

Welcome to *Inside EMA*...

Released quarterly, *Inside EMA* highlights the current activities and core responsibilities of your Association.

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The Entertainment Merchants Association (EMA)

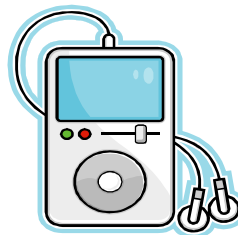
EMA Calls For DRM Interoperability—Joins the Coral Consortium

With the objective of satisfying consumer expectations and encouraging consumers to buy more digital media (rather than downloading pirated, DRM-free, content), EMA has urged the entertainment industry to adopt and deploy DRM systems that are interoperable.

DRM is the umbrella term referring to any of several tools used to enforce pre-defined models and policies controlling access to digital software, movies, music and video games.

"EMA has long supported the use of DRM to strengthen legitimate copyright protection," according to EMA President Bo Andersen. However, Bo adds, "We believe that, as in the music space, incompatibility and the resulting consumer confusion and frustration will be a deterrent to the growth of legal video digital commerce." Because today the mar-

ket for digital delivery of video is in its embryonic stage, EMA believes that this is the right time to address this important issue.



EMA recently joined the Coral Consortium to support their initiative to enable a world in which content consumers don't need to know or care what DRM is used to protect any content, but in which content providers and other parties have freedom to choose the DRM technology most appropriate for their businesses. Other Coral members include movie studios, record labels, consumer electronics manufacturers, ser-

vice providers (such as AOL and Verisign) and trade associations (MPAA, RIAA, and NARM.)

Coral's approach is to interact with the native software interfaces of each DRM and provide an interoperable layer on top, requiring no changes in the underlying DRM or security technologies. When consumers buy or rent a movie, that consumer gets a *rights token* that is created and managed by Coral's technology. This *token* can be used to access content through a variety of different devices, content sources and delivery mechanisms, all of which may involve different DRMs. To allow the consumer to watch the movie, the *rights token* gets translated into the appropriate DRM that is protecting the content.

More information on the Coral Consortium is available on their website at www.coral-interop.org.

2006 – An Active Year on Capital Hill and in the Statehouses

Year-end Update

Last year was a challenging year for EMA's Government Affairs team. During that period, EMA tracked, and took action as necessary, on 189 bills in the U.S. Congress, 41 states, the District of Columbia, and several localities. While much of the effort was directed at video game legislation, bills were also addressed regarding piracy, taxation, retail practices, and other issues.

Last year, EMA held scores of meetings and other communications with legislators and their staffs, disseminated two dozen position statements, and testified before state legislative committees four times.

EMA also participated in eight advocacy lawsuits, scoring major victories in barring enforcement of



unconstitutional video game restriction laws in Illinois, Louisiana, Michigan, and Minnesota.

Finally, EMA's visibility and effectiveness with the U.S. Congress was enhanced last year by the addition of a full-time federal affairs representative. Stuart Spencer will continue to represent the Association in Washington, DC in 2007.

Recent Activity

The State of Illinois did not appeal the November ruling by the U.S. Court of Appeals for the Seventh Circuit that upheld a district court's holding that the state's video game signage and restriction law is unconstitutional. Substantively, therefore, this case is now over. The state has reimbursed the plaintiffs more than \$500,000 for their legal fees and costs.

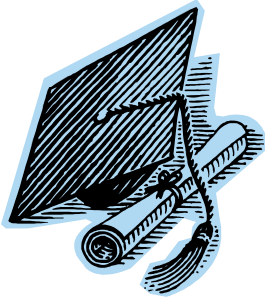
In Minnesota, oral arguments in the appeal of the challenge to that state's video game law will be heard in February. This law would impose a civil penalty on minors under the age of 17 who rent or purchase video games rated M (Mature) or AO (Adults Only) by the Entertainment Software Ratings Board. In July, a federal judge blocked the law

from taking effect on First Amendment grounds. The state appealed that ruling to the U.S. Court of Appeals for the Eighth Circuit.

And, on December 19, the Mayor of the District of Columbia Council signed into law a measure to require the establishment of a consumer education program for video game ratings. The program is "to educate consumers about the appropriateness of video and consumer game for certain age groups, which may include information on video and computer rating systems, and how parental controls can enhance the ability of parents to regulate their children's access to video and computer games."

EMA supports government-aided consumer education programs as well as voluntary in-store parental advisories.

Scholarship Applications Available for 2007



Each year, EMA helps deserving students fulfill their potential by awarding scholarships to top college-bound students from within the EMA family. The EMA scholarship program offers member companies an opportunity to provide the valuable benefit of educational and financial assistance for employees, children and spouses, and has proven to be one of the most far-reaching benefits offered to our membership.

The next round of scholarship competition is open to high-school seniors who will be entering college as freshmen in 2007 as well as undergraduates attending a four-year college institution. Employees, children and spouses of EMA regular & associate member companies worldwide are eligible for EMA Scholarships. Employee applicants must have completed

at least six months of full or part-time employment by March 2, 2007. A child or spouse of an employee is also eligible if the employee has completed at least six months of full-time employment by March 2, 2007. Scholarships are limited to colleges and universities in the United States and Canada.

