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RedChip Investor

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INVESTMENT HIGHLIGHTS

- Company appears to be an inflection point: Revenues accelerating, new technology coming to market.
- Management team is seasoned and proven.
- Any company that wants to take advantage of Broadcast's breakthrough compression technology will have to license it; the line is already forming.
- Because of licensing model, capital needs are reduced.
- Company has already worked with household brands like Staples – instant credibility.
- Interest is growing: "We spend more time answering phone calls from prospects than we do calling out and trying to get somebody to buy it," said CEO Rod Tiede.

AT A GLANCE

Ticker	BCST
Fiscal Year	December
Sector	Technology
Industry	Diversified Electronics
Current Price	\$ 1.55
Market Cap	\$38.62 M
Outstanding	24.92 M
Float	16.36 M
Insider Ownership	N/A
Avg. Vol. (3 m)	10.5 K
FYE '06 Revenue	N/A
Cash	446 K

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A Company with a Proven Track Record Takes On New Life Thanks to a Breakthrough in Video Compression Technology

Broadcast International is a seasoned, proven company with new, promising ideas, an important U.S. patent apparently coming soon, seasoned management, and huge potential markets.

Founded in 1984, Broadcast - (OTC BB: BCST) - is headquartered in Salt Lake City, UT. In essence, it has been an integrator of digital-based video business solutions. It also handles video production, rich media development and a full range of network support services. It did its job well enough to win work from companies like Safeway, Staples, and Caterpillar. But lately Broadcast has gotten even more interesting. It developed and owns a patented technology, CodecSys, which provides enhanced video at current bandwidths or reduces bandwidth needs while maintaining quality.



When it comes to digital video, higher quality/lower bandwidth is the Holy Grail. It saves companies money, makes video conferencing easier, more convenient, and more reliable, and enables broadcasters and consumers to rely more on digital video for content delivery. It's a safe bet that Broadcast's compression breakthrough

will also have a synergistic effect; when companies and consumers can get better quality and lower prices at the same time, demand will naturally increase.

The technology

Broadcast's patent-pending CodecSys technology enables companies to send and receive excellent quality video and audio

transmission at a fraction of the bandwidth traditionally required. Its system, for example, can take a transmission that requires 19.4 megabytes and

shrink it down to three.

The Company's breakthrough deals with codec technology, commonly used to encode digital data streams or signals for faster transmission of video-on-demand, live broadcasts, videoconferencing, streaming media, and similar applications, and decode it for viewing. The trouble is, there are more than 100 different types of codecs. Each is specialized for particular audio

and voice patterns and characteristics. For example, if a background is dark, a codec handles that. If a sound is loud, another handles that; others handle bright sections of the video, different colors, etc. It's difficult to get all these codecs to work together, so quality does not suffer and bandwidth does not increase (along with costs).

Broadcasts' CodecSys technology employs real-time artificial intelligence systems to manage entire libraries of standard and specialized data compression/decompression codecs. It's done in real time, on the fly, taking only about a tenth of a second, with no loss of quality. In fact, quality is enhanced.



To protect this valuable intellectual property, Broadcast filed its provisional patent application with the U.S. Patent & Trademark Office in 2001 for a system using multiple codecs for processing multimedia data streams. The patent covers its method of reducing the bit rate (the speed at which data is transmitted) of multimedia data, while maintaining high image quality. According to CEO Rod Tiede, any company that wants to use a multi-codec system like Broadcast's will have to license its patents. Patents have been granted in Singapore and Russia, and Broadcast has been notified by other countries of their intent to issue. It is expected that the US patent will issue within a year.

Plenty of good news

This piece of news is difficult to ignore; revenues are up 300 percent so far this year on a year-over-year basis. Last year the revenues totaled approximately \$5 million for the entire year, and by the end of the third quarter, revenues will approximate \$11 million.

The Company also recently entered into a non-exclusive license agreement with Sun Media Investment Holdings Limited, a media company in China, for the distribution of the CodecSys technology. Sun is authorized to incorporate CodecSys into its electronic products and services for which it will pay royalties to Broadcast. The electronic devices it will use CodecSys for include IPTV, cable and satellite set-top boxes, cellular telephones, per-

sonal computers, and other appliances. Though Broadcast isn't disclosing what it expects on revenues, it looks promising.

