

DivX, Inc.
4780 Eastgate Mall
San Diego, California 92121

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On June 4, 2008**

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders¹ of DivX, Inc., a Delaware corporation (the "Company"). The meeting is to be held on June 4, 2008 at 10:00 a.m. local time at the Deutz Room of the Institute of the Americas, University of California, San Diego Campus, 10111 North Torrey Pines Road, La Jolla, CA 92037 for the following purposes:

1. To elect as Class II directors to hold office until the 2011 Annual Meeting of Stockholders the following three nominees recommended by the Board of Directors: Frank Creer, Kevin C. Hell and Jérôme J-P. Vashisht-Rota;
2. To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm for the Company for its fiscal year ending December 31, 2008; and
3. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

We are pleased to take advantage of the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders over the Internet. We believe that this new e-proxy process will expedite stockholders' receipt of proxy materials and lower the costs and reduce the environmental impact associated with our annual meeting. On or about April 25, 2008, we will be mailing to certain stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our 2008 Proxy Statement and Annual Report and vote online or by telephone. The Notice contains instructions on how you can (i) receive a paper copy of the 2008 Proxy Statement and Annual Report, if you only received the Notice by mail, or (ii) elect to receive your Proxy Statement and Annual Report over the Internet in future years, if you received them by mail this year.

The record date for the annual meeting is April 4, 2008. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors



David J. Richter
Secretary

San Diego, California
April 25, 2008

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, you may vote your shares either: (i) over the Internet or by telephone; or (ii) if you received a paper copy of these materials, by signing, dating and returning the proxy card as promptly as possible in order to ensure your representation at the meeting. If you are receiving these proxy materials by mail, a return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

¹ This event is not sponsored by UCSD or by the Institute of the Americas.

DivX, Inc.

4780 Eastgate Mall
San Diego, California 92121

**PROXY STATEMENT
FOR THE 2008 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 4, 2008**

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We have made these proxy materials available to you on the Internet or delivered printed versions of these materials to you by mail because the Board of Directors of DivX, Inc. (sometimes referred to as the “Company” or “DivX”) is soliciting your proxy to vote at the 2008 Annual Meeting of Stockholders, including at any adjournments or postponements of the meeting. You are invited to attend the annual meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares.

If you have received a printed copy of these proxy materials by mail, you may simply complete, sign and return your proxy card or vote by proxy over the telephone or on the Internet as instructed below. If you did not receive a printed copy of these materials by mail and are accessing them on the Internet, you may simply follow the instructions below to submit your proxy on the Internet.

We intend to mail a printed copy of this proxy statement and proxy card to certain of our stockholders of record entitled to vote at the annual meeting on or about April 25, 2008. All other stockholders will receive a Notice of Internet Availability of Proxy Materials (the “Notice”), which we intend to mail on or about April 25, 2008.

What is included in these materials?

These materials include:

- Our 2007 Annual Report to Stockholders, which includes our audited consolidated financial statements for the fiscal year ended December 31, 2007 and our proxy statement for the annual meeting.
- If you are receiving printed versions of these materials by mail, these materials also include the proxy card for the annual meeting.

Why did I receive a Notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?

Pursuant to new rules adopted by the Securities and Exchange Commission, we have elected to provide stockholders access to our proxy materials via the Internet. Accordingly, on or about April 25, 2008, we are sending a Notice of Internet Availability of Proxy Materials to beneficial owners. All stockholders will have the ability to access the proxy materials on a website referred to in the Notice or request to receive a full set of printed proxy materials. Instructions on how to access the proxy materials on the Internet or request a printed copy may be found in the Notice.

Who can vote at the annual meeting?

Only stockholders of record at the close of business on April 4, 2008 will be entitled to vote at the annual meeting. On this record date, there were 32,667,039 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on April 4, 2008 your shares were registered directly in your name with the Company’s transfer agent, American Stock Transfer & Trust Company, then you are a stockholder of record. As a stockholder of record,

you may vote in person at the meeting or vote by proxy. To vote in person, come to the annual meeting and we will provide you with a ballot when you arrive. If you do not wish to vote in person or if you will not be attending the annual meeting, you can vote by proxy over the Internet, by mail or telephone by following the instructions provided in the proxy card.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on April 4, 2008 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in “street name” and the Notice of Internet Availability of Proxy Materials was forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker, bank or other agent.

What am I voting on?

There are two matters scheduled for a vote:

- Election of three Class II directors; and
- Ratification of Ernst & Young LLP as the independent registered public accounting firm for the Company for its fiscal year ending December 31, 2008.

How do I vote?

You may either vote “For” all the nominees to the Board of Directors or you may “Withhold” your vote for any nominee you specify. For each of the other matters to be voted on, you may vote “For” or “Against” or abstain from voting. The procedures for voting are fairly simple:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the annual meeting or by proxy. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

- To vote in person, come to the annual meeting and we will give you a ballot when you arrive.
- If you do not wish to vote in person or if you will not be attending the annual meeting, you may vote by proxy. You can vote by proxy over the Internet, by mail or telephone by following the instructions provided in the proxy card.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a Notice of Internet Availability of Proxy Materials and voting instructions from that organization rather than from the Company. Please follow the voting instructions provided by your broker, bank or other agent to ensure that your vote is counted. To vote in person at the annual meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy card.

We provide Internet and telephone proxy voting to allow you to vote your shares online or via telephone, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access or telephone calls, such as usage charges from Internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of April 4, 2008.

What happens if I do not make specific voting choices?

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record and you indicate when voting on the Internet or by telephone that you wish to vote as recommended by our Board of Directors or if you sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by our Board of Directors on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the meeting.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If you are a beneficial owner of shares held in “street name” and you do not provide the organization that holds your shares with specific instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform our Inspector of Elections that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a “broker non-vote.” When our Inspector of Elections tabulates the votes for any particular matter, broker non-votes will be counted for purposes of determining whether a quorum is present, but will not otherwise be counted. We encourage you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the Notice of Internet Availability of Proxy Materials.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. Our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one Notice?

If you receive more than one Notice of Internet Availability of Proxy Materials, your shares are registered in more than one name or are registered in different accounts. To ensure that all of your shares are voted, please vote over the Internet by following the instructions provided in the Notice, or if you are receiving a full set of printed copies of the proxy materials by mail, you may also vote by mail or by telephone. If some of your shares are held in “street name,” you should have received voting instructions from that organization rather than from us. Please follow the voting instructions provided by your broker, dealer or other similar organization to ensure that your vote is counted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are a stockholder of record and you received a copy of these proxy materials by mail, you may vote again on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the meeting will be counted), or by signing and returning a new proxy card with a later date. You may also change your vote by attending the annual meeting in person. **Your attendance at the annual meeting will not automatically revoke your proxy unless you vote again at the meeting or specifically request in writing that your prior proxy be revoked.** You may also send a timely written notice that you are revoking your proxy to DivX’s Secretary at 4780 Eastgate Mall, San Diego, California 92121.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank regarding how to change your vote or revoke your proxy.

When are stockholder proposals due for next year's annual meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by December 26, 2008, to DivX's Secretary at 4780 Eastgate Mall, San Diego, California 92121. If you wish to submit a proposal that is not to be included in next year's proxy materials, or wish to nominate a director, you must do so by March 6, 2009 but no earlier than February 4, 2009. You are also advised to review the Company's Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations. You may view the Company's Bylaws by visiting the Company's Internet website at <http://investors.divx.com/documents.cfm>.

How are votes counted?

Votes will be counted by the Inspector of Elections appointed for the meeting, who will separately count "For" and "Withhold" votes and, with respect to proposals other than the election of directors, "Against" votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal, and will have the same effect as "Against" votes with respect to proposals other than the election of directors. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

How many votes are needed to approve each proposal?

- For the election of directors, the three Class II nominees receiving the most "For" votes (from the holders of votes of shares present in person or represented by proxy and entitled to vote on the election of directors) will be elected. Only votes "For" or "Withheld" will affect the outcome.
- To be approved, Proposal No. 2, the ratification of Ernst & Young LLP as the independent registered public accounting firm for the Company, must receive "For" votes from the holders of a majority of shares present and entitled to vote either in person or by proxy. If you "Abstain" from voting, it will have the same effect as an "Against" vote. Broker non-votes will have no effect.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares are present at the meeting in person or represented by proxy. On the record date, there were 32,667,039 shares outstanding and entitled to vote. Thus, the holders of 16,333,520 shares must be present in person or represented by proxy at the meeting to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the chairman of the meeting or the holders of a majority of shares present at the meeting in person or represented by proxy may adjourn the meeting to another date.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in the Company's quarterly report on Form 10-Q for the second quarter of 2008.

PROPOSAL 1
ELECTION OF DIRECTORS

DivX's Board of Directors presently has six members and is divided into three classes, designated Class I, Class II and Class III. Each class has a three-year term. Vacancies on the Board of Directors may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board of Directors to fill a vacancy in a class, including a vacancy created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is elected and qualified.

The term of office of the three Class II directors expires in 2008. Mr. Creer is currently a director of the Company who was previously elected by the stockholders. Mr. Hell and Mr. Vashisht-Rota are currently directors of the Company and were appointed by the Board of Directors in October 2007 and August 2006, respectively. If elected at the annual meeting, each of these nominees would serve until the 2011 annual meeting and until his successor is elected and has qualified, or, if sooner, until the director's death, resignation or removal. It is the Company's policy to invite directors and nominees for director to attend the annual meeting. Two of DivX's directors attended the 2007 Annual Meeting of Stockholders.

Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The three nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the three nominees named below. If any nominee becomes unavailable for election as a result of an unexpected occurrence, your shares will be voted for the election of a substitute nominee proposed by DivX's management. Each person nominated for election has agreed to serve if elected. Our management has no reason to believe that any nominee will be unable to serve.

NOMINEES

The following is a brief biography of each nominee and each director whose term will continue after the annual meeting.

NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2011 ANNUAL MEETING

Frank Creer

Frank Creer, age 44, has been a member of the Company's Board of Directors since August 2000. Mr. Creer is a founder and Managing Director of Zone Ventures, an early stage venture capital fund founded in 1998. Mr. Creer was also a partner and founder of Wasatch Venture Fund, an early stage venture capital fund founded in 1994. He also worked for Bonneville Pacific Corp., a developer of co-generation power projects, where he developed both financial and economic feasibility studies for proposed power projects. In addition to DivX, Mr. Creer currently serves on the boards of directors of Akimbo Systems, a video content licensing company, eStyle, an online maternity and clothing retailer and Zkey, a software company. He also serves on the board of directors of the Lasonde New Business Development Center at the University of Utah. He received a B.A. in Finance from the University of Utah in 1991.

