SONICBOX

First there was AM.
Then there was FM.
Now there is iM.

Overview

Sonicbox, Inc. ("Sonicbox" or the "Company") has developed a proprietary technology called iM Tuning™ that aggregates "*Best of Planet*" Internet radio content and delivers it to any home stereo or Internet appliance. iM Tuning is as simple and easy to use as turning an FM dial where points on the dial represent either radio stations or audio streams that are broadcast over the Internet and available on the iM Band™. Similar to the way cable expanded the television market by offering local channels in all markets across the nation, the iM Band expands the broadcast radio market by offering listeners greater control, choice, and convenience in selecting audio programming from across the world. In addition, the Company has developed a new method of allowing targeted advertising to be inserted into Internet radio streams thereby enabling radio broadcasters to make significant added revenue from Internet broadcasting. By leveraging the mass customization enabled by the Internet, Sonicbox has made it possible for advertisers to target advertising to specific listeners rather than the general demographic groups traditionally targeted by radio.

Radio is an enormous market with domestic radio advertising revenue reaching $17.7 billion in 1999. According to the Radio Advertising Bureau's *Radio Marketing Guide and Fact Book for Advertisers, 1999*, every week radio reaches approximately 95% of all Americans over the age of 12. The average listener spends approximately 21 hours and 30 minutes per week listening to radio. As the convergence of the Internet and radio becomes a reality, all radios will have a network interface. Sonicbox and the iM Band are ideally positioned to become the standard for this network interface by turning every radio tuner into an iM™ enabled Internet device.

Sonicbox has developed a wide variety of proprietary technologies for the incorporation of and the simple use of the iM Band on any radio tuner. These proprietary technologies include: (i) the wireless Remote iM Tuner™, currently ready for mass production, that leverages stereo and computing equipment previously purchased; (ii) the OEM iM Tuner, a small module currently in alpha prototype that creates an Ethernet standard for OEM radio tuners; and (iii) advanced server architectures that allow for the tuning of the iM Band without the use of a traditional web page interface. The Company's goal is to make all OEM tuners iM enabled creating a new paradigm of AM, FM, iM.

Optimized for broadband connectivity, the iM Band aggregates and promulgates Internet radio while divorcing it from the physical confines of the computer. The Company's solution utilizes any iM enabled Web appliance, ranging from a personal computer to a next generation cellular phone, to select the "*Best of Planet*" programming available through the Sonicbox service. Wireless technology is used to transfer the selected

programming to a wide array of both current and next generation consumer electronic devices.

Sonicbox iM Tuners, iM Tuning technology and the iM Band portal are designed to make listening to Internet radio/audio as easy as listening to the radio while providing an unprecedented degree of personalization and customer choice to the experience. With pushbutton e-commerce capability and targeted one-to-one ad insertion, Sonicbox offers radio stations non-traditional revenue opportunities and advertisers access to targeted listeners via the Internet. The *Smile* and *Frown* buttons allow listeners to let the broadcaster know what they like or dislike and enable the stations to run Internet promotions and conduct opt-in listener market research. The *Tell Me More* button allows listeners to get information about a particular song they are listening to in the form of an email that tells users the name of the song, the name of the artist, the name of the CD, and how and where they can purchase the CD.

Mission

The Market

The primary source of revenue for radio stations is generated from the sale of advertising time to local and national spot advertisers and national network advertisers. As reported by the Radio Advertising Bureau, total domestic radio advertising revenue in 1999 was $17.7 billion, its highest level in the industry's history. The iM Band offers broadcast radio programmers the opportunity to reach a broader audience, and for the first time makes it possible for advertisers to target advertising to specific listeners rather than general demographic groups. As the broadband market matures, the Company believes that it will be able to access a large portion of the traditional radio advertising market through the iM Band.

According to the Radio Advertising Bureau's *Radio Marketing Guide and Fact Book for Advertisers, 1999*, every week radio reaches approximately 95% of all Americans over the age of 12. The average listener spends approximately 21 hours and 30 minutes per week listening to radio. With the exception of 1991, advertising revenue has risen in each of the past 15 years through 1999 more rapidly than both inflation and the Gross National Product.

Broadband access is expected to grow at a rate of 73 percent per year, reaching 31 million US homes by 2004. Web appliances are quickly emerging to answer the need for easier access to the Internet. The Boston-based Yankee Group estimates there will be more than 1 billion Web-enabled mobile devices by 2003. Sonicbox is positioned to expand the Internet's reach into the traditional radio market by leveraging the growth trends of broadband access, Internet radio and Web appliances.

