ENLIVEN MARKETING TECHNOLOGIES CORP
Form 10-K
March 17, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

S **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR FISCAL YEAR ENDED DECEMBER 31, 2007**
OR
£ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**
COMMISSION FILE NUMBER: 0-27168

ENLIVEN MARKETING TECHNOLOGIES CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**95-4102687**
(State or other jurisdiction of incorporation of organization)	**(I.R.S. Employer Identification Number)**

205 West 39th Street, 16th Floor, New York, NY 10018
(Address of principal executive offices and zip code)

(212) 201-0800
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.001 par value	The NASDAQ Stock Market LLC (NASDAQ Capital Market)

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes £ No S

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes £ No S

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No £

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. S

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer £ Accelerated filer S Non-accelerated filer £ (Do not check if a smaller reporting company) Smaller reporting company £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes £ No S

Aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2007	$	92,528,000
Number of shares of common stock outstanding as of March 12, 2008		99,082,000

DOCUMENTS INCORPORATED BY REFERENCE:

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant s definitive proxy statement relating to the annual meeting of stockholders to be held in 2008, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

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PART I

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from the results stated, implied, or suggested by the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and Factors That May Affect Future Results of Operations. You should carefully review these factors as well as the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed in 2008. When used in this report, the words will , expects, anticipates, intends, plans, believes, seeks, targets, estimates, and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Item 1. *Business*

Enliven Marketing Technologies Corporation (Enliven or the Company) is a leading Internet Marketing Technology Company that focuses on using its technology to help companies effectively market their products and services on the Internet. Enliven provides a full suite of digital products, services and consulting through a combination of proprietary visualization technology, and a Premium Rich Media advertising platform for the creation, delivery and reporting of online content. Enliven employs this technology to build powerful customer-facing marketing tools that enable companies to showcase products on the Web in an interactive, engaging way. Enliven s family of brands include Unicast, the Internet Marketing and Advertising Technology Group, and Springbox, the Creative Digital Marketing Solutions Group.

Since 2003, we have extended the historical imaging capabilities of our proprietary graphics technology to develop an advertising delivery system that specializes in deploying video and rich media advertising, and a search business that provides Internet consumers a flexible graphical searching experience. Our revenues in these product areas are supplemented by our Creative Solutions division Springbox, which provides end-to-end interactive creative solutions and builds sophisticated websites and Premium Rich Media digital content that is used by customers in each revenue stream.

All of our product groups leverage our core software offering, the Viewpoint Media Player (VMP). The VMP is a free software product installed by Internet consumers on their computers to view specialized digital content displayed by websites, more fully explained in the sections below. We have been distributing the VMP since 2000 and estimate that it has been installed on more than 120 million computers in the United States. We base this estimate on independent surveys commissioned by us and by other industry participants as well as information we have received from our publishing clients who report to us the frequency with which visitors to their sites have the VMP installed before arriving at their sites.

The VMP has an automatic update feature that enables new functions and features to be easily and efficiently added. Whenever an Internet consumer visits a website deploying content that is built using the Enliven platform, or encounters online advertising content delivered by our ad-delivery product, the VMP is activated. When the VMP is activated it communicates with our servers to check for recent improvements and automatically updates itself when necessary. This activation provides a unique opportunity for us to communicate with Internet consumers and to offer them the latest version of the VMP as well as other valuable features and products, such as our Internet search toolbar with its photo-management feature. See Note 15 in the financial statements for additional segment reporting information.

Unicast Internet Marketing Technologies Division (Advertising Systems)

We offer an online advertising campaign management and deployment product known as the Unicast Advertising Platform (UAP). UAP permits publishers, advertisers, and their agencies to manage the complex process of deploying online advertising campaigns. This process includes creating the advertising assets, selecting the sites on which the advertisements will be deployed, setting the campaign parameters (ad rotation, the frequency with which an ad may be deployed, and others), deployment, and tracking of campaign results.

We designed UAP to integrate creative assembly with campaign management and detailed performance analysis. In addition, UAP has the broad capabilities to deliver multiple ad formats and media types, including several different video formats, 3D content, and all major rich media units.

UAP is technology agnostic , meaning it delivers advertisements that utilize all major technologies and formats, not just those exploiting the special capabilities of the VMP. Importantly, however, video and other rich media ads that typically involve large file sizes and, therefore, higher bandwidth costs, can be deployed at significantly lower rates when utilizing the Unicast format by taking advantage of the VMP residing on the Internet consumer s computer.

In January 2005, we acquired Unicast Communications Corp. (Unicast), a leader in the delivery of Internet video advertisements that play interstitially when a web surfer moves between pages at a web publisher s site, adding another video ad delivery mechanism to our solution. We believe the addition of Unicast helped accelerate the growth of our advertising systems segment because of its past relationship with advertisers and web publishers, and as a result of the addition of key personnel in the marketing, technology, sales, and customer support areas.

Following the acquisition of Unicast, we integrated all of our product offerings into one suite of products called Enliven s Unicast Online Advertising Suite. This suite of products includes Unicast Transitional (full screen and partial screen video and interactive ads that are shown to consumers as they navigate between pages), Unicast In-Page (video and interactive ads embedded within web pages including standard and expandable banners, pre-roll and post-roll ads), and Unicast Over-the-Page (video and interactive ads that float /play over the top of an Internet site page). The suite of products is delivered using UAP.

We offer these advertising formats delivered through UAP to customers, charging them in the standard manner consistent with industry practices with fees based on the number of times an advertisement is deployed (*i.e.*, on a CPM , or cost per thousand impression basis). CPM fees vary by type of advertisement, with static ads realizing relatively low fees and rich media ads particularly video ads realizing higher fees. Rates charged for advertising ranged from $0.02 to $5.25 per thousand impressions in 2007.

During 2007, 2006 and 2005 we also utilized our resources to provide full service campaign management. This includes planning and purchase of media space for our clients. When we execute campaigns for advertisers we are paid both a delivery fee and for media planning and placement. We include the total cash received for these deals as revenue, and our payments to publishers for the media space is included in our cost of revenues for advertising systems, as we provide ad serving in addition to the placement of media, we negotiate the price, and take the risks associated with the client s credit and collectibility of receivables. Rates charged for advertising ranged from $5.00 to $47.50 per thousand impressions in 2007.

Search Solutions (Search and Licensing)

On March 17, 2004, Enliven entered the Internet search business by launching a toolbar search product which the Company calls the Viewpoint Toolbar . The Viewpoint Toolbar attaches to the Internet Explorer browser, enabling web surfers to conduct Internet searches without leaving the webpage they are viewing. When a user enters a term or phrase in the search field of the Viewpoint Toolbar, search results appear not only as text links listed on a search results page but also as thumbnail icons of the web pages themselves in a tray that descends from the Viewpoint Toolbar. Additionally, if a user visits certain Internet search engine sites the Viewpoint Toolbar will simultaneously receive a user s search request and provide the user comparative thumbnail search results in the Viewpoint Toolbar search results tray.

The Company executed a search advertising agreement in 2004 with Yahoo!. The initial term of the agreement was to expire in 2006, however, the term was subsequently amended to March 2008 and, pursuant to the agreement s automatic renewal provision, has been extended to March 2009. The agreement provides that Yahoo! is the exclusive provider of search results for the Viewpoint Toolbar. Yahoo! pays a variable fee per month for the access to the Company s distribution and the exclusive right to display search results to the Viewpoint Toolbar. This variable fee is based on users clicks on sponsored advertisements included in the search results provided by Yahoo! through the Viewpoint Toolbar. The Viewpoint Toolbar s search results are provided by Yahoo!, who collects a fee from the advertiser and remits a percentage of the fee to Enliven. Revenue generated is a function of the number of Viewpoint Toolbars performing searches, the number of searches that are sponsored by advertisers, the number of advertisements that are clicked on by Viewpoint Toolbar searchers, the rate advertisers pay for those advertisements, and the percentage retained by Yahoo! for providing the results.

We generate revenue from the Viewpoint and Fotomat Toolbars when an Internet consumer uses the Toolbar to conduct an Internet search, or when they have the Toolbar installed and conduct a search at several Internet sites. We also generate revenue, although a very small percentage, when a user conducts a search from our search homepage, www.viewpointsearch.com. Revenue is generated when the consumer clicks on sponsored results provided by Yahoo! that have been provided because an advertiser has paid to be included in Yahoo! s search results. Yahoo! receives the fee from the advertiser and pays Enliven a percentage of this fee 45 days after the end of the month in which the advertisement is clicked.

In the fourth quarter of 2005, Enliven negotiated an extension to the agreement with Yahoo! to provide search results for an additional period of two years, which pursuant to the terms of the agreement has automatically renewed to March 2009. Additionally, pursuant to the 2005 amendment, the Company received the right to create and distribute customized versions of the Toolbar for third parties, subject to certain conditions, but still using Yahoo! as the exclusive search engine for these toolbars. This right will enable the Company to empower marketers with the ability to distribute a customized toolbar to their customers. These toolbars may include new and/or existing features of the Fotomat Toolbar. Search revenue generated from the distribution of these customized toolbars would be shared between Yahoo! and Enliven on the same basis as the current contract. Custom toolbars are permission-based and provide the means to dynamically deliver marketing messaging to customers on a one-to-one basis.

Prior to launching our Search product we principally leveraged our distributed base of VMP s by licensing access to use the Enliven Platform for display of content on a website. Enliven initiated Internet activities with the release of a beta version of the Viewpoint Media Player in 1999. Simultaneously, Enliven released a suite of content authoring tools specifically designed to enable customers who published digital content on their websites to create material that can be read or played back by the VMP. With the VMP residing on the web consumer s computer and interpreting instructions delivered by our customers web sites, web sites can transmit relatively small files that can yield rich media on the end user s computer. In this way, website owners can deploy digital content representing three-dimensional views of their products, include pre-set animations, and provide high-resolution two-dimensional views, video, audio, text, and other media types. For example, we have licensing customers who are auto manufacturers that deploy from their websites 3D representations of their vehicles which viewers can interact with by opening doors, zooming in on features, configuring accessories, or swapping colors. Our licensees helped facilitate the growth of our distributed base of VMP s that we used to launch our Search Toolbar business.

We make available on our web site, the core software necessary to create content in the Enliven format, as well as extensive tutorials and related materials. During 2005 we launched Enliven Software, a content authoring software product that makes the process of authoring content in the Enliven format easier. In addition, we also launched a professional version of Enliven called Enliven PRO that is bundled with Right Hemisphere s Deep Exploration and a video encoder powered by On2 Technologies. We are distributing Enliven PRO through a re-seller for a one-time fee and include with the price of the software the right to deploy an unlimited quantity of most types of Enliven content from an unlimited number of websites for an unlimited period of time.

Springbox Creative and Digital Marketing Solutions (Creative Services)

In 2007 we acquired Springbox, Ltd. (Springbox) an Austin-based interactive marketing firm with expertise in digital web marketing and creative solutions, and merged the company with our Studio division, which provides fee-based professional services for creating content and implementing visualization solutions. Springbox provides web based marketing solutions for numerous global clients. Springbox was acquired to align with our strategy to enhance our web based product offerings, in order to meet the escalating demand for creative digital and Internet solutions from our clients. Springbox provides creative solutions that can be leveraged across the Unicast Advertising Platform and integrated with our Premium Rich Media ad delivery capabilities. This combined offering is the next step in the evolution of our business, and will better position us to take advantage of the tremendous market opportunity for integrated online marketing solutions.

The Springbox division plays an integral role in our overall strategy. Springbox allows us to provide full service interactive marketing solutions for our clients. Aside from generating significant revenues, the division can also increase the number of websites that use the Enliven platform and distribute VMP s to their customers. Additionally the division supports the development of advanced advertising formats and advertising content making use of UAP more appealing to marketers. Finally this work keeps us on the cutting-edge of the industry, giving us hands-on experience with the design, creation and deployment of rich media websites.

Competition

Competitors of our Unicast product area include full service advertising delivery companies like aQuantive, DoubleClick, and 24/7 RealMedia. Additionally, certain companies specialize in delivering rich media and video advertisements like Pointroll and Eyeblaster. Competitors in the Services sector include advertising agencies, online agencies and independent creative talent that can build content in the Enliven format or in other rich media formats. Historically, our software licensing competitors (and their products) included: Macromedia, Inc. (Flash and Shockwave) and Cycore AB (Cult3D), although we have largely exited that business.

Competitors in the Search solutions business include Google Inc., Yahoo! (who offers its own search toolbar in addition to supplying search results for use with the Viewpoint Toolbar, Fotomat Toolbars, and other custom toolbars that we create), MSN, AskJeeves, Inc. (a subsidiary of IAC), MIVA and InfoSpace. Although we compete with some of the Search Engine firms in the toolbar space, we are not a search engine; but rather a partner with Yahoo! in distributing their search results.

Some of our competitors have longer operating histories and significantly greater financial stability, management resources, technology, development, sales, marketing and other resources than we have. As we compete with larger competitors across a broader range of products and technologies, we may face increasing competition from such companies. If these or other competitors develop products, technologies or solutions that offer significant performance, price, or other advantages over our products, our business would be harmed.

In 2006 we saw acquisitions of pure play ad delivery companies like Klipmart and AdInterax. This continued in 2007, as larger delivery companies such as DoubleClick, aQuanitive and 24/7 RealMedia were acquired by key players in the internet space Google, Microsoft and WPP, respectively. We anticipate acquisition and consolidation within the online space will continue in 2008.

A variety of other possible actions by our competitors could also have a material adverse effect on our business, including increased promotion or the introduction of new or enhanced products and technologies. Moreover, new personal computer platforms and operating systems may provide new entrants with opportunities to obtain a substantial market share in the markets in which we compete.

Our competitors may be able to develop products or technologies comparable or superior to ours, or may be able to develop new products or technologies more quickly. We also face competition from developers of personal computer operating systems such as Microsoft and Apple Computer, Inc., as well as from open-source operating systems such as Linux. These operating systems may incorporate functions that could be superior to or incompatible with our products and technologies. Such competition would adversely affect our business.

See the section headed Factors That May Affect Future Results of Operations below for additional information regarding competition.