Kevin C. Hell

Kevin Hell, age 44, has served as the Company's Chief Executive Officer and as a member of the Company's Board of Directors since October 2007. From July 2007 to October 2007, Mr. Hell served as the Company's Acting Chief Executive Officer. Between 2002 and 2007, Mr. Hell held a number of management positions within the Company including Chief Marketing Officer and Managing Director, Chief Operating Officer, the Company's CXO for Partners and Licensing, and President. Mr. Hell is currently responsible for the Company's corporate strategy and overall strategic direction. From July 2001 to May 2002, Mr. Hell served as

Senior Vice President of Product Management in the Solutions Group of Palm, a handheld solutions company. From May 1999 to May 2001, Mr. Hell was Vice President of the Connected Home division and Vice President of Corporate Strategy at Gateway Computer, a personal computer manufacturing company. From May 1991 to May 1999, Mr. Hell worked in the Los Angeles office of the Boston Consulting Group, a management consulting firm. Mr. Hell received an M.B.A. from The Wharton School, and a master's degree in Aeronautics and Astronautics and a B.S. in Mechanical Engineering from Stanford University.

Jérôme J.P. Vashisht-Rota

Jérôme J.P. Vashisht-Rota, age 34, is a co-founder of DivX and has been a member of the Company's Board of Directors since August 2006. Since February 2008 Mr. Vashisht-Rota has served as the Company's VP of Creative, Brand, and Community. From March 2007 to February 2008, Mr. Vashisht-Rota served as the Company's VP of Media Experience. From November 2005 to March 2007, Mr. Vashisht-Rota served as the Company's Director of Community Initiatives. From January 2005 to November 2005, Mr. Vashisht-Rota served as the Company's Product Strategist. From February 2004 to January 2005, Mr. Vashisht-Rota served as the Company's Product Manager. From March 2002 to February 2004, Mr. Vashisht-Rota served as the Company's Codec Team Leader. From September 2001 to March 2002, Mr. Vashisht-Rota served as the Company's DivX Guru and Digital Video Specialist. Mr. Vashisht-Rota received a Bachelor of Arts in Entertainment Arts, Picture, Cinema and Audio-Visual from the Paul-Valery University, Montpellier and an Associate Degree in Electric Engineering and Industrial Computing from the University Institute of Technology, Montpellier.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF EACH NAMED NOMINEE.**

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2009 ANNUAL MEETING

Fred Gerson

Fred Gerson, age 57, has been a member of the Company's Board of Directors since March 2005. Since July 2001, Mr. Gerson has been employed by the San Diego Padres, a major league baseball club, first as Senior Vice President & Chief Financial Officer and since April 2003 as Executive Vice President & Chief Financial Officer. Mr. Gerson was the interim Chief Financial Officer of Peregrine Systems, a provider of enterprise software, from May 2002 through July 2002, while maintaining his responsibilities with the Padres. His prior history includes CFO positions at Maxis, Marimba, Peter Norton Computing, each a software company, and the coin-operated games division of Atari, a gaming company. Mr. Gerson is a director of Burlington Assurance Exchange Society, Major League Baseball's captive insurance entity and Authentify, Inc., a closely held software company. Mr. Gerson received an M.B.A. from New York University and a B.A. in Economics from Brooklyn College.

Jerry Murdock

Jerry Murdock, age 49, has been a member of the Company's Board of Directors since October 2005. Since 1995, Mr. Murdock has served as a co-founder and managing director of Insight Venture Partners, a venture capital firm. Mr. Murdock currently serves on the boards of directors of Quest Software, CallWave, Inc. and Dorado Software, Inc., each a software company, Beatport LLC, an online music provider, and DriveCam, a driver risk management company. Prior to co-founding Insight Venture Partners in 1995, Mr. Murdock served as a director of Aspen Technology Group, a consulting firm that he founded. From 1980 to 1981, he worked at the Georgetown Center for Strategic & International Studies, a strategic insight and policy solutions organization. Mr. Murdock received a B.A. in Political Science from San Diego State University.

DIRECTOR CONTINUING IN OFFICE UNTIL THE 2010 ANNUAL MEETING

Christopher McGurk

Christopher McGurk, age 51, has been a member of the Company's Board of Directors since January 2006. Since November 2006, Mr. McGurk has served as the Chief Executive Officer for Overture Films, a motion

picture studio. From April 2006 to November 2006, Mr. McGurk served as Senior Advisor, New Ventures with IDT Entertainment, an entertainment company. From 1999 to 2005, Mr. McGurk served as Vice Chairman and Chief Operating Officer of Metro-Goldwyn-Mayer, an entertainment company. Mr. McGurk's previous experience includes key management positions at Universal Pictures and Walt Disney Studios, each an entertainment company, Pepsico, a beverage company, and PriceWaterhouseCoopers, an accounting and consulting firm. Mr. McGurk serves on the boards of directors of DIC Entertainment Holdings, an entertainment company specializing in children's properties, and BRE Properties, a real estate investment trust. Mr. McGurk received an M.B.A. from the University of Chicago and a B.S. in Accounting from Syracuse University.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

INDEPENDENCE OF THE BOARD OF DIRECTORS

As required under the Nasdaq Stock Market (“Nasdaq”) listing standards, a majority of the members of a listed company’s board of directors must qualify as “independent,” as affirmatively determined by the board of directors. The Company’s Board of Directors consults with the Company’s counsel to ensure that the Board’s determinations are consistent with relevant securities and other laws and regulations regarding the definition of “independent,” including those set forth in pertinent listing standards of Nasdaq, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent registered public accounting firm, the Board of Directors has affirmatively determined that the following four directors are independent directors within the meaning of the applicable Nasdaq listing standards: Messrs. Creer, Gerson, McGurk and Murdock. In making this determination, the Board of Directors found that none of these directors or nominees for director had a material or other disqualifying relationship with the Company. Mr. Hell, the Company’s Chief Executive Officer and Mr. Vashisht-Rota, the Company’s VP Creative, Brand & Community, are not independent directors by virtue of their employment with the Company. R. Jordan Greenhall, who resigned from our Board of Directors in December 2007, was not an independent director by virtue of his employment with the Company.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met 17 times during fiscal year 2007. Each Board member, other than Jerry Murdock, attended 75% or more of the aggregate meetings of the Board of Directors, as well as the respective committee meetings that were held during the period for which he was a director or committee member.

As required under applicable Nasdaq listing standards, in fiscal year 2007, the Company’s independent Nasdaq directors met four times in regularly scheduled executive sessions at which only non-management directors were present.

INFORMATION REGARDING COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three committees: an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. The following table provides membership and meeting information for fiscal year 2007 for each of the Board committees:

<u>Name</u>	<u>Audit</u>	<u>Compensation</u>	<u>Nominating and Corporate Governance</u>
Kevin C. Hell			
Frank Creer (Chair: Compensation Committee)	X	X	
Fred Gerson (Chair: Audit Committee)	X		X
Christopher McGurk (Chair: Nominating and Corporate Governance Committee)	X		X
Jerry Murdock		X	
Jérôme J.P. Vashisht-Rota			
Total meetings in fiscal 2007	11	2	3

Below is a description of each committee of the Board of Directors. Each of the committees has authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. The Board of Directors has determined that each member of each committee meets the applicable Nasdaq rules and

regulations regarding “independence” and that each member is free of any relationship that would impair his individual exercise of independent judgment with regard to the Company.

Audit Committee

The Audit Committee of the Board of Directors was established by the Board in November 2005 in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, to oversee the Company’s corporate accounting and financial reporting processes and audits of its financial statements. The functions of the Audit Committee include, among other things:

- reviewing and pre-approving the engagement of the Company’s independent registered public accounting firm to perform audit services and any permissible non-audit services;
- reviewing the Company’s annual and quarterly financial statements and reports and discussing the statements and reports with the Company’s independent registered public accounting firm and management;
- reviewing with the Company’s independent registered public accounting firm and management significant issues that arise regarding accounting principles and financial statement presentation, and matters concerning the adequacy and effectiveness of the Company’s financial controls; and
- establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding financial controls, accounting or auditing matters.

The Audit Committee is composed of three directors: Messrs. Creer, Gerson and McGurk. The Audit Committee met 11 times during the 2007 fiscal year. The Board of Directors has adopted a written charter of the Audit Committee that is available to stockholders on the Company’s website at <http://investors.divx.com/documents.cfm>.

The Board of Directors reviews the Nasdaq listing standards definition of independence for Audit Committee members on an annual basis and has determined that all members of the Company’s Audit Committee are independent (as independence is currently defined in Rule 4350(d)(2)(A)(i) and (ii) of the Nasdaq listing standards). The Board of Directors has also determined that Mr. Gerson qualifies as an “audit committee financial expert,” as defined in applicable SEC rules.

Report of the Audit Committee of the Board of Directors

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2007 with the Company’s management. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board (“PCAOB”) in Rule 3200T. The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by the Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), as adopted by the PCAOB in Rule 3600T and has discussed with the independent registered public accounting firm the independent registered public accounting firm’s independence. Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Frank Creer
Fred Gerson
Christopher McGurk

This Report is not “soliciting material” and shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or

under the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this report by reference, and shall not otherwise be deemed filed under such Acts.

Compensation Committee

The Compensation Committee was established by the Board of Directors in November 2005 and is composed of two directors: Messrs. Creer and Murdock. All members of the Company's Compensation Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the Nasdaq listing standards). The Compensation Committee met two times during fiscal year 2007. In addition, Compensation Committee matters were also addressed during several regularly scheduled meetings of the Board during 2007. The Board of Directors has adopted a written charter of the Compensation Committee that is available to stockholders on the Company's website at <http://investors.divx.com/documents.cfm>.

The functions of the Compensation Committee include, among other things:

- determining the compensation and other terms of employment of the Company's executive officers and reviewing and approving corporate performance goals and objectives relevant to such compensation;
- recommending to the Board of Directors the type and amount of compensation to be paid or awarded to Board members;
- evaluating and recommending to the Board of Directors the equity incentive plans, compensation plans and similar programs advisable for the Company, as well as modification or termination of existing plans and programs;
- establishing policies with respect to equity compensation arrangements; and
- reviewing and recommending to the Board of Directors the terms of any employment agreements, severance arrangements, change-in-control protections and any other compensatory arrangements for the Company's executive officers.

Commencing in 2007 the Compensation Committee also reviewed with management the Company's Compensation Discussion and Analysis and to consider whether to recommend that it be included in proxy statements and other filings.

