

BMG Unveils Comprehensive Online Digital Downloading Plans For The Year 2000 and Beyond

BMG Announces Strategic Relationships With Digital World Services, IBM, InterTrust, Liquid Audio, Microsoft and Reciprocal to Deploy Systems For Selling Digital Music Downloads Through Online Retailers This Summer

NEW YORK, NY, April 6, 2000 — BMG Entertainment today announced its overall plans for online digital downloading, which will be implemented for commercial deployment this summer through an open network of retail partners. As part of this announcement, BMG identified a series of strategic relationships, including support for IBM's Electronic Media Management System (EMMS), InterTrust Technologies Corporation's (Nasdaq: ITRU) Digital Rights Management technology and Windows Media™ Technologies. In addition, BMG announced alliances with Digital World Services and Reciprocal for digital rights management services, and has selected Liquid Audio (Nasdaq: LQID) to develop an open distribution infrastructure that will integrate various music delivery components into one interoperable system. These alliances represent a significant step for BMG toward making its artists' music widely available through secure, electronic distribution channels.

Under these agreements, BMG will offer music for sale through online retailers utilizing the IBM, InterTrust and Microsoft technology platforms. To facilitate commercial transactions between BMG, the retail channel and the consumer, BMG has established strategic relationships with Digital World Services and Reciprocal to provide clearinghouse services. These services will include packaging, account and customer information management, financial clearing and systems integration.

In addition, BMG has entered into an agreement with Liquid Audio to develop Command and Control Applications software to integrate component technologies from several companies and let BMG control the flow of content

online from the point of creation to retail delivery. Using Liquid Audio's RIMS and RIFFS Command and Control Applications, BMG will have one unified view to manage all their digital music assets, regardless of technology platform.

BMG will continue to monitor market developments and based on security, flexibility of business models, market reach and retail and consumer response, will narrow the number of technologies it supports in the future.

BMG's initiatives will launch this summer with a rich content offering comprising current hits and catalog product that consumers can experience through SDMI-compliant software and hardware products. The number of titles made available through these initiatives will ramp up significantly, with the goal of having a substantial amount of music available for sale through electronic distribution by this holiday season.

"After many months of performing extensive technical and business due diligence on the long list of companies moving into the digital music market, we are pleased to take these important and very exciting steps toward making our artists' music widely available through digital downloading," said Kevin Conroy, Sr. Vice President, Worldwide Marketing and New Technology, BMG Entertainment.

"The technologies and clearinghouses that BMG has selected will enable us to achieve the greatest possible reach and provide consumers with the best possible experience while protecting our artists' rights," Conroy continued. "SDMI has played a crucial role in creating an environment that encourages these types of strategic relationships, and we believe that the steps we are taking will help to accelerate the development of a legitimate commercial market for digital downloads of our artists' music."

A significant driving force behind BMG's strategy is to establish business relationships that will create an environment that enables BMG's current and future retail partners to integrate efficiently with BMG's systems for digital downloading.

"BMG strongly believes that the retail channel will be a critical element to connecting our artists with their fans in the electronic distribution environment," said Pete Jones, President & CEO, BMG Distribution & BMG Associated Labels. "Consequently, we have established a strategic framework that will enable our retail partners to take advantage of significant opportunities this year, and will provide a clear pathway for the retail community to more than keep pace with future advances in technology."

BMG's strategy is rooted in an effort to provide direction to the consumer electronics, software and retail sectors, while promoting a high level of interoperability between key elements of the digital distribution value chain. To this end, two key elements of BMG's partnerships are commitments from technology providers to widely license their products on a non-exclusive basis, and for clearinghouse operators to support multiple technologies. This is consistent with BMG's desire to foster a competitive digital marketplace in which business considerations drive the development of new technology and services.