Product Development

The continual development of new products and enhancements to our existing products is critical to our success. Our principal current product development efforts are focused on the development of the Enliven platform and other technologies like UAP and Graphically Enhanced Search. From time to time, we may also acquire basic software technologies that we consider complementary to our offerings.

Our growth will, in part, be a function of the introduction of new products, technologies and services and future enhancements to existing products and technologies. Any such new products, technologies or enhancements may not achieve market acceptance. In addition, we have historically experienced delays in the development of new products, technologies and enhancements, and such delays may occur in the future. If we were unable, due to resource constraints or technological or other reasons, to develop and introduce such products, technologies or enhancements in a timely manner, this inability could have a material adverse effect on our business.

Our research and development expenses were approximately $3.3 million, $3.9 million, and $4.5 million for 2007, 2006, and 2005, respectively. We have experienced some success in reducing research and development expenses through outsourcing and other means, while maintaining our focus on technology developments, such as enhancements to our platform and the creation of new products.

Employees

As of February 15, 2008, Enliven had 146 full time employees, including 70 related to cost of revenues in creative services and advertising systems; 19 in sales and marketing; 25 in research, development and quality assurance; and 32 in administration. This compares to 91 full time employees, including 21 related to cost of revenues in creative services and advertising systems; 23 in sales and marketing; 26 in research, development and quality assurance; and 21 in administration as of February 15, 2007. The increase in headcount is primarily driven by acquisitions which were completed during the year. The employees and the Company are not parties to any collective bargaining agreements, and the Company believes that its relationships with its employees are good.

Available Information

Our website is located at http://www.Enliven.com. Our investor relations website is located at http://www.Enliven.com/investing.aspx. We make available free of charge on our investor relations website under SEC Filings our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the U.S. Securities and Exchange Commission (SEC). Further, a copy of this annual report on Form 10-K is located at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at http://www.sec.gov.

Executive Officers of the Registrant

The following table sets forth certain information regarding the Company s executive officers as of March 17, 2008:

Name	Age	Position

Patrick Vogt	44	President and Chief Executive Officer
Christopher C. Duignan	32	Chief Financial Officer
Andrew J. Graf	36	Executive Vice President and General Counsel

Patrick Vogt, President and Chief Executive Officer

Mr. Vogt has been a director of the Company since September 2004. He was appointed President and Chief Executive Officer of Enliven in August 2005. From 2003 to 2005, Mr. Vogt had been Senior Vice President and Senior General Manager of Sony eSolutions Company LLC. His team was responsible for Internet Properties Management, Direct Marketing, and Sales across all customer segments. Other responsibilities included Global Contact Center Governance, the eCommerce and Contact Center platform (supporting all distribution channels), and P&L management for Sony s entire direct business. From 2001 to 2003, Mr. Vogt was Vice President of HP Compaq Computer s eBusiness Group & Software and Peripherals Group, where his team managed all direct marketing activities and the direct on-line business for the Americas region. From 1999 to 2001, Mr. Vogt was General Manager of the Aftermarket Sales Division and Dell Online for Dell Computer Corporation. Mr. Vogt received a Bachelor of Science degree from the State University of New York and has an MBA from Iona College, Hagen School of Business, with a concentration in Marketing.

Christopher C. Duignan, Chief Financial Officer

Mr. Duignan has been working at Enliven for over six years, promoted from Manager of Treasury Operations, to Controller, to Chief Financial Officer. Mr. Duignan also serves as Enliven s Chief Accounting Officer. Prior to Enliven, Mr. Duignan worked at PricewaterhouseCoopers LLP for four years in their technology group within the audit practice. At PwC, Mr. Duignan s client base consisted of publicly traded technology companies as well as a number of start-ups. Mr. Duignan received a bachelor of science in accounting from Fairfield University in 1997 and is a certified public accountant. Mr. Duignan also served in the United States Marine Corps Reserve for 8 years.

Andrew J. Graf, Executive Vice President and General Counsel

Mr. Graf was an attorney at Milbank, Tweed, Hadley, and McCloy LLP, specializing in mergers and acquisitions and corporate matters from 1999 until joining the Company as General Counsel in June, 2005. Mr. Graf graduated with a B.S. in accounting and economics from New York University s Stern School of Business in 1993 and received his Juris Doctorate from the Benjamin N. Cardozo School of Law in 1999.

Item 1A. ***Risk Factors***

FACTORS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

WE HAVE A HISTORY OF LOSSES AND EXPECT TO INCUR LOSSES IN THE FUTURE, WHICH MAY CAUSE OUR SHARE PRICE TO DECLINE.

The Company had cash, cash equivalents and marketable securities of $7.2 million at December 31, 2007. During the year ended December 31, 2007 net cash used in operations amounted to $6.5 million. As of December 31, 2007, the Company had an accumulated deficit of $299 million. The Company has incurred negative cash flows and net losses since inception. There can be no assurance that the Company will achieve or sustain positive cash flows from operations or profitability, which may cause our share price to decline. In addition, should the Company experience unforeseen increases in expenditures or should estimated revenues not materialize, it could significantly impair the ability of the Company to fund future operations, which would require management to scale back operations, raise additional debt or equity capital or discontinue operations. The Company may seek additional funds when necessary through public or private equity financing or from other sources to fund operations and pursue growth, although there are no assurances that the Company can obtain such financing with reasonable terms. Any financing the Company obtains may contain covenants that restrict the Company s freedom to operate the business or may have rights, preferences or privileges senior to the Company s common stock and may dilute the Company s current shareholders ownership interest in Enliven.

OUR STOCK MAY BE DE-LISTED FROM NASDAQ, WHICH MAY ADVERSELY AFFECT OUR ABILITY TO RAISE CAPITAL AND STOCKHOLDERS ABILITY TO SELL THEIR SHARES.

The Nasdaq Stock Market (NASDAQ) notified the Company on November 27, 2006 that the Company s common stock could be delisted from NASDAQ for failure to maintain a minimum bid price of $1.00 and that the Company had until May 29, 2007 to regain compliance with the listing standards of The NASDAQ Global Market. On May 24, 2007, the Company received written notification from NASDAQ that the Staff had approved the Company s application to transfer the listing of the Company s common stock from The NASDAQ Global Market to The NASDAQ Capital Market. The Company s securities commenced trading on The NASDAQ Capital Market effective May 29, 2007. On June 6, 2007, the Company received notification from NASDAQ that the Company has regained compliance with NASDAQ s continued listing requirements under Marketplace Rule 4310(c)(4). The notification provided that the closing bid price of the Company s common stock has been at $1.00 per share or greater for at least 10 consecutive business days and, accordingly, NASDAQ advised the Company that this matter was now closed.

On September 17, 2007 the Company received another written notification from the NASDAQ Listing Qualifications Department notifying management that, for the last 30 consecutive business days, the bid price of the Company s common stock has closed below the minimum $1.00 per share requirement for continued inclusion under NASDAQ Marketplace Rule 4310(c)(4). The Company, in accordance with NASDAQ Marketplace Rule 4310(c)(8)(D), was provided 180 calendar days, or until March 17, 2008, to regain compliance. To regain compliance, the bid price of the Company s common stock must close at $1.00 per share or more for a minimum of ten consecutive business days at any time before March 17, 2008.

On January 10, 2008, the Company received notification from NASDAQ that it had regained compliance with NASDAQ s continued listing requirements under Marketplace Rule 4310(c)(4). The notification provided that the closing bid price of the Company s common stock had been at $1.00 per share or greater for at least 10 consecutive business days and, accordingly, NASDAQ advised the Company that this matter was now closed.

If the Company s common stock is delisted from NASDAQ, the market liquidity of the Company s common stock will be significantly limited, which would reduce stockholders ability to sell Company securities in the secondary market. Additionally, any such delisting would harm the Company s ability to raise capital through alternative financing sources on acceptable terms, if at all, and may result in the loss of confidence in the Company s financial stability by suppliers, customers and employees. The Company s common stock has closed below $1.00 per-share during the months of February and March, 2008. The Company cannot give investors in its common stock any assurance that the Company will be able to maintain compliance with the $1.00 per-share minimum price requirement for continued listing on NASDAQ or that its stock will not be delisted by NASDAQ.

IF OUR COMMON STOCK WERE TO BE DE-LISTED FROM NASDAQ WE WOULD BE IN DEFAULT OF CERTAIN LOAN COVENANTS WHICH COULD REQUIRE THE ACCELERATED PAYMENT OF OUR $3.1 MILLION SUBORDINATED LOAN.

If the Company s common stock is de-listed from NASDAQ it will violate a covenant within the 4.95% subordinated note agreement between the Company and Federal Partners P, L.P., an affiliate of The Clark Estates.

In March 2007, the Company and Federal Partners P, L.P. amended the 4.95% subordinated note in the principal amount of $3.1 million to extend the maturity date from March 31, 2008 to September 30, 2009 in exchange for the payment by Enliven of $0.2 million to Federal Partners P, L.P., and adding $0.3 million to the principal of the note. In addition, the amended note waived the aforementioned delisting covenant until December 31, 2008.

During February and March 2008 the Company s common stock closed below the minimum $1.00 bid price per share requirement necessary to remain listed on the Nasdaq Capital Market. In the event the Company s common stock price continues to trade below a $1.00 per share for approximately 13

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consecutive months, the common stock could be delisted on March 28, 2009. The delisting would cause the subordinate note to become due immediately and based on current estimates the Company would be unable to pay this obligation.

OUR EFFORTS TO DISTRIBUTE OUR GRAPHICALLY ENHANCED SEARCH TOOLBAR MAY EXPERIENCE SETBACKS LIMITING OR REDUCING OUR SEARCH REVENUE.

We distribute our Graphically Enhanced Search toolbar through a complicated process that relies on internet users visiting websites or seeing advertising for a sufficient period of time to receive the software that eventually offers them our search toolbar. We need to continue to expand our reach of internet users who visit affiliated websites or view our advertising in order to receive the software. Our rate of installation has been declining over the past three years, from approximately 1.0 million per month during 2005, under 0.5 million per month during 2006 and under 0.3 million per month during 2007. There can be no assurance that this rate of installation will improve. Additionally, our reach is impacted by the rate of uninstallation of our Toolbars. We believe 6.6 million, 3.6 million and 2.5 million Toolbars were uninstalled during 2005, 2006, and 2007, respectively, after being accepted by a consumer. The Toolbars could have been uninstalled for a variety of reasons including lack of use, concern over performance, acceptance of a competitor s product or user error. If we are not able to continue to offer the Toolbar at the current rate, the pace of uninstallations could lead to a decrease in our total net installed universe and a decline in revenues. The Company is continuing to evaluate methods of enhancing the toolbar user s experience on the web through new features (including 3-D widget applications). If the Company is unable to identify new enhancements to toolbar users, the Company expects to see a decrease in revenue in this segment. Future declines in revenue may cause impairment losses of goodwill, or other assets, which would have a negative impact on operating results and could lead to a reduction in our stock price.

THE SUCCESS OF OUR GRAPHICALLY ENHANCED SEARCH OPERATIONS DEPENDS ON USERS SATISFACTION WITH SEARCH RESULTS SUPPLIED BY YAHOO!.

We have an agreement with Yahoo! which establishes Yahoo! as our exclusive supplier of search results for the Toolbar. The initial term of this agreement was scheduled to expire in March 2008; provided, however that the agreement renews automatically for successive one-year periods, until and unless one party gives written notice to the other party of its intent not to renew no less than 60 days prior to the end of the applicable term. As the Company has not received notice or provided notice to Yahoo! of non-renewal within such time period, the agreement has been automatically extended to March 2009. The market for products that enable and supply search results is relatively new, intensely competitive, and rapidly changing. Yahoo! s principal competitors for supplying search results include Google Inc. and Microsoft. If these or other competitors develop more popular search results, end users may choose to use search toolbars or other search methods through which results from these competitors are supplied.

WE MAY BE UNABLE TO SUCCESSFULLY REPLACE OUR SEARCH RESULTS VENDOR WHEN OUR DISTRIBUTION CONTRACT WITH YAHOO! EXPIRES IN MARCH 2009.

We receive paid search results from Yahoo!. Yahoo! is successful at attracting advertisers who seek to purchase internet search advertisements, and our agreement with Yahoo! provides us a satisfactory percentage of those revenues. The term of our contract with Yahoo! expires in March 2009. There can be no assurance that our agreement with Yahoo! will be renewed on the same or more favorable terms, if at all. Furthermore, there can be no assurance that we would be able to successfully replace Yahoo! with another provider of search results on similar financial terms if necessary.

OUR SOFTWARE PRODUCTS MAY BE WRONGLY LABELED AS SPYWARE WHICH MIGHT LEAD TO ITS UNINSTALLATION CAUSING A DECREASE IN OUR REVENUES.

Our software products, including the Toolbar and the Media Player, have been wrongly characterized as spyware by certain security software vendors. We monitor activity in this area and undertake efforts to educate vendors about the characteristics of our software, and thus far have been successful at getting the vast majority of these vendors to change their characterization of our Viewpoint Toolbar. Should we fail to persuade such vendors about the functionality of our Toolbar, or not learn about a false characterization on a timely basis, a substantial number of our Toolbars could be uninstalled leading to a decrease in our revenues and our business will be materially and adversely affected.

OUR BUSINESS MAY NOT GROW IF THE INTERNET ADVERTISING MARKET DOES NOT CONTINUE TO DEVELOP OR IF WE ARE UNABLE TO SUCCESSFULLY IMPLEMENT OUR BUSINESS MODEL.

A significant part of our business model is to generate revenue by providing interactive marketing solutions to advertisers, ad agencies and web publishers. The profit potential for this business model is unproven. For our business to be successful, Internet advertising will need to achieve increasing market acceptance by advertisers, ad agencies and web publishers. The intense competition among Internet advertising sellers has led to the creation of a number of pricing alternatives for Internet advertising. These alternatives make it difficult for us to project future levels of advertising revenue and applicable gross margin that can be sustained by us or the Internet advertising industry in general.