Compensation Committee Processes and Procedures

The Compensation Committee meets on a regular basis to review and approve executive compensation and to determine compensation policies. In addition, Compensation Committee matters are frequently addressed during regularly scheduled meetings of the Board. The agenda for each meeting is usually developed by the Company's Chief Financial Officer in consultation with the Compensation Committee. The Compensation Committee also meets regularly in executive session. However, various members of management and other employees may be invited from time to time by the Compensation Committee to make presentations, provide financial or other background information or advice or otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in or be present during any deliberations or determinations of the Compensation Committee regarding his compensation. The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of the Company, as well as authority to obtain, at the expense of the Company, advice and assistance from internal and external legal, accounting or other advisors and consultants and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. In particular, the Compensation Committee has the sole authority to retain and terminate compensation consultants to assist in its evaluation of chief executive officer, senior executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms. Under its charter, the Compensation Committee may form, and delegate authority to, subcommittees, as appropriate.

During the past fiscal year, the Compensation Committee subscribed to two services, Radford Surveys + Consulting and Culpepper Compensation and Benefits Surveys, which provide information regarding executive cash compensation practices. These services provide data regarding executive cash compensation broken out by company size (revenue), industry type and geography. The Compensation Committee engaged these service providers to assist in evaluating the effectiveness of the Company's existing compensation strategy and practices and in refining the Company's compensation strategy and practices.

Typically the Compensation Committee makes adjustments to annual compensation and recommends the performance levels and bonus awards for the Company's annual Executive Cash Bonus Plan at one or more meetings held during the first quarter of the year. However, the Compensation Committee also regularly considers matters related to compensation for existing executives and new executive hires, as well as high-level strategic issues, such as the effectiveness of the Company's compensation strategy and potential modifications to that strategy, at various meetings throughout the year. Generally, the Compensation Committee's process comprises two related elements: the determination of compensation levels and the establishment of performance objectives for the current year. For all executives and directors, as part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, tax and accounting information, executive and director stock ownership information, company stock performance data, analyses of historical executive compensation levels and current Company-wide compensation levels, and analyses of executive and director compensation paid at other companies identified by third party services.

The specific determinations of the Compensation Committee with respect to executive compensation for fiscal year 2007 are described in greater detail in the Compensation Discussion and Analysis section of this proxy statement.

Compensation Committee Interlocks and Insider Participation

Messrs. Creer and Murdock served as the sole members of the Compensation Committee for the fiscal year ended December 31, 2007. No member of the Compensation Committee has ever been an executive officer or employee of the Company. None of the Company's executive officers currently serves, or has served during the last completed year, on the Compensation Committee or Board of Directors of any other entity that has one or more executive officers serving as a member of the Company's Board of Directors or the Compensation Committee.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis ("CD&A") contained in this proxy statement. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the CD&A be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Frank Creer
Jerry Murdock

This Report is not "soliciting material" and shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this report by reference, and shall not otherwise be deemed filed under such Acts.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee was established by the Board of Directors in July 2006 and met three times during fiscal year 2007. The Nominating and Corporate Governance Committee is composed of

two directors: Messrs. Gerson and McGurk. All members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the Nasdaq listing standards). The Board of Directors has adopted a written charter of the Nominating and Corporate Governance Committee that is available to stockholders on the Company's website at <http://investors.divx.com/documents.cfm>.

The functions of the Nominating and Corporate Governance Committee include, among other things:

- reviewing, discussing and assessing the performance of the Board and its committees;
- evaluating director performance on the Board and applicable committees of the Board and determining whether continued service on the Board is appropriate;
- evaluating and recommending individuals for membership on the Board;
- evaluating nominations by stockholders of candidates for election to the Board;
- reviewing the Company's policy statements to determine adherence to the Company's Code of Business Conduct and Ethics;
- considering questions regarding possible conflicts of interest of directors as such questions arise; and
- recommending to the Board the establishment of such special committees as may be desirable or necessary from time to time to address ethical, legal, business or other matters that may arise.

The Nominating and Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including the ability to read and understand basic financial statements and who possess the highest personal integrity and ethics. The Nominating and Corporate Governance Committee also intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of the Company, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of the Company's stockholders. However, the Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board of Directors, the operating requirements of the Company, and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee considers diversity, age, skills, and such other factors as it deems appropriate given the current needs of the Board of Directors and the Company, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews these directors' overall service to the Company during their terms, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair the directors' independence. In the case of new director candidates, the Nominating and Corporate Governance Committee also determines whether the nominee is independent for Nasdaq purposes, which determination is based upon applicable Nasdaq listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The Nominating and Corporate Governance Committee meets to discuss and consider the candidates' qualifications and then selects a nominee for recommendation to the Board of Directors by majority vote.

At this time, the Nominating and Corporate Governance Committee does not have a policy with regard to the consideration of director candidates recommended by stockholders. The Nominating and Corporate Governance Committee believes that it is in the best position to identify, review, evaluate and select qualified candidates for Board membership, based on the comprehensive criteria for Board membership approved by the Board.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

The Company's Board of Directors has adopted a formal process by which stockholders may communicate with the Board or any of its directors. Stockholders who wish to communicate with the Company's Board of Directors or an individual director may send a written communication to the Board or such director c/o DivX, Inc., 4780 Eastgate Mall, San Diego, California 92121, Attn: Secretary. Each communication must set forth the name and address of the DivX stockholder on whose behalf the communication is sent and the number of DivX shares that are owned beneficially by such stockholder as of the date of the communication. Each communication will be reviewed by DivX's Secretary to determine whether it is appropriate for presentation to the Board or the particular director to which it is addressed. The purpose of this screening is to allow the Board to avoid having to consider irrelevant or inappropriate communications (such as advertisements, solicitations and hostile communications). Communications determined by the Secretary to be appropriate for presentation to the Board or a particular director will be submitted to the Board or such director on a periodic basis. All communications directed to the Audit Committee in accordance with the Company's Open Door Policy on Reporting Complaints Regarding Accounting and Auditing Matters will generally be forwarded to the compliance officer designated by the Audit Committee to receive and review such communications. The Company's Open Door Policy on Reporting Complaints Regarding Accounting and Auditing Matters is available on our website at <http://investors.divx.com/documents.cfm>.

CODE OF ETHICS

The Company has adopted the DivX, Inc. Code of Business Conduct and Ethics that applies to all officers, directors, consultants and employees. The Code of Business Conduct and Ethics is available on our website at <http://investors.divx.com/documents.cfm>. If the Company makes any substantive amendments to the Code of Business Conduct and Ethics or grants any waiver from a provision of the Code to any executive officer or director, the Company will promptly disclose the nature of the amendment or waiver on its website.

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2008 and has further directed that management submit the selection of its independent registered public accounting firm for ratification by the stockholders at the annual meeting. Ernst & Young LLP has audited the Company's financial statements since 2002. Representatives of Ernst & Young LLP are expected to be present at the annual meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm. However, the Audit Committee of the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting will be required to ratify the selection of Ernst & Young LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

In connection with the audit of the 2007 financial statements, the Company entered into an engagement agreement with Ernst & Young LLP which sets forth the terms by which Ernst & Young LLP will perform audit services for the Company. That agreement is subject to alternative dispute resolution procedures.

The following table represents aggregate fees billed to the Company by its independent registered public accounting firm, Ernst & Young LLP, for the fiscal years ended December 31, 2007 and December 31, 2006.

	Fiscal Year Ended (in thousands)	
	2007	2006
Audit Fees (1)	\$720	\$1,331
Audit-related Fees (2)	\$158	—
Tax Fees (3)	\$ 98	48
All Other Fees (4)	\$ 2	—
Total Fees	\$978	\$1,379

All fees described above were approved by the Audit Committee.

- (1) Audit Fees consist of fees billed for professional services rendered for the audits of the Company's consolidated annual financial statements and its internal controls over financial reporting, the review of the interim consolidated financial statements included in quarterly reports, and services normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements. Audit Fees also consist of fees for services associated with SEC registration statements and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g. comfort letters and consents), and assistance in responding to SEC comment letters.

- (2) Audit-related Fees consist of fees for accounting and advisory services in connection with the adoption of newly issued accounting pronouncements, accounting consultations and due diligence performed in connection with a potential acquisition.
- (3) Tax Fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning (domestic and international). These services include assistance regarding international, federal, and state tax compliance, acquisitions and international tax planning.
- (4) Other Fees consist of fees for subscription services to an online accounting and tax information service.

PRE-APPROVAL POLICIES AND PROCEDURES.

The Audit Committee has adopted a policy and procedure for the pre-approval of audit and non-audit services rendered by the Company's independent auditor, Ernst & Young LLP. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services and tax services. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent registered public accounting firm or on an individual explicit case-by-case basis before the independent registered public accounting firm is engaged to provide each service. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be reported to the full Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of the services other than audit services by Ernst & Young is compatible with maintaining the principal accountant's independence.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 2.**

**SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the ownership of the Company's common stock as of March 31, 2008 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of its common stock.

<u>Beneficial Owner</u>	<u>Beneficial Ownership (1)</u>	
	<u>Number of Shares</u>	<u>Percent of Total</u>
Zone Venture Fund and its affiliates (2) 241 S. Figueroa Street, Suite 340 Los Angeles, CA 90012	3,175,487	9.5%
Royce & Associates LLC and its affiliates (3) 1414 Avenue of the Americas New York, NY 10019	4,288,053	12.8%
FMR LLC and its affiliates (4) 82 Devonshire Street Boston, Massachusetts 02109	3,973,799	11.9%
Kevin C. Hell (5)	423,818	1.3%
Frank Creer (6)	1,889,879	5.6%
Fred Gerson (7)	42,500	*
R. Jordan Greenhall (8)	2,274,910	6.8%
Dan L. Halvorson (9)	21,050	*
Christopher McGurk (10)	50,000	*
Jerry Murdock (11)	316,632	*
David J. Richter (12)	135,500	*
Jérôme J.P. Vashisht-Rota (13)	38,017	*
J. Christopher Russell (14)	86,507	*
John A. Tanner (15)	2	*
Darrius N. Thompson (16)	0	0
All executive officers and directors as a group (8 persons) (17) . . .	2,917,396	8.6%

* Less than one percent.

