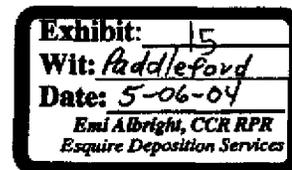

From: Erin Cullen
Sent: Wednesday, June 11, 2003 6:57 PM
To: Digital Media Mktg Fulltime Employees; Digital Media Division PR Announcements
Cc: Christina Calio; John Paddleford; Chris Weinstein (LCA); Sullivan, Nancy; Digital Media Division PR Team; wdmdpr@webeshandwick.AM; DMD Partnership Development Group; Digital Media Strategy Leadership Team; Lisa Gurry; Hadi Partovi
Subject: WDMD News: MusicNet Adopts WM9S

Tomorrow Thursday June 12th, MusicNet and Microsoft are announcing that MusicNet will offer its entire music library to distribution partners utilizing Windows Media 9 Series. The MusicNet service offers more than 350,000 songs from all five major labels and leading independents. With the availability of audio tracks in Windows Media 9 Series, MusicNet enables its distribution partners to deliver high-quality audio downloads as well as instant-on streaming experiences to music fans and extensive device support with more than 50 portable music devices that support Windows Media.

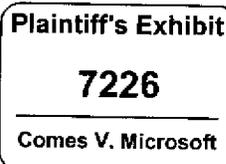
MusicNet conducted several pre-briefs with press today and expect coverage to appear tomorrow in the following publications: *Hollywood Reporter*, *WSJ*, *LA Times*, *Reuters*, *AP*, *Billboard Bulletin*, *Seattle Post Intelligencer*, *MSNBC*, and the *San Jose Mercury News*.

Please find the release and talking points/Q&A are attached.

Thanks
Erin



3/15/2004



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Microsoft/MusicNet Talking Points and Q&A

Talking Points:

- MusicNet and Microsoft are pleased to announce that MusicNet will offer distributors audio files encoded in the Windows Media 9 Series format; available by July 15th.
 - ❖ This is an important step in MusicNet's ongoing strategy to serve as a business-to-business digital music company; by offering WMA files MusicNet allows its distribution partners the flexibility to make choices that are best for their business and for their consumers; the WMA format is widely distributed and is supported by more portable devices than any other CODEC
 - MusicNet's adoption of WM9S technology offers digital music fans and distribution partners flexibility of previously unavailable portable device support
 - ❖ Windows Media 9 Series delivers the highest quality creation and delivery of digital media for partners and best playback experience for consumers
 - ❖ This is the first time any digital music subscription service has offered multiple file formats and delivers on MusicNet's strategy of pursuing a technology-agnostic, market-tailored approach. MusicNet offers more than 350,000 songs and growing consistently
- Fast Streaming technology in the new server delivers a virtually "instant-on" playback experience for Windows Media Player 9 Series users

Q&A:

Q: Tell us a little bit about what you're announcing today.

A: MusicNet and Microsoft announced that MusicNet will offer distributors audio tracks in Windows Media 9 Series. This is the first time any digital music subscription service has offered multiple file formats. Its an important milestone in MusicNet's commitment to being the leading business-to-business digital music company and therefore presents our distributors with choices of file formats. A relationship with Microsoft is very important because the Windows Media format is widely used by digital music fans. Also, Windows Media 1 is supported by more than 50 portable devices.

By working with a leading format provider, Windows Media, MusicNet is able to partner with the broadest array of distributors because MusicNet can provide them, and ultimately their customers, with their preferred technology. This announcement furthers MusicNet's strategy to become truly technology agnostic, which enables them to build a suite of technology offerings that are customized for each distributor.

Q: Does this mean that AOL will offer MusicNet's music files in the Windows Media format? Didn't AOL just announce a relationship with Dolby AAC?

A: AOL may choose to also offer music in Windows Media 9 Series. MusicNet's flexible approach enables content distributors to determine what is best for their customers.

Q: When will MusicNet announce more distributors?

A: MusicNet is in talks with several potential distributors. MusicNet will let you know when we have an announcement to make.

Microsoft: You will need to talk to MusicNet

Q: Is MusicNet's relationship with Microsoft the reason for the recent announcement from RealNetworks to drop MusicNet and go with Rhapsody?

A: No. <<MusicNet to add more here>>

Q: Is Microsoft now helping to fund MusicNet?

