

Fluid Music Canada, Inc. Proposes to Acquire Somerset Entertainment Income Fund

07:00 EDT Tuesday, July 15, 2008

TORONTO, ONTARIO--(Marketwire - July 15, 2008) - Fluid Music Canada, Inc. ("Fluid") (TSX:FMN) and Somerset Entertainment Income Fund ("Somerset") (TSX:SOM.UN) announced today that Fluid and Somerset have reached an agreement in principle pursuant to which Fluid expects to make an offer to purchase all of the outstanding units of Somerset at a price of CDN\$4.00 per unit, subject to certain conditions described below. Somerset has agreed to negotiate exclusively with Fluid with respect to the proposed transaction until September 10, 2008. The proposed offer from Fluid represents an approximately 33% premium to the closing price of Somerset's units on July 14, 2008.

The Board of Directors of Fluid and the Board of Trustees of Somerset have approved a letter of intent containing the following key terms:

- Fluid proposes to make an offer to purchase all of the outstanding units of Somerset (including units of Somerset Entertainment Limited Partnership exchangeable for Somerset units) pursuant to a take-over bid or other form of transaction which may be agreed upon by the parties. Based on the number of units outstanding, the total purchase price would be approximately \$71.25 million.
- The proposed offer price will be CDN\$4.00 per unit payable in cash and/or common shares of Fluid. It is anticipated that holders of Somerset units may elect to receive all or part of their consideration in cash or Fluid common shares or a combination of both.
- Fluid's obligation to make the offer is subject to the negotiation of a definitive agreement with Somerset, negotiation of support agreements with certain unitholders (including management), due diligence, financing and other customary conditions for transactions of this nature.
- Somerset's obligation to support the transaction is subject to the negotiation of a definitive agreement with Fluid, receipt of a favourable fairness opinion from Somerset's financial advisor, due diligence and other customary conditions for transactions of this nature.
- Completion of the proposed transaction is subject to regulatory approval, including approval of the Toronto Stock Exchange for the issuance of the common shares of Fluid as partial consideration for the offer.
- It is expected that Andy Burgess, CEO of Somerset and Gordon Gibson, Chief Creative Officer of Somerset, will both enter into employment agreements with Fluid following the transaction.

Lorne Abony, Chairman and Chief Executive Officer of Fluid, said "Through the proposed acquisition of Somerset, we will create an entirely new kind of digital music distribution business, focused on and positioned to dominate the profitable and growing specialty music category. With 2007 revenue of \$96 million and EBITDA of \$20.5 million, Somerset is a

powerhouse in the specialty music business. Somerset is an excellent business with an enviable track record of profitable growth and strong management, by itself an incredibly attractive acquisition opportunity for Fluid. More importantly, however, by combining Somerset's extensive sales and distribution capabilities with our existing library of well over 5 million tracks, we will be able to achieve much more together.

The new business will be well-positioned to enjoy substantial, accretive revenue and cost synergies. There is a tremendous opportunity to generate incremental revenue by transitioning the purchaser of the specialty CD from an impulse buyer to a lifetime online customer and thus substantially growing lifetime customer value. Moreover, the new business will be uniquely able to use complimentary music to attract and retain customers and reduce Somerset's licensing costs by mining Fluid's extensive catalogue of independent, low royalty, user-generated music.

We believe there exists an unrealized opportunity in the music business to capture the online specialty music customer and, in doing so, enjoy all of the benefits which come from owning a high lifetime value, high margin online customer. Through the proposed transaction, the new business will be uniquely and exclusively poised to exploit this opportunity. We look forward to moving forward with the transaction and are excited to work with the Somerset management team as we build a category-dominating business."

Andy Burgess, CEO of Somerset, stated "We support and are excited about the proposed acquisition of Somerset by Fluid Music. First, we believe that Fluid can leverage Somerset's significant distribution network and specialty music expertise to build an enduring and profitable on-line music business. As well, the new business will be advantageously positioned to expand in the specialty music market. As a combined entity, we will be able to enhance our significant sales of specialty CD's (16.7 million units in 2007) with a growing base of high-value, low-churn, on-line specialty music customers."

Somerset has created a special committee comprised solely of independent trustees to manage the process leading to the proposed transaction.

Blackmont Capital Inc. and CIBC World Markets Inc. are acting as financial advisors to Fluid.

Given the conditions that must be satisfied for the proposed transaction to proceed, there can be no assurance that the transaction will be completed on the terms described in this news release, or at all.

Forward-Looking Statements

Certain statements in this news release contain "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fluid or Somerset to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When appearing in this news release, these statements use such words as "may," "will," "intend," "should," "expect," "believe," "plan," "anticipate," "estimate," "predict," "potential," "continue," the negative of these terms or other similar terminology. These statements, including statements

relating to the proposed acquisition and Fluid's access to financing to effect the proposed acquisition, reflect current expectations regarding future events and operating performance and speak only as of the date of this news release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, failure to proceed with the proposed transaction, customer concentration, the exchange rate between Canadian and US dollars, lack of written customer contracts, reliance on suppliers and other risks described in Somerset's Annual Information Form dated March 26, 2008 and Fluid's IPO prospectus dated June 12, 2008 (both of which can be found at www.sedar.com). The forward-looking statements contained in this news release are made as of the release date of this document, and, except as otherwise required by law, neither Fluid nor Somerset assumes any obligation to update or revise such statements to reflect new events or circumstances.

Definition of EBITDA and Non-GAAP Measures

References to "EBITDA" are to earnings before interest, income taxes, amortization and non-controlling interest. EBITDA is not an earnings measure recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable with similar measures presented by other entities. Investors are cautioned that EBITDA should not be construed as an alternative to net income determined in accordance with GAAP as indicators of the Somerset's performance, or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

About Fluid Music Canada, Inc.

Fluid Music is a leading private label music aggregation and distribution company, providing music solutions to both business and individual consumers. The company has compiled a music library of over five million songs, free of digital rights management restrictions, from a diverse network of producers, including major label, independent and emerging artists. Additional information relating to Fluid Music Canada, Inc., including its IPO prospectus, is available at www.fluidmusic.com and www.sedar.com.

About Somerset Entertainment Income Fund

Somerset Entertainment Ltd. is the leading North American producer and distributor of specialty music sold through non-traditional retailers using proprietary interactive displays. The company has 19 diverse product lines targeted at consumers over the age of 30, which represents a variety of music genres, including world, relaxation, jazz, classical, children's and hit compilations. The Company's extensive distribution network includes mass merchants, specialty chains and independent gift stores in more than 20 countries. Based in Toronto, Canada, the company employs over 180 people at offices in Toronto, Ontario (Canada); Buffalo Grove, Illinois, and Minneapolis, Minnesota, (U.S.A.); and Essex, England (U.K.). Units of Somerset Entertainment Income Fund are traded on the Toronto Stock Exchange under the symbol SOM.UN. Additional

information relating to Somerset Entertainment Income Fund, including unaudited financial information as of March 31, 2008, is available at www.somersetent.com and www.sedar.com.