- (1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 33,503,949 shares outstanding on March 31, 2008, adjusted as required by rules promulgated by the SEC.
- (2) Represents shares held by Zone Venture Fund II, L.P., Zone Venture Fund II Annex, L.P., the Timothy Draper Living Trust, the Draper 1999 Grandchildrens Trusts, JABE, LLC, Draper Atlantic Management Company, LLC, DFJ Network Affiliate VII LLC, Draper Network Affiliate LLC and Frank Creer. Zone Management Company, LLC is the general partner of Zone Venture Fund II, L.P. and Zone Venture Fund II Annex, L.P. Frank Creer, one of our directors, and Timothy Draper are managing directors of Zone Management Company, LLC and share voting and investment power with respect to the shares held by Zone Venture Fund II, L.P. and Zone Venture Fund II Annex, L.P. Timothy Draper, John Backus, Jim Lynch and Thanasis Delistathis are partners of Draper Atlantic Management Company, LLC and share voting and investment power with respect to the shares held by Draper Atlantic Management Company, LLC. Timothy Draper and Melissa Draper are co-trustees of the Timothy Draper Living Trust and share

- voting and investment power with respect to the shares held by the Timothy Draper Living Trust. Timothy Draper, Rebecca Draper and Polly Draper are co-trustees of the Draper 1999 Grandchildrens Trust and share voting and investment power with respect to the shares held by the Draper 1999 Grandchildrens Trust. Timothy Draper is a member of JABE, LLC and has voting and investment power with respect to the shares held by JABE, LLC. Each of Frank Creer, Timothy Draper, John Backus, Jim Lynch, Thanasis Delistathis, Melissa Draper, Rebecca Draper and Polly Draper disclaims beneficial ownership of these shares except to the extent of his or her pecuniary interest in these entities.
- (3) Based on Amendment No. 1 to Schedule 13G filed by Royce & Associates LLC (“Royce”) on February 1, 2008. According to the Schedule 13G filing, Royce had sole voting and investment power over shares held in portfolios of certain mutual funds and/or institutional accounts managed by Royce. Various accounts managed by Royce have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of shares of the Company. The interest of each of Royce Low Priced Stock Fund and Royce Value Plus Fund, each an investment company registered under the Investment Company Act of 1940 and managed by Royce, amounted to 2,187,507 shares and 1,786,300 shares, respectively.
- (4) Based on Amendment No. 1 to Schedule 13G filed by FMR LLC on April 10, 2008. According to the Schedule 13G filing, pursuant to the instructions in item 7 of Schedule 13G, Fidelity Management & Research Company (“Fidelity”), 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 3,007,394 shares of common stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 3,007,394 shares owned by the Funds. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders of FMR LLC have entered into a shareholders’ voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders’ voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds’ Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds’ Boards of Trustees. In addition, Pyramis Global Advisors Trust Company (“PGATC”), 53 State Street, Boston, Massachusetts, 02109, an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 487,300 shares of the Company’s common stock as a result of its serving as investment manager of institutional accounts owning such shares. Edward C. Johnson 3d and FMR LLC, through its control of Pyramis Global Advisors Trust Company, each has sole dispositive power over 487,300 shares and sole power to vote or to direct the voting of 427,100 shares of the Company’s common stock owned by the institutional accounts managed by PGATC. FIL Limited (“FIL”), Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, and various foreign-based subsidiaries provide investment advisory and management services to a number of non-U.S. investment companies and certain institutional investors. FIL, which is a qualified institution under Section 240.13d-1(b)(1) pursuant to an SEC No-Action letter dated October 5, 2000, is the beneficial owner of 479,105 shares of the Common Stock outstanding of the Company. Partnerships controlled predominantly by members of the family of Edward C. Johnson 3d, Chairman of FMR LLC and FIL, or trusts for their benefit, own shares of FIL voting stock with the right to cast approximately 47% of the total votes which may be cast by all holders of FIL voting stock. FMR LLC and FIL are separate and independent corporate entities, and their Boards of Directors are generally composed of different individuals. FMR LLC and FIL are of the view that they are not acting as a “group” for purposes of Section 13(d) under the Securities Exchange Act of 1934 (the “1934” Act) and that they are not otherwise required to attribute to each other the “beneficial ownership” of securities “beneficially owned” by the other corporation within the meaning of Rule 13d-3 promulgated under the 1934 Act. Therefore, they are of the view that the shares held

- by the other corporation need not be aggregated for purposes of Section 13(d). However, FMR LLC is making this filing on a voluntary basis as if all of the shares are beneficially owned by FMR LLC and FIL on a joint basis.
- (5) Includes 138,312 shares of common stock, none of which are subject to repurchase as of May 30, 2008, and options to purchase 285,506 shares of common stock, of which 6,667 will be unvested but exercisable as of May 30, 2008.
 - (6) Includes shares held by Zone Venture Fund II, L.P. and Zone Venture Fund II Annex, L.P. Zone Management Company, LLC is the general partner of Zone Venture Fund II, L.P. and Zone Venture Fund II Annex, L.P. Mr. Creer is a managing director of Zone Management Company, LLC and shares voting and investment power with respect to the shares held by Zone Venture Fund II, L.P. and Zone Venture Fund II Annex, L.P.
 - (7) Includes 22,500 shares of common stock, 6,250 of which are subject to repurchase as of May 30, 2008, and options to purchase 20,000 shares of common stock, of which 9,584 will be unvested but exercisable as of May 30, 2008.
 - (8) Includes 2,264,910 shares of common stock, none of which are subject to repurchase as of May 30, 2008, including 2,227,410 shares held by the Albion Living Trust, dated February 15, 2005, as amended, of which Mr. Greenhall is a co-trustee. 800,000 of these shares have been pledged by Mr. Greenhall to J.P. Morgan as security for a line of credit and secured loan. Also includes 5,000 shares held by Stephanie Christine Green, Mr. Greenhall's sister-in-law, and 5,000 shares held by James Vinson, the husband of Ms. Green, each of whom currently resides with Mr. Greenhall. Mr. Greenhall resigned as the Chief Executive Officer of the Company in July 2007, and as a director of the Company in December 2007.
 - (9) Includes 14,300 shares of common stock. Also includes options to purchase 6,750 shares of common stock, all of which will be fully vested and exercisable as of May 30, 2008.
 - (10) Includes options to purchase 50,000 shares of common stock, of which 20,834 will be unvested but exercisable as of May 30, 2008.
 - (11) Includes shares held by Insight Venture Partners V, L.P., Insight Venture Partners (Cayman) V, L.P. and Insight Venture Partners V (Employee Co-Investors), L.P. Insight Venture Associates V, L.L.C. is the general partner of Insight Venture Partners V, L.P., Insight Venture Partners (Cayman) V, L.P. and Insight Venture Partners V (Employee Co-Investors), L.P. Insight Holdings Group, LLC, which is managed by its Board of Managers, is the managing member of Insight Venture Associates V, L.L.C. Jerry Murdock, one of our directors, is a member of the Insight Holdings Group, LLC Board of Managers and shares voting and investment power with respect to the shares held by Insight Venture Partners V, L.P., Insight Venture Partners (Cayman) V, L.P. and Insight Venture Partners V (Employee Co-Investors), L.P. Mr. Murdock disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in these entities.
 - (12) Includes 63,500 shares of common stock, 10,548 of which are subject to repurchase as of May 30, 2008, and options to purchase 72,000 shares of common stock, all of which will be unvested but exercisable as of May 30, 2008.
 - (13) Includes 7,767 shares of common stock held by The Vashisht-Rota Living Trust, of which Mr. Vashisht-Rota and Aparna Vashisht-Rota, Mr. Vashisht-Rota's wife, are co-trustees, of which none are subject to repurchase as of May 30, 2008, and options to purchase 30,250 shares of common stock, 9,375 of which will be unvested but exercisable as of May 30, 2008.
 - (14) Includes 11,382 shares of common stock, 9,793 of which are subject to repurchase as of May 30, 2008, and options to purchase 75,125 shares of common stock, all of which will be fully vested and exercisable as of May 30, 2008. Mr. Russell resigned as Chief Technology Officer, Strategy and Technology of the Company in February 2008.
 - (15) Mr. Tanner resigned as the Chief Financial Officer of the Company in May 2007.
 - (16) Mr. Thompson resigned as General Manager of the Company in December 2007.
 - (17) Includes 2,452,890 shares of common stock, 16,798 of which are subject to repurchase as of May 30, 2008, and options to purchase 464,506 shares of common stock, of which 118,460 will be unvested but exercisable as of May 30, 2008.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the “1934 Act”) requires the Company’s directors and executive officers, and persons who own more than ten percent of a registered class of the Company’s equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company’s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31 2007, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with except that Zone Venture Fund and its affiliates did not file five reports covering an aggregate of five transactions.

EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

This compensation discussion describes the material elements of compensation paid to the individuals serving as our chief executive officer and chief financial officer as of December 31, 2007 and our two other executive officers as of December 31, 2007, as well as three former executive officers who departed the Company during 2007 (the “Executives”).

Overview

Since its formation in November 2005, the Compensation Committee of the Board has overseen and administered our executive compensation program. The Compensation Committee is comprised solely of independent Board members within the meaning of the applicable Securities and Exchange Commission and Nasdaq Stock Market rules. In setting or recommending compensation, the Compensation Committee reviews all components of executive officer compensation for consistency with the Company’s compensation philosophy and takes into account developments in compensation practices outside of the Company. The types of compensation provided, the objectives behind such compensation, and the factors considered in administering our executive compensation program are expressed in more detail below.

We believe the Company’s performance is largely dependent on the efforts of talented and experienced executives. To attract, motivate and retain executives and to reward executives for value creation, the Company has adopted an executive compensation program, the principal elements of which are:

- base salary;
- annual cash bonuses under the Company’s Executive Cash Bonus Plan;
- periodic grants of long-term equity incentives, including stock options, restricted stock units and/or restricted stock, which may be subject to performance-based and/or time-based vesting requirements;
- acceleration of equity incentive vesting and other payments and benefits upon a change-in-control of the Company; and
- other benefits, such as life and health insurance benefits, an Employee Stock Purchase Plan and a qualified 401(k) savings plan.

The Company places particular emphasis on performance-based incentive compensation by tying a significant portion of each Executive’s cash compensation to the achievement of certain Company-wide financial performance targets which the Board and the Compensation Committee believe are important to the Company and its stockholders. We also provide equity compensation to align the interest of the Executives with that of the Company’s stockholders.

Objectives of our Executive Compensation Program

Overall Objectives. The objectives of our Executive Compensation Program are:

- attracting, motivating and retaining talented, energetic and experienced executives;
- providing executives with both cash and equity incentives to align their interest with that of the Company and its stockholders;
- fostering teamwork and shared commitment among executives by emphasizing Company goals as opposed to individual goals; and
- providing executives with incentives to manage our business to meet long-range strategic goals.

Historically, base salaries were roughly equivalent for all executive officers, and annual incentive bonus awards under the Executive Cash Bonus Plan were structured such that executive officers generally received equivalent bonus awards when the plan goals were met. Commencing in 2007, the Compensation Committee began to determine the compensation of our Executives on an individualized basis, in consideration of the scope of their responsibilities and individual experience while also taking into account the median pay levels of officers in similar positions in companies determined to be competitive with the Company as described below. In 2007 and 2008 the Company continued to base bonus awards under the Executive Cash Bonus Plan on the achievement of Company goals such that Executives would receive equivalent annual incentive bonus awards (as a percentage of base salary) when the plan goals were met. Further, the Board has granted stock options, restricted stock awards and restricted stock units to Executives to provide the opportunity for long-term compensation that is designed to reward Executives for contributing to the Company's long-term stability and stock price.