The iM Band

Similar to the traditional AM and FM bands, the iM Band acts as an infrastructure portal that currently aggregates 800 channels of "*Best of Planet*" local, national, international and Internet radio stations and audio content. These stations are categorized into 25 station genres (bands A through Y), each genre with 32 stations. At any time Sonicbox can increase or decrease the number of stations included on the iM Band with only a simple adjustment to the software. The genres and stations that Sonicbox selects for bands A through Y on the iM Band vary geographically according to regional preferences and in the future can be customized to personal preferences. In addition the 26th channel, or Z-Band, is already available for customization with local favorites, personal playlists, and custom stations thus allowing access to the thousands of radio stations currently online and not included in the 800 channels chosen by Sonicbox.

Any Internet enabled device can access the iM Band; however, the iM Band is optimized for broadband connections at speeds of 128kbps and faster. While Sonicbox has launched a low bandwidth service that supports connections of 56kbps in parallel to the broadband service, low bandwidth connections are not the focus of the Company's product offerings as they create a listening experience that is significantly deteriorated from the broadband experience.

Benefits of the iM Band

The iM Band leverages the unique capabilities of the Internet as a distribution medium to provide a variety of benefits previously unavailable to the AM and FM bands and Internet webcasters.

- *Benefits to Users.* The Company's combination of proprietary software, hardware and media relationships allows users for the first time to segregate the Internet radio experience from the computer. In comparison with the AM and FM bands, the iM Band affords users an unprecedented selection of "*Best of Planet*" radio programming with a combination of local, national, international and Internet radio stations while providing the unique ability to personalize the experience through the Z-Band.

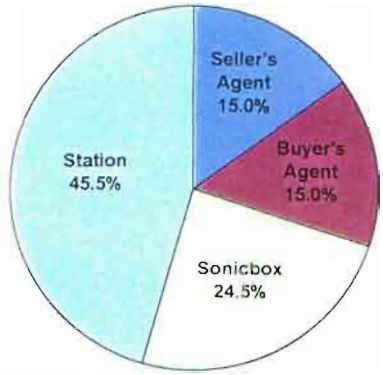
- *Benefits to Advertisers.* For the first time, radio advertisers will be able to target individual listeners rather than relying upon the expected demographics for a given radio station while still utilizing the familiar radio medium. The iM Band provides advertisers with a vast extension of the traditional broadcast radio cluster

advertising model. The Sonicbox solution provides advertisers: (i) a more effective way to deliver information to consumers; (ii) a more efficient way to spend advertising budgets; and (iii) a better way to target audiences and identify, monitor and respond to consumers' programming and purchasing preferences.

- *Benefits to Broadcasters*. The iM Band allows broadcasters to reach an audience that previously could not be reached due to the geographic limitations of radio by providing an additional distribution channel for their programming. Through this new distribution channel Sonicbox offers the broadcasters an incremental revenue opportunity by providing a new, highly targeted audience.

Revenue Model

Revenue from the iM Band is derived primarily from ad insertions into the streaming broadcast programming. Sonicbox has developed software to enable ad insertion on the iM Band. Ads can be placed both in the pre-roll (introduction) and over the local ads included in programming broadcast by the station. This advertising can be targeted to the individual listener and provides additional revenue for the broadcaster. All revenue generated from such advertising will be shared with the station as illustrated in the chart below.

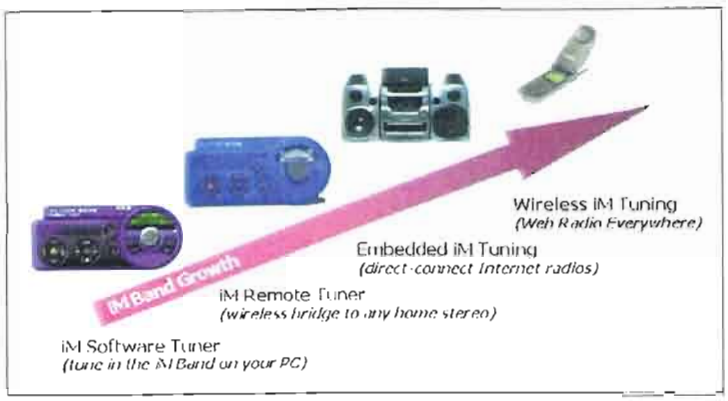


In addition to advertising revenue, the Company anticipates revenue from technology licensing fees, e-commerce, hardware sales, website sponsorship, and other premium programming fees. The Company anticipates that as the iM Band becomes a ubiquitous standard, all OEMs will pay the Company a nominal technology licensing fee for the right to include the iM Band in their radio tuners. The Company also believes that there will be demand for "pay for play" specialty programming from which it will be able to generate revenue focused around events, themes, and corporate sponsors.