A: No, this announcement is about MusicNet's adoption of Windows Media 9 Series.

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Q: What devices are compatible with the WMA format?

A: <http://www.microsoft.com/windows/windowsmedia/mediaent/conselec/default.aspx>

MusicNet: You will need to talk to Microsoft.

Q: What is Windows Media quality of file format?

A: Microsoft Windows Media Audio (WMA), offers superior digital audio reproduction, 5.1 surround sound and near-CD-quality at half the file size of MP3, which guarantees the best digital music experience <<I do not know the file quality - i.e. 128/192kbps or greater - need MusicNet biz dev to advise>>

MusicNet: You will need to talk to Microsoft.

Q: Will MusicNet offerings be available via the premium services tab in the Windows Media Player 9 Series?

A: Once there are additional distribution partners, this certainty is possible.

Q: What does the AOL/Microsoft agreement that was announced last week mean for MusicNet?

A: MusicNet is thrilled to see Microsoft and AOL working together since we have relationships with both companies. MusicNet hopes to build on both of these partnerships as we continue to move forward as a leading business-to-business player in the digital music space.

MusicNet: You will need to talk to Microsoft.

Q: What are the specific deliverables and timing for the cooperation between AOL and Microsoft on digital media?

A: The companies have created a framework in which to address the diversity of challenges involved in delivering on the opportunity of the digital ecosystem. These challenges include increasing the supply of legitimate content, improving technical capabilities for protecting intellectual property, informing consumers about what they are acquiring, and the evolution of sound public policy. The companies have agreed to work together wherever possible to make progress on all these issues.

MusicNet: You will need to talk to Microsoft.

Q: How does this affect MusicNet's relationship with RealNetworks?

A: MusicNet will continue to encode files in the Real file format (Real Audio 8) in addition to Windows Media 9 Series, as an option for distributors to offer to their customers. In keeping with MusicNet's business-to-business model, we offer our distribution partners many options and features. However, we work closely with our distributors to create a customized digital music service that is right for their customers, which may or may not contain all of the features we offer. Essentially its up to the distributor to select the best consumer offer for their customers.

Microsoft: You will need to talk to MusicNet

Q: How does this affect Microsoft's partnership with Pressplay and/or MusicNow?

A: Microsoft's role is to provide the underlying audio and video technology and digital rights management that many of the leading music services and direct download stores use today. We've honed this technology for more than 3 years to deliver the best possible sound quality in the smallest file size - and to ensure playback in over 200 consumer electronics devices, over 50 of which are digital music players. Windows Media has hundreds of partners in the entertainment space including MusicNet, pressplay, MusicNow, MSN Music, UMG, Liquid Audio, OD2, and several others both in the US and Internationally.

MusicNet: You will need to talk to Microsoft.

Q: What is MusicNet's subscriber base? Are you releasing numbers yet?

A: Since MusicNet is a private company, they do not release these figures. We can tell you that we have exceeded expectations with MusicNet on AOL and currently have more than three times the combined subscriber total of our competitors. We are looking forward to many more partnerships with distributors that will continue the success that MusicNet has with AOL.

Microsoft: You will need to talk to MusicNet.

Q: Will MusicNet add additional file formats such as Dolby AAC?

A: Because of the way we designed the MusicNet service, we can support any file format. If a distributor is interested in a particular file format for their customers, we can add another file format to our system very quickly and inexpensively. We have not ruled out any file formats, however our selection is based on distributors needs.

Microsoft: You will need to talk to MusicNet.

Q: Where else can I find music in Windows Media?

A: Windows Media adoption includes most of the top online music sites and services today (list below) offering robust, competitively priced services already offering consumers options to for internet radio, CD burning, device transfer, streaming, artist recommendations, etc.

US Services

- ◆ Amazon
- ◆ All Media Guide (AMG)
- ◆ Best Buy
- ◆ Billboard.com
- ◆ Blastro.com
- ◆ CDNow
- ◆ Scour.com (CenterSpan Communications Corp.)
- ◆ Classical.com
- ◆ Cornerstone Digital
- ◆ Dancepass.net
- ◆ eClassical.com
- ◆ FMI TV.com
- ◆ Global Music Network Inc.
- ◆ HMV
- ◆ Liquid Audio Inc.
- ◆ Ministry of Sound
- ◆ MSN Music
- ◆ Music Choice
- ◆ MUSICMATCH
- ◆ Rhapsody (Listen.com)
- ◆ RollingStone.com
- ◆ Tower Records
- ◆ VH1.com
- ◆ VirginMega
- ◆ Wantmymusic.com
- ◆ Yahoo (Launch Media Inc.)
- ◆

