TERM SHEET BETWEEN WINDOWS MEDIA AND MUSICNET

MusicNet Responsibilities:

1. When the final release is available, MusicNet agrees to purchase 15 Hercules server licenses with FastStream technology at a cost of $1,500 for each server license. Microsoft agrees to provide maintenance for these servers as described by the attached Service Level Agreement to be negotiated in good faith by the parties. (Calio: Checking with Paddles/Carper re best way to get SLA and pricing)

2. MusicNet agrees to encode its entire current and future audio and video library using Microsoft's standard Windows Media CODEC v 9 as well as Microsoft's Digital Rights Management v 7.1 software. This in no way precludes MusicNet from encoding its library in additional CODECs.

3. MusicNet agrees to enter into good faith negotiations to use Microsoft's forthcoming MSDRM and new codecs upon final release. (here they agree in principle provided costs aren't too high or that we contribute to re-encoding/re-encrypting)

Microsoft Responsibilities:

1. Microsoft agrees to pay all encoding costs for MusicNet to encode its current library in Windows Media 9 CODEC, not to exceed a cost of $150,000 (I am considering now whether we push down this number and set that expectation in Vegas – but frankly it isn't an entirely unreasonable number – open to suggestions), and to encrypt into integrate the current Windows Media Digital Rights Management v7.1 software. MusicNet's library consists of 30,000 albums (spell out how many are from major labels) at a cost of $5.00 per album for a total of $150,000.

2. Microsoft agrees to provide resources to build a final version of its client / plug-in that will support the Windows Media 9 CODEC and v7.1 DRM, as described in the Client Development Scope ("Scope") in Exhibit 1. Microsoft will not assign any of the work described in the Scope to sub-contractors without the express permission of MusicNet. In the event that Microsoft sub-contracts any portion of the work, Microsoft will use best efforts be solely and fully responsible for overseeing the work of the sub-contractors and ensuring that work assigned to them is carried out within the time and scope specified at the time they are commissioned. MusicNet will own in full all intellectual property related to and including the client / plug-in. (issue?)

Exhibit: **5**
Wit: _Paddleford_
Date: _5-06-04_
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Joint responsibilities:

1. Microsoft and MusicNet agree to issue a joint press release

Exhibit 1
Client Development Scope (Need Paddles to scope this please)

Account Log-in, Validation, and Log-out

- [P0] – Enable the subscriber to securely log-in to the MusicNet service
- [P0] – Validate the subscriber's account and offers
- [P0] – Enable the subscriber to securely log-out of the MusicNet service
- [P0] – Automatically log-out the subscriber after a set period of inactivity

DRM

- [P0] – Support the WMA Format and DRM
- [P0] – The thin client must ensure the DRM is delivered and installed on the subscriber's PC
- [P0] – Modify back-end service to support WMA format
- [P0] – Add Licensing servers to support WMA DRM
- [P0] – Content must be re-encoded into secure WMA
- [P1] – Support incremental license rights for burns and transfers

Web-based Content and Music Programming

- General
  - [P0] – Provide a Welcome Page to display after log-in with content customized to the subscriber and distribution partner
  - [P0] – Music Guide pages with editorial content
  - [P1] – Special Offers pages with partner/offer-based permanent download or purchase specials
  - Allow MN or distributors to build web-based content & music programming
- Programmed Music Lists
  - [P1] – MusicNet will create a variety of programming lists or charts which the thin client can incorporate into its HTML pages
  - [P1] – The thin client should dynamically request the appropriate programmed list
  - [P1] – The service must return the latest version of the requested programming list, since these lists will routinely (weekly, monthly or perhaps daily) be updated by the MusicNet programming team
  - [P1] – Do not show PA content if the subscriber set their PA flag to Yes
  - [P1] – Programmed Lists may include:
    - Most popular downloads (overall or by genre)
    - Top 10/20/25 lists (based on Billboard or others sources)
    - Guilty Pleasures lists

- Seasonal, Holiday or Special Occasion lists
- Separate lists may be maintained for single tracks and albums

Search Catalog and Shared Playlists

- Standard Catalog Searches
  - [P0] – Allow users to enter search queries and search for music or video tracks in the catalog
  - [P0] – Display search results in thin client with appropriate action icons (stream, download, permanent/burn or video)
  - [P0] – Provide prioritized search results
  - [P0] – Include fuzzy searching
  - [P0] – Include improved Artist searching and Artist field search results
  - [P1] – Do not show PA content in search results if the subscriber set their PA flag to Yes
- Standard Shared Playlists Searches
  - [P0] – Allow users to enter search queries and search for shared playlists
  - [P0] – Display search results in thin client with appropriate action icons (stream, download) and with playlist specific columns (Playlist title, Playlist Type, Playlist Genre, Playlist Comments)
  - [P0] – Provide prioritized search results
  - [P0] – Include fuzzy searching
  - [P1] – Do not show shared playlists with PA content if the subscriber set their PA flag to Yes
- Recently Added Content Searches
  - [P0] – Allow users to search for recently added content by Artist, Genre, or that matches their profile
  - [P0] – User can specify time frame for new content search (Added within 1 day, 7 days, 14 days, 30 days)
  - [P1] – Search results will be returned in a search list view, similar to other searches

Browse

- [P0] - Browsing should be offered via dynamic HTML pages created by MusicNet servers, and available to all MN clients
- [P0] - Browse artists, song titles, and albums by genre, sub-genre, and decade.
- [P0] - Browse Shared Playlists by Playlist title (alphabetically), Playlist Genre, Creator/Type
- [P0] - Browse Search Results
- [P2] - View Recent MusicNet Activity (Searches, Downloads and Streams)