Benchmarking. In determining compensation for our Executives, the Compensation Committee takes into account and benchmarks compensation using three distinct resources of information. The first two resources of information are survey data provided to us by each of Radford Surveys + Consulting and Culpepper Compensation and Benefits Surveys. Each of these services provides survey data relating to United States public companies located within Southern California that subscribe to their services and that describe themselves as operating within the software industry sector, having between 251 and 500 employees, and annual revenues between \$50 and \$100 million. We receive the information on an aggregated basis and do not know the specific identities of the companies covered by the surveys. We extract the information from these surveys and refer to it as "competitive data" for purposes of determining executive compensation. The third resource of information that we take into account is information relating to specific companies in the digital media market which we consider to be our competitors or against which we expect to compete for talent, including Dolby Laboratories, Inc., DTS, Inc., Intuit Inc., MacroMedia, Inc., NextWave Wireless, Inc., Novatel Wireless, Inc., QUALCOMM Incorporated and RealNetworks, Inc., which we refer to as our "Peer Group." We take into consideration both competitive data and market information for our Peer Group in setting base salary, bonus and total cash compensation for our Executives, as well as employee benefits. We also use third party data, including the Policies and Benefits Survey of the San Diego Employers Association and information available in the public filings of our Peer Group, in determining competitive employee benefits packages. In connection with the appointment of Mr. Hell to Chief Executive Officer in October 2007, the Compensation Committee engaged Korn/Ferry International, Inc., an outside executive compensation firm, to provide guidance to the Compensation Committee regarding Mr. Hell's compensation package. Other than this, we have not engaged a compensation consultant to assist the Company in determining executive compensation packages.

Compensation Process. For each of our Executives, the Compensation Committee reviews and approves all elements of compensation taking into consideration recommendations from our principal executive officer and principal financial officer (for compensation other than their own respective compensation), the Company's overall performance, the strategic goals set by management and the Board, as well as competitive market guidance provided at the request of the Compensation Committee. The Compensation Committee recommends the cash-based element of compensation, including base salary and cash bonuses, in light of market pay levels among individuals in comparable positions with companies covered by the competitive data and in our Peer Group. The Company determines the equity-based element of compensation independently from cash compensation, based upon market data that is applied in light of each officer's performance and contributions in deriving long-term value for the Company, his existing equity stake in the Company and the competitiveness of a proposed grant with respect to awards made to similarly situated executives employed by companies covered by the competitive data and in our Peer Group.

Base Salary

The Compensation Committee reviews base salary compensation for our Executives on an annual basis, generally during the first calendar quarter. In addition, the Compensation Committee reviews the base salary of our Executives at the time of promotions or significant shifts in responsibilities. Prior to 2007, the Compensation

Committee established the base salary for our Executives as a collective group in part based on consideration of median pay levels of the collective compensation of executive officers with companies covered by the competitive data and in our Peer Group. Commencing in 2007, the Compensation Committee began to determine the compensation of our Executives on an individual basis, in consideration of the scope of their responsibilities and individual experience and also taking into account the median pay levels of officers in similar positions with companies covered by the competitive data and in our Peer Group.

In December 2006, Mr. Greenhall, our then-Chief Executive Officer, received a 12.5% increase of his base salary, from \$200,000 to \$225,000. Each of our other Executives as of such date received an increase of their base salaries ranging from 33% to 67%. This increase was due to the Compensation Committee's determination that, as a result of the Company's transition to a public company in September 2006, the base salary provided to our Executives was below the 25th percentile of base salaries of executives in similar positions with companies covered by the competitive data and in our Peer Group. Following the increase in base salaries approved by the Compensation Committee in December 2006 the base salaries of each of our Executives was slightly lower than the 50th percentile of base salaries of executives in similar positions with companies covered by the competitive data and significantly lower than the base salaries of individuals in comparable positions with other companies in our Peer Group. This was consistent with the Compensation Committee's philosophy of providing a larger share of cash compensation in the form of non-guaranteed incentives tied to the achievement of Company-wide performance metrics as described in greater detail under the heading "Executive Cash Bonus Plan" below.

In connection with the appointment of Mr. Hell to Acting Chief Executive Officer in July 2007, the Company agreed to pay to Mr. Hell his current base salary for one year in the event that the Company hired a Chief Executive Officer other than Mr. Hell and Mr. Hell was terminated within six months following the date of such hire. The Board provided Mr. Hell with this compensation as an inducement to serve as Acting Chief Executive Officer with no guarantee that he would ultimately be appointed as Chief Executive Officer and because he was not provided with a salary increase in connection with his appointment to Acting Chief Executive Officer.

In October 2007, in connection with the appointment of Mr. Hell to Chief Executive Officer, Mr. Hell's salary was increased from \$300,000 to \$350,000. The Compensation Committee determined Mr. Hell's salary as Chief Executive Officer by referring to the median salaries of executives serving in comparable positions with companies covered by the competitive data and in our Peer Group as presented by Korn/Ferry International, an outside executive compensation consultancy firm. Following Mr. Hell's promotion, the base salary provided to Mr. Hell was slightly below the 50th percentile of base salaries of chief executive officers with companies covered by the competitive data, and between the 25th and 50th percentiles when compared to base salaries of chief executive officers with companies in our Peer Group.

As of March 14, 2008, our Executives consisted solely of Mr. Hell, who as of such date received a 28.6% increase in his base salary, from \$350,000 to \$450,000, Mr. Halvorson, who as of such date received a 25% increase in his base salary, from \$300,000 to \$375,000, and Mr. Richter, who as of such date received a 16.67% increase in his base salary, from \$300,000 to \$350,000. These increases resulted from the Compensation Committee's determination that the base salaries of Messrs. Hell, Halvorson and Richter were near or below the 50th percentile of those of executives in comparable positions with companies covered by the competitive data and were even lower when compared to those of executives in comparable positions with companies in our Peer Group. Following these increases to base salaries, the Compensation Committee believes that the base salaries paid to our executives are at approximately the 50th percentile with respect to our Chief Executive Officer and the 75th percentile for our other Executives when compared to executives in comparable positions with companies covered by the competitive data, and between the 25th and 50th percentiles when compared to base salaries of executives in comparable positions with companies in our Peer Group. This approach continues to be consistent with the philosophy of the Compensation Committee of providing a larger share of cash compensation in the form of non-guaranteed incentives tied to the achievement of Company-wide performance metrics.

Executive Cash Bonus Plan

In addition to base salary, we provide the opportunity for our Executives to earn quarterly and annual cash bonuses pursuant to our Executive Cash Bonus Plan. We provide this opportunity to attract and retain appropriately talented and energetic executives and to motivate executives to achieve the Company's financial and business objectives. To ensure the Executive Cash Bonus Plan continues to properly motivate Executives to achieve the Company's approved objectives, the Compensation Committee reviews our Executive Cash Bonus Plan annually to establish award opportunities for the next fiscal year, and makes recommendations to the full Board for approval.

In March 2007, the Board established the Company's Executive Cash Bonus Plan for 2007. The 2007 Executive Cash Bonus Plan provides for the payment of cash bonuses to Executives (expressed as a specific percentage of each Executive's base salary) upon the achievement of specific quarterly and annual revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") milestones. The Company referred to the various milestone levels that the Company could achieve under the 2007 Executive Cash Bonus Plan as "Bronze," "Silver," "Gold" or "Platinum." Revenue and EBITDA were selected as the two basic metrics for the 2007 Executive Cash Bonus Plan because the Board and the Compensation Committee believed these metrics were indicative of general business growth, and provided appropriate objective incentives to the Executives for increasing stockholder value. There were no minimum or guaranteed bonuses under the Executive Cash Bonus Plan, and no maximum caps provided that certain Executive Cash Bonus Plan target levels were exceeded. The Board generally attempted to establish escalating target levels and related bonus payments under the 2007 Executive Cash Bonus Plan to reflect the increasing difficulty in the Company's achievement of such targets.

In June 2007, in connection with the Company's hiring of Mr. Halvorson as its Chief Financial Officer, the Board added Mr. Halvorson as a participant under the Company's Executive Cash Bonus Plan. Additionally, as a result of the fact that Mr. Halvorson's 2007 salary would be lower as a result of his serving for only a portion of the year, the Board agreed that the minimum bonus payable to Mr. Halvorson under the Executive Cash Bonus Plan would be equal to \$90,000. This minimum bonus was provided in part as an inducement by the Board to Mr. Halvorson to serve as our Chief Financial Officer, given that at the time of such hiring Mr. Halvorson had no visibility as to the potential value or likelihood of any payouts under the Executive Cash Bonus Plan. For 2007, Mr. Halvorson received \$277,500 pursuant to the Executive Cash Bonus Plan.

In October 2007, following the adoption by the Board of revised expectations regarding the amount of revenue and EBITDA to be achieved by the Company in 2007, the Board decreased the revenue and EBITDA milestones that were required to be achieved by the Company for the third and fourth quarters of 2007, and for fiscal 2007, in order for the Executives to receive payouts under the 2007 Executive Cash Bonus Plan for these periods. This action was taken in order to continue to motivate Executives to achieve the Company's financial and business objectives after taking into account the Company's revised expectations regarding 2007 financial performance.

On March 13, 2008, the Board of Directors adopted the 2008 Executive Cash Bonus Plan or, the Plan. The structure of the Company's Executive Cash Bonus Plan for 2008 is similar to that of the 2007 Executive Cash Bonus plan, with new quarterly and annual revenue and EBITDA target levels and with a different percentage of the base salaries to be used in the bonus calculus. The Plan provides for the payment of cash bonuses to the (i) Chief Executive Officer, (ii) Executive Vice President, Chief Financial Officer and (iii) Executive Vice President, Corporate Development and Legal upon the achievement of specific 2008 quarterly and annual revenue and earnings before interest, taxes, depreciation and amortization, or EBITDA, milestones by the Company referred to under the Plan as "Bronze," "Silver," or "Gold." If the Bronze level is achieved on a quarterly or annual basis, each individual listed above will receive quarterly and/or annual bonuses in 2008 equal to up to an aggregate of 100% of base salary. If the Silver level is achieved on a quarterly or annual basis, each individual listed above will receive quarterly and/or annual bonuses in 2008 equal to up to an aggregate of 120% of base salary. If the Gold level is achieved on a quarterly or annual basis, each individual listed above will receive quarterly and/or annual bonuses in 2008 equal to up to an aggregate of 160% to 200% of base salary, depending on the exact amount of revenue received and EBITDA obtained by the Company in 2008.