Intensive marketing and sales efforts may be necessary to educate prospective advertisers regarding the uses and benefits of, and to generate demand for, our products and services. Advertisers may be reluctant or slow to adopt a new approach that may replace, limit or compete with their existing systems. Acceptance of our new solutions will depend on the continued emergence of Internet commerce, communication, and advertising, and demand for its solutions. We cannot provide assurance that use of the Internet will continue to grow or that current uses of the Internet are sustainable.

OUR FAILURE TO SUCCESSFULLY COMPETE MAY HINDER OUR GROWTH.

The markets for Internet advertising and related products and services are intensely competitive and such competition is expected to increase. Our failure to successfully compete may hinder our growth. Many of our competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than ours. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products or services to address the needs of our prospective clients. We cannot be certain that we will be able to successfully compete against current or future competitors. In addition, the Internet must compete for a share of advertisers total budgets with traditional advertising media, such as television, radio, cable and print, as well as content aggregation companies and other companies that facilitate Internet advertising. To the extent that the Internet is perceived to be a limited or ineffective advertising or direct marketing medium, advertisers and direct marketers may be reluctant to devote a significant portion of their advertising budgets to Internet marketing.

OUR REVENUES WILL BE IMPACTED BY SEASONAL FLUCTUATIONS AND DECREASES OR DELAYS IN ADVERTISING SPENDING DUE TO GENERAL ECONOMIC CONDITIONS.

We believe that our revenues will be subject to seasonal fluctuations because advertisers generally place fewer advertisements during the first and third calendar quarters of each year and direct marketers mail substantially more marketing materials in the third quarter of each year. Furthermore, Internet user traffic typically drops during the summer months, which reduces the number of advertisements to sell and deliver and searches performed. Expenditures by advertisers and direct marketers tend to vary in cycles that reflect overall economic conditions as well as budgeting and buying patterns. Our revenue could be materially reduced by a decline in the economic prospects of advertisers, direct marketers or the economy in general, which could alter current or prospective advertisers spending priorities or budget cycles or extend our sales cycle. In addition, any decreases in or delays in advertising spending due to general economic conditions could reduce our revenues or negatively impact our ability to grow our revenues. Due to such risks, you should not rely on quarter-to-

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quarter comparisons of our results of operations as an indicator of our future results. Our staffing and other operating expenses are based in large part on anticipated revenues. It may be difficult for us to adjust our spending to compensate for any unexpected shortfall. If we are unable to reduce our spending following any such shortfall, our results of operations would be adversely affected.

PROVIDING FULL-SERVICE AD MEDIA MANAGEMENT REQUIRES US TO TAKE ON INVENTORY RISK, AND COULD HAVE A MATERIAL IMPACT ON THE COMPANY S WORKING CAPITAL.

When we provide full-service media management, we must purchase the media inventory from various publishers, and assume inventory risk on that media. Although customers are typically billed in advance for this type of service, these transactions tend to represent larger than normal cash outlays. As a result, there is risk that if the customer payment is late, it may temporarily reduce the working capital of the company until the payment is received. In addition, there is risk that the customer may not pay at all, which will dramatically hinder the cash position of the company.

WE MAY ACQUIRE ADDITIONAL COMPANIES OR ENTER INTO OTHER BUSINESS COMBINATIONS AND STRATEGIC ALLIANCES WHICH COULD BE DIFFICULT TO INTEGRATE AND MAY DISRUPT OUR BUSINESS.

We acquired Unicast Communications Corp. on January 3, 2005, Makos Advertising, L.P. on April 30, 2007 and Springbox, Ltd. On October 31, 2007 and may continue to pursue expansion of our operations or market presence by acquiring additional companies, entering into other business combinations, investments, joint ventures or other strategic alliances with other companies. These transactions create risks such as:

- difficulty assimilating the operations, technology and personnel of the acquired companies;
- disruption of our ongoing business and distraction of management;
- the failure of strategic alliances to perform as expected;
- problems retaining key technical and managerial personnel;

expenses associated with amortization of purchased intangible assets;

additional operating losses and expenses of acquired businesses;

responsibility for liabilities of acquired businesses;

impairment of relationships with existing employees, customers and business partners;

the difficulty of integrating the acquired company s accounting, information technology, human resources and other administrative systems;

in the case of foreign acquisitions, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems or operational difficulties; and

the impact of known potential liabilities or unknown liabilities associated with the acquired companies.

WE PLAN TO EXPAND OPERATIONS IN INTERNATIONAL MARKETS IN WHICH WE HAVE LIMITED EXPERIENCE, WHICH COULD HARM OUR BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION.

We opened a Unicast office in the United Kingdom in 2007 and plan to expand our product offering in the European and other international markets. We have only limited experience in marketing and operating our products and services in international markets, and we may not be able to successfully execute our business model in these markets. In other instances, we may rely on the efforts and abilities of foreign business partners in such markets.

We believe that as the international markets in which we operate continue to grow, competition in these markets will intensify. Local companies may have a competitive advantage because of a greater understanding and focus on the local markets. In addition, certain international markets may be slower than domestic markets in adopting the Internet as an advertising and commerce medium and so our operations in international markets may not develop at a rate that supports our level of investment.

Other risks of doing business internationally include the following:

- difficulties in developing, managing and staffing foreign operations;
- stringent local labor laws or regulations;
- currency exchange rate fluctuations;
- trade barriers and regulations;
- difficulty enforcing contracts in foreign jurisdictions;
- potentially adverse tax consequences;
- import or export restrictions; and
- difficulties in complying with local government regulation or local laws.

WE MAY NEED TO DEVELOP NEW PRODUCTS OR OTHER UNTESTED METHODS OF INCREASING SALES WITH OUR EXISTING PRODUCTS OR DISTRIBUTION NETWORK TO GENERATE SALES AND IF WE ARE UNSUCCESSFUL THE GROWTH OF OUR BUSINESS MAY CEASE OR DECLINE.

Our license and services revenues have declined over recent quarters. If this decrease in sales of our products continues or our new products are unsuccessful, we will be unable to generate sufficient revenues to offset current costs. Accordingly, we may be required to develop new products or other untested methods decline or cease to increase sales. If these new products or untested methods fail to increase sales, our business may cease or decline.

WE WILL NEED TO KEEP PACE WITH RAPID TECHNOLOGICAL CHANGE IN THE INTERNET SEARCH AND ADVERTISING INDUSTRIES.

In order to remain competitive, we will be continually required to enhance and to improve the functionality and features of our Search and Advertising systems products, which could require us to invest significant capital. If our competitors introduce new products and services embodying new technologies, or if new industry standards and practices emerge, our existing services, technology, and systems may become obsolete and we may not have the funds or technical know-how to upgrade our services, technology, and systems. We may face material delays in introducing new services, products, and enhancements. If such delays occur, our users may forego use of our services and select those of our competitors, in which event, our business, prospects, financial condition and results of operations could be materially adversely affected.

CONSOLIDATION IN THE INDUSTRIES IN WHICH WE OPERATE COULD LEAD TO INCREASED COMPETITION AND LOSS OF CUSTOMERS.

The Internet industry (and online advertising in particular) have experienced substantial consolidation. We expect this consolidation to continue. These acquisitions could adversely affect our business and results of operations in a number of ways, including the following:

- our customers could acquire or be acquired by one of our competitors and terminate their relationship with us;
- our customers could merge with each other, which could reduce our ability to negotiate favorable terms; and
- competitors could

improve their competitive position through strategic acquisitions.

OUR AD CAMPAIGN MANAGEMENT AND DEPLOYMENT SOLUTION MAY NOT BE SUCCESSFUL AND MAY CAUSE BUSINESS DISRUPTION.

UAP is our proprietary ad deployment technology. We must, among other things, ensure that this technology will function efficiently at high volumes, interact properly with our database, offer the functionality demanded by our customers and assimilate our sales and reporting functions. Customers may become dissatisfied by any system failure that interrupts our ability to provide our services to them, including failures affecting our ability to deploy advertisements without significant delay to the viewer. Sustained or repeated system failures would reduce the attractiveness of our solutions to advertisers, ad agencies, and web publishers and could result in contract terminations, fee rebates and make-goods, thereby reducing revenue. Slower response time or system failures may also result from straining the capacity of our deployed software or hardware due to an increase in the volume of advertising deployed through our servers. To the extent that we do not effectively address any capacity constraints or system failures, our business, results of operations and financial condition could be materially and adversely affected.

WE MIGHT EXPERIENCE SIGNIFICANT DEFECTS IN OUR PRODUCTS.

Software products frequently contain errors or failures, especially when first introduced or when new versions are released. We might experience significant errors or failures in our products, or they might not work with other hardware or software as expected, which could delay the growth of our Toolbar or UAP products, or which could adversely affect market acceptance of our products. Any significant product errors or design flaws would slow the adoption of our products and cause damage to our reputation, which would seriously harm our business. If customers were dissatisfied with product functionality or performance, we could lose revenue or be subject to liability for service or warranty costs and claims, and our business, operating results and financial condition could be adversely affected.

OUR TECHNICAL SYSTEMS ARE VULNERABLE TO INTERRUPTION AND DAMAGE.

A disaster could interrupt our services for an indeterminate length of time and severely damage our business, prospects, financial condition and results of operations. Our systems and operations are vulnerable to damage or interruption from fire, floods, power loss, telecommunications failures, break-ins, sabotage, computer viruses, penetration of our network by unauthorized computer users and hackers, and similar events. The occurrence of a natural disaster or unanticipated problems at our technical operations facilities could cause material interruptions or delays in our business, loss of data, or render us unable to provide services to customers. Failure to provide the data communications capacity we require, as a result of human error, natural disaster, or other operational disruptions could cause interruptions in our services and web sites. The occurrence of any or all of these events could adversely affect our business, prospects, financial condition and results of operations.

In addition, interruptions in our services could result from the failure of our telecommunications providers to provide the necessary data communications capacity in the time frame we require. Our UAP technology resides on computer systems located in our data centers hosted by third parties and uses the networking capabilities of these data centers, Akamai and other providers. These systems continuing and uninterrupted performance is critical to our success. Despite precautions that we have taken, unanticipated problems affecting our systems in the future could cause interruptions in the delivery of our solutions. Our business, results of operations and financial condition could be materially and adversely affected by any damage or failure that interrupts or delays our operations. To improve the performance and to prevent disruption of our services, we may have to make substantial investments to deploy additional servers or one or more copies of our web sites to mirror our online resources. Although we believe we carry property insurance with adequate coverage limits, our coverage may not be adequate to compensate us for all losses, particularly with respect to loss of business and reputation that may occur.

OUR MANAGEMENT TEAM HAS ONLY RECENTLY STARTED WORKING TOGETHER.

During 2006, the Company promoted an internal candidate to Chief Financial Officer. The Company also hired several new sales and marketing managers in 2005 and 2006. In addition, the Company s acquisitions in 2007 led to the hiring of additional senior management. While all these individuals were familiar with the Internet business and Enliven in particular, and several had worked together before, there can be no assurance that these employees will successfully be able to transfer their experience to Enliven. Furthermore, there can be no assurance that these new employees or existing Enliven employees will successfully support one another to execute the required strategy and tactics to be a successful and profitable company.

WE DEPEND ON KEY PERSONNEL, THE LOSS OF WHICH COULD HARM OUR BUSINESS.

The success of our business depends on the retention of our key senior management and other personnel critical to our business operations, due to unique technical skills, management expertise or key business relationships. The loss of services of a member of our senior management or other key employees could divert management s time and attention, increase our expenses and adversely affect our ability to efficiently conduct our business. In addition, our future success depends on our ability to attract, retain and motivate highly skilled employees. We may not be able to retain our key employees or attract, retain and motivate other highly qualified employees in the future.

WE MAY HAVE TO OBTAIN FINANCING ON LESS FAVORABLE TERMS, WHICH COULD DILUTE CURRENT STOCKHOLDERS OWNERSHIP INTERESTS IN THE COMPANY.

In order to fund our operations and pursue our growth strategy we may seek additional financing through public or private equity funding or from other sources. We have no commitment for additional financing and we may experience difficulty in obtaining additional financing on favorable terms, if at all. Any financing we obtain may contain covenants that restrict our freedom to operate our business or may have rights, preferences, or privileges senior to our common stock and may dilute our current stockholders ownership interest in Enliven.

OUR STOCK PRICE IS VOLATILE, WHICH COULD SUBJECT US TO CLASS ACTION LITIGATION.

The market price of our common stock has fluctuated significantly in the past. The price at which our common stock will trade in the future will depend on a number of factors including:

- actual or anticipated fluctuations in our operating results;
- general market and economic conditions affecting Internet companies;
- our announcement of new products,

technologies or services;

developments regarding our products, technologies or services, or those of our competitors; and

sales of large blocks of common stock by individual or institutional shareholders.

In addition, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management s attention and resources, which could have a material adverse effect on our business, financial condition, operating results and cash flows.

OUR CHARTER DOCUMENTS COULD MAKE IT MORE DIFFICULT FOR AN UNSOLICITED THIRD PARTY TO ACQUIRE US.

Our certificate of incorporation and by-laws contain provisions that could make it difficult for an unsolicited third party to acquire control of us, even if a change in control would be beneficial to stockholders. For example, our certificate of incorporation authorizes our board of directors to issue up to 5,000,000 shares of blank check preferred stock. Without stockholder approval, the board of directors has the authority to attach special rights, including voting and dividend rights, to this preferred stock. With these rights, preferred stockholders could make it more difficult for an unsolicited third party to acquire our company. In addition, we must receive a stockholders proposal for an annual meeting within a specified period for that proposal to be included on the agenda. Because stockholders do not have the power to call meetings and stockholder proposals for consideration at an annual or special meeting are subject to timing requirements, any third-party takeover not supported by the board of directors would be subject to significant delays and difficulties.

THE MARKET FOR DIGITAL VISUALIZATION SOLUTIONS IS CHARACTERIZED BY RAPIDLY CHANGING TECHNOLOGY, AND IF WE DO NOT RESPOND IN A TIMELY MANNER, OUR PRODUCTS AND TECHNOLOGIES MAY NOT SUCCEED IN THE MARKETPLACE.