- Users will be able to view a list of the 100 most recent searches, streams or downloads
- The lists must be updated in (relatively) real-time
- Users should be able to view the 100 most recent across all Genres or the 25 most recent in a particular Genre
- [P1] – Do not show PA content in Browse/Recent Activity results if the subscriber set their PA flag to Yes

Provide Music Recommendations

- [P0] – Automated personalized recommendations
- [P0] – Personalized recommendations at the track level (including negative recommendations)
- [P0] – Automatically provide Related Artists based on the artist search query
- [P0] – Ability to deploy a variety of recommendation features for different affiliates using a single centralized service
- [P2] – Instant Recommendations
  - Based on the subscriber's profile and/or library, the recommendation component should be used to create a set of Instant Recommendations consisting of 25 tracks.
  - The 25 tracks should be returned and displayed in a search list view
  - No initial search entry is required to generate the instant recommendations
- [P1] – Do not show PA content in recommendations if the subscriber set their PA flag to Yes

Playback Streams

- [P0] – Users must be able to stream tracks within the thin client while viewing MN web pages
- [P0] – Users must be able to stream an entire album with a single click
- [P1] – MusicNet will offer users the ability to stream music videos.
- [P1] – Do not stream PA content if the subscriber set their PA flag to Yes
- [P2] – Allow users to add or delete streams from their online Favorites (not saved locally)

Downloads

- [P0] – Users must be able to download individual tracks
- [P0] – Users must be able to download an entire album with a single click

- [P0] – Users must be able to download an entire Shared Playlist with a single click, which will download all the tracks on the playlist and a copy of the playlist file for their media player
- [P0] – All downloads must be stored in the local Music Library directory specified by the subscriber
- [P1] – Do not download PA content if the subscriber set their PA flag to Yes

Manage Shared Playlists

- [P0] – Allow users to publish a local playlist to the MN system to create a Shared Playlist
- [P0] – Only tracks available through MusicNet will be included in the published Shared Playlist
- [P0] – Allow users to delete Shared Playlists they published to the MN system
- [P2] – Allow users to add or delete shared playlists from their online Favorites (not saved locally)

Basic Radio

- [P1] – Subscribers can stream Basic Radio playlists created by MusicNet
- [P1] – Basic Radio are similar to shared playlists; however, they are created by MusicNet or distribution partners and Radio Playlists have their Creator/Type field defined as "Radio"
- [P1] – Users can download any or all songs on a Basic Radio playlist, especially the currently playing song
- [P1] – Basic Radio playlists can be indentified by searching/filtering playlists for "Radio" in the Creator/Type field
- [P1] – Basic Radio playlists will have their own meta-data (name, genre, image, description, etc.)
- [P1] – Do not any display or play any Basic Radio playlists that include PA content if the subscriber set their PA flag to Yes
- [P2] – Basic Radio playlists can be added or deleted from the subscriber's online Favorites list

Display Download Status and History

- [P0] – Display download status and progress (% complete) for all active and recent downloads
- [P2] – Display a list of all the subscriber's downloads within the last 6 months with a button to allow the user to re-download any track in the list

Digital Storefront Integration

- **[P0]** – Integrate with the back-end of MusicNet's forthcoming digital music retail store to enable purchases of digital albums, a la carte tracks, pre-release album and singles sales, and specially priced music offers

Purchase Tracks or Albums

- **[P0]** - Users will be able to purchase and download an entire album with a single click
- **[P1]** – Do not allow users to purchase PA content if the subscriber set their PA flag to Yes

Purchase History

- **[P2]** - Users will be able to view their individual digital download purchases by date and transaction ID.

Synch/Restore

- **[P0]** – Support synchronization of an account with a second PC
- **[P1]** – Synchronization must allow the subscriber to add all their subscription download tracks onto the PC they are synchronizing
- **[P0]** – Synchronization must all the subscriber to add copies of all their permanent downloads onto the PC they are synchronizing (the copies of permanent downloads are also permanent tracks, but without burn rights)
- **[P0]** – Restore will reissue licenses, and,if necessary, re-download all permanent and subscription tracks previously downloaded to the PC (Restore can also be used with a replacement PC)

Upload Users' Play Counts

- **[P0]** – Upload to the MusicNet service the play count information for subscription download tracks
- **[P0]** – Always upload the latest play count information at log-in

ActiveX Interface

- **[P0]** – The thin client should support an ActiveX interface to ensure integration with digital media players such Windows Media Player and to facilitate media playback within web pages
- **[P0]** – Since ActiveX support is necessary, the thin client and corresponding web content must be compatible with the latest versions of Internet Explorer

Account Information and Settings

- **[P0]** – Allow users to view their account settings, including:
  - Distribution Partner
  - Current Offer
  - Permanent Download Credits Remaining in the Billing Period
  - Billing Date
  - Partner's Billing Information (last 4 digits of credit card, etc.)
- **[P0]** – Allow users to edit their account profile, including:
  - E-mail address
  - Zip Code
  - Parental Advisory Settings
  - Favorite Genre
  - Local Music Library Directory Location
  - Preferred Digital Media Player (can affect player used for playback and format required for downloaded playlists)

Sharing Personalized Content

- **[P1]** – MusicNet subscribers can e-mail anyone Shared Playlists (includes the text of the Shared Playlist and a link to the playlist within MN) or links to one-time streams or one-play/day subscription downloads
- **[P2]** – Allow distribution partners' subscribers to e-mail links to up to 10 one-time streams per month and bill these streams to partners' separate marketing account
- **[P1]** – Do not allow a subscriber to share PA content if they set their PA flag to Yes