Many factors impact the ability to achieve the milestone targets established under the Plan, including among other things the risk that customer use of DivX technology may not grow as anticipated, the risk that market opportunities may not materialize at expected levels, the possibility that the Company's activities may not result in the growth of profitable revenue, uncertainties related to the maintenance and strength of the DivX brand, and the overall success of the business. Because the achievement of the milestones under the Plan is dependent upon many factors, the ultimate likelihood that the Company will achieve any particular milestone level cannot be predicted with any certainty. However, the Board and the Compensation Committee generally feel that, although certainly possible, achieving the Bronze level milestone targets will be difficult. For example, in order to achieve the Bronze level milestone targets, the Company, led by its Executives, would generally need to achieve quarter-over-quarter revenue and EBITDA growth (current year vs. prior year) and manage its operations efficiently, including the manner in which it invests in new products and initiatives. Achieving milestone targets above the Bronze level would be subject to increasing difficulty, as the Company set the Silver and Gold levels to require even better results.

Long-Term Equity Incentives

General. In addition to base salary and cash bonuses pursuant to our Executive Cash Bonus Plan, we provide the opportunity for our named executive officers and other executives and employees to earn long-term equity incentive awards. Long-term incentive awards provide employees, including our Executives, with the incentive to stay with the Company for longer periods of time, as well as align the interests of such employees with the stockholders of the Company. On an annual basis, the Board reviews the number of unvested long-term equity awards held by our Executives as part of its assessment as to whether to grant additional long-term equity incentives that are subject to time-based vesting. From time to time the Board has granted equity incentives to certain Executives that vest upon the achievement of a particular strategic or financial objective in order to incentivize such Executives to place emphasis on achieving an objective determined by the Board to be of strategic importance. Our long-term equity incentive awards have consisted primarily of grants of stock options, but have also included restricted stock awards and restricted stock units.

The Board and the Compensation Committee each generally considers equity grants to employees, including executive officers, in light of each employee's performance in deriving long-term value for the Company, his or her existing equity stake in the Company and the competitiveness of a proposed grant with respect to awards made to similarly situated employees in both companies covered by the competitive data and in our Peer Group.

As of December 2006, we adopted a policy pursuant to which grants of equity awards to our existing executive officers are only made on a quarterly basis, on the third trading day after the regular release of quarterly earnings. We believe this policy substantially takes the discretion out of the timing of grants of equity to our existing executives. Prior to instituting this policy, equity awards were granted to our executive officers by the Board on a monthly basis.

Stock Options. In May 2007, following the Board's annual review of the unvested long-term equity awards held by our Executives, the Board granted to Mr. Greenhall, then serving as our Chief Executive Officer, an option to purchase 432,000 shares, to Mr. Hell, then serving as our President, an option to purchase 216,000 shares, and to each of Messrs. Richter, Russell, Tanner and Thompson options to purchase 108,000 shares, all subject to time-based vesting. Also in May 2007, the Board granted to Mr. Greenhall an option to purchase 144,000 shares, to Mr. Hell an option to purchase 72,000 shares, and to each of Messrs. Richter, Russell and Thompson options to purchase 36,000 shares, which options were subject to vesting based on the achievement of certain engineering and licensing objectives. These objectives were not met and the options have since been cancelled. The number of shares subject to the grants awarded by the Board in May 2007 were based upon the Board's determination, informed by its review of market data applicable to companies covered by the competitive data, of the size of an initial option grant that the Executives would be likely to receive if they made a lateral move to another company covered by the competitive data. The Board then subtracted from that amount the number of shares subject to unvested options then held by each of the Executives and applied a further

discount to take into account factors specific to the Company's Executives, including that the Executives already had a vested equity interest in the Company. Following the Board's determination of the number of shares to be granted to each Executive based on the foregoing analysis, the Board allocated the options to be granted between time-based vesting and performance-based vesting. The purpose of the allocation by the Board was to balance the Company's retention goals and the achievement of the Company's strategic objectives.

In June 2007, in connection with the Company's hiring of Mr. Halvorson as its new Chief Financial Officer, Mr. Halvorson was granted an option to purchase 350,000 shares. The number of shares awarded by the Board to Mr. Halvorson was based in part upon the Board's determination of the size of an initial option grant that an incoming chief financial officer would be likely to receive at a company in our Peer Group, as well as consideration of the size of equity holdings of existing executive officers at the Company and at companies in our Peer Group.

In August 2007, Mr. Hell was granted an option to purchase 25,000 shares, subject to time-based vesting. Mr. Hell received this grant in connection with his promotion from President to Acting Chief Executive Officer, along with the restricted stock award referenced below; these options and awards were provided to Mr. Hell in lieu of any increase in base salary. Messrs Halvorson, Richter and Russell each received an option to purchase 36,000 shares at the same time to account for their increased roles and responsibilities. Mr. Halvorson's options were to be subject to time-based vesting, while the grants to Messrs Richter and Russell were scheduled to vest upon the achievement by the Company of certain business objectives. Such objectives were subsequently met and Mr. Richter's and Mr. Russell's options have fully vested.

In October 2007, in connection with his promotion from Acting Chief Executive Officer to Chief Executive Officer, the Board granted Mr. Hell an option to purchase 475,000 shares subject to time-based vesting. The Board and the Compensation Committee approved these options after taking into consideration the unvested portion of Mr. Hell's existing options grants, Mr. Hell's total equity holdings in the Company, as well as the size of an initial option grant that the Company would potentially have to offer to attract and retain a similarly experienced candidate for the position of Chief Executive Officer of the Company.

Restricted Stock Awards. As referenced above, in July 2007, in connection with Mr. Hell's promotion from President to Acting Chief Executive Officer, the Board and the Compensation Committee granted Mr. Hell a restricted stock award of 37,500 shares of our common stock. The Board elected to grant a restricted stock award to Mr. Hell in order to provide an additional inducement to Mr. Hell for his acceptance of the role of Acting Chief Executive Officer, and chose to provide such award in the form of a fully vested restricted stock award to provide Mr. Hell with an immediate benefit given the potential short term nature of the role being offered to Mr. Hell.

Restricted Stock Units. In March 2008, the Board and the Compensation Committee determined to include restricted stock units as a part of the overall long-term equity incentives we provide to our Executives. Grants of restricted stock units will vest and become issuable quarterly over a four-year period following the date of the award, provided that the Executive remains in the service of the Company as of each applicable vesting date. The Board and Compensation Committee elected to commence granting restricted stock units to better align the Executives' interests with our stockholders and to better align our compensation practices with the competitive pay practices of companies covered by the competitive data and in our Peer Group. At the same time as the approval of this program, our Chief Executive Officer was awarded 150,000 restricted stock units and Mr. Richter and Mr. Halvorson were each awarded 100,000 restricted stock units.

Change-in-Control Benefits

We provide our Executives with change-in-control benefits. These benefits are intended to promote continuity of management and to attract and retain qualified executives that have alternatives that may appear to them to be less risky absent these arrangements. They are also intended to mitigate a potential disincentive to consideration and execution of an arrangement that results in a change of control of the Company, particularly

where the services of these individuals may not be required by the acquirer. The change-in-control benefits are further intended to promote continuity in management, while reducing management incentive to engage in actions that sacrifice post-transaction performance for a short-term increase in stock price.

Prior to November 2007, the change-in-control benefits were provided only to certain of our Executives and were provided pursuant to employment agreements between us and the Executives. Such benefits consisted solely of acceleration of vesting of certain outstanding stock options in the event of involuntary termination of employment in connection with a change-in-control of the Company. On October 31, 2007, after considering the change-in-control benefits available to executives in similar positions in companies covered by the competitive data and in our Peer Group, the Board and the Compensation Committee implemented a Change-in-Control Severance Benefit Plan in favor of our current Executives. The Change-in-Control Severance Plan supersedes and replaces the benefits provided to our Executives pursuant to their employment agreements with us and provides for the acceleration of vesting of outstanding equity awards, cash and bonus payments, continuation of benefits under our employee benefit plans and COBRA payments in the event of an involuntary termination of employment in connection with a change-in-control of the Company. The Change-in-Control Severance Plan also provides that our current Executives will receive tax gross-up payments in connection with certain payments or benefits received by them in connection with a change-in-control of the Company.

Executive Benefits and Perquisites

All of our named executive officers are eligible to participate in our employee benefit plans, including medical, dental, vision, life insurance, disability and 401(k) plans. Our named executive officers are also eligible to participate in the Company's Employee Stock Purchase Plan, or ESPP. Our 401(k) plan is available to all of our employees, and the other plans are available to all full-time salaried employees. None of these plans discriminate in favor of executive officers.

Our ESPP is intended to encourage employees to continue in our employ and to motivate employees through an ownership interest in the Company. Under our ESPP, employees may purchase shares of our common stock at a discount to the market price, subject to certain limits, with the objective of allowing employees to profit when the value of our common stock increases over time.

It is generally our policy to not extend significant perquisites to our named executive officers that are not available to our employees generally. We have no structured perquisite benefits for any named executive officer, and we currently do not provide any deferred compensation programs or supplemental pensions to any named executive officer. We have no current plans to make changes to levels of benefits and perquisites provided to executives.

Stock Ownership Guidelines

Stock ownership guidelines have not been implemented by the Board for our Executives. We will continue to periodically review best practices and re-evaluate our position with respect to stock ownership guidelines.

Deductibility of Compensation under Section 162(m)

Section 162(m) of the Internal Revenue Code of 1986 limits our deduction for federal income tax purposes to not more than \$1 million of compensation paid to certain executive officers in a calendar year. Compensation above \$1 million may be deducted if it is "performance-based compensation." The Compensation Committee has not yet established a policy for determining which forms of incentive compensation awarded to our Executives will be designed to qualify as "performance-based compensation." To maintain flexibility in compensating our Executives in a manner designed to promote our objectives, the Compensation Committee has not adopted a policy that requires all compensation to be deductible. However, the Compensation Committee intends to evaluate the effects of the compensation limits of Section 162(m) on any compensation it proposes to grant, and the Compensation Committee intends to provide future compensation in a manner consistent with our best interests and those of our stockholders.

SUMMARY COMPENSATION TABLE

The following table shows the compensation paid, to or earned by, the Executives for the fiscal years ended December 31, 2007 and 2006.