The Company also recently announced that its partner, Sports-Cast Network (SCN), has gotten off to a fast and successful start as the official streaming site for Big Sky TV, The Big Sky Conference's Internet broadcast channel. In seven recent days, Big Sky fans were able to watch 32 custom events, including football, volleyball, and soccer.

"Watch us grow," Tiede said. "We're very much in a growth stage right now."

The business model

Broadcast is putting in place "very powerful" patents around its technology, which means any companies that want the advantages of its system have to pay a licensing fee.

"We're at an inflection point," said Tiede. "The technology is going to market and we're getting contracts, and we're getting right at the point where we are putting our money where our mouth is. But at the same time word is still getting out about what we can do. A lot of people still think video over the Internet is that jerky picture the size of a postage stamp, which is just not true. Once word really gets out, look out. We can do high-definition over a cable modem."

Tiede believes that within two years the Company will realize as much revenue from professional services as it will from licensing.

The stock

Selling at press time for \$1.55, BCST was well off its 52-week high of \$3.50. That may spell opportunity.

"Over the last six months we have had a few sellers who have come through, and other than that it's been relatively quiet," said Tiede. "Now that we're showing revenue growth volume is picking up."

Leadership

Rod Tiede, CEO. After obtaining a Bachelor of Science Degree in Industrial Engineering from the University of Washington, Tiede gained retail technology experience with Safeway. While at Safeway he was responsible for launching the Safeway Satellite Network, directing the worldwide reach of Broadcast Inter-

national during its early years. He has also served as BI's Director of Sales, Vice President, and General Manager.

Ken Moore, VP of technical services, started at Broadcast International in 1990 as the Company's first Director of MIS after 20 years in broadcast engineering and MIS. He is now responsible for video and audio production facilities as well as the Repair Depot and the Technical Services Group, which oversees the Internet connectivity and all microwave and telecommunication lines.

Randy Turner, CFO, was named Controller in 1991, transferring from Bonneville Market Information, a BI subsidiary, where he had been Vice President of Finance. He is responsible for the financial reporting/budgeting, cash management, and oversees personnel benefits administration.

Renaë Hambly, Vice President of Operations, started with Broadcast International in 1989 in the Data Department. She was instrumental in the installation, management, and training of corporate clients on the use of electronic mail via satellite. She now is focused on the daily operations and maintenance of more than 70,000 client locations.

Mary K. Hall, Vice President of Client Services, has been with Broadcast International from its inception in 1983. She provides an invaluable perspective and knowledge base in customer service and account management.

Robert J. Chipman, Vice President of Sales & Marketing, previously served as founder and CEO of TrainSeek, Inc., a leading online marketplace for training products and services. Before TrainSeek, he served as Director of Marketing, Vice President of Marketing for the Lawyers Communication Network (BI's joint venture with the American Bar Assn.) and General Manager of Business Vision™ (BI's satellite-delivered business training channel).

Reed L. Benson, General Counsel/Corporate Secretary, also served as Vice President, Secretary, and General Counsel for Data Broadcasting Corporation. He received a Bachelor of Science degree in Accounting from the University of Utah in 1971 and became a certified public accountant in the state of New York in 1974 before receiving a Juris Doctor degree from the University of Utah College of Law in 1976.

Dan Mabey, Vice President of International Development,

directed the State of Utah International Business Development Office for 13 years, established and administered foreign trade offices in 23 countries, and provided trade and market development services for Utah businesses. He was also Business Director of Gray Line Development, Tokyo, Japan.

"The technology is going to market and we're getting contracts, and we're getting right at the point where we are putting our money where our mouth is."

-Rodney Tiede, CEO

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Broadcast International, Inc.
(OTC BB: BCST)

Recent Price	\$ 1.55
52 Week Range	\$3.50-1.15
Insider Ownership	N/A
Market Cap	\$38.62 M
Outstanding	24.92 M
Float	16.36 M

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