The EMA Scholarship Committee judges applicants on a combination of academic achievement, financial need and future potential.

Scholarships are financed through the generous contributions of EMA member companies as well as individual members, and will be awarded in May, 2007. Scholarship recipients receive amounts up to \$6,000 (depending on their current academic status). Awards are paid directly to the college where the student is enrolled.

Since its establishment in 1987, the EMA Scholarship Foundation has provided financial assistance totaling more than \$1,000,000.00 to 200 students. Financial contributions to the Scholarship Foundation would be greatly appreciated at this time, since funding is acquired solely from the generosity of company and individual contributions.

Congratulations to last year's top scholarship awardees :

Emily Cormaney, *Karavision*

Brittney Gangemi, *Sony BMG*

Joshua Goran, *Special Effects*

Applications and further information regarding EMA's Scholarship Program are available in the SCHOLARSHIP section of the EMA website.



Oscar® Posters—a Winner in Stores!

The annual Academy Awards® telecast is watched by millions worldwide as it celebrates excellence in movies.

While awards are given to current films, the program also highlights many wonderful movies from the last 79 years. When reminded of these classic films, movie lovers everywhere rent or buy these

beloved movies during their next visit to the video store or other retail outlet.

To help promote the Academy Awards® telecast on February 25th and the 79-year history of the Academy Awards, the EMA and the Academy of Motion Picture Arts & Sciences have again provided EMA retail members

with the official 2007 Oscar® poster for in-store display.

This year, we sent out over six hundred posters to our members. Participating retailers this year included grocers Giant Eagle, Coborns and Schnucks, as well as Hastings Entertainment.

Home Media Expo 2007 Expands Focus

Home Media Expo, sponsored by the Entertainment Merchants Association (EMA), will be held July 17-19, 2007 at the Venetian Resort Hotel Casino in Las Vegas, Nevada.

In keeping with the changing focus and expanded membership of the new organization, the convention is being revamped to encompass the full range of channels that ultimately deliver video, video games, music and user-generated content from the producer to the

consumer and into the home and elsewhere.

"Packaged entertainment media has historically been our focus, and will continue to be an integral component of home entertainment for the foreseeable future, but we also need to focus on the alternative delivery systems that are becoming increasingly important," noted EMA President Bo Andersen. "It's vital for the convention to be relevant not only to the industry as it is today, but also to the

industry as it will be tomorrow." This year's convention will include an exciting new conference program, along with a new element geared towards all users of content - be it packaged, mobile, online, or networked

EMA's Home Media Expo 2007 (formerly VSDA's Home Entertainment) is produced by Home Entertainment Events, a joint venture of the Entertainment Merchants Association and Questex Media Group.



Director Roger Corman Receives Lifetime Achievement Award from EMA's Bo Andersen at last year's Expo.

RFID Activity Gains Momentum on DVDs and Video Games

RFID (radio frequency identification) is gaining momentum to be established as the future means to track all products manufactured, delivered to stores, and sold. RFID tags, attached to items, cases and pallets, identify the contents and can be read passively (theoretically) wherever that item exits.

U.S. retailers such as Wal-Mart, Target, and Best Buy have been testing a variety of RFID-based solutions with the intent of reducing costs from the supply chain, improving product in-stock levels, and improving labor efficiency. European retailers Carrefour, Metro and Tesco have been testing as well. Some retailers are limiting their tests to tagging pallets and cases, while others have tested item-level tagging – specifically entertainment media like DVDs and video games.

EPCglobal is the not-for-profit organization developed to support the global adoption of the Electronic Product Code as a global standard to enable accurate information and visibility of products in

the supply chain, and to support the use of RFID in today's trading networks. An Interest Group has been formed within EPCglobal to explore how RFID can be deployed in the Media & Entertainment categories (DVDs, CDs, video game software, and computer software.) Members of this

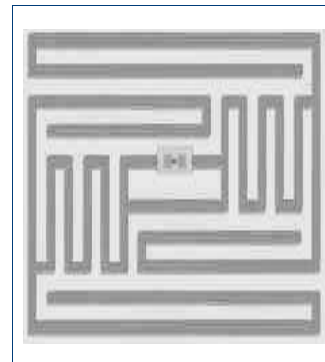


Interest Group include Best Buy, Wal-Mart, Tesco, Carrefour, Metro, Fox, Paramount, Sony, Warner, Universal, Ubisoft, Nintendo, Anderson Merchandisers, Cinram, Technicolor, Sony DADC and many others. The tri-chairs of this Interest Group represent Anderson Merchandisers (Vivian Underwood), Best Buy (Paul Freeman), and Sony Pictures Home Entertainment (Mike McDonald).