The iM Tuner Family

To enable the iM Band and to build the Company's listener base, Sonicbox created a family of iM Tuners which will be implemented through a three-step rollout: software, remote hardware, and OEM. Sonicbox initially released a software tuner that allows users to access the iM Band on their personal computers. Sonicbox developed and is

currently beginning the manufacture of the remote hardware tuner which utilizes wireless technology to transfer the audio streams available on the iM Band from the personal computer to any iM enabled radio tuner within 100 feet. This solution is designed to leverage previously purchased stereo and computing equipment and allows for sound reproduction throughout the home. The Company is in the process of developing OEM relationships for the inclusion of the iM Band on next generation consumer electronic devices.



Software iM Tuner

Sonicbox quietly released its initial tuner for download from the Company's website in April 2000. The software iM Tuner allows any user with a broadband Internet connection to use the Sonicbox service on their personal computer. The software tuner is designed to attract the attention of early adopters of Internet radio to the capabilities of the iM Band.

Remote Hardware iM Tuner

Sonicbox created the Remote Tuners to generate consumer interest in and to prove the value of the iM Band. The Company currently does not believe that it will enter the OEM hardware market over the long term with this hardware solution. Rather, similar to the cable box that was required in the early stages of cable television, the Remote Tuner will be a necessary element to enable legacy radios with the iM Band as new radios are designed with the iM Band included.

The iM Remote Tuner is a PC accessory designed to leverage previously purchased equipment: a stereo, a PC, and Internet connectivity. The iM Remote Tuner includes a base-unit that connects to the PC or other web appliance, a receiver that connects to the stereo, and a wireless handheld tuner that enables the Sonicbox service. The base-unit transmits Web audio at 900 Mhz to the receiver connected to the stereo and receives from the handheld remote tuner. The iM Remote Tuner allows the listener to use the full functionality of the Sonicbox service on equipment not enabled with the iM Band. The iM Remote Tuner will be available in Summer 2000.

OEM iM Tuner

The Sonicbox iM Tuning OEM Module transforms ordinary consumer audio products and next generation web appliances into complete, stand-alone, web radio appliances with access to the iM Band. With this module designed into OEM equipment, consumer electronics/audio component manufacturers add the iM Band to their products. The design connects directly to a broadband Internet connection via 10bT, drives audio out, and ties into existing display and control panels. Next generation consumer electronics with broadband connectivity, including cellular telephones, PDAs and future car radios, can easily include the iM Band with the simple addition of the iM OEM Tuning Module. The Company anticipates that the initial adoption of the iM OEM Tuning Modules will begin in early 2001.

General Features

Current iM Tuners utilize commercially available streaming technology and support the Microsoft Media Player, the RealNetworks Real Player and MP3 players. Listeners are able to tune into the stations available on the iM Band by means of an intuitive knob, similar to any traditional radio knob. By rotating the knob, the station changes. As the station is changed the Sonicbox client indicates the desired station to the servers which redirect the client to the URL for the station requested.

The *Smile* and *Frown* buttons allow listeners to let the broadcaster know what they like or dislike and enable the stations to run Internet promotions and conduct opt-in listener market research. The *Tell Me More* button allows listeners to get information about a particular song they are listening to in the form of an email that tells users the name of the song, the name of the artist, the name of the CD and how and where they can purchase the CD.

Content

The iM Band attracts listeners with *"Best of Planet"* content and high quality audio streams. The Company's content group scours the world for the best and most interesting broadcast programming for inclusion as one of the 800 stations on the iM Band. The Company can increase or decrease the number of stations included on the iM Band at any time with a simple adjustment to the software.

There are currently in excess of 6,000 radio stations trying to generate revenue from Internet streaming. Sonicbox employs discretion in selecting stations for the iM Band. Sonicbox prefers that a station have a minimum connectivity of 32kbps for music to provide the highest quality programming across the iM Band; however, a few stations have been chosen based on their universal appeal. Sonicbox rates stations quantitatively by the number of listeners they can support and their ability to handle the increase in streaming traffic that the iM Band will create.

The vast majority of stations hosted on the iM Band have signed a Letter of Intent ("LOI") with Sonicbox. These LOIs provide for complete radio channel contracts that give Sonicbox the right to overlay advertising into current advertising slots and to sell merchandise in association with the music being played.

In addition to the preset stations available on bands A through Y, the Company created the Z-Band for personalization. The Z-Band provides listeners a location for personal favorites, local playlists, and custom stations. With the Z-Band listeners can add Internet radio stations to the Sonicbox experience not already included on the iM Band or create a new order for those stations already included. In addition, the Z-Band can be used to sort MP3 files for listening with the iM Tuners.