

MAKEMUSIC, INC.
PRINCIPLES OF CORPORATE GOVERNANCE

These Principles of Corporate Governance (these “Principles”) have been adopted by the Board of Directors of MakeMusic, Inc. (the “Company”) as a statement of the elements of governance by which the Board will manage its affairs. These Principles reflect the Board’s commitment to monitor the effectiveness of policy and decision making at both the Board and management levels, with a view to enhancing long-term shareholder value. These Principles are not intended to conflict with, and should be interpreted in the context of, any applicable federal or state law or regulation, including the Minnesota Business Corporation Act, and the Company’s Articles of Incorporation and Bylaws. These Principles are subject to modification from time to time by the Board.

I. ORGANIZATION AND MEMBERSHIP

A. Size of the Board

The Company’s Bylaws provide that the Board shall include at least one director, or such other number as may be determined by the Board or Shareholders. The Board shall periodically review its own size, and select the size that is most effective based on the Company’s current needs and the availability of potential candidates. When determining the appropriate size, the Board will consider the Company’s operations, the representation of shareholder groups, the diversity and skill sets of current Board members, its ability to function efficiently, and any contractual obligations.

B. Selection of New Director Candidates

Board members are elected by the Company’s shareholders annually, except for Board action to fill vacancies. The Governance Committee identifies, reviews, evaluates and recommends to the Board candidates for nomination for membership on the Board. The Board has adopted Policies for Director Qualifications and Shareholder Communications which set forth the minimum qualifications and additional criteria to be used by the Governance Committee in nominee selection and establish procedures for handling recommendations received from Board members or other sources. The invitation to join the Board should be extended by the Board through the chairman of the Company’s Governance Committee, together with the Company’s Chief Executive Officer.

C. Majority of Independent Directors

Our policy is that at least a majority of the Company’s Board should be comprised of independent directors. An “independent director” is a director who does not have any relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board, with the assistance of the Governance Committee, evaluates independence in light of all applicable laws and regulations, including the listing standards of the national securities exchange on which the Company’s shares are traded (provided that the Governance Committee and the Board will refer to the definition of “independence” set forth in NASDAQ listing standards if the Company’s shares are not currently traded on a national securities exchange). In assessing the materiality of an existing or proposed director’s relationships and interests (other than those that are specifically identified by applicable laws, regulations and listing standards as preventing independence), the Governance Committee and the Board consider all relevant facts and circumstances. The Governance Committee and the Board evaluate materiality not only from the perspective of the director, but also from that of the Company and other persons and organizations with which the director has a relationship. The Company describes in its annual proxy statement the relationships and interests that the Governance Committee and Board have considered in evaluating each director’s independence.

The Governance Committee analyzes an existing director's or candidate's eligibility to be classified as "independent" for the purposes of serving on the Board and any applicable committee at the time of such person's nomination to the Board or committee, annually thereafter, and upon any change in the person's status or interests as described in Sections I.F. and IV.H. of these Principles. Upon its receipt of the Governance Committee's recommendation, the Board makes a final determination of the individual's independence. The Board may adopt categorical standards to assist it in assessing relationships or interests that relate to its evaluation of independence.

D. Board Membership Criteria for Existing Board Members and Nominees

In addition and subject to the legally defined criteria for independent directors and the requirements and factors set forth in the Company's Policies for Director Qualifications and Shareholder Communications, our policy is that independent directors of the Company should be persons with broad training, knowledge and experience in business, finance, education, government or other professions or vocations who have earned distinction in their chosen fields and whose training, knowledge and experience enable them to contribute as a director in light of the Company's business and structure. Director nominees are also evaluated on the basis of the commitment that they are able and willing to make to the directorship, their ability to add value and diversity to the Company, and the Company's circumstances at the time of the nomination. The Governance Committee reviews the Company's Policies for Director Qualifications and Shareholder Communications and other criteria for independent directors on an ongoing basis, as appropriate.

E. No Pre-determined Term Limits

The Board does not believe that it should limit the number of terms for which an individual may serve as a director, due to the insight and experience provided by Board members who have served for an extended period of time. In lieu of pre-determined term limits, the Board, or the Governance Committee upon the Board's request, evaluates and reviews the appropriateness of each existing Board member's continued service annually in connection with its recommendation to re-nominate such members and more frequently as appropriate.

F. Change of Status of Director

Any inside director or outside director must promptly notify the Board upon any change in his or her affiliations, directorships, position of principal employment, or other relationships that could affect his or her independence or the interest of the Company. The Board, with the assistance of the Governance Committee as appropriate, will consider the effect of that change upon the interest of the Company.