Summary Compensation Table (1)

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (2) (\$)</u>	<u>Option Awards (3) (\$)</u>	<u>Non-Equity Incentive Plan Compensation (4) (\$)</u>	<u>Total (\$)</u>
Kevin C. Hell, Chief Executive Officer	2007	307,292	—	472,875	667,683	370,297	1,818,147
	2006	228,125	—	16,150	—	190,699	434,974
Dan L. Halvorson, Executive Vice President and Chief Financial Officer	2007	162,500	—	—	430,204	277,500	870,204
David J. Richter, Executive Vice President, Corporate Development and Legal	2007	300,000	—	—	468,649	361,547	1,130,196
	2006	228,125	100,000	110,021	100,011	190,699	728,856
R. Jordan Greenhall, Former Chief Executive Officer (5)	2007	190,634	—	—	981,332	96,785	1,268,751
	2006	211,187	100,000	—	185,587	175,870	672,644
J. Christopher Russell, Former Chief Technology Officer, Strategy and Technology (6)	2007	300,000	—	—	486,649	361,547	1,148,196
	2006	211,875	—	19,005	79,324	174,675	484,879
John A. Tanner, Former Chief Financial Officer (7)	2007	117,115	—	—	245,333	61,547	423,995
	2006	228,125	100,000	92,453	247,450	190,699	858,727
Darrius N. Thompson, Former Co-Founder and General Manager (8)	2007	322,028	—	—	245,333	119,047	686,408

- (1) In accordance with the rules of the SEC, the compensation described in this table does not include perquisites and other benefits received by a Named Executive Officer which do not exceed \$10,000 in the aggregate.
- (2) Amounts listed in this column represent the dollar amount we recognized for financial statement reporting purposes during 2006 and 2007 under SFAS No. 123R for shares of common stock issued upon exercise of stock options prior to the vesting date of such options. In the case of Mr. Hell, the amount listed includes a restricted stock award to purchase 37,500 shares of our common stock. Assumptions made for the purpose of computing these amounts are discussed in our Annual Report on Form 10-K for the years ended December 31, 2006 and 2007 in “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies-Stock-Based Compensation” and specifically Note 1 to Financial Statements under the heading “Stock-Based Compensation.” The actual amount ultimately realized by a Named Executive Officer will likely vary based on a number of factors.
- (3) Amounts listed in this column represent the dollar amount we recognized for financial statement reporting purposes during 2006 and 2007 under SFAS No. 123R for outstanding options to purchase shares of our common stock. Assumptions made for the purpose of computing these amounts are discussed in our Annual Report on Form 10-K for the years ended December 31, 2006 and 2007 in “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies-Stock-Based

Compensation” and specifically Note 1 to Financial Statements under the heading “Stock-Based Compensation.” The actual amount ultimately realized by a Named Executive Officer will likely vary based on a number of factors.

- (4) Represents amounts earned pursuant to our 2006 and 2007 Executive Cash Bonus Plan.
- (5) Mr. Greenhall resigned as Chief Executive Officer of the Company in July 2007, and as a director in December 2007.
- (6) Mr. Russell resigned as Chief Technology Officer, Strategy and Technology of the Company in February 2008.
- (7) Mr. Tanner resigned as Chief Financial Officer of the Company in May 2007.
- (8) Mr. Thompson resigned as General Manager of the Company in December 2007.

Potential Payments Upon Change-In-Control

The following table sets forth potential payments and benefits to be received by the Executives upon a change in control event assuming such event occurred as of December 31, 2007.

CHANGE-IN-CONTROL		Payment or Benefit Amount (1)
<u>Name</u>	<u>Type of Benefit</u>	<u>(\$)</u>
Kevin C. Hell	Cash Severance Benefits	\$ 700,000
	Bonus Severance Benefits	\$ 700,000
	COBRA Benefits	\$ 16,317
	Vesting Acceleration (2)	\$ 144,008
	Tax-Gross Up	\$ 686,543
	Total Termination Benefits	\$2,246,868
Dan L. Halvorson	Cash Severance Benefits	\$ 600,000
	Bonus Severance Benefits	\$ 600,000
	COBRA Benefits	\$ 11,590
	Vesting Acceleration (2)	\$ 1,320
	Tax-Gross Up	\$ 533,680
	Total Termination Benefits	\$1,746,590
David J. Richter	Cash Severance Benefits	\$ 600,000
	Bonus Severance Benefits	\$ 600,000
	COBRA Benefits	\$ 13,704
	Vesting Acceleration (2)	\$ —
	Tax-Gross Up	\$ 534,030
	Total Termination Benefits	\$1,747,734
J. Christopher Russell (3)	Cash Severance Benefits	\$ 600,000
	Bonus Severance Benefits	\$ 600,000
	COBRA Benefits	\$ 11,590
	Vesting Acceleration (2)	\$ 464,068
	Tax-Gross Up	\$ 737,290
	Total Termination Benefits	\$2,412,948

(1) Unless otherwise indicated, amounts shown in this column represent the amounts payable to the Executive pursuant to the Company’s Change-in-Control Severance Plan, which provides for a payment to our Executives of 24 months of base salary, a bonus equal to two hundred percent of the Executive’s annual target bonus to be paid out in a single lump-sum within 10 days following the termination of employment of any of our current Executives, COBRA benefits equal to 12 months of premiums for medical, dental and vision coverage, the vesting of all unvested equity awards (and the expiration of all repurchase rights) with respect to equity awards subject to time-based and performance-based vesting, and gross-up payments equal

- to the amount of any excise tax imposed on payments resulting from a change-in-control that constitute a parachute payment and are subject to excise tax imposed by the Internal Revenue Code.
- (2) This amount represents the fair market value as of December 31, 2007 of in-the-money unvested options and unvested shares of our common stock, the vesting of which would have accelerated if the Executive was terminated on December 31, 2007 in connection with a change-in-control, less the exercise price of the respective options.
- (3) Mr. Russell resigned as Chief Technology Officer, Strategy and Technology of the Company in February 2008.

GRANTS OF PLAN-BASED AWARDS

The following table shows for the fiscal year ended December 31, 2007, certain information regarding grants of plan-based awards to the Executives:

Grants of Plan-Based Awards in Fiscal 2007 (1)

Name (a)	Grant Date (b)	Approval Date	All Other Stock	All Other Option	Exercise or Base	Grant Date Fair
			Awards: Number of Shares of Stock or Units (#) (i)	Awards: Number of Securities Underlying Options (2) (#) (j)	Price of Option Awards (\$/Sh) (k)	Value of Stock and Option Awards (3) (\$) (l)
Kevin C. Hell	05/04/07	05/03/07(4)	—	216,000	\$17.15	\$1,967,954
	05/04/07	05/03/07(4)	—	72,000(5)	\$17.15	\$ 655,985
	07/26/07	07/26/07	37,500(6)	—	—	\$ 472,875
	08/14/07	08/14/07	—	25,000(8)	\$13.96	\$ 182,728
	11/08/07	11/08/07	—	475,000	\$17.57	\$4,399,925
Dan L. Halvorson	06/13/07	06/05/07(7)	—	350,000(8)	\$15.92	\$2,992,150
	08/14/07	08/14/07	—	36,000	\$13.96	\$ 263,128
David J. Richter	08/14/07	08/14/07	—	36,000(9)	\$13.96	\$ 263,128
	05/04/07	05/03/07(4)	—	108,000	\$17.15	\$ 983,977
	05/04/07	05/03/07(4)	—	36,000(5)	\$17.15	\$ 327,992
R. Jordan Greenhall	05/04/07	05/03/07(4)	—	432,000(10)	\$17.15	\$3,935,909
	05/04/07	05/03/07(4)	—	144,000(5)	\$17.15	\$1,311,970
J. Christopher Russell	05/04/07	05/03/07(4)	—	108,000	\$17.15	\$ 983,977
	05/04/07	05/03/07(4)	—	36,000(5)	\$17.15	\$ 327,992
	08/14/07	08/14/07	—	36,000(9)	\$13.96	\$ 263,128
John A. Tanner	05/04/07	05/03/07(4)	—	108,000(10)	\$17.15	\$ 983,977
Darrius N. Thompson	05/04/07	05/03/07(4)	—	108,000(10)	\$17.15	\$ 983,977
	05/04/07	05/03/07(4)	—	36,000(5)	\$17.15	\$ 327,992

(1) On March 29, 2007, the Board of Directors approved the Company's 2007 Executive Cash Bonus Plan described under "Executive Cash Bonus Plan" above. If the Company achieved the Bronze level on a quarterly or annual basis, each of the Company's named executive officers would receive quarterly and/or annual bonuses in 2007 equal to up to an aggregate of 40% of base salary. If the Company achieved the Silver level on a quarterly or annual basis, each of the Company's named executive officers would receive quarterly and/or annual bonuses in 2007 equal to up to an aggregate of 80% of base salary. If the Company achieved the Gold level on a quarterly or annual basis, each of the Company's named executive officers would receive quarterly and/or annual bonuses equal to up to an aggregate of 80% to 200% of base salary, depending on the exact amount of revenue received and EBITDA obtained by the Company. If the

- Company achieved the Platinum level for the year, each of the Company's named executive officers would receive the bonus such named executive officer would receive if the Company had achieved the Gold level for the year, and would also be entitled to receive a ratable portion of 10% of the amount by which the EBITDA obtained by the Company for 2007, less excess capital expenses in excess of the budget previously approved by the Board of Directors, exceeded the top range of the EBITDA milestone for the Gold level for the year. There were no threshold, target or maximum payout levels under the 2007 Executive Cash Bonus Plan. The actual amount earned by the Company's named executive officers in 2007 is reported under the Non-Equity Incentive Plan Compensation column in the Summary Compensation table above.
- (2) Unless otherwise indicated, 1/48th of the total number of shares subject to this option vests on a monthly basis over the 48 months following the grant date.
 - (3) Amounts listed in this column represent the aggregate grant date fair value computed in accordance with SFAS No. 123R. Assumptions made for the purpose of computing these amounts are discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 in "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies – Stock-Based Compensation" and specifically Note 1 to Financial Statements under the heading "Stock-Based Compensation." The actual amount ultimately realized by a named executive officer will likely vary based on a number of factors.
 - (4) In December 2006, we adopted a policy pursuant to which, other than in the case of newly hired executive officers, grants of equity awards to our existing executive officers are only made on a quarterly basis, on the third trading day after the release of our quarterly earnings. On May 1, 2007 we announced our earnings for our first quarter ended March 31, 2007. On May 3, 2007, at a regularly scheduled meeting of our Board of Directors, the Board of Directors approved the grant of the options referenced in the table above effective May 4, 2007, the third trading day after the release of our quarterly earnings release. The options were granted on May 4, 2007 with exercise prices equal to the fair market value of our common stock as of such date.
 - (5) Represents options that were subject to 100% vesting upon the achievement of specific strategic and financial objectives established by the Board. Such objectives were not met and the options were cancelled in accordance with their terms.
 - (6) Represents a restricted stock award that was fully vested upon the date of issuance.
 - (7) On June 5, 2007 at a regularly scheduled meeting of our Board of Directors, the Board of Directors approved the option grant to Mr. Halvorson described in the table above effective upon the commencement of Mr. Halvorson's employment. Mr. Halvorson commenced employment with us on June 13, 2007 and the option referenced above was granted as of such date with an exercise price equal to the fair market value of our common stock as of such date.
 - (8) 25% of the total number of shares subject to this option grant vest on the one-year anniversary of the grant date with the remainder vesting over the following 36 months.
 - (9) Represents an option grant that was subject to 100% vesting upon the achievement of specific strategic and financial objectives established by the Board. Such objectives were met and the options have vested in full.
 - (10) Subsequent to the issuance of these options and prior to December 31, 2007, the recipient of these options ceased providing service to the Company and all or a portion of the options were cancelled in accordance with its terms.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR—END.

