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**MUSICMATCH Response to Joint Committee of the Higher
Education and Entertainment Communities Request for
Information**

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1 Corporate Overview

MUSICMATCH offers a legitimate and comprehensive digital music solution – Jukebox, Downloads, MX Radio Services and Personalization & Recommendation technology – that can effectively compete with peer-to-peer networks on college/university campuses, curb illegal digital music consumption, and drive/optimize legitimate digital music consumption.

MUSICMATCH has the world's #1 best selling and best reviewed Jukebox software (MUSICMATCH Jukebox); the #1 digital music subscription service (MUSICMATCH MX); and the #1 Internet radio station (Artist MATCH). MUSICMATCH will launch the most innovative and compelling download service (MUSICMATCH Downloads) in early Fall of this year. Accordingly, MUSICMATCH alone offers a complete, compelling, unique and fully legitimate digital music offering.

Fast Facts About MUSICMATCH

- PC Magazine Editor's Choice Award for Best Music Player 4 years in a row
- More than 39 million copies of MUSICMATCH Jukebox software registered worldwide
- More than 12 million unique users per month
- More than 10 billion play events to date
- More than 20 million new play events per day
- More than 1.5 million unique listeners per month
- More than 7 million aggregate tuning hours per month
- More than 150,000 paying subscribers for MUSICMATCH MX radio service – significantly more than any other competitor
- More than 500,000 tracks and 45,000 albums across MUSICMATCH MX properties
- MUSICMATCH Downloads will be launching in the coming weeks with more than 200,000 downloadable tracks and 15,000 downloadable albums that legitimately can be burned to CDs and exported to portable devices
- Revenue growth of more than 50% for each of the last four years
- Cash flow positive for the last eight quarters

MUSICMATCH is the recognized leader in digital music, offering the world's most popular and innovative music jukebox software and services. More than 39 million copies of MUSICMATCH's award-winning Jukebox software have been registered worldwide, resulting in 12 million unique users per month and 20 million new play events per day. In addition, MUSICMATCH is a leading Webcaster with more than 1.5 million unique listeners per month translating into more than 7 million aggregate tuning hours and more than 150,000 paying subscribers for the MX radio services, more than any other competitor in the digital music space.

MUSICMATCH's software and services are the recognized "Gold Standard" in the industry, having won PC Magazine Editor's Choice Award for the Best Music Player four years in a row and similar accolades from other technology publications such as PC World, Computer Shopper and CNET. The Wall Street Journal's Walt Mossberg considers the MUSICMATCH Jukebox best in class. Moreover, MUSICMATCH has been cash flow positive for the last eight quarters, experiencing more than 50% revenue growth for each of the last four years. While other companies in the digital

music space have continued to struggle, leading to acquisitions at fire sale valuations, MUSICMATCH has already proven that it is creating an appetite for legitimate online music consumption.

In the coming weeks, MUSICMATCH will be adding the world's most compelling digital music track download service to our menu of offerings. MUSICMATCH is well positioned – through our leading edge technology and successful online services – to take advantage of the legitimate music space and drive significant unit volume and revenues. MUSICMATCH's download service will be similar to Apple's recently launched digital music download store in terms of ease-of-use, but will be far more robust in terms of music management functionality and patented personalization and recommendation technology that will facilitate and optimize impulse purchases. Moreover, MUSICMATCH will offer a broad library of content from both major and independent label artists.

The introduction of the digital music download service enhances MUSICMATCH's offerings to provide a comprehensive, soup-to-nuts online music experience through one tightly integrated platform.

See Section 2.5 for specific software and service descriptions and characteristics.

2 Technology

2.1 Network Architecture

MUSICMATCH has approximately 240 servers broken down into groups of machines based on their function in the site:

- Web servers
- Music Guide
- CD track lookup
- Track tagging and audio signature lookups
- Internal Jukebox processes
- Playlog processing and receiving
- Radio system

These systems are typically Linux (Red Hat) UNIX systems running Apache or Tomcat application servers and would be able to integrate easily into the campus network environment through conventional Internet connections to our assets in our ISP facility. Our typical yearly server growth depends largely on new projects etc, but is typically around 70 to 80 machines per year.

