."

**CEO CFO:** Address the investment community; why does YANGAROO stand out?

**Mr. Heaven:** "We stand out because we have a proven technology that is protected by granted patents. We've got a brand name customer base, we've got rapidly growing usage, increasing revenues and offer a significant capital upside. We are certainly not a 'blue-chip' stock at this time, but we are a very good candidate for the high growth, higher risk portion of an investor's portfolio. Investors would be hard pressed to find early stage companies with the type of fundamental, proven factors that we have, such as an established and proven operating product, with partners such as Nielsen BDS, and GMR, which is part of the Omnicom Group, Radio and Records, and also the Gary Group, which is the leading advertising firm for the music industry."

**CEOCFO:** Final thoughts; what should people reading about YANGAROO remember most?

**Mr. Heaven:** "They should remember

that we are doing something that makes sense. We are saving people time and money, and improving the accountability over how their content is handled. On top

of that, we are providing a much more environmentally friendly alternative."

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