The following table summarizes the number of securities underlying outstanding equity awards for our Executives as of December 31, 2007. Certain options listed in the table permit early exercise of unvested shares, in which case all unvested shares are subject to repurchase by the Company.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2007

Name (a)	Grant Date	Option Awards (1)				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (2) (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (j)
Kevin C. Hell	12/01/2002(3)	60,355	—	\$ 0.12	09/10/2013	—	—
	09/10/2003(3)	17,351	—	\$ 0.12	09/10/2013	—	—
	10/03/2003(3)	17,351	—	\$ 0.12	10/03/2013	—	—
	04/07/2004(3)	1,723	—	\$ 0.12	04/07/2017	—	—
	04/07/2004(3)	17,351	—	\$ 0.12	04/07/2017	—	—
	01/12/2005(4)	40,000(7)	—	\$ 0.80	01/12/2015	—	—
	05/04/2007(4)	49,500	166,500	\$17.15	5/4/2017	—	—
	08/14/2007(6)	—	25,000	\$13.96	8/14/2017	—	—
	11/08/2007(4)	9,895	465,105	\$17.57	11/08/2017	—	—
Dan L. Halvorson	08/14/2007(4)	3,000	33,000	\$13.96	8/14/2017	—	—
	06/13/2007(6)	—	350,000	\$15.92	06/13/2007	—	—
David J. Richter	05/12/2004(6)	—	—	—	—	11,719	\$164,066
	03/09/2005(6)	—	—	—	—	8,203	\$114,842
	03/09/2005(6)	—	—	—	—	8,203	\$114,842
	05/04/2007(4)	24,750	83,250	\$17.15	05/04/2017	—	—
	08/14/2007(5)	36,000	—	\$13.96	08/14/2017	—	—
R. Jordan Greenhall	05/04/2007(3)	81,000	—	\$17.15	05/04/2017	—	—
J. Christopher Russell	02/15/2005(6)	—	—	—	—	7,292	\$102,088
	07/28/2005(6)	—	—	—	—	6,928	\$ 96,992
	03/23/2006(6)	56,250(8)	—	\$ 3.00	03/21/2016	—	—
	05/04/2007(4)	24,750	83,250	\$17.15	05/04/2017	—	—
	08/14/2007(5)	36,000	—	\$13.96	08/14/2017	—	—
Darrius N. Thompson	04/07/2004(3)	188	—	\$ 0.12	04/07/2014	—	—
	11/17/2005(4)	2,083	—	\$ 1.80	11/17/2015	—	—
	05/04/2007(4)	24,750	—	\$17.15	05/04/2017	—	—

(1) All grants of stock options to our Executives, as well as to other employees, are granted with exercise prices equal to the fair market value of our common stock on the respective grant dates. The fair market value is determined on the basis of the closing sales price on the Nasdaq Global Market for the date of grant. For a discussion of the determination of the fair market value of these grants, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Stock-Based Compensation” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007. The Company does not grant options at a discount to fair market value or reduce the exercise price of outstanding stock options except in the case of a stock split or other similar event. The Company does not grant stock options with a so-called “reload” feature, nor does it loan funds to employees to enable them to exercise stock options. The Company’s long-term performance ultimately determines the value of stock options, because gains from stock option exercises are entirely dependent on the long-term appreciation of the Company’s stock price.

- (2) Represents shares of common stock subject to repurchase by the Company as of December 31, 2007 that were issued upon exercise of stock options prior to the vesting date of such options.
- (3) This option grant vested in full as of December 31, 2007.
- (4) 1/48th of the total number of shares subject to this option grant vests on a monthly basis over the 48 months following the grant date.
- (5) Represents options that were subject to 100% vesting upon the achievement of specific strategic and financial objectives established by the Board. Such objectives were met and the options have vested in full.
- (6) 25% of the total number of shares subject to this Executive's options vest on the one-year anniversary of the applicable grant date with the remainder vesting over the following 36 months.
- (7) 10,834 of the shares subject to such options were unvested but exercisable as of December 31, 2007
- (8) 42,188 of the shares subject to such options were unvested but exercisable as of December 31, 2007

OPTION EXERCISES AND STOCK VESTED

The following table provides information regarding the number of shares of common stock acquired and the value realized pursuant to the exercise of stock options, and all stock awards vested and the value realized pursuant to the vesting of stock awards, during 2007 by each of our Executives.

OPTION EXERCISES AND STOCK VESTED IN FISCAL 2007

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise (1) (\$) (c)	Number of Shares Acquired on Vesting (2) (#) (d)	Value Realized on Vesting (3) (\$) (e)
Kevin C. Hell	—	\$ —	—	\$ —
Dan L. Halvorson	—	\$ —	—	\$ —
David J. Richter	—	\$ —	42,187	\$713,488
R. Jordan Greenhall	37,500	\$ 574,875	—	\$ —
J. Christopher Russell	18,750	\$ 322,279	10,645	\$174,329
John A. Tanner	50,001	\$ 620,382	25,720	\$ 82,304
Darrius N. Thompson	165,555	\$2,212,078	—	\$ —

- (1) The value realized on exercise is equal to the difference between the option exercise price and the closing price of our common stock on the date of exercise, multiplied by the number of shares subject to the option grant, without taking into account any taxes that may be payable in connection with the transaction.
- (2) Represents the number of shares of common stock which were originally acquired upon the exercise of stock options prior to the vesting date of such options that vested during 2007.
- (3) The value realized on vesting is equal to the value of the underlying shares of common stock on each vesting date, without taking into account any taxes that may be payable in connection with the transaction.

Pension Benefits

The Company does not sponsor any qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

The Company does not maintain any non-qualified defined contribution or deferred compensation plans.

Equity Compensation Plan Information

The following table provides certain information as of December 31, 2007, with respect to all of the Company's equity compensation plans in effect on that date.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders (1)	4,244,829	14.04	6,935,217
Equity compensation plans not approved by stockholders (2)	—	—	—
Total	4,244,829	14.04	6,935,217

(1) Includes shares available for future issuance under the 2000 Stock Option Plan, or 2000 Plan, and 2006 Equity Incentive Plan, or 2006 Plan. As of December 31, 2007, an aggregate of 988,530 shares of the Company's common stock were available for issuance under the 2000 Plan and 5,946,687 shares of the Company's common stock were available for issuance under the 2006 Plan.

(2) As of December 31, 2007, the Company did not have any equity compensation plans that were not approved by its stockholders.

DIRECTOR COMPENSATION

In October 2007, our Board of Directors adopted a compensation plan for our non-employee directors, or Board Compensation Plan. Pursuant to the Board Compensation Plan, each member of our Board of Directors who is not our employee is entitled to receive the following cash compensation for board services, as applicable:

- \$25,000 per year for services as a board member;
- \$1,500 for each in-person board meeting and \$750 for each telephonic board meeting attended;
- \$10,000 per year for services as chairperson of the Audit Committee;
- \$5,000 per year for services as chairperson of the Compensation Committee and Nominating and Corporate Governance Committee; and
- \$1,000 for each in-person committee meeting and \$500 for each telephonic committee meeting attended.

The Board Compensation Plan provides that each new non-employee director appointed to serve on our Board of Directors shall receive an initial option to purchase 30,000 shares of our common stock with an exercise price equal to the fair market value of our common stock on the date of grant. The Board Compensation Plan also provides that, commencing in 2008, each non-employee director is entitled to receive an annual stock option grant to purchase 15,000 shares of our common stock with an exercise price equal to the fair market value of our common stock on the date of grant. Each of these option grants vest over a four-year period, 25% of which vest on the first anniversary of the date of grant and the remainder in a series of 36 successive equal monthly installments thereafter. Further, pursuant to the Board Compensation Plan, in the event of a change-in-control of the Company, each of our non-employee directors is entitled to receive one year of vesting acceleration for all unvested equity awards held by them.

The following table summarizes compensation that our directors earned during the fiscal year 2007 for services as members of our Board. In addition to paying the fees to our directors described in the table below, the Company has reimbursed and will continue to reimburse its non-employee directors for their reasonable expenses incurred in attending meetings of the Board of Directors and committees of the Board of Directors.

DIRECTOR COMPENSATION FOR 2007

<u>Name (a)</u>	<u>Fees Earned or Paid in Cash (1) (\$)</u>	<u>Total (\$)</u>
Frank Creer	30,000	30,000
Fred Gerson	35,000	35,000
Kevin C. Hell	—	—
Christopher McGurk	30,000	30,000
Jerry Murdock	25,000	25,000
Jérôme J.P. Vashisht-Rota	—	—

(1) Amounts listed in this column consist of meeting attendance fees, annual retainers and, if applicable, committee chair retainers.

TRANSACTIONS WITH RELATED PERSONS

Pursuant to its charter, the Audit Committee is charged with reviewing and approving any related-person transactions. In considering related-person transactions, the Audit Committee considers the relevant available facts and circumstances, including, but not limited to, (i) the risks, costs and benefits to us, (ii) the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated, (iii) the terms of the transaction, (iv) the availability of other sources for comparable services or products and (v) the terms available to or from, as the case may be, unrelated third parties or to or from employees generally. In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval. In determining whether to approve, ratify or reject a related-person transaction, the Audit Committee evaluates whether or not, in light of known circumstances, the transaction is inconsistent with, our best interests and those of our stockholders.

The Company has entered into indemnity agreements with certain officers and directors which provide, among other things, that the Company will indemnify such officer or director, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines, settlements and any other amounts he or she may be required to pay in actions, suits or proceedings which he or she is or may be made a party to or threatened to be made a party by reason of his or her position as a director, officer or other agent of the Company, and otherwise to the fullest extent permitted under Delaware law and the Company's Bylaws.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports and Notices of Internet Availability of Proxy Materials with respect to two or more stockholders sharing the same address by delivering a single proxy statement or Notice of Internet Availability of Proxy Materials addressed to those stockholders. This process, which is commonly referred to as “householding,” potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are DivX stockholders will be “householding” our proxy materials. A single proxy statement or Notice of Internet Availability of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in “householding” and would prefer to receive a separate proxy statement and annual report and Notice of Internet Availability of Proxy Materials, please notify your broker. Direct your written request to DivX, Inc., 4780 Eastgate Mall, San Diego, California 92121, Attn: Investor Relations Department or contact the Company’s Investor Relations Department at (858) 882-0610. Stockholders who currently receive multiple copies of the proxy statement or Notice of Internet Availability of Proxy Materials at their addresses and would like to request “householding” of their communications should contact their brokers.

OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at DivX's 2008 Annual Meeting of Stockholders. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "David Richter", written in a cursive style.

David J. Richter
Secretary

April 25, 2008

