

Digital Music Group, Inc.  
Form FWP  
January 13, 2006

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January 13, 2006

I-BANKERS SECURITIES, INC., Lead Manager

FTN MIDWEST SECURITIES CORP., Co-Manager

## DIGITAL MUSIC GROUP, INC.

### INITIAL PUBLIC OFFERING

Obtain the Preliminary Prospectus at <http://www.sec.gov/Archives/edgar/data/1339729/000119312506000698/ds1a.htm>

#### PROPOSED OFFERING

#### BUSINESS DESCRIPTION

New Issue	3.7M shares	DMG provides digital music recordings to online music stores for purchase by consumers and currently has rights to sell over <u>200,000 music recordings</u> in digital format. DMG purchases and licenses music recordings in digital format from record labels, artists and other content owners. DMG then processes these recordings through a digital music processing system for delivery to online music stores, where they are available for purchase via downloading. After the IPO, DMG intends to acquire additional rights to recordings in order to expand the business.
Price Per Share	Expected range: \$8.00 to \$10.00	
Exchange	NASDAQ NM	<b>Business Model: 1- Acquire Digital Music Rights. 2- Digitize Music from Physical to Digital. 3- Distribute Music to Online Stores for Purchase by Consumers.</b>
Timing	Expected late  January 2006	

#### INVESTMENT HIGHLIGHTS

Ø DMG believes the recorded music industry is undergoing significant change, with the primary means of music distribution transitioning from physical formats (e.g. CD s) to digital formats accessed over the Internet and wireless and cable networks.

Ø Industry sources estimate the downloaded digital music segment was approximately 1% of that total \$32 billion music market in 2004. Sources estimate that during the 1<sup>st</sup> half of 2005, this increased to 6% and that it will grow to 25% in 2010.

Ø DMG paid downloads increasing quarter-to-quarter.

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Ø DMG's strategy is to continue to acquire digital rights to music recordings in order to substantially increase its revenues. DMG's focus is on acquiring rights to back catalog, out-of-print recordings, past hits, live concerts and independent label recordings, including those that are not currently available for sale in traditional music retailers.

Ø Use of net proceeds: **acquisitions of digital rights to music recordings**, working capital and funding operating expenses.

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### How DMG ADDS VALUE

**To Content Owners.** They receive cash up front for assets. Also, many owners of music recordings have not made them available for digital sale because of the time, effort and cost. The many online stores have unique data format and delivery requirements, which complicates the process.

**To Online Stores.** The leading online music stores have only about 2 million songs available. By comparison, the most recognized industry music database lists approximately 54 million music recordings. DMG expands the stores' product offering and reduces their burden of managing individual relationships with numerous smaller content owners.

**To Consumers.** Through online music stores, DMG provides access to a wider variety of music recordings, many of which are impossible to find through traditional retailers or were not previously available in digital format.

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MANAGEMENT

**Note:** For the two months ended November 30, 2005, paid downloads were 461,000.

***Mitchell Koulouris, CEO - 11 years CEO Informant Communications, 13 years with Tower Records***

***Anders Brown, COO - 7 years with Microsoft Corporation***

INDEPENDENT DIRECTORS UPON IPO

***Clayton Trier, Chairman - Former Chairman and CEO of US Delivery***

***David Altschul - Entertainment lawyer; 21 years with Warner Bros. Records, Vice Chairman and General Counsel***

***Roger Biscay - Currently Senior Director & Assistant Treasurer of Cisco Systems***

***Peter Csathy - Former President and COO of Musicmatch***

***John Kilcullen - Currently Pres. & Publisher of Billboard Information Group (Billboard Magazine)***

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**Note:** DMG has filed a registration statement (including a prospectus) with the SEC to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents that DMG has filed with the SEC for more complete information about DMG and this offering. You

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*may get these documents for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov). Alternatively, DMG, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it., by calling +1 877 410 2265.*