The market for e-commerce visualization solutions is characterized by rapidly changing technology. As a result, our success depends substantially upon our ability to continue to enhance our products and technologies and to develop new products and technologies that meet customers increasing expectations. Additionally, we may not be successful in developing and marketing enhancements to our existing products and technologies or introducing new products and technologies on a timely basis. Our new or enhanced products and technologies may not succeed in the marketplace.

In addition, the computer graphics industry is subject to rapidly changing methods and models of information delivery. If a general market migration to a method of information delivery that is not conforming with our technologies were to occur, our business and financial results would be adversely impacted.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY RIGHTS.

Our success and ability to compete substantially depend on the uniqueness or value of our products and technologies. We rely on a combination of copyright, trademark, patent, trade secret laws, and employee and third-party nondisclosure agreements to protect our intellectual and proprietary rights, products, and technologies. Policing unauthorized use of our products and technologies is difficult and the steps we take may not prevent the misappropriation or infringement of technology or proprietary rights. In addition, litigation may be necessary to enforce our intellectual property rights. Such misappropriation or litigation could result in substantial costs and diversion of resources and the potential loss of intellectual property rights, any of which would adversely impair our business.

WE ARE, AND MAY BE SUBJECT TO INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS, WHICH ARE COSTLY TO DEFEND, COULD RESULT IN SUBSTANTIAL DAMGE AWARDS, AND COULD LIMIT OUR ABILITY TO PROVIDE CERTAIN PRODUCTS OR SERVICES IN THE FUTURE.

Our products and technologies are and may be the subject of infringement claims in the future. This could result in costly litigation and could require us to obtain a license to the intellectual property of third parties. We may be unable to obtain licenses from these third parties on favorable terms, if at all. Even if a license is available, we may have to pay substantial royalties to obtain it. If we cannot obtain necessary licenses on reasonable terms, our business would be adversely affected. We may also incur substantial expenses in defending against third-party infringement claims regardless of the merit of such claims. In addition, many of our agreements with customers require us to indemnify them for certain third-party intellectual property infringement claims, which could increase our costs in defending such claims and our damages.

REGULATORY AND LEGAL UNCERTAINTIES COULD HARM OUR BUSINESS.

We are subject to regulations and laws applicable generally to companies that provide Internet services. Due to the increasing popularity and use of the Internet and other online services, federal, state, and local governments may adopt laws and regulations, or amend existing laws and regulations,

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with respect to the Internet or other online services covering issues such as user privacy, pricing, content, copyrights, distribution, and characteristics and quality of products and services. In 1998, the United States Congress established the Advisory Committee on Electronic Commerce which is charged with investigating, and making recommendations to Congress regarding, the taxation of sales by means of the Internet. Furthermore, the growth and development of the market for e-commerce may prompt calls for more stringent consumer protection laws and impose additional burdens on companies conducting business online. The adoption of any additional laws or regulations may decrease the growth of the Internet or other online services, which could, in turn, decrease the demand for our services and increase our cost of doing business, or otherwise have a material adverse effect on our business, prospects, financial condition and results of operations. Moreover, the relevant governmental authorities have not resolved the applicability to the Internet and other online services of existing laws in various jurisdictions governing issues such as property ownership and personal privacy and it may take time to resolve these issues definitively. Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and other online services could have a material adverse effect on our business, prospects, financial condition and results of operations.

CHANGES IN REGULATIONS OR USER CONCERNS REGARDING PRIVACY AND PROTECTION OF USER DATA COULD ADVERSELY AFFECT OUR BUSINESS.

Federal, state and international laws and regulations may govern the collection, use, sharing and security of data that we receive from our users and partners. In addition, we have and post on our website our own privacy policies and practices concerning the collection, use and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data- related consent orders, Federal Trade Commission requirements or other federal, state or international privacy-related laws and regulations could result in proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business.

Further, failure or perceived failure to comply with our policies or applicable requirements related to the collection, use, sharing or security of personal information or other privacy-related matters could result in a loss of user confidence in us and ultimately in a loss of users, partners or advertisers, which could adversely affect our business.

There are a large number of legislative proposals pending before the United States Congress, various state legislative bodies and foreign governments concerning privacy issues related to our business. It is not possible to predict whether or when such legislation may be adopted. Certain proposals, if adopted, could impose requirements that may result in a decrease in our revenues. In addition, the interpretation and application of user data protection laws are in a state of flux. These laws may be interpreted and applied inconsistently from country to country and inconsistently with our current data protection policies and practices. Complying with these varying international requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

INTERNET SECURITY POSES RISKS TO OUR ENTIRE BUSINESS.

The process of e-commerce aggregation by means of our hardware and software infrastructure involves the transmission and analysis of confidential and proprietary information of the advertiser, as well as our own confidential and proprietary information. The compromise of our security or misappropriation of proprietary information could have a material adverse effect on our business, prospects, financial condition and results of operations. We rely on encryption and authentication technology licensed from other companies to provide the security and authentication necessary to effect secure Internet transmission of confidential information, such as credit and other proprietary information. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments may result in a compromise or breach of the technology used by us to protect client transaction data. Anyone who is able to circumvent our security measures could misappropriate proprietary information or cause material interruptions in our operations. We may be required to expend significant capital and other resources to protect against security breaches or to

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minimize problems caused by security breaches. To the extent that our activities or the activities of others involve the storage and transmission of proprietary information, security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability. Our security measures may not prevent security breaches. Our failure to prevent these security breaches may have a material adverse effect on our business, prospects, financial condition and results of operations.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

In September 2007, the Company assigned the lease of its 17,000 square foot corporate headquarters. The primary lease expires in February 2010 and the assignment agreement covers this entire term. The Company relocated to its new corporate headquarters in the fourth quarter of 2007 within New York, New York.

The Company subleases approximately 12,500 square feet of space on the 16th floor of a 17-story office building in New York City, New York, which serves as the Company s corporate headquarters. This space houses approximately 68 personnel, including substantially all of the Company s general and administrative and research and development personnel as well as a significant portion of the sales and marketing personnel. The sublease agreement expires in January 2017, if not renewed. The Company believes that this office space is adequate for its current needs and that additional space is available in the building or in the New York City area to provide for anticipated growth.

The Company also leases approximately 12,000 square feet of office space in Los Angeles, California, pursuant to a lease that expires in December 2009. This space houses approximately 14 personnel principally engaged in sales, marketing and production for the services segment.

The Company also leases office space at two separate locations in Austin, Texas. The Company s Springbox division leases approximately 15,000 square feet of office space in Austin, Texas pursuant to a lease that expires December, 2008. This space houses approximately 57 personnel, the significant majority of the creative services personnel. In addition, the Company leases approximately 5,600 square feet of office space in another location in Austin, Texas pursuant to a lease that expires in February 2011. This space houses advertising systems personnel and general and administrative personnel.

The Company licenses less than 1,000 square feet of serviced office space in London, England. The license agreement with respect to such space has a one year term ending in January, 2009.

Item 3. ***Legal Proceedings***

The Company is engaged in certain claims, complaints and other legal actions arising in the ordinary course of business. From time to time, the Company will receive correspondence from outside parties alleging that the Company infringed a patent or a claim will be made by a customer asserting that the Company is obligated to indemnify them for alleged claims that the Company s products or services infringed on a patent. The Company believes it has adequate legal defenses to any such claim. However, the Company may incur substantial expenses in defending against any related claim and it is not presently possible to forecast the outcome of any potential litigation in connection with such claim. In the event that litigation commences and a determination adverse to the Company is rendered, the Company may incur substantial monetary liability and be required to modify its business practices, which could have a material adverse effect on the Company s financial position, results of operations or cash flows.

Item 4. ***Submission of Matters to a Vote of Security Holders***

On December 6, 2007 the Company held its Annual Meeting of Stockholders at which the stockholders of the Company approved the change of the name of the Company from Viewpoint Corporation to Enliven Marketing Technologies Corporation with the following votes:

	For	**Against**	**Abstain**
Change of Name	52,444,090	159,240	113,562

At the Annual Meeting the Company s stockholders ratified the selection of PricewaterhouseCoopers LLP as independent registered public accounting firm for the Company for the 2007 fiscal year with the following votes:

	For	Against	Abstain
Public Accounting Firm	52,669,715	45,912	1,265

A proposal to elect five (5) members of the Board of Directors to serve for a one-year term expiring at the annual meeting of stockholders in 2008 was approved by the stockholders with the nominees receiving the following votes:

	For	Withheld
Samuel A. Jones, Jr.	52,632,038	84,854
Dennis R. Raney	52,646,376	70,516
James J. Spanfeller	52,666,207	50,685
Patrick Vogt	52,618,576	98,316
Harvey D. Weatherson	52,665,607	51,285

PART II

Item 5. ***Market for Registrant s Common Stock, Related Stockholder Matters, and Issuer Purchases of Equity Securities***

Enliven s common stock, $0.001 par value, began trading over the counter in December 1995. The common stock is traded on The NASDAQ Capital Market under the symbol ENLV. On March 12, 2008, there were approximately 300 holders of record of our common stock. Some of the holders of record of Enliven common stock are brokers and other institutions that hold stock on behalf of their customers. We estimate that approximately 7,000 stockholders hold shares of Enliven common stock through the brokers and other institutions. The following table sets forth, for the periods indicated, the range of high and low closing sales prices per share of our common stock:

	High	Low
2007		
4th Quarter	$ 1.21	$ 0.66
3rd Quarter	1.09	0.71
2nd Quarter	1.21	0.33
1st Quarter	0.77	0.44
2006		
4th Quarter	$ 1.20	$ 0.63
3rd Quarter	1.69	1.11
2nd Quarter	1.90	1.22
1st Quarter	1.38	1.00

The Company has not paid any cash dividends on its common stock to date. The Company currently anticipates that it will retain all future earnings, if any, for use in its business and does not anticipate paying any cash dividends on its common stock in the foreseeable future.

Information with respect to securities authorized for issuance under equity compensation plans is included in our Proxy Statement relating to our 2008 annual meeting of stockholders and is incorporated herein by reference.

On September 17, 2007 the Company received written notification from the NASDAQ Listing Qualifications Department notifying management that, for the last 30 consecutive business days, the bid price of the Company s common stock has closed below the minimum $1.00 per share requirement for continued inclusion under NASDAQ Marketplace Rule 4310(c)(4). The Company, in accordance with NASDAQ Marketplace Rule 4310(c)(8)(D), was provided 180 calendar days, or until March 17, 2008, to regain compliance. To regain compliance, the bid price of the Company s common stock must close at $1.00 per share or more for a minimum of ten consecutive business days at any time before March 17, 2008.

On January 10, 2008, the Company received notification from NASDAQ that it had regained compliance with NASDAQ s continued listing requirements under Marketplace Rule 4310(c)(4). The notification provided that the closing bid price of the Company s common stock had been at $1.00 per share or greater for at least 10 consecutive business days and, accordingly, NASDAQ advised the Company that this matter was now closed.

Performance Graph

This performance graph shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act) or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended or the Exchange Act.

The following graph compares, for the five year period ended December 31, 2007, the cumulative total stockholder return for the Company s common stock, the NASDAQ Stock Market (U.S. companies) Index (the NASDAQ Market Index), the Goldman Sachs Internet Trading Index (the GIN) and the Standard & Poor s 500 Stock Index (the S&P 500 Index). Measurement points are the last trading day of each of the Company s fiscal years ended December 31, 2002, December 31, 2003, December 31, 2004, December 31, 2005, December 31, 2006 and December 31, 2007. The graph assumes that $100 was invested on December 31, 2002 in the common stock of the Company, the NASDAQ Market Index, the GIN and the S&P 500 Stock Index and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

	12/31/2002	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007
Enliven	$ 100	$ 40	$ 166	$ 59	$ 36	$ 63
NASDAQ Market Index	$ 100	$ 150	$ 163	$ 165	$ 181	$ 199
GIN	$ 100	$ 194	$ 239	$ 275	$ 267	$ 291
S&P 500 Index	$ 100	$ 126	$ 138	$ 142	$ 161	$ 167

Item 6. ***Selected Financial Data***

The following selected consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes thereto appearing elsewhere in this Annual Report on Form 10-K.

	Years Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
	(in thousands, except per share data)				
Statements of Operations Data					
Revenues:					
Advertising systems (1)	$ 8,811	$ 7,252	$ 5,448	$ 305	$
Search (2)	6,082	6,307	9,424	2,698	
Services	3,808	3,470	5,269	4,822	4,291
Related party services (3)			1,057	2,468	5,226
Licenses	30	148	608	704	2,283
Related party licenses (3)			3,490	3,535	1,729
Total revenues	18,731	17,177	25,296	14,532	13,529
Cost of Revenues:					
Advertising systems	5,708	4,176	3,721	132	
Search	128	154	173	45	
Services	3,229	2,337	3,658	3,270	6,182
Licenses	3	8	12	6	97
Total cost of revenues	9,068	6,675	7,564	3,453	6,279
Gross profit	9,663	10,502	17,732	11,079	7,250
Operating expenses:					
Sales and marketing	4,658	5,892	5,115	3,732	8,723
	3,265	3,919	4,479	3,432	4,209

Research and development					
General and administrative	9,291	8,466	10,054	7,220	11,549
Depreciation	672	466	645	657	1,137
Amortization of intangible assets (4)	1,388	570	491	17	10
Restructuring charges		92		(106)	2,023
Impairment of goodwill (5)		10,655	7,778		
Total operating expenses	19,274	30,060	28,562	14,952	27,651
Loss from operations	(9,611)	(19,558)	(10,830)	(3,873)	(20,401)
Other income (expense):					
Interest and other income, net	264	332	131	60	254
Interest expense (6)	(807)	(926)	(1,178)	(936)	(958)
Changes in fair values of warrants to purchase common stock and conversion options of convertible notes (6)	(3,318)	515	1,204	(4,180)	1,209
Loss on conversion of debt				(810)	
Loss on early extinguishment (6)					(1,682)
Other income (expense):	(3,861)	(79)	157	(5,866)	(1,177)
Loss before provision for income taxes	(13,472)	(19,637)	(10,673)	(9,739)	(21,578)

Provision for income taxes		52		78		64		90		81
Net loss from continuing operations		(13,524)		(19,715)		(10,737)		(9,829)		(21,659)
Adjustment to net loss on disposal of discontinued operations						145		129		157
Net loss		(13,524)		(19,715)		(10,592)		(9,700)		(21,502)
Basic and diluted net loss per common share:										
Net loss per common share from continuing operations	$	(0.17)	$	(0.30)	$	(0.18)	$	(0.18)	$	(0.47)
Net income (loss) per common share from discontinued operations	$		$		$		$		$	
Net loss per common share	$	(0.17)	$	(0.30)	$	(0.18)	$	(0.18)	$	(0.47)
Weighted average number of shares outstanding basic and diluted		80,779		66,610		58,631		52,955		45,280

				December 31,						
		2007		**2006**		**2005**		**2004**		**2003**
				(in thousands)						
Balance Sheet Data										
Cash, cash equivalents and marketable securities (4)(6)(7)	$	7,240	$	4,267	$	9,111	$	8,662	$	9,488
Working capital (4)(6)(7)		8,640		4,551		8,697		4,416		3,324
Total assets (4)(5)(6)(7)		42,201		27,687		45,136		45,273		45,743
		13,418		4,853		5,468		3,674		4,748

Convertible notes, subordinated notes and warrants(4)(6)(7)					
Stockholders equity (4)(5)(6)(7)	19,627	19,695	34,882	33,958	27,467

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(1) In 2004, Enliven began to offer an online advertising delivery service. On December 1, 2004, Enliven entered into an agreement to acquire all of the outstanding capital stock of Unicast Communications Corp. (Unicast), an online ad delivery company. Enliven charges customers on a cost per thousand (CPM) impression basis, and recognizes revenue when the impressions are served, so long as all other revenue recognition criteria are satisfied. See Note 3 to the financial statements.

