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IBM and Liquid Audio Team Up On Digital Music Technologies and Services

Liquid Audio to License the DRM Technology in IBM's Electronic Media Management System For Liquid Audio's Command and Control Applications

SANTA MONICA and REDWOOD CITY, Calif. -- April 6, 2000 -- IBM and Liquid Audio Inc. (Nasdaq: LQID), a leading provider of software and services for the Internet delivery of music, today announced they have entered into a strategic relationship intended to advance the digital music marketplace. Liquid Audio plans to license the digital rights management (DRM) technology from IBM's Electronic Media Management System (EMMS) for integration into the Liquid(TM) Music Distribution System.

Specifically, the companies will work together to enable Liquid Audio to integrate IBM's EMMS DRM technology into Liquid Audio's Command and Control Applications and the interoperable music delivery system that Liquid Audio is making available to the music industry. Liquid Audio is designing the Command and Control Applications to provide record labels with one unified view into multi-vendor solutions for publishing content, setting distribution rules, populating content, integrating content into retail, integrating clearinghouses and disseminating merchandising assets. Working with IBM, Liquid Audio plans to first implement this multi-vendor solution for BMG Entertainment, which today unveiled its digital music download plans.

"The Liquid Music Distribution System bridges a wide range of music delivery technologies and enables labels to support all leading digital music standards in one unified solution," said Gerry Kearby, chief executive officer of Liquid Audio, Inc. "By adding support for IBM's DRM technology, we plan to enable content owners to manage the flow of content from the point of creation to retail delivery. This simplifies all aspects of content creation and 3rd party integration, while providing a unified catalog presentation to retailers and a consistent reporting infrastructure for everyone."

"Liquid Audio's established reputation and presence in the digital music marketplace offers an ideal environment for showcasing IBM's proven EMMS technology," said Richard K. Selvage, general manager, IBM Global Media and Entertainment Industry. "We believe our joint efforts to develop an inclusive, standards-based platform for digital music distribution will encourage a robust marketplace."

The agreement between the companies build on Liquid Audio's leadership in connecting thousands of artists and record labels to the largest music retail network on the Web, and IBM's leadership in developing DRM solutions. The announcement reinforces Liquid Audio's

commitment to supporting leading digital delivery technologies in its format-neutral solution, which unites a wide range of components from multiple vendors in one interoperable system.

The Electronic Music Management System

IBM's EMMS is a sophisticated electronic distribution and DRM 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.

Liquid Audio Digital Music Solutions

The Liquid Music Distribution System, which serves as the backbone for Liquid Audio's global distribution network, integrates Liquid Audio's digital music authoring, asset management, hosting, DRM, clearinghouse, distribution and reporting services with 3rd-party codecs, DRMs and clearinghouses such as IBM, Sony, Microsoft and mp3. This system includes Liquid Audio's RIMS and RIFFS Command and Control Applications for labels to control the flow of content from the point of creation to retail delivery.

Liquid Audio's RIMS remote inventory management system is a software application for labels to manage all digital assets from one interface, such as content authoring in multiple formats, distribution rules, asset management and reporting. Liquid Audio's RIFFS retail integration and fulfillment system is a software application used by retailers for distribution, tracking and commerce integration of digital music into online music stores. To simplify deployment, Liquid Audio also serves as a digital music Application Service Provider (ASP) providing outsourced solutions to its label and retail customers based on the Liquid Music Distribution System.

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

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(TM) Player software, available for free download at www.liquidaudio.com, music fans can preview and purchase downloadable music from the more than 750 affiliate Web sites in the Liquid(TM) Music Network. Traded on Nasdaq under the symbol LQID, Liquid Audio is located in Redwood City, California.

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