International Services

- ◆ About Media - Taiwan
- ◆ Avex - Japan
- ◆ Chungwa Telecom - Taiwan
- ◆ e-Compil - France
- ◆ MTV Europe
- ◆ Music Brigade-Sweden
- ◆ OD2 - UK
- ◆ Rock Records - Japan
- ◆ Soundbuzz - Asia
- ◆ Tiscali Music Services - Europe
- ◆ Virgin Mega - France
- ◆ Wannadoo - France

Digital downloads

Major music companies such as Sony, Warner, BMG, UMG and EMI as well as leading music services such as pressplay, MusicNow, Listen.com, UMG, Billboard.com, Rollingstone.com, Tower Records and many others have embraced Windows Media for their digital e-commerce initiatives.

For Release 6 a.m. PDT
June 12, 2003

**MusicNet Announces Delivery of Entire Music Library
In Windows Media 9 Series**

*Windows Media 9 Series Offers Fast Streaming and Extensive Device Support
For MusicNet Distributors*

NEW YORK and REDMOND, Wash. — June 12, 2003 — MusicNet, a leading digital music company, today announced it is now offering its entire music library of audio tracks in Microsoft® Windows Media® 9 Series. The MusicNet service offers more than 350,000 songs from all five major labels and leading independents. This marks the first time a digital music service has provided such a comprehensive offering, including permanent downloads, CD burning, broad device support and multiple file formats.

With the availability of audio tracks in Windows Media 9 Series, MusicNet enables its distribution partners to deliver high-quality audio downloads as well as instant-on streaming experiences to music fans with Fast Streaming technology in Windows Media Services 9 Series, a feature of the recently released Microsoft Windows Server™ 2003. Fast Streaming can deliver virtual instant-on playback for users of Windows Media Player 9 Series when they are streaming music clips on broadband connections. In addition, MusicNet distribution partners can provide customers with extensive device flexibility with Windows Media on more than 50 supported portable music devices. Windows Media offers consumers the ability to enjoy twice as much music on their portable music device as they can with MP3, without sacrificing quality, meaning more music with more choice.

- more -

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"This milestone marks the first time a digital music service has offered multiple file formats," said Alan McGlade, president and CEO of MusicNet. "The addition of Windows Media 9 Series gives MusicNet a clear advantage in offering music fans high-quality audio tracks through our distribution partners. This announcement furthers MusicNet's strategy to build a flexible suite of service offerings that are customized for each distributor."

"This is a significant step in the evolution of digital music distribution, and MusicNet is an important player in this arena," said Dave Fester, general manager of the Windows Digital Media Division at Microsoft. "MusicNet's adoption of Windows Media 9 Series offers consumers near instantaneous playback of hundreds of thousands of tracks in the highest quality audio available, and the option for fans to enjoy their favorite artists' songs on an array of portable devices."

About MusicNet

MusicNet is a leading digital music company. The most widely distributed digital music service for streaming, downloading and burning music online, MusicNet offers the music of major and independent record labels — including Warner Music Group, BMG Entertainment, EMI Recorded Music, Sony Music Entertainment, Universal Music Group, Zomba, Ritmoteca, Brentwood Music and Sanctuary. As both a service and music content provider, MusicNet supports companies seeking to fully integrate digital music services into their online music offerings.

About Windows Media

Windows Media is the leading digital media platform, used by consumers, content providers, solution providers, software developers and corporations throughout the world. The Windows Media 9 Series platform includes Windows Media Player 9 Series; Windows Media

- more -

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Services 9 Series, the powerful streaming server feature in Windows Server™ 2003 for distributing content; Windows Media Encoder 9 Series for content creation; Windows Media Audio and Video 9 Series for the best-quality audio and video; Windows Media Digital Rights Management to help protect content; and the Windows Media Software Development Kit for software developers to develop digital media products and services. Windows Media Player, available in 26 languages, is now the leading media player. More information about Windows Media can be found at <http://www.microsoft.com/windowsmedia/>.

About Microsoft

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and Internet technologies for personal and business computing. The company offers a wide range of products and services designed to empower people through great software — any time, any place and on any device.

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