Participation in EPCglobal and its Media & Entertainment Interest Group is open to all companies. Membership allows a company to take part in face-to-face

meetings and conference calls. EMA is currently a member and participated in the MEIG's first meeting, at which over 100 participants (content providers, retailers, and solution providers) worked through the challenges of deploying a cross-retailer/cross-product category/cross-supplier pilot of RFID case, pallet and item tagging in the Media and Entertainment category. A pilot which will leverage existing case-level and corrugated display tagging to improve receiving, ePODs, claims resolution and display compliance should launch this spring. And, an item level pilot with a mixture of smart shelves, mobile and portal reading, and automated tagging on packages will be developed in the DVD, game and software categories.

EMA will continue to participate and lend guidance to EPCGlobal's efforts, and will continue to keep our members up-to-date on RFID tests and developments. For an archive of RFID news (pertinent to our industries), check out *RFID UPDATES* under *INDUSTRY RESOURCES* on the EMA website.



EMA Welcomes New Members

Retail Members

- CinemaNow, Marina del Rey, CA
- Gotta Play Interactive Inc, Gig Harbor, WA
- Decorah Video, Decorah, IA
- Jet Video, Portland, ME
- Quarry Hill Ent, Scottsville, WV
- Dave's Movies & More, Granite City, IL
- Black and Read, Inc, Arvada, CO
- EMovieMall.com, Passaic, NJ
- Video Time, Perris, CA
- Hometown Video Inc, Hammonton, NJ

Distributor Members

- Timeless Media, Eugene, OR
- Musica Al Extremo, Sherman Oaks, CA

Associate Members

- Eidos Inc, San Francisco, CA
- Take 2 Interactive, New York, NY

Individual Members

- Vincent Romney, Park City, Utah

EMA Proudly Displays a New Logo

EMA's VP/Marketing and Industry Relations Carrie Dieterich and her team have developed EMA's new logo, visually projecting us into the future. It's available in jpeg format, for authorized use, in the PRESS ROOM's GALLERY on EMA's website.



Loss Prevention Committee Sets Goals and Priorities

EMA's Loss Prevention Committee is back in action, and has met twice since last Fall.

Primary initial objectives were set as supporting the lobbying efforts of the National Retail Federation as well as reviewing and recommending packaging standards. In addition, the committee intends to monitor and study technological solutions for loss prevention problems, develop recommendations for primary shippers working within this industry, audit EAS

tagging compliance, and assist in developing ROI models for DVR systems in the DVD/game retailing channel.

This committee will also share shrink metrics with EMA to be assembled and published in aggregate to help industry participants benchmark, track, evaluate, and analyze inventory loss over time.

The Committee agreed that security of video games is their top

concern, followed by DVDs. Mike Currier of Circuit City and Phillip Kitchens of Movie Gallery were elected co-chairs of the Committee, which will meet next in Dallas on April 18.

Additional committee members include Phillip Foussekis (Circuit City), Chad McSweeney (Target), Jason Sutton (Target), Susan Taylor (Blockbuster), Aaron Kubitschek (Hastings), Joel Simpson (Hastings), and Fred Becker (ToysRUs).





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Inside EMA

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Inside EMA is a quarterly publication of the Entertainment Merchants Association (EMA).

EMA Announces Committees for 2007

EMA's Chairman, Bob Geistman, has appointed the initial slate of committees for 2007 and its members (and more will be announced as the year goes on.) In addition to its Organizational Committees (Bylaws, Nominating, Finance, and Strategic Planning), the 2007 Operational Committees and their members include:

Government Affairs

Charter: To oversee and assist with EMA's Government Affairs agenda

Members: Blockbuster, Family Video, Movie Gallery, Netflix, Target, Video Station, DVD Now

Retail Advisory Council

Charter: To develop business issues for discussion among committee members and/or with content providers

Members (Video): Ingram, Alliance, Netflix, Blockbuster, Movie Gallery, Hastings, Target, Giant Eagle, Tsutaya, DVD Now

Members (Video Games): Blockbuster, Movie Gallery, GameFly, Target, Hastings, Ingram

Loss Prevention

Charter: To develop an understanding of the industry's shrink and discuss/evaluate/impact ways to reduce shrink from entertainment software

Members: Target, Circuit City, ToysRUs, Movie Gallery, Hastings, Blockbuster



Marketing

Charter: To discuss and develop programs to promote the home entertainment industry

Members: Target, Hastings, Blockbuster, Movie Gallery, Rogers

Grocers Council

Charter: To identify issues and opportunities unique to this class of trade's participation in the home video industry and in EMA, and to provide a forum for communication within this class of trade

Members: Giant Eagle, Coborns, Super Saver, Schnucks, Wegmans

Scholarship

Charter: To oversee EMA's Scholarship Program and select annual awardees

Members: BMG/Columbia House, Ingram, Blockbuster, Coborns

Home Entertainment Awards

Charter: To determine award nominees and awardees for Home Entertainment Awards

Members (Video): Alliance, Blockbuster, Digital Dog Pound, Movie Gallery, Netflix, Peerflix, redbox, Rentrak, Rogers, Schnucks, Target, USMC, Video Quest

Members (Video Games): Blockbuster, GameFly, Ingram Entertainment