Johann Butting, CEO of Bertelsmann's Digital World Services said: "Digital World Services is extremely enthusiastic about our strategic partnership with BMG and how it will help facilitate BMG's groundbreaking efforts in secure online digital music delivery. As a result of our alliance with BMG, Digital World Services has developed digital rights management services that meet the specific needs of the music industry, enabling us to provide efficient clearinghouse services and SDMI-compliant turnkey solutions including packaging and retailer integration."

"We are pleased to work with BMG again soon after our collaboration on the AlbumDirect consumer music distribution trial, which validated IBM's EMMS technology," said Richard K. Selvage, general manager, IBM Global Media and Entertainment Industry. "IBM is proud to be part of BMG's effort as it is an exciting proposition for the digital music marketplace and continued testament to the power of e-business."

"Intertrust is pleased to be the Digital Rights Management technology partner for BMG's digital downloading initiative," said Victor Shear, Chairman and CEO, InterTrust Technologies Corporation. "Combined with the services of our MetaTrust Partners we look forward to providing BMG with the Digital Rights Management technology to create an integrated music experience that will inspire artists, enable retailers, and create a compelling consumer experience."

"Liquid Audio's open distribution infrastructure bridges a wide range of music delivery technologies and will enable BMG to support all leading digital music standards in one interoperable system," said Gerry Kearby, chief executive officer of Liquid Audio, Inc. "Using our Command and Control Applications, BMG will be able to manage the flow of content from the point of creation to delivery, and simplify the retail experience when offering music in multiple formats."

"BMG is paving the way for the new era of digital music distribution, and we're pleased that Windows Media plays an integral role in this major step forward," said Will Poole, vice president of the Digital Media Division at Microsoft Corp. "BMG's selection of Windows Media technology ensures the widest possible audience of consumers for digital music while protecting the needs of artists and the industry."

"We applaud BMG for its pioneering move into the Digital Age and are thrilled to play a seminal role in the ongoing transformation of the music industry," said John Schwarz, President and CEO, Reciprocal. "This represents an important

milestone for BMG, Reciprocal and the music industry as a whole, and further validates our vision to provide services that leverage multiple DRM technologies and that enable the digital distribution of all forms of content.”

About BMG

BMG Entertainment is the \$4.7 billion worldwide music and entertainment division of Bertelsmann AG, one of the world's leading media companies, with annual revenues of \$16.4 billion. BMG owns more than 200 record labels in 53 countries, including Arista Records, RCA Records, Ariola and Windham Hill. BMG has been a leader in using the Internet to bring fans closer to their favorite artists. In addition to establishing GetMusic, an online content and commerce joint venture, BMG's online presence includes more than 30 wholly owned music & lifestyle Web sites around the world, and strategic marketing agreements with and key investments in leading online companies ARTISTdirect, Riffage.com, Egreetings Network, Listen.com and Eritmo.com, among others. BMG also owns the world's largest music club, one of the world's largest music publishing companies, and one of the world's leading compact disc and cassette manufacturing companies. Bertelsmann's North America interests also include the Random House Inc. book publishing group; and the Gruner + Jahr magazine publishing group, which includes *McCall's*, *Parents*, *Family Circle* and *YM* magazines, among others.

About Digital World Services

Digital World Services is providing clearinghouse services in digital rights management (DRM) for the entertainment and publishing industries, enabling content providers to exercise complete control over digitally delivered products. Based in New York and Hamburg, Germany, Digital World Services is a division of Bertelsmann AG, Europe's largest media company and a world leader in e-commerce for media products. In addition to clearinghouse operations including usage and financial clearing, Digital World Services offers capabilities for content preparation and secure packaging, as well as system integration tailored to

specific customer needs. By ensuring the protection of copyrights, Digital World Services enables content providers and distributors to deliver their digital products directly to consumers over the Internet and realize its full marketing and distribution potential. The company's technology partners include InterTrust, a leader in digital rights management technology, and Reciprocal Inc., who provide comprehensive global back-end services. Digital World Services is one of the founding members of the Secure Digital Music Initiative (SDMI) and actively assists in the development of international standards for securing digital products across all digital delivery platforms.

