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Media

Universal Sets Music Free On Imeem

Louis Hau, 12.10.07, 12:02 AM ET

The beleaguered music industry is beginning to show more enthusiasm for free, advertising-supported business models. The latest sign: Universal Music Group has agreed to provide its songs to online social network imeem.

Imeem now boasts deals with all four major record companies, including Sony BMG Music Entertainment, Warner Music Group and EMI Group, all of which have already inked deals with the social network.

It's a sharp turnaround from earlier this year, when none of the majors were willing to sign on to imeem's new ad-supported interactive service. In fact, Warner sued imeem, arguing that by allowing its members to upload and share MP3s of Warner music, it was infringing on its copyrights.

But in July, Warner dropped its suit and struck a partnership with imeem under which the major label allowed free, full-song streaming of its music in exchange for a cut of imeem's advertising revenue. Sony-BMG Music reached a similar deal with imeem in September, followed by EMI in October and now Universal. A source familiar with the Universal pact said the label is also receiving a small payment each time one of its songs is streamed.

Fueling the shift is the music industry's continuing struggle with sliding sales of compact discs, which still account for the vast majority of their recorded-music sales. Revenue from paid music downloads continues to grow, but isn't close to making up the difference.

Imeem isn't the first ad-supported music service to gain the support of all four major labels. Universal, Sony BMG, Warner and EMI have also been making their music available to ad-supported music downloading service Ruckus. Ruckus had an early advantage over other services in securing the majors' cooperation because it targeted colleges and universities, where illegal music downloading is a particularly serious problem.

Whether imeem succeeds will depend on how robust a community it can build on its site. It claims to have 19 million users; deals with major labels and leading independent music companies will help it grow that audience further.

In the meantime, imeem says it has signed advertising deals with major marketers such as Apple, Nike, Microsoft and Toyota. Imeem's label partners are also beginning to explore promotional opportunities on the site. For instance, Warner Music has created an [imeem page](#) to promote the release of *Mothership*, a new Led Zeppelin greatest hits collection. Warner has posted a selection of live concert videos on the page and is holding a Zeppelin trivia poll contest.

When imeem members upload songs and videos by partner-label recording artists, other users can stream them in full. For the moment, imeem has an advantage over News Corp. social-networking giant MySpace, where Universal has restricted its song and video clips to 90 seconds, citing the absence of a licensing deal. Universal also filed a copyright infringement suit against MySpace in 2006.

In a statement, Universal Music Chairman and Chief Executive Doug Morris made it clear why his company was treating imeem and MySpace differently.

"Imeem has developed an innovative way to make our artists' music a central part of the social-networking experience," Morris said. "More importantly, they've done so the right way--by working with [Universal] to provide an exciting musical experience for consumers, while ensuring that our artists are fairly compensated for the use of their works."