(2) In March 2004 Enliven entered the Internet search business, by launching the Viewpoint Toolbar. Search revenue is generated when a customer uses the Viewpoint Toolbar to search the Internet, and clicks on a sponsored

advertisement included in the search results. The Viewpoint Toolbar s search results are provided by Yahoo!, who collects a fee from the advertiser and remits a percentage of the fee to Enliven. Revenue generated is a function of the number of Viewpoint Toolbars performing searches, the number of searches that are sponsored by advertisers, the number of advertisements that are clicked on by Viewpoint Toolbar searchers, the rate advertisers pay for those advertisements, and the percentage retained by Yahoo! for providing the results.

(3) In 2003, the Company entered into an amended license agreement with AOL which provides for payments by AOL of $10.0

million which were all received during the fourth quarter of 2003. The agreement contained multiple elements consisting of a perpetual broadcast license, a perpetual source code license, quarterly updates to the source code through December 2005, and maintenance and consulting services. The Company recognized the fee ratably as license and services revenue, through December 31, 2005, which represents the duration of the Company s obligation for post-contract customer support of the source code element including quarterly upgrades and maintenance requirements.

(4) On October 18, 2007, the Company entered into a purchase agreement to acquire all of the outstanding partnership interests of

Springbox, Ltd., an interactive marketing firm located in Austin, Texas, with digital web marketing and creative solutions. The transaction closed on October 31, 2007, and the Company assumed ownership of Springbox as a wholly owned subsidiary at that date and the operating results of Springbox are included in the consolidated operating results of the Company for the two months ended December 31, 2007. The aggregate purchase price for the acquisition was approximately $5.5 million. On March 12, 2007, the Company entered into a Purchase Agreement to acquire all of the outstanding partnership interests of Makos Advertising, L.P., an Austin, Texas based full service creative agency that specializes in broadcast and video advertising, branding and graphic design. The operating results of Makos are included in the consolidated operating results of the Company from May 1, 2007 to December 31, 2007. In exchange for all of the outstanding partnership interests of Makos, the Company issued an aggregate of 0.7 million shares of Company common stock to the partners of Makos and paid $0.6 million in cash. The total purchase price was approximately $0.9 million.

(5) In December 2005, the Company determined that, based upon a decline in operating performance during the fourth quarter of 2005, that the Services segment had experienced an impairment of its allocated goodwill. The Company

recorded an impairment expense of $7.8 million. In the third quarter of 2006, based on a further decline in the operating performance, the Company determined that the Services segment experienced another impairment of its allocated goodwill. The Company recorded an additional impairment expense of $10.7 million. Also refer to financial statement footnote 7.

(6) The Company issued convertible notes with a principal balance of $7.0 million on December 31, 2002, then subsequently redeemed $3.3 million of the notes at par, exchanged $1.0 million of the notes for common stock and exchanged $2.7 million of the notes for new notes on March 25, 2003. Additionally, the Company issued

$3.5 million of subordinated notes on March 26, 2003. The $6.2 million aggregate principal balances of the convertible and subordinated notes were at an interest rate of 4.95% per annum. The $2.7 million of convertible notes were converted in 2004 into 2.6 million shares of the Company s common stock. The Company paid down $0.4 million of the subordinated notes in March 2006 and extended the maturity period of the remaining $3.1 million from March 2006 to March 2008. In March 2008, the Company and the noteholder amended the note a second time, extending the maturity date to September 30, 2009, and revised certain covenants.

(7) The Company entered into a Securities Purchase Agreement with certain accredited investors, dated as of October 18, 2007, pursuant to which the Company issued 15.7 million shares of its common stock in a private placement to such accredited investors at a purchase price of $0.70 per share. The investors in the transaction also received warrants to purchase an additional 4.7 million shares of common stock at an exercise price of $0.84 per share (subject to certain adjustments). Aggregate proceeds received by the Company in connection with issuing the shares of common stock and warrants totaled approximately

$11 million. In addition, pursuant to this private placement we issued warrants to the placement agent as compensation to purchase 0.3 million shares of common stock at an exercise price of $0.84 per share with a term of five years, and paid $0.7 million in issuance costs. The aggregate value of warrants to purchase the 0.3 million shares of common stock amounted to $0.2 million. (The 4.7 million warrants issued to accredited investors combined with the 0.3 million warrants issued to the placement agent are collectively referred to as October 2007 Warrants). The October 2007 Warrants are not exercisable for six months following issuance and have an aggregate term of five and one-half years. The Company entered into a Securities Purchase Agreement with certain accredited investors, dated as of May 4, 2007, under which the Company issued 13.3 million shares of the Company s common stock in a private placement to such accredited investors at a purchase price of $0.40 per share. The investors in the transaction also received warrants (May 2007 Warrants) to purchase an additional 3.3 million shares of common stock at an exercise price of $0.45 per share (subject to certain adjustments). Aggregate proceeds received by the Company in connection with issuing the shares of common stock and the warrants totaled approximately $5.3 million. The warrants are not exercisable for six months following issuance and have an aggregate term of three and one-half years.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto.

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section entitled Factors That May Affect Future Results of Operations. You should carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed in 2008. When used in this report, the words will, expects, anticipates, intends, plans, believes, seeks, targets, estimates, and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Overview

Overview. Enliven Marketing Technologies Corporation (Enliven or the Company) is an Internet marketing technology company that focuses on using its technical capabilities to help marketers effectively promote their products online. Enliven provides a full suite of digital products, services and consulting for Internet marketers. Enliven employs its visualization technology to drive powerful customer-facing marketing tools that enable marketers to showcase complex products in a simple way, and allows for user interaction. After obtaining stockholder approval in December 2007, the Company changed its name from Viewpoint Corporation to Enliven Marketing Technologies Corporation.

Enliven offers an online advertising campaign management and deployment product known as the Unicast Advertising Platform or UAP . UAP permits publishers, advertisers, and their agencies to manage the process of deploying online advertising campaigns. This process includes creating the advertising assets, selecting the sites on which the advertisements will be deployed, setting the metrics (ad rotation, the frequency with which an ad may be deployed, and others) associated with the campaign, ad deployment, and tracking of campaign results. UAP enables users to manage advertising campaigns across many sites.

On January 3, 2005 Enliven purchased all the outstanding stock of Unicast Communications Corp. (Unicast), a leader in the delivery of interstitial and superstitial video Internet advertisements. Unicast delivered video advertisements for its customers using a format that complemented Enliven s in-page and in-stream video advertising provided by AirTime. Additionally, Unicast generated monthly revenues from dozens of advertisers who purchased advertising on some of the Internet s most active websites including Microsoft s MSN, Yahoo! and America Online. The addition of Unicast significantly accelerated the Company s growth in its advertising systems segment.

In 2004, Enliven entered the Internet search business by launching a toolbar search product which the Company calls the Toolbar and executed a search advertising agreement with Yahoo!, which was amended in 2006 and 2007. The agreement provides that Yahoo! is the exclusive provider of search results for the Company s Toolbar through March 2008 which automatically renewed to March 2009. Yahoo! pays a variable fee per month for the access to the Company s distribution and the exclusive rights to display search results to the Toolbar. This variable fee is based on users clicks on sponsored advertisements included in the search results provided by Yahoo!, through the Toolbar. The Toolbar s search results are provided by Yahoo!, who collects a fee from the advertiser and remits a percentage of the fee to Enliven. Revenue generated is a function of the number of Toolbars performing searches, the number of searches that are sponsored by advertisers, the number of advertisements that are clicked on by Toolbar searchers, the rate advertisers pay for those advertisements, and the percentage retained by Yahoo! for providing the results.

On April 30, 2007, the Company completed an acquisition of Makos Advertising, L.P. (Makos). Makos is an Austin, Texas based full service creative agency that specializes in broadcast and video advertising, branding and graphic design. Makos will enhance the Company s ability to better serve clients who require cross-platform advertising support including broadcast video. Furthermore, Makos provides the Company the opportunity to offer strategic marketing and creative services to their clients, including campaign concepting and execution, broadcast production and in-house digital advertising production services which will greatly enrich the suite of services offered by the Ad Serving product group.

On October 18, 2007, the Company entered into a Purchase Agreement to acquire all of the outstanding partnership interests of Springbox, Ltd. (Springbox), an interactive marketing firm located in Austin, Texas, with digital web marketing and creative solutions. The acquisition of Springbox provides the Company with the ability to enhance the Company s web based product offerings in order to meet the demand for creative digital and Internet solutions. In addition, Sprinbox provides content management technology that the Company will leverage across the Unicast ad platform providing customers with the ability to create integrated offerings that combine digital marketing with premium rich media ad content and delivery capabilities.

Enliven also provides fee-based professional services for creating content and implementing visualization solutions. Clients include both content-related licensees and advertisers who use UAP as well as internal services provided to our marketing team. The professional services group uses the Enliven platform, as well as a spectrum of tools and other technologies to create enhanced rich media solutions for a client s particular purpose, whether over the web, intranet systems or offline media and applications. Enliven provides the support its clients need to implement the rich media content, to fully utilize the enhanced software, or to maximize the branding potential of the advertising opportunity. Clients supported during 2007 included America Online, Toyota Motor Services, General Electric and Honda.

Enliven has had significant quarterly and annual operating losses since its inception, and, as of December 31, 2007, had limited capital resources and an accumulated deficit of $299.1 million. Enliven s prospects must be considered in light of the risks and difficulties frequently encountered by early stage technology companies. There can be no assurance that Enliven will achieve or sustain profitability.

RESULTS OF OPERATIONS

The following table sets forth certain selected financial information expressed as a percentage of revenues for the periods indicated:

	Years Ended December 31,		
	2007	**2006**	**2005**
Statements of Operations Data			
Revenues:			
Advertising systems	47 %	42 %	22 %
Search	33	37	37
Services	20	20	21
Related party services			4
Licenses	0	1	2
Related party licenses			14
Total revenues	100	100	100
Cost of revenues:			
Advertising systems	30	24	14
Search	1	1	1
Services	17	14	14
Licenses	0		
Total cost of revenues	48	39	29
Gross profit	52	61	71
Operating expenses:			
Sales and marketing	25	34	20
Research and development	17	23	18
General and administrative	50	49	40
Depreciation	4	3	3
Amortization of intangible assets	7	3	2
Restructuring charges		1	
Impairment of goodwill		62	31
Total operating expenses	103	175	114
Loss from operations	(51)	(114)	(43)
Other income (expense):			

Interest and other income, net	1	2	1
Interest expense	(4)	(5)	(5)
Changes in fair values of warrants to purchase common stock and conversion options of convertible notes	(18)	3	5
Loss on conversion of debt			
Other income (expense)	(21)		1
Loss before provision for income taxes	(72)	(114)	(42)
Provision for income taxes			
Net loss from continuing operations	(72)	(114)	(42)
Adjustment to net loss on disposal of discontinued operations			
Net loss	(72)	(114)	(42)
Net loss applicable to common shareholders	(72)%	(114)%	(42)%

Critical Accounting Policies and Estimates

Enliven s discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances though actual results may differ from these estimates under different assumptions or conditions. For a complete description of the Company s accounting policies, see Note 2 to the consolidated financial statements included herein.

Described below are the areas where we believe that the estimates, judgments or assumptions that we have made, if different, would have yielded the most significant differences in our financial statements:

Revenue Recognition

The Company recognizes revenue in accordance with Statement of Position (SOP) 97-2, Software Revenue Recognition, and Staff Accounting Bulletin (SAB) No. 104 Revenue Recognition Financial Statements. Accordingly, the Company recognizes revenue when the following criteria are met: (a) persuasive evidence of an arrangement exists, (b) delivery has occurred or services have been rendered, (c) the Company s fee is fixed or determinable, and (d) collectibility is reasonably assured.

The Company generates revenues through four sources: (a) advertising systems, (b) search advertising, (c) services, and (d) software licenses. Advertising systems revenue is generated by charging customers to host and/or deliver advertising campaigns based on a cost per thousand (CPM) impressions. Search Advertising revenue is an extension of the Company s licensing revenue, and is derived from a share of the fees charged by Yahoo! to advertisers who pay for sponsored links when a customer clicks on the paid link on the results provided by the Toolbar. Service revenues, including services provided by Makos and Springbox, are generated from fee-based professional services, customer support services (maintenance arrangements), and training services performed for customers. License revenues are generated from licensing the rights to use products directly to customers.