About IBM

IBM is the world's largest information technology company, with 80 years of leadership in helping businesses innovate. IBM is helping media and entertainment companies worldwide take advantage of the business opportunities made possible by digital technology. IBM offers a comprehensive portfolio of solutions, networking and service offerings that is transforming the traditional creative and business processes of media and entertainment companies and positioning them to leverage their intellectual assets into new commercial opportunities.

IBM's Electronic Media Management System (EMMS) is a sophisticated electronic media distribution management system designed to support all forms of media beginning first with music and audio content. EMMS was successfully tested in a broadband music distribution trial conducted with the five leading record companies last year. The system combines scalability and security features within an open architecture. Major components of EMMS include a content mastering system, tools for hosting music content and promotional materials, and tools for online music retailers supporting the sale of digital music to consumers. The system features a clearinghouse that tracks the sale of digital music content and manages access and usage privileges as designated by the music owner.

For more information on IBM strategy for the media and entertainment industry, contact www.ibm.com/solutions/media.

About InterTrust Technologies Corporation

InterTrust Technologies Corporation is the leading developer of distributed digital rights management (DRM) technology. InterTrust has developed a general-purpose DRM platform that serves as a foundation for providers of digital information, technology, and commerce services. InterTrust licenses its DRM platform as software and tools to partners. Collectively, these partners intend to offer digital commerce services and applications that form a global commerce system branded as the "MetaTrust Utility." InterTrust serves as the neutral administrator of the MetaTrust environment.

About Liquid Audio

Liquid Audio, Inc. is a leading provider of software and services for the digital delivery of music over the Internet. The Liquid Audio solution gives musicians, record labels, Web sites and music retailers the ability to publish, syndicate and securely sell recorded music online with copy protection and copyright management. Using the Liquid™ Player software, available for free download at www.liquidaudio.com, music fans can preview and purchase downloadable music from more than 750 affiliates' Web sites in the Liquid™ Music Network. Traded on Nasdaq under the symbol LQID, Liquid Audio is located in Redwood City, California.

Liquid, Liquid Audio, Inc., Liquid Audio, the Liquid Audio logo, Liquifier and Liquid Music are trademarks of Liquid Audio, Inc.

About Windows Media and Microsoft

Windows Media, the leading digital media platform, provides consumers, content providers, solution providers, software developers and corporations with

unmatched audio and video quality. Windows Media Technologies, which include Windows Media Player, Windows Media Services, Windows Media Tools and the Windows Media Software Development Kit (SDK), are available for download at <http://www.microsoft.com/windows/windowsmedia/>. The Windows Media Player is the fastest-growing digital media player and is available in 24 languages. To date, there are over 100 million licensed copies of the Windows Media Player, growing by more than one every second.

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.

About Reciprocal

Reciprocal, the global leader in digital rights management transaction services, provides comprehensive, easy-to-implement e-commerce clearing services and back-office solutions for the music, publishing, software, film, entertainment, and other digital content industries. Reciprocal offers content owners a true outsourced DRM solution that allows them to realize new revenue streams while efficiently protecting their online digital assets.

The Reciprocal Digital Clearing Service leverages leading DRM technology from InterTrust Technologies Corporation, Microsoft Corp., IBM, Xerox Corp., Adobe Systems Incorporated, and Preview Systems, allowing companies to choose the solution that best fits their business needs. The Reciprocal Digital Clearing Service is secure, flexible and capable of handling millions of transactions per day. Leading content companies such as Sony, Houghton Mifflin, Reuters andTVT Records have selected Reciprocal as their digital rights management services provider. Privately held, Reciprocal maintains offices in New York City,

Buffalo, NY and Research Triangle Park, NC. For more information on Reciprocal, contact www.reciprocal.com.

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