Database systems are currently Sun/Sparc (v880) servers running Oracle 9.2. Each server is typically connected at 100Mb fast Ethernet to Cisco Catalyst switches. Edge switches connect into the network core at Gig-E. Popularly accessed devices (database servers, Network Appliance disk arrays, etc.) are connected to the network core at Gig-E.

Our bandwidth to the Internet is Gigabit, running through Cisco CSS11800 content switches, which perform load balancing amongst the various web servers. This allows are systems to scale to very high volumes.

Most of our applications are developed within MUSICMATCH, including our CRM system and email sending. The exceptions to the homegrown applications are: Database server (Oracle), Ad-Server (Accipiter Ad-Engine), which runs on Sparc/Solaris, PaymentPlus/Paymentech/E4X/GlobalCollect (credit card processing), Marimba/Castanet (for software updates).

2.2 Scalability

MUSICMATCH currently hosts between 35,000 – 40,000 simultaneous users (these numbers apply to our current streaming service). Our current server architecture can handle up to 3X as many simultaneous users.

In addition, our Web & Music Guide Servers handle 300 transactions per second and our Ad Server also handles 300 transactions per second.

On a monthly basis, 170 terabytes are transmitted via our content delivery networks and software downloads.

During our busiest weeks, we experience between 350,000 – 400,000 unique visitors per day.

Particularly for streaming, our music storage servers are not stressed with traffic due to the heavy utilization of caching networks such as Akamai and Limelight. Since we outsource our content hosting, we are not concerned about scalability issues upon the launch of the download service.

2.3 Testing and Installed Base

MUSICMATCH Jukebox software has been commercially available since 1997 (6 years ago). The current version of the Jukebox software is 8.0 with version 8.1 (incorporating download functionality) to be released in the coming weeks. To date, more than 39 million copies of MUSICMATCH Jukebox software have been registered worldwide.

MUSICMATCH MX service was introduced in May 2001 (2 years ago) and has become the most successful digital music subscription service, aggregating more than 150,000 paying subscribers.

MUSICMATCH Downloads is currently in a public beta testing phase, after completing an extensive internal beta test.

Before releasing any major or minor versions, MUSICMATCH subjects the Jukebox software to a rigorous QA testing process, which includes the following elements:

- Test Planning - Test Plan documents functionality to be tested
- Preliminary QA Testing - Smoke Test to verify build stability before detailed testing begins
- Formal Qualification Testing - Testing of new features, regression testing, bug fix testing
- System Configuration Testing - Hardware/software compatibility testing
- Internal Beta Testing - In-house testing performed by a broader range of employees
- External Beta Testing - Testing performed by subset of our existing user base

- Silent Web Release - Post new Jukebox version on web and monitor
- Formal Web Release - Announce new release

2.4 Competitive Approaches

MUSICMATCH is the only successful digital music provider offering the full spectrum of software and services. While our competitors struggled to sustain their business models, leading to acquisitions at fire sale valuations, MUSICMATCH continues to set the standard in the online music space. We have experienced more than 50% revenue growth over the last four years and we have achieved positive cash flow over the last eight quarters, a claim which none of our competitors can come close to making. In addition, 39 million copies of our award-winning Jukebox software have been registered worldwide and we have quietly aggregated 150,000 paying subscribers. By our estimates, that is more paying subscribers than any of our competitors. Importantly, we are also known for being the innovators in the digital music space – developing the most compelling digital music experiences for the user.

MUSICMATCH survived the early volatility in the online music space by focusing on creating the best Jukebox software, rather than betting on fragmented service models. We were able to accomplish this objective. MUSICMATCH is the undisputed market leader in online music jukebox software, consistently recognized as the Best Music Player by PC Magazine and often cited by the Wall Street Journal's influential technology critic, Walt Mossberg.

MUSICMATCH entered online music services, specifically online radio, when the models became more acceptable to both content owners and consumers. We initially launched our DMCA-compliant Artist Match and later licensed content from major and independent labels to offer our customers more control over their favorite music through Artist On Demand. Again, with these services, MUSICMATCH became the recognized leader in online music subscription services. We will complete the full spectrum of online music service offerings by launching MUSICMATCH Downloads in the coming weeks and, just like we became a leader in Jukebox software and subscription services, we fully expect to become a leader in track downloads.

