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American Fork company Move Networks rebounding with new business

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Move Network's Vice President of Operations, David Ericson, and its founder, Drew Major, pose for a portrait on Tuesday, June 7, 2011, in American Fork. The company provides multi-channel television over the internet. ASHLEY FRANSCELL/Daily Herald

The inventor of television was a 21-year-old born in Beaver, Utah, who would win the patent after an uphill legal battle but never become rich. Now a small Utah firm, which is credited with ushering TV into its next era, has remained largely unknown and came close to going under.

The American Fork-based firm, called Move Networks, was the first to successfully put TV on the Internet, essentially taking Internet video from its YouTube debut to a high-definition, live TV experience streamed online.

Move Networks won the rights to several patents last year, including one for adaptive streaming, the technology that adjusts the quality of image when an Internet connection slows down, avoiding image stuttering or buffeting during prime-time surf hours.

Move's founder and chairman Drew Major, a local man and BYU alumnus, was one of the founders of Novell and the lead architect of NetWare, the killer app of its time. In 1995, BYTE magazine named him one of the 20 Most Influential People for the previous 20 years of the computer industry. He was inducted into the National Computer Industry Hall of

Fame in 1999 and into the Utah Technology Hall of Fame in 2005.

He founded Move Networks 10 years ago after Novell rebuffed his vision of broadcast-quality TV on the Internet. The upstart initially enjoyed huge backings from Microsoft, Comcast and Walt Disney, and big-ticket clients like ABC, HBO, Fox, ESPN, Discovery, CBS, WB and Televisa, the largest publisher of Spanish content in the world.

But the American Fork firm nearly went out of business last year, laying off 150 employees out of 180, and exposing how tough it is to stir the market in the highly-competitive computer sector.

The small firm had faced dispiriting challenges, chief among them competition from software behemoths Microsoft and Adobe, two companies that had joined the movie-streaming fray and wielded their influences to gain market share, driving the prices down.

"It drove the prices very low," Move's CFO/COO Jason Hodell said. "And it made things very difficult for Move to survive because it was a streaming-only platform."

But perhaps the most poignant moment was when the CEO of online DVD rental Netflix, Reed Hastings, decided between two technologies to power his company's nascent movie-streaming business. Hastings, who also serves on the board of Microsoft, naturally picked the latter.

Move's missed opportunity with Netflix would be almost fatal for the firm. That Netflix now generates more Web traffic in North America than any company, including Facebook and Google, highlights the extraordinary popularity of video streaming. Netflix's stock tripled over a year while membership skyrocketed, topping 20 million, from 12 million in 2010.

But with 100 million households in the U.S., the field is still ripe for harvest. Comcast, using the American Fork firm's technology, is moving from its cable TV delivery model to an all-streaming business, according to industry experts, while Facebook, with half a billion active users, recently reached deals with both movie studio Warner Bros. and Netflix.

As for Move, it garnered attention from Dish Network's technological arm and sister company, Echostar, which offered to buy the American Fork firm outright, saving it from bankruptcy.

In a surprise move, Dish Network also acquired video rental chain Blockbuster, a strategy that Dish CEO, Charlie Ergen, referred to as "Seinfeld strategy." For the first 28 minutes or so of that show, a lot of things happen that get eventually tied up at the end of the episode. In short, by buying Blockbuster, Dish now owns the licenses to a vast library of movies -- an estimated three times the size of Netflix's -- that stand ready to be streamed with Move's propriety technology.

The American Fork company says it is now in its strongest position ever and has plans to hire 15 engineers this summer to work in the growing field. In a recent analysis of the top 75 media economies across North America, Latin America, Europe, the Middle East and Asia, Internet TV subscriptions are forecasted to grow from 40 million at the close of 2010 to 70 million by 2014, according to media researcher SNL Kagan.

And thanks to a new lifeline, financial wherewithal and a technology that can broadcast quality, high-definition TV over the Internet with an infrastructure cheaper than satellite and cable, Move wants to help smaller players like Qwest, Frontier and Verizon challenge the traditional pay-TV business model.

While this is just the beginning of an all-out war for the future of TV, the Utah County company stands at the center of it, with a vision its founder calls "super-compelling."

"This is a transition time," Major said. "This is the next generation of television."

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DISH TECHNOLOGIES L.L.C., Exhibit 2015, p. 3
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