

April 12, 2002

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Dear Sirs:

We are responding to your letter of February 27, 2002, in which you urged inter-industry cooperation to ensure that digital content can be

distributed to consumers through a variety of means that are efficient and secure from theft.

You correctly point out that your companies, together with other IT and CE companies, have worked with entertainment companies diligently and often successfully to develop systems that foster the legitimate distribution of digital content. Indeed, by working together voluntarily and cooperatively we were able to launch the most successful new movie distribution platform in history -- the DVD.

You also correctly point out that this work continues in a variety of settings. We look forward to your active participation to ensure that our cooperative efforts to finalize digital television content protections are quickly concluded and the results promptly implemented. We also need to conclude the cooperative efforts aimed at closing the analog hole and look forward to your active participation in those discussions as well.

However, there remains one critical area where more cooperation is needed, and discussions have not yet begun -- unauthorized peer-to-peer file distribution. This practice harms existing theatrical, home video and subscription outlets, and discourages legitimate on-line services which cannot sell access to movies, music and other entertainment content that are available for free. We fully agree that we should all work together in a consensus-based and cooperative fashion to find solutions to this problem that is threatening the very essence of our business.

We thus propose the establishment of a new high level working group, independent or as part of an existing process, to find technical measures that limit unauthorized peer-to-peer trafficking in movies, music and other entertainment content. This process should include fixed timelines for achieving consensus so that discussions do not wander and languish. There is no time for a languorous process when, according to a Boston-based consulting firm, 350,000 movies are being illegally downloaded every day. In the absence of a digital environment respectful of private property, America's most valuable trade asset will remain under siege through online piracy.

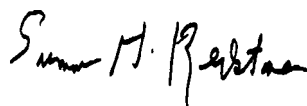
We pledge to designate the appropriate resources to participate in this process. We call on you to do the same and to give us assurances that your companies are committed to finding solutions to the problem of

unauthorized peer-to-peer file distribution. If we do this, we are confident that we will identify technically feasible, cost effective solutions that effectively protect content, safeguard consumer interests and invigorate the deployment of broadband technologies. Moreover, establishing such an accountable and credible working group will better enable us to meet the call of Congressional leaders for regular reports to the Congress as to the state of our private negotiations.

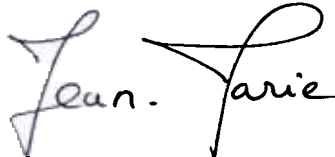
Sincerely,



Michael Eisner
Chairman & CEO
The Walt Disney Company



Sumner Redstone
Chairman & CEO
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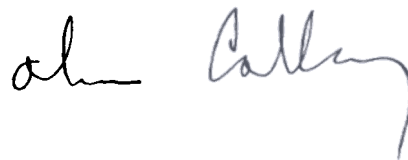
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