The Company offers an online advertising system campaign management and deployment product. This system permits publishers, advertisers, and their agencies to manage the process of deploying online advertising campaigns. The Company charges customers on a cost per thousand (CPM) impression basis, and recognizes revenue when the impressions are served, so long as all other revenue recognition criteria are satisfied. The Company also purchases media space from web-site publishers and re-sells that space to its advertising customers. The Company acts as a principal party in the transaction, assumes the title to the media space purchased, and assumes the risk of collection and therefore recognizes the entire amount billed to the customer as revenue, and the cost of the media space as cost of sales.

The Company executed a search advertising agreement in 2004 with Yahoo!, which has subsequently been amended. The agreement provides that Yahoo! is the exclusive provider of search results for the Toolbar through March 2009. Yahoo! pays a variable fee per month for the access to the Company s distribution and the ability to display search results to the Toolbar. This variable fee is based on users clicks on sponsored advertisements included in the search results provided by Yahoo!, through the Toolbar. The Toolbar s search results are provided by Yahoo!, who collects a fee from the advertiser and remits a percentage of the fee to Enliven. Revenue generated is a function of the number of Toolbars performing searches, the number of searches that are sponsored by advertisers, the number of advertisements that are clicked on by Toolbar searchers, the rate advertisers pay for those advertisements, and the percentage retained by Yahoo! for providing the results.

The Company has a creative services group that builds content in the Enliven format for customers. The Company charges customers fees for these services based on time and materials to complete a project for the customer. Revenue from Springbox activities is recognized on a completed-contract basis, revenue from other services activities is recognized on a proportional performance method if all other revenue recognition criteria are satisfied. Under the proportional performance method, revenue is recognized based on the level effort expended to date compared to total estimated level of effort for the entire project. Estimates are reviewed quarterly, and differences are adjusted in the period they are found. If the actual cost to complete is not consistent with the original estimates, revenues may be materially different than initially recorded. Historically, the Company s estimates have been consistent with actual costs.

During 2005, Enliven announced that for all non-special purpose licenses, it was discontinuing the practice of charging customers a license fee for the use of the Company s Media Player and related technologies. The Media Player will no longer require a broadcast key to display content, thereby giving all developers free access to the Enliven Technology. However, the Company will still charge for certain licenses requiring customization. Software license revenues from direct customers included sales of perpetual and term-based licenses for broadcasting digital content in the Company s format. Fees from licenses sold together with fee-based professional services were generally recognized as revenue upon delivery of the software, provided that the payment of the license fees were not dependent upon the performance of the services, and the services were not essential to the functionality of the licensed software. If the services were essential to the functionality of the software, or payment of the license fees were dependent upon the performance of the services, both the software license and service fees were recognized in accordance with SOP 81-1 Accounting for Performance of Construction-Type and Certain Production-Type Contracts. The proportional performance method was used for those arrangements in which reasonably dependable estimates were available. If reasonably dependable estimates were not available due to the complexity of the services to be performed, the Company deferred recognition of any revenues for the project until the project was completed, delivered and accepted by the customer, provided all other revenue recognition criteria were met and no further significant obligations exist. For arrangements involving multiple elements, the Company defers revenue for the undelivered elements based on vendor specific objective evidence (VSOE) of the fair value of the undelivered elements and recognizes the difference between the total arrangement fee and the amount deferred for the undelivered elements as revenue. The determination of VSOE in multiple element arrangements is based on the price charged when the same element is sold separately. For maintenance and technical support elements, the Company uses renewal rates to determine the price when sold separately.

Standard terms for service arrangements, which are typically billed and collected on an installment basis, require final payment within 90 days of completion of the services. Standard terms for license arrangements required payment within 90 days of the contract date, which typically coincided with delivery. Probability of collection is based upon the assessment of the customer s financial condition through the review of their current financial statements and/or credit reports. For follow-on sales to existing customers, prior payment history is also used to evaluate probability of collection. The Company s arrangements with customers do not contain product return rights. If the fee is not fixed or determinable, revenue is recognized as payments become due or as cash is received from the customer assuming all other revenue recognition requirements have been met. If a nonstandard acceptance period is required, revenues are recognized upon the earlier of customer acceptance or the expiration of the acceptance period.

Reserve for Bad Debt

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer s current credit worthiness, as determined by a review of their current credit information. The Company regularly monitors collections and payments from our customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. If actual results differ from estimates made, expense recognized would be adjusted in the period that the differences became known and the difference could be material.

Valuation of Goodwill and Intangible Assets

Goodwill is not amortized, however, it is subject to impairment tests annually, or earlier, if indicators of potential impairment exist, using a fair-value-based approach in order to estimate the

reporting unit s enterprise value. When evaluating goodwill for potential impairment, the Company first compares the fair value of each reporting unit, based on market comparables or discounted cash flow, with its carrying amount. If the estimated fair value of the reporting unit is less than its carrying amount, an impairment loss calculation is prepared. The impairment loss calculation compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. An impairment loss is recognized in an amount equal to the excess of the carrying amount of the reporting unit goodwill over the implied fair value of that goodwill. In determining fair value of the reportable units and the impairment amount, we consider estimates and judgments that affect the future cash flow projections as well as comparable companies. Actual results may differ from these estimates under different assumptions or conditions.

All other intangible assets continue to be amortized over their estimated useful lives and are assessed for impairment under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

Investments

We record an impairment charge when we believe an investment asset has experienced a decline in value that is other than temporary. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment s current carrying value, thereby possibly requiring an impairment charge in the future.

Derivatives

Over the past three years, the Company issued a total of approximately 9.7 million warrants to purchase common stock, in connection with private placements. The Company is required to carry these warrants on its balance sheet as a liability at fair value and changes in the value of these warrants are reflected in net loss as changes in fair values of warrants to purchase common stock. Such changes in fair value are recorded as an adjustment to reconcile net loss to net cash used in operating activities in the consolidated statement of cash flows. The determination of the fair value of the warrants is determined at each reporting period in accordance with the Black-Scholes pricing model that is affected by the Company s stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the Company s expected stock price volatility over the term, risk-free interest rate, and expected dividends.

Stock-Based Compensation

The Company has adopted the provisions of FAS No. 123R, Share-Based Payment which replaced FAS 123, Accounting for Stock-Based Compensation and supersedes APB Opinion No. 25 (APB 25), Accounting for Stock Issued to Employees, as of January 1, 2006. The provisions of FAS 123R require a company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized in the statement of operations over the period during which an employee is required to provide service in exchange for the award. The determination of the fair value of stock-based payment awards on the date of grant using the Black-Scholes option pricing model is affected by the Company s stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the Company s expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors resulting in an estimated term, risk-free interest rate, and expected dividends. FAS 123R also amends FASB Statement No. 95, Statement of Cash Flows, to require that excess tax benefits, as defined, realized from the exercise of stock options be reported as a financing cash inflow rather than as a reduction of taxes paid in cash flow from operations. As the result of the uncertainty regarding the Company s ability to utilize its deferred tax assets, the impact of wind fall tax benefits on the accompanying financial statements was immaterial. A change in volatility and term could significantly increase or decrease operating expenses.

The Company elected the modified-prospective method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants or modifications subsequent to January 1, 2006 and to grants that were unvested as of the effective date. Unamortized compensation costs for unvested grants that were outstanding as of the effective date will be expensed over the remaining service period using the amount estimated for the FAS 123 pro forma disclosures.

The Company estimated the expected term of options granted in accordance with the Staff Accounting Bulletin (SAB) 107. The Company estimated the volatility of the Company s common stock by using the historical volatility of the Company s common stock over the expected term. The Company based the risk-free interest rate used in the option valuation model on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options. The Company does not anticipate paying cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option valuation model. The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. As a result of the uncertainty regarding the Company s ability to utilize its deferred tax assets, the impact of wind fall tax benefits on the accompanying financial statements was immaterial. All stock-based payment awards are amortized on a straight-line basis over the requisite service periods of the awards, which are the vesting periods.

Contingencies and Litigation

The Company is engaged in certain claims, complaints and other legal actions arising in the ordinary course of business. From time to time, the Company will receive correspondence from outside parties alleging that the Company infringed a patent or a claim will be made by a customer asserting that the Company is obligated to indemnify them for alleged claims that the Company s products or services infringed on a patent. The Company believes it has adequate legal defenses to any such claim. However, the Company may incur substantial expenses in defending against any related claim and it is not presently possible to forecast the outcome of any potential litigation in connection with such claim. In the event that litigation commences and a determination adverse to the Company is rendered, the Company may incur substantial monetary liability and be required to modify its business practices, which could have a material adverse effect on the Company s financial position, results of operations or cash flows.

Liquidity

Subject to the Company s common stock remaining listed on a national stock exchange, the Company currently estimates that it will have adequate liquidity to fund operations beyond March 31, 2009. Such estimate is based on projected revenues, expenses and timing of various payments. Should unforeseen events occur or should actual results differ from current estimates, the Company may be unable to meet payment obligations as they come due which would have a material adverse impact on the Company s operations.

During February and March 2008 the Company s common stock closed below the minimum $1.00 bid price per share requirement necessary to remain listed on the NASDAQ Capital Market. In the event the Company s common stock price continues to trade below a $1.00 per share for approximately 13 consecutive months, the common stock could be delisted on March 28, 2009. The delisting would cause the subordinate note to become due immediately and based on current estimates the Company would be unable to pay this obligation.

Financial Performance Summary

Enliven reported total revenue of $18.7 million for 2007, compared to $17.2 million for 2006, and $25.3 million for 2005. Gross profit for the year ended December 31, 2007 was $9.7 million compared to $10.5 million, and $17.7 million for the twelve months ended December 31, 2006, and 2005, respectively. The decrease in gross profit in 2007 compared to 2006 was due primarily to a decrease in Services gross profit of $0.6 million. The Company acquired Springbox, a significant acquisition in the fourth quarter, and is in the process of reorganizing our current services resources to support the more profitable Springbox business. The Company expects this to be completed by the second quarter of 2008. In addition Search gross profit decreased by $0.2 million and license gross profit decreased by $0.1 million.

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The decrease in gross profit in 2006 as compared to 2005 was due to the expiration of a 2003 license agreement with AOL in 2005 which accounted for approximately $4.0 million in gross margin in 2005.

Operating loss for the year ended December 31, 2007 was $9.6 million compared to $19.6 million and $10.8 million for the years ended December 31, 2006 and 2005, respectively. The decrease in operating loss in 2007 was primarily driven by the goodwill impairment in 2006 of $10.7 million. The increased operating loss in 2006 as compared to 2005 was attributable primarily to the $7.2 million decrease in gross margin and a goodwill impairment increase of $2.9 million associated with the services unit resulting from further decreased performance of that unit in the third quarter of 2006.

The Company recognized a net loss of $13.5 million, or $(0.17) per share in 2007 compared to a net loss of $19.7 million, or $(0.30) per share in 2006, and $10.6 million, or $(0.18) per share in 2005.

The Company has incurred since its inception net losses and negative cash flows from operations, and expects such conditions to continue for the foreseeable future. As of December 31, 2007, the Company had an accumulated deficit of $299 million and historically it has financed its operations primarily from the issuance of debt and equity securities. During 2007 the Company raised approximately $16.0 million, including $11 million in October 2007 (October 2007 Financing), from the issuance of common stock and warrants and used cash and cash equivalents of $6.5 million in operations, $6.1 million in investing activities and $0.7 million to reduce debt. The Company had cash, cash equivalents and marketable securities of $7.2 million at December 31, 2007. Prior to the October 2007 Financing, management estimated that the Company did not have adequate liquidity to fund operations beyond one year. As the result of the October 2007 Financing, management now estimates that there is sufficient liquidity, subject to the Company s common stock remaining listed on a national stock exchange, to fund operations beyond March 31, 2009; however, as discussed in more detail within Item 1A. *Risk Factors*, if the Company s common stock is delisted on March 28, 2009 this would trigger a violation of a debt covenant and $3.4 million of subordinated debt would become due immediately which based on current estimates the Company would be unable to pay this obligation. In addition, should the Company experience unforeseen increases in expenditures or should estimated revenues not materialize, these conditions could significantly impair the ability of the Company to fund future operations. Should the Company experience unanticipated losses or expenditures that exceed current estimates, management would implement a cost reduction plan, that includes a reduction in work force as well as reductions in overhead costs and capital expenditures, and/or attempt to raise additional debt or equity financing. There can be no assurance that the Company will achieve or sustain positive cash flows from operations or profitability. If the Company seeks additional debt or equity financing, there is no assurance that such financing will be available on reasonable terms, if at all, and any financing obtained may contain covenants that restrict the ability of management to operate the business or may have rights, preferences or privileges senior to the Company s common stock and may dilute current stockholders of the Company. If the Company is unable to maintain adequate liquidity, future operations will need to be scaled back or discontinued.

Revenues

	2007	% Change	2006	% Change	2005
		(Dollars in thousands)			
Advertising systems	$ 8,811	21 %	$ 7,252	33 %	$ 5,448
Search	6,082	(4)	6,307	(33)	9,424
Services	3,808	10	3,470	(34)	5,269
Related party services		N/A		(100)	1,057
Licenses	30	(80)	148	(76)	608
Related party licenses		N/A		(100)	3,490

Total revenues	18,731	9 %	17,177	(32)%	25,296

The Company offers an online advertising system campaign management and deployment product. This system permits publishers, advertisers, and their agencies to manage the process of deploying online advertising campaigns. The Company charges customers on a cost per thousand (CPM) impression basis, and recognizes revenue when the impressions are served, so long as all other revenue recognition criteria are satisfied. The Company also purchases media space from web-site publishers and re-sells that space to its advertising customers. The Company acts as a principal party in the transaction, assumes the title to the media space purchased, and assumes the risks of collection and therefore recognizes the entire amount billed to the customer as revenue, and the cost of the media space as cost of sales.

The Company executed a search advertising agreement in 2004 with Yahoo!, which has subsequently been amended. The agreement provides that Yahoo! is the exclusive provider of search results for the Toolbar through March 2009. Yahoo! pays a variable fee per month for the access to the Company s distribution and the ability to display search results to the Toolbar. This variable fee is based on users clicks on sponsored advertisements included in the search results provided by Yahoo!, through the Toolbar. The Toolbar s search results are provided by Yahoo!, who collects a fee from the advertiser and remits a percentage of the fee to Enliven. Revenue generated is a function of the number of Toolbars performing searches, the number of searches that are sponsored by advertisers, the number of advertisements that are clicked on by Toolbar searchers, the rate advertisers pay for those advertisements, and the percentage retained by Yahoo! for providing the results.

