

Exhibit 2028

In the tech world, porn quietly leads the way

By **Doug Gross**, CNN

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A porn company's iPad announcement mirrors a history of adult companies being out in front on tech advances.

STORY HIGHLIGHTS

- In the technology worlds, it's an open secret that porn it always on the cutting edge
- Days after iPad release, major porn company announced way to stream videos on it
- Porn's on cutting edge because of deep pockets, need to find creative outlets, experts say
- Tech companies internally acknowledge porn's impact, but stay quiet in public

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(CNN) -- It was just days after the release of the iPad -- Apple's slate computer heralded as a tool for gaming, book and magazine reading and Web consumption -- when the announcement arrived.

One of the world's biggest porn companies claimed it had created a way to stream its videos onto the device, skipping the Apple store and its restrictions on salacious content.

The announcement illustrates a widely acknowledged but seldom-spoken truth of the technology world: Whenever there's a new content platform, the adult-entertainment industry is one of the first to adopt it -- if they didn't help create it in the first place.

"It's not necessarily that the porn industry comes up with the ideas, but there's a huge difference in any technology between the idea and the successful application," said Jonathan Coopersmith, a professor at Texas A&M University who teaches the history of technology.

"They're kind of the shock troops, and one of the nice things for them is that they can claim, 'Hey, I'm advancing technology.' "

While the shadowy nature of the adult-entertainment industry makes exact figures hard to nail down, it's generally acknowledged that porn was the first product to make money on the Internet and still rakes in upward of \$1 billion annually online.

[Although porn, like many industries, has felt the pinch of the last couple year's recession, leading Hustler's Larry Flynt and others to jokingly [ask for a federal bailout](#)].

From the printing press to instant cameras, from pay-per-view to VCRs, pornographers -- both professional and private -- have been among the quickest to jump on board with newly developed gadgets.

The first public screening of a movie was in 1895. Less than two years later, Coopersmith notes, the first "adult" film was released.

"The classic example is the VCR," said Oliver Marc Hartwich, an economist and senior fellow with Centre for Independent Studies, a

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conservative Australian think tank. "When it was introduced, Hollywood was nervous because the big studios feared piracy. They were even considering suing the VCR producers.

"Not so the adult industry. They saw it as a big new market and seized the opportunity."

On the [internet](#), streaming video, credit-card verification sites, Web referral rings and video technology like Flash all can be traced back to innovations designed to share, and sell, adult content.

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Experts attribute much of the success of AOL, the social networking forerunner of sites like Facebook and Twitter, to its private chat rooms -- and anyone who remembers scanning the user-created chats remembers the adults-only nature of many of them.

Websites that require memberships, encryption coding, speedier file-sharing technology -- all can trace their roots back to the adult industry.

These days, in addition to the race for the iPad screen, at least a couple of porn flicks are in production using burgeoning 3-D technology. While Hollywood has scored with a few blockbusters, 3-D tech for the television is still in its infancy -- and porn, as always, is right there to capitalize.

"Just imagine that you'll be watching it as if you were sitting beside the bed," Hong Kong-based producer Stephen Shiu Jr. [said of his movie](#), "3D Zen and Sex," which is set to begin filming this month with a budget of nearly \$4 million. "There will be many close-ups. It will look as if the actresses are only a few centimeters from the audience."

For adult-entertainment companies, staying on the cutting edge of technology can be necessary to survive.

Ilan Bunimovitz is the CEO of Private Media Group, the company that announced the iPad porn offering, which uses cloud computing to store a customer's videos.

In effect, he's saying it's like an iTunes for porn -- an online service that lets users buy and access a personal collection of adult videos via their iPads. Of course, the slate computer's browser can already be used to surf the internet for adult content.

He said his company, with its 25-member technology department, began working on ways to take advantage of the [iPad](#) the day it was announced in January. By the time Apple released the device in early April, the system was ready, he said.

"Every step of the way, when there's a new technology, we explore it," said Bunimovitz. "In the adult business, many times the traditional venues are not available to us, so we have to be innovative to get our content to the consumer."

"With adult content, you need to create your own solutions."

Porn companies can capitalize on the latest technological advances because of their deep pockets and the relative certainty that their investments will be returned by customers willing to pony up for their product, experts say.

"People are willing to pay a premium for [pornography](#)," said Coopersmith, the Texas A&M professor. "You see this with movies, with VCRs -- which is when it first really became noticeable. DVDs,

computer games, cable TV -- if you look at the price of those [adult] products, they're higher profit margins for the vendors."

That fact creates a conundrum for product developers. Often, any new product's pornographic potential remains a dirty little secret -- privately discussed by the manufacturer but left unspoken in public.

One of Coopersmith's favorite examples is the early days of instant cameras. Manufacturers were fully aware how many customers would use a camera that didn't require you to go to the local pharmacist to have your film developed, he said.

One of the earliest was Polaroid's provocatively named camera, "The Swinger" -- ostensibly so-called because of a strap that let it dangle from the user's wrist.

In a television ad, a young man uses it to photograph a bevy of gyrating, bikini-clad models before eventually picking one to walk off into the sunset -- with only the camera between them.

"One of the silent slogans of the porn-tech world is 'Don't ask. Don't tell. Do sell,'" Coopersmith said. "You don't want to be public, but you've got your own private corporate plans."

"As for the future, Bunimovitz says he doesn't expect his industry to back away from the cutting edge of technology. He's currently intrigued with the potential of artificial intelligence, which he said one day might simulate a live porn star who could "interact" with the user.

"There's always something new," he said. "At any point in time, we'll be working on new initiatives. Some of them will flop and some of them will be big -- but there's always something in the works."

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