We view technology as our differentiating characteristic in the online music space. We have proven – through our broad distribution, usage and reviews - that MUSICMATCH Jukebox is the industry's leading player in terms of ease-of-use, features and functionality. We have layered state-of-the-art personalization and recommendation technology between the Jukebox software and services to facilitate music discovery. We firmly believe that wrapping “context around content” will significantly drive digital music consumption in the form of impulse track purchases (something that Apple's download store falls short of doing). Also, we have created a very simple one-click track purchase process, so that our customers can quickly access their favorite music rather than navigate through complex and time consuming check out processes.

The technology combined with a broad range of innovative services, including our upcoming track download service, yields a complete and unique online music experience, which we believe our competitors will not be able to deliver.

2.5 Technology/Service Characteristics

Products and Services

MUSICMATCH Jukebox

Currently, MUSICMATCH offers two versions of our Jukebox software – MUSICMATCH Jukebox Basic and MUSICMATCH Jukebox Plus. MUSICMATCH Jukebox Basic is a free offering and includes the following functionality: music player, music center, MP3 recorder, CD burner, music library management, portable device manager and music guide.

The MUSICMATCH Jukebox Plus enhances the following functionality of Jukebox Basic: MP3 recorder, CD burner and Super Tagging. It also adds CD label printing, line-in recording, volume leveling, slideshow and personalized customer service.

MUSICMATCH Jukebox Basic users can upgrade to the then current version of Jukebox Plus for \$19.99 or can upgrade to all-future versions for \$39.99.

MUSICMATCH MX

MX is MUSICMATCH's branded online radio streaming service. Two versions of MUSICMATCH MX are available – MX Gold and MX Platinum. MX Gold includes the Artist MATCH feature, which allows users to create and save stations containing music from specific and related artists. MUSICMATCH adheres to the DMCA Web casting rules for Artist MATCH.

MX Platinum adds two features to MX Gold – Artist ON DEMAND and Composer ON DEMAND. Artist ON DEMAND allows users to select the specific artist to whom they would like to listen and, similarly, Composer ON DEMAND allows users to listen to their favorite classical music. Composer ON DEMAND is a new feature that was launched in the last couple of months. MUSICMATCH has executed streaming content agreements for the Artist ON DEMAND feature with all five major record labels as well as a host of independent labels.

MUSICMATCH also offers a free version of radio, which has limited features and functionality compared to the premium MX services.

More than 500,000 tracks (and 45,000 albums) are available across all of MUSICMATCH's radio services.

MUSICMATCH encrypts components of streamed content to protect against theft and piracy.

Annual subscriptions are available for MX Gold and MX Platinum for \$2.95 per month and \$4.95 per month, respectively.

MUSICMATCH Downloads

MUSICMATCH Downloads will be launching in the very near future. More than 200,000 tracks and 15,000 albums from both major and independent labels artists will be available for download at the launch of the service. MUSICMATCH Downloads is tightly integrated with the MUSICMATCH Jukebox software.

Customers will be able to sample tracks for 30 seconds prior to purchasing. The usage rules for MUSICMATCH downloads will be the most compelling in the market, with each consumer having full ownership rights (i.e., burning, transfer to portable devices, multiple PCs). The MUSICMATCH Jukebox will support a broad array of DVD/CD burner hardware and portable devices, including flash-based and HD-based, upon launch of MUSICMATCH Downloads. Tracks will cost \$0.99 each and most albums will cost \$9.99 each. MUSICMATCH will support Windows Media DRM upon launch of the download service and will use the WMDRM as the basis for ensuring that copyrights are respected across all usage of downloaded media.

3 Corporate Characteristics and Resources

Founded in 1997, MUSICMATCH is the leading developer and distributor of digital music software and services. MUSICMATCH's corporate headquarters are located in San Diego, CA with a development office in Florida. MUSICMATCH currently employs 150. MUSICMATCH is a privately held company, incorporated in the state of Washington. Investors include Intel Capital, Redpoint Ventures and Thomson Multimedia. MUSICMATCH funds operations through positive cash flow and has seen significant revenue growth year-over-year for the last four years.

4 Pilot Testing

MUSICMATCH is willing to explore any number of pilot testing programs based on the specific requirements of each individual college/university. We will explore the operational and economic details on a case-by-case basis.