The Company has a creative services group that builds content in the Enliven format for customers. The Company charges customers fees for these services based on time and materials to complete a project for the customer. Revenue from Springbox activities is recognized on a completed-contract basis, revenue from other services activities is recognized on a proportional performance method if all other revenue recognition criteria are satisfied. Under the proportional performance method, revenue is recognized based on the level effort expended to date compared to total estimated level of effort for the entire project. Estimates are reviewed quarterly, and differences are adjusted in the period they are found. If the actual cost to complete is not consistent with the original estimates, revenues may be materially different than initially recorded. Historically, the Company s estimates have been consistent with actual costs.

During 2005, Enliven announced that for all non-special purpose licenses, it was discontinuing the practice of charging customers a license fee for the use of the Company s Media Player and related technologies. The Media Player will no longer require a broadcast key to display content, thereby giving all developers free access to the Enliven Technology. However, the Company will still charge for certain licenses requiring customization. Software license revenues from direct customers included sales of perpetual and term-based licenses for broadcasting digital content in the Company s format. Fees from licenses sold together with fee-based professional services were generally recognized as revenue upon delivery of the software, provided that the payment of the license fees were not dependent upon the performance of the services, and the services were not essential to the functionality of the licensed software. If the services were essential to the functionality of the software, or payment of the license fees were dependent upon the performance of the services, both the software license and service fees were recognized in accordance with SOP 81-1 Accounting for Performance of Construction-Type and Certain Production-Type Contracts. The proportional performance method were used for those arrangements in which reasonably dependable estimates were available. If reasonably dependable estimates were not available due to the complexity of the services to be performed, the Company deferred recognition of any revenues for the project until the project was completed, delivered and accepted by the customer, provided all other revenue recognition criteria were met and no further significant obligations exist. For arrangements involving multiple elements, the Company defers revenue for the undelivered elements based on vendor specific objective evidence (VSOE) of the fair value of the undelivered elements and recognizes the difference between the total arrangement fee and the amount deferred for the undelivered elements as revenue. The determination of VSOE in multiple element arrangements is based on the price charged when the same element is sold separately. For maintenance and technical support elements, the Company uses renewal rates to determine the price when sold separately.

During October 2003, the Company entered into an amended license agreement with America Online, Inc. (AOL) which provided for payments by AOL of $10.0 million which were received in the fourth quarter of 2003. The agreement contains multiple elements consisting of a perpetual broadcast license, a perpetual source code license, quarterly updates to the source code through December 2005, and maintenance and consulting services. The Company recognized revenue from this agreement

ratably as license and services revenue through December 2005, which represents the duration of the Company s obligation for post-contract support of the source code element, including quarterly upgrades and maintenance requirements. Approximately $0.9 million was recognized each quarter of 2005 as related party license revenue and $0.2 million as related party services revenue.

Advertising systems revenues were $8.8 million in 2007 compared to $7.3 million in 2006. Of the total 2007 revenue, $4.3 million of the revenue came in the fourth quarter, as the ad delivery business, and the advertising industry as a whole, is seasonally stronger during the fourth quarter holiday season. Management expects that seasonality to continue in 2008. The year over year increase in revenues was due to the increased investment in sales and marketing and research and development in the full-service marketer direct sales channel of the advertising system products, as well as the industry trend of moving advertising spend from traditional media to the internet. The gross margin was lower in 2007 compared to 2006 as the result of the mix between lower margins associated with greater sales of our full service marketer direct revenue compared to other advertising systems revenue. The Company expects this increased investment and online advertising industry growth to continue in 2008. In addition, in 2008 the ad systems business will increase focus on the agency sales segment, which provides higher margin revenue than the full service business.

Advertising systems revenues were $7.3 million in 2006 compared to $5.4 million in 2005. The increase in revenues was due to the increased investment in the sales, marketing, research, and development of the advertising system products, as well as the industry trend of transferring more advertising spend from traditional media to the internet.

In late 2007, Enliven opened a Unicast office in the United Kingdom as a base of operations for international expansion of the ad serving business. Although the revenue from international operations was immaterial in 2007, management expects growth in regions outside of the United States in 2008.

Search revenues were $6.1 million for the year ended December 31, 2007 compared to $6.3 million for 2006, and 9.4 million for 2005. Search revenues are generated when users of the Viewpoint Toolbar are provided search results from advertisers that they click to view. These advertisers then pay a fee to Yahoo!, who remits a percentage of the fee to Enliven.

Search revenues decreased as a result of the average installs decreasing from 1 million per month in 2005 to 0.4 million in 2006 to 0.3 million in 2007. If the Company is unable to increase installations, search revenue will continue to decline in 2008.

Services revenue in 2007 was $3.8 million. This represents an increase of 9.7% as compared to revenue of $3.5 million in 2006. This increase was driven primarily driven by the acquisition of Makos and Springbox in 2007. These additions, executed on April 30, 2007 and October 31, 2007 respectively, augmented the production business by adding more traditional interactive advertising capabilities, including concepting, website design and content management. The Company began the process of integrating the Springbox acquisition in the fourth quarter of 2007, and expects this integration to be completed by the second quarter of 2008.

Service revenues of $3.5 million in 2006 decreased $1.8 million or 34% compared to $5.3 million in 2005. The Company experienced a decline in revenue from the automotive sector and slower growth in revenue from the development of creative products and activities. The decrease in service revenues in 2006 triggered goodwill impairment in this segment.

License revenues were minimal in 2007 resulting from the Company discontinuing the practice of charging customers a license fee for using the Viewpoint Media Player. License revenues were also minimal in 2006.

Cost of revenues

	2007	% Change	2006	% Change	2005
		(Dollars in thousands)			
Advertising systems	$ 5,708	37 %	$ 4,176	12 %	$ 3,721
Search	128	(17)	154	(11)	173
Services	3,229	38	2,337	(36)	3,658
Licenses	3	(63)	8	(33)	12
Total cost of revenues	$ 9,068	36 %	$ 6,675	(12)%	$ 7,564
Percentage of total revenues	48 %		39 %		29 %

Cost of revenues from advertising systems was $5.7 million for the year ended December 31, 2007 compared to $4.2 million and $3.7 million in 2006 and 2005, respectively. These costs consist of the costs for purchasing media space at websites when we package the media space with delivery, the webhosting and employee fees associated with delivering advertising content, and the costs of reformatting that content. The increase in cost of sales in 2007 and 2006 related to the increase in lower margin full service marketer direct services revenue.

In 2007 the Company invested in higher margin agency and publisher channels by opening a UK agency and publisher sales office and developing self service tools for agencies and publishers. The Company expects these investments to provide higher margins in 2008.

In addition, the Company is continually evaluating pricing for hosting services in order to reduce the delivery expenses to the greatest extent practicable. As advertising system revenue increases, expenses for bandwidth will also increase, however, the Company believes that costs as a percentage of revenue will decrease since it expects to receive improved pricing efficiencies for hosting and delivery services.

The Company incurs cost of revenues related to Search revenue for the hosting services associated with providing search results. Bandwidth costs utilized in providing results have been minimal, and the Company believes these costs will stay consistent. Accordingly, gross profit margin has remained unchanged for each of the years ended December 31, 2007, 2006 and 2005.

Cost of revenues for services consists primarily of salaries, consulting fees and overhead for those who provide fee-based creative services, content creation and engineering professional services. Cost of revenues for services was $3.2 million for the year ended December 31, 2007 compared to $2.3 million in 2006. The increase in cost of revenue for services was due to an increase in revenue, as well as additional costs associated with integrating the Makos and Springbox acquisitions. The Company expects this integration to be completed by the second quarter of 2008. The Company expects costs as a percentage of revenue to decrease upon the completion of the integration. Cost of revenues for services was $2.3 million for the year ended December 31, 2006 compared to $3.7 million in 2005. The decrease in cost of revenue for services was due to a decrease in third party services work associated with the $2.9 million decrease in total services revenue.

Sales and marketing

	2007	% Change	2006	% Change	2005
		(Dollars in thousands)			

Sales and marketing	$	4,658	(21)%	$	5,892	15 %	$	5,115
Percentage of total revenues		25 %			34 %			20 %

Sales and marketing expenses include salaries and benefits, sales commissions, non-cash stock-based compensation charges, consulting fees and travel and entertainment expenses for our sales and marketing personnel. Sales and marketing expenses also include the cost of programs aimed at increasing revenue, such as advertising, trade shows and public relations.

Sales and marketing expenses of $4.7 million for the year ended December 31, 2007 decreased by $1.2 million or 21% compared to the same period last year. The decrease was principally due to a decrease in marketing expenses related to the Company and Fotomat Toobars reflecting a decreased focus by the Company in the less strategic consumer business. In addition, the Company experienced a decrease in salaries and commissions, as the Company removed under-performing employees in this area. The Company continues to aggressively identify and hire key sales people in order to drive the business. The Company believes that sales and marketing expenses will remain constant in 2008

Sales and marketing expenses of $5.9 million for the year ended December 31, 2006 increased by $0.8 million or 15% compared to the same period in 2005. The increase was principally due to an increase in personnel costs in sales and marketing reflecting an increased focus by the Company in this area.

Research and development

	2007	% Change	2006	% Change	2005
			(Dollars in thousands)		
Research and development	$ 3,265	(17)%	$ 3,919	(13)%	$ 4,479
Percentage of total revenues	17 %		23 %		18 %

Research and development expenses consist primarily of salaries and benefits for software developers, and contracted development related to the Company s product development efforts. The Company expenses as incurred research and development costs necessary to establish the technological feasibility of its internally developed software products and technologies. To date, the establishment of technological feasibility of the Company s products and general release has substantially coincided. As a result, the Company has not capitalized any software development costs since costs qualifying for such capitalization have not been significant.

The Company s research and development efforts are primarily directed at creating new technology in an effort to improve the overall quality of Enliven s products: the Viewpoint Media Player and Enliven, its proprietary software tools for creating digital content; advertising systems products; and the Viewpoint Toolbar.

Research and development expenses decreased by $0.7 million, or 17%, for the year ended December 31, 2007 compared to the same period in 2006. The change resulted from a decrease in salaries, severance, and overtime partially offset by an increase in consulting expense. The Company continues to move the R&D department to a more variable model by increasing the use of lower-cost off-shore consultants. As in prior years, the decrease in R&D expense in 2007 came after the development of a number of key features in 2006. The Company is staying focused on monetizing these features in 2008 and beyond.

Research and development expenses decreased by $0.6 million, or 13%, for the year ended December 31, 2006 compared to the same period in 2005. The change resulted directly from a decrease in salaries, severance, and overtime. The decrease in 2006 came after the development of a number of key features in 2005.

General and administrative

	2007	% Change	2006	% Change	2005
			(Dollars in thousands)		
General and administrative	$ 9,291	10 %	$ 8,466	(16)%	$ 10,054
Percentage of total revenues	50 %		49 %		40 %

General and administrative expenses primarily consist of corporate overhead of the Company, which includes salaries and benefits related to finance, human resources, legal and executive personnel along with other administrative costs such as facilities costs, legal, accounting and investor relation fees, and insurance expense.

General and administrative expenses increased by $0.8 million for the year ended December 31, 2007 compared to the same period last year. This increase in general and administrative was primarily driven by increased salaries, corporate charges, and use of consultants associated with the acquisition activities.

General and administrative expenses decreased by $1.6 million, or 16%, for the year ended December 31, 2006 compared to the same period in 2005. The decrease in general and administrative expenses was due to a decrease in salaries, severance and overtime of $0.7 million.

Depreciation

	2007	% Change	2006	% Change	2005
		(Dollars in thousands)			
Depreciation	$ 672	44 %	$ 466	(28)%	$ 645
Percentage of total revenues	4 %		3 %		3 %

Depreciation expense increased by $0.2 million in 2007 compared to 2006 due to a slight increase in depreciable equipment purchased during the year. Depreciation expense decreased by $0.2 million in 2006 compared to 2005 due to a reduction in depreciable equipment used in our Company stemming from our 2006 restructuring and the retirement of equipment at the conclusion of its useful life.

In 2007, the Company moved its New York offices from approximately 17,000 square feet at 498 Seventh Avenue to approximately 12,500 square feet at 205 W 39th Street. This more efficiently sized space is also less expensive on a cost per square foot basis. In association with this move, the Company spent approximately $0.3 million, and expects to spend up to $1.0 million in additional capital related to construction and renovation of the new space. This will potentially increase depreciation over the term of the lease.

Amortization of intangible assets

	2007	% Change	2006	% Change	2005
		(Dollars in thousands)			
Amortization of intangible assets	$ 1,388	144 %	$ 570	16 %	$ 491
Percentage of total revenues	7 %		3 %		2 %

Amortization of intangible assets relates to the amortization of patents, trademarks and other intangible assets acquired through acquisition. The intangible assets acquired amounted to $6.5 million for the Springbox acquisition and $0.8 million for the Makos acquisition. Intangible assets, excluding Goodwill, included trademarks, acquired technology, non-compete and employment agreements, and website partner relationships. Enliven will be amortizing these values over the useful lives which range from 3 to 6 years. The year over year increase in amortization is a result of increase in intangible assets acquired as part of the Makos and Springbox acquisitions.

Restructuring charges

	2007	% Change	2006	% Change	2005
		(Dollars in thousands)			
Restructuring charges	$	(100)%	$ 92	N/A %	$
Percentages to total revenues	%		1 %		%

The Company implemented a restructuring plan in March 2006 designed to streamline the services business. Under this plan the Company eliminated 10 positions in the services group and relocated the management of the group from its New York office to its existing Los Angeles office. The Company incurred a restructuring charge of $0.1 million related to severance arrangements which has been recorded separately on the statement of operations. This restructuring plan was completed by March 31, 2006 and the severance was paid in the second quarter of 2006.

Impairment of goodwill and other intangible assets

	2007	% Change	2006	% Change	2005
			(Dollars in thousands)		
Impairment of goodwill and other intangible assets	$	(100)%	$ 10,655	37 %	$ 7,778
Pencentages of total revenues	%		62 %		31 %

At September 30, 2006 the Company determined that, based on a decline in operating performance during the third quarter of 2006 marked by a reduction of revenues from the automotive sector and slower growth in revenues from the development of other creative products and initiatives, the Services reporting unit had experienced an impairment of its allocated goodwill. The Company then performed the second step of the impairment test in accordance with SFAS No. 142 using a discount rate of 16%

and a revenue growth rate of 5%. Following the completion of that step the Company recorded an impairment expense of $10.7 million.

During the Company s annual goodwill impairment review in 2005, the Company determined that, based upon a decline in operating performance during the fourth quarter of 2005, the Services segment had experienced an impairment of its allocated Goodwill at December 31, 2005. The Company then performed the second step of the impairment test in accordance with SFAS No. 142. Following the completion of that step the Company recorded an impairment expense of $7.8 million. See Note 7 of the consolidated financial statements.

Interest and other income, net

	2007	% Change	2006	% Change	2005
			(Dollars in thousands)		
Interest and other income	$ 264	(20)%	$ 332	153 %	$ 131
Pencentages of total revenues	1 %		2 %		1 %

Interest and other income primarily consist of interest and investment income on cash, cash equivalents and marketable securities. As a result, other income fluctuates with changes in the Company s cash, cash equivalents and marketable securities balances and market interest rates.

Interest and other income decreased by $0.1 million, in 2007 compared to 2006, and increased by $0.2 million or 153%, in 2006 compared to 2005 based on the change in average cash, cash equivalents and marketable securities balances as well as the change in interest rates.

Interest expense

	2007	% Change	2006	% Change	2005
			(Dollars in thousands)		
Interest expense	$ (807)	(13)%	$ (926)	(21)%	$ (1,178)
Pencentages of total revenues	(4)%		(5)%		(5)%

Interest expense consists of interest paid and accrued, and amortization of debt discount and debt issue costs on the Company s outstanding line of credit, Unicast debt, and subordinated note.

In 2005, as a result of the Unicast acquisition, the Company assumed $2.8 million of debt, which caused the increase in interest expense for the year. The debt includes $1.0 million of unsecured debt bearing an interest rate of 5% per annum that matures in 2011, and a $1.8 million five year term loan maturing in 2011 with an interest rate of 5% per annum.

The Company issued $3.5 million of subordinated notes on March 26, 2003. The subordinated note accrue interest at a rate of 4.95% per annum.

The Company paid down $0.4 million of the subordinated notes in March 2006 and extended the maturity period of the remaining $3.1 million from March 2006 to March 2008. During March 2007, the subordinated note was amended a second time to extend the maturity date from March 31, 2008 to September 30, 2009. In addition the subordinated note holder agreed to waive the covenant that required the Company s common stock to remain listed on a national stock exchange through December 31, 2008. In exchange for the second amendment, the Company made a payment of

$0.2 million to the holder of the subordinated note during March 2007 and agreed to pay an additional $0.3 million at the maturity of the subordinated note. The additional $0.3 million due at the maturity of the subordinated note is being accounted for as additional debt discount and will be accrued using the interest method over the remaining life of the subordinated note.

Changes in fair value of warrants to purchase common stock

	2007	% Change	2006	% Change	2005
		(Dollars in thousands)			
Changes in fair values of warrants to purchase common stock	$ (3,318)	(744)%	$ 515	(57)%	$ 1,204
Pencentages of total revenues	(18)%		3 %		5 %

Based on the provisions of SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities , SFAS No. 150 Accounting for Certain Financial Investments with Characteristics of both Liabilities and Equity , and EITF Issue No. 00-19 Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock , the Company recorded a loss of $3.3 million in 2007, a gain of $0.5 million in 2006 and a gain of $1.2 million in 2005 based on the changes in fair values of the outstanding warrants to purchase common stock. Gains and losses are calculated using the Black Scholes method. Increases in the value of the underlying shares of the Company s common stock increase the periodic expense while decreases in the value of the Company s common stock has the opposite effect.

The expenses in this area are driven by changes in the Company s common stock price that is beyond the control of the Company. This account will experience an increase in expense if the Company s stock price increases.

Adjustment to net loss on disposal of discontinued operations, net of tax

	2007	% Change	2006	% Change	2005
			(Dollars in thousands)		
Adjustment to net loss on disposal of discontinued operations, net of tax	$	N/A %	$	(100)%	$ 145
Pencentages of total revenues	%		%	1 %	

In December 1999, the Board of Directors of the Company approved a plan to focus exclusively on its digital marketing technologies and services and to correspondingly divest itself of its prepackaged graphics software business. Accordingly, these operations are reflected as discontinued operations for all periods presented in the accompanying consolidated statements of operations.

The Company did not record an adjustment to net loss on disposal of discontinued operations, net of tax, in 2006 or 2007. During the year ended December 31, 2005, the Company recorded an adjustment to net loss on disposal of discontinued operations, net of tax, of $0.1 million as a result of changes in estimates related to accounts receivable and liabilities of the discontinued business. Changes in estimates, which are not expected to be significant, will be accounted for prospectively and included in adjustment to net loss on disposal of discontinued operations.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. The changes to current practice resulting from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. For financial instruments recorded within the financial statements at fair value, we will be required to adopt the provisions of FAS 157 beginning with our first quarter ending March 31, 2008. The remaining aspects of FAS 157 will be adopted for years beginning after November 15, 2008. We do not believe that the adoption of the provisions of FAS 157 will materially impact our consolidated financial statements.

In February 2007, FASB issued FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (FAS 159). FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. FAS 159 is effective for fiscal years after November 15, 2007. We are currently evaluating the impact of adopting FAS 159 on our financial statements.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations,* which requires, among other things, the acquiring entity in a business combination to recognize the full fair value of the assets acquired, liabilities assumed and any noncontrolling interest as of the acquisition date; the immediate expense recognition of transaction costs; and accounting for restructuring plans separately from the business combination. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is not allowed. This standard will impact our accounting treatment for future business combinations.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* (FAS 160), which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. FAS 160 is effective as of the beginning of an entity s fiscal year that begins after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of FAS 160 on our consolidated financial position, results of operations and cash flows.

LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents, and marketable securities totaled $7.2 million at December 31, 2007, as compared to $4.3 million at December 31, 2006, and $9.1 million at December 31, 2005. There were no off-balance sheet arrangements for the periods presented. Subject to the Company s common stock remaining listed on a national stock exchange, the Company currently estimates that it will have adequate liquidity to fund operations beyond March 31, 2009. Such estimate is based on projected revenues, expenses and timing of various payments. In the event that unforeseen events occur or should actual results differ from current estimates, the Company may be unable to meet payment obligations as they come due which would have a material adverse impact on the Company s operations. The Company s common stock during February and March 2008 closed below the minimum $1.00 bid price per share requirement necessary to remain listed on the NASDAQ Capital Market. In the event the Company s common stock price continues to trade below $1.00 per share for approximately 13 consecutive months, the common stock could be delisted on March 28, 2009. The delisting would cause the subordinate note (discussed below) to become due immediately and based on current estimates the Company would be unable to pay this obligation.

	2007	2006	2005
Cash used in operating activities	$ (6,472)	$ (5,802)	$ (5,958)
Cash provided by (used in) investing activities	(6,116)	1,886	(657)
Cash provided by financing activities	15,363	1,633	7,245

Operating activities

In 2007, cash used in operating activities was $6.5 million, an increase of $0.7 million over the $5.8 million used in 2006. The difference in the use of cash was driven primarily by an increased operating loss (calculated without the 2006 goodwill impairment).

In 2006, cash used in operating activities was $5.8 million, remaining relatively constant compared to 2005. The difference in the use of cash was caused by the increase in net loss of $9.1 million offset by $4.6 million in related party deferred revenue which was recognized as revenue in 2005 and an additional $2.9 million in impairment expense. The $4.6 million represented cash received in 2003 relating to the 2003 AOL agreement.

Investing activities

In 2007, cash used in investing activities was $6.1 million, primarily attributable to the cash portions of the Makos and Springbox acquisitions of $4.9 million, as well as capital expenditures of $0.7 million and an increase in restricted cash as a result of increased security deposit associated with the New York office move. The Company expects to pay up to $1.0 million in additional capital related to construction and renovation of the new space in 2008.

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In 2006, cash provided by investing activities was $1.9 million, attributable to net proceeds from the sale and maturity of marketable securities of $2.6 million, offset by capital expenditures for fixed assets and patents and trademarks of $0.7 million.

In 2005, cash used by investing activities was $0.7 million, attributable to capital expenditures of $0.4 million, and $0.5 million related to the acquisition of Unicast, offset by net proceeds from short- term marketable securities of $0.2 million.

Financing activities

In 2007, net cash provided by financing activities was $15.4 million. This resulted from the issuance of 13.3 million shares of common stock to private investors in May 2007 and the issuance of 15.7 million shares in October 2007. Proceeds from the exercise of stock options totaled $0.8 million.

In 2006, net cash provided by financing activities was $1.6 million, caused primarily by $2.4 million in proceeds from the exercise of stock options, offset by repayment of notes outstanding of $0.8 million.

In 2005, net cash provided by financing activities was $7.2 million, caused primarily by the private placements in the second and fourth quarters amounting to $6.8 million net of issuance costs.

Long-Term Debt

Company issued $3.5 million of subordinated notes on March 26, 2003. The $3.5 million of subordinated notes accrue interest at a rate of 4.95% per annum.

The Company paid down $0.4 million of the subordinated notes in March 2006 and extended the maturity period of the remaining $3.1 million from March 2006 to March 2008.

In March 2007, the Company and a holder of the subordinated debt amended the 4.95% subordinated note in the principal amount of $3.1 million to extend the maturity date from March 31, 2008 to September 30, 2009 and waive the listing covenant until December 31, 2008, in exchange for the payment by Enliven of $0.2 million to the holder of the subordinated note, and adding $0.3 million to the principal of the note.

Other Transactions

On October 18, 2007, the Company entered into a purchase agreement to acquire all of the outstanding partnership interests of Springbox, an interactive marketing firm located in Austin, Texas, with digital web marketing and creative solutions. The transaction closed on October 31, 2007, and the Company assumed ownership of Springbox as a wholly owned subsidiary at that date and the operating results of Springbox are included in the consolidated operating results of the Company for the two months ended December 31, 2007. The aggregate purchase price for the acquisition was approximately $5.5 million. On March 12, 2007, the Company entered into a Purchase Agreement to acquire all of the outstanding partnership interests of Makos, an Austin, Texas based full service creative agency that specializes in broadcast and video advertising, branding and graphic design. The operating results of Makos are included in the consolidated operating results of the Company from May 1, 2007 to December 31, 2007. In exchange for all of the outstanding partnership interests of Makos, the Company issued an aggregate of 0.7 million shares of Company common stock to the partners of Makos and paid $0.6 million in cash. The total purchase price was approximately $0.9 million.

The Company entered into a Securities Purchase Agreement with certain accredited investors, dated as of October 18, 2007, pursuant to which the Company issued 15.7 million shares of its common stock in a private placement to such accredited investors at a purchase price of $0.70 per share. The investors in the transaction also received warrants to purchase an additional 4.7 million shares of common stock at an exercise price of $0.84 per share (subject to certain adjustments). Aggregate proceeds received by the Company in connection with issuing the shares of common stock and warrants totaled approximately $11 million. The warrants are not exercisable for six months following issuance and have an aggregate term of five and one-half years. In addition, pursuant to this private placement the Company issued warrants to the placement agent as compensation to purchase 0.3 million shares of common stock at an exercise price of $0.84 per share with a term of five years, and paid $0.3 million in issuance costs. The aggregate value of warrants to purchase the 0.3 million shares of common stock amounted to $0.2 million. (The 4.7 million warrants issued to accredited investors combined with the 0.3 million warrants issued to the placement agent are collectively referred to as October 2007 Warrants).

Of the gross proceeds of $11.0 million received in the October 2007 Financing from investors, approximately $5.0 million was used to purchase Springbox.

The Company entered into a Securities Purchase Agreement with certain accredited investors, dated as of May 4, 2007, under which the Company issued 13.3 million shares of the Company s common stock in a private placement to such accredited investors at a purchase price of $0.40 per share. The investors in the transaction also received warrants (May 2007 Warrants) to purchase an additional 3.3 million shares of common stock at an exercise price of $0.45 per share (subject to certain adjustments). Aggregate proceeds received by the Company in connection with issuing the shares of common stock and the warrants totaled approximately $5.3 million. The warrants are not exercisable for six months following issuance and have an aggregate term of three and one-half years.

On December 1, 2004, Enliven Corporation entered into an agreement to acquire all of the outstanding capital stock of Unicast Communications Corp. (Unicast). The transaction closed on January 3, 2005, and Enliven assumed ownership of Unicast as a wholly owned subsidiary at that date. The aggregate purchase price for the acquisition was $3.5 million.

Under the terms of the agreement, Enliven issued an aggregate of 1.1 million shares of Enliven common stock, with a fair value of $3.0 million to the selling stockholders of Unicast and paid $0.4 million in cash and acquisition costs of $0.1 million. Enliven also assumed negative net working capital from Unicast of $1.8 million. Based upon the working capital calculation during the period following the acquisition Enliven has no additional obligation to issue shares or pay cash to the seller.

Additionally, long-term debt issued by Unicast remains outstanding at the Unicast subsidiary level following the closing. This debt is comprised primarily of two notes. Unicast issued an unsecured promissory note dated February 27, 2004 in the principal amount of $1.0 million. This promissory note bears interest at 5% per annum, compounding annually, and matures in February 2011. No payments of principal or interest are due until the maturity date. In addition, Unicast issued an amended and restated secured promissory note dated February 27, 2004 in the principal amount of $2.0 million. This promissory note bears interest of 5% per annum and is collateralized by substantially all of the Unicast subsidiary s assets. Concurrently with the closing of the Unicast acquisition, Enliven made a