G. Other Boards and Committees

Without specific approval from the Board, no Board member with a full-time job may serve on more than three public Company boards, and no Board member may serve on more than five public company boards (in each case including the Company's Board). Likewise, without specific approval from the Board, no member of the Company's Audit Committee may serve on more than three public company audit committees (including the Company's Audit Committee). The Governance Committee and the Board consider the nature of and time involved in a Board member's position of principal employment and other directorships, as well as the director's independence and the Company's conflicts of interest policies, in evaluating the suitability of individual directors and making its recommendations to shareholders.

H. Director Orientation and Continuing Education

As soon as practicable following election or appointment of a new director, the Company makes available to the new director a Director Guidebook, which shall be constructed to familiarize the new director with, among other things, directors' fiduciary responsibilities and liabilities, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, the Code of Ethics and Business Conduct, these Principles, principal officers, internal auditors

and independent auditors. Each director is expected to take such action, which may include participation in continuing educational programs as necessary to maintain the level of expertise required to perform his or her responsibilities as a director. The Company reimburses Board members for reasonable expenses relating to ongoing director education, provided, however, that directors must obtain preapproval for expenses from the chairman of the Governance Committee and notify management of the anticipated expenses when such preapproval is obtained.

II. BOARD LEADERSHIP

A. Selection of the Chairman of the Board

The Chairman of the Board is appointed on an annual basis in connection with the election of directors by the Company's shareholders. The Chairman may, but is not required to be, the Chief Executive Officer. The Board reserves the right to decide at any time whether, based on the Company's specific characteristics or circumstances, it is in the best interest of the Company to separate or combine the positions of Chairman of the Board and Chief Executive Officer. If such positions are separate, the Board reserves the right to determine whether the Chairman is "independent" as such term is defined herein. In addition and subject to the Company's Bylaws and any resolution adopted by the Board of Directors, the Chairman shall: preside over meetings of the Board of Directors and shareholder meetings; distribute meeting agendas and other pertinent information to directors prior to each Board of Directors meeting; work with the Governance Committee to determine which directors serve on specific Board committees; and perform such other functions as may from time to time be assigned to the Chairman by the Board of Directors.

B. Lead Independent Director

If the Board determines that the Chairman then serving is not "independent" as such term is defined herein, the independent directors shall elect from among themselves a Lead Independent Director who will preside at executive sessions held pursuant to Section V.F. of these Principles. The Lead Independent Director may also be responsible for representing the independent directors with respect to certain matters as to which the views of the independent directors are sought, serving as a liaison between the independent directors and the Chairman, and carrying out such other responsibilities that the independent directors as a group might designate from time to time, based on the specific characteristics or circumstances of the Company at that time.

The Lead Independent Director shall be appointed to serve until the next annual meeting of shareholders, provided that such director's duties under this section will cease prior to that time if the Board determines that this section no longer applies. Any Lead Independent Director who is serving at the time of the annual meeting of shareholders may be reappointed by the independent directors and serve successive terms. The Company shall identify the Lead Independent Director in its annual proxy statement so that shareholders and employees are able to communicate with the independent directors (subject to any policy regarding shareholder communications that has been established by the Board).

III. BOARD COMMITTEES

A. Existence of Committees

The Board has three standing committees: Audit, Compensation and Governance. The Board is responsible for overseeing the structure and practices of the committees and has the flexibility to form a new committee or disband a current committee. Each standing committee maintains a charter approved by the Board, which sets forth such committee's purpose and responsibilities and is publicly available.

B. Assignment and Rotation of Committee Members and Committee Chairs

The Board reviews the Governance Committee's recommendations and designates the members of Board

committees taking into account legal requirements and each director's particular experience, knowledge and preference. The members of each standing committee are required to be "independent" as such term is defined herein. The composition of each committee is also required to satisfy any additional independence or skill requirements for members, as may be contained in the applicable laws and regulations, including applicable listing standards (provided that the Governance Committee and the Board will refer to NASDAQ listing standards if the Company's shares are not currently traded on a national securities exchange). The Board is responsible for the final determination of whether an individual is qualified to serve on the Audit Committee as a designated "financial expert," however, the Governance Committee coordinates closely with the Board in screening any new candidate and in evaluating whether to re-nominate any existing director who serves in this capacity.

The Board elects the Chairman for each committee, provided, however, that in the absence of the Board's election, each committee elects its own Chairman by a majority vote of the committee members.

IV. RESPONSIBILITIES AND AUTHORITY

A. The Board's Duty to the Company and its Shareholders

The business and affairs of the Company are managed by or under the direction of the Board, which oversees management to advance what the Board members reasonably believe to be the best interests of the Company and its shareholders. The Board carries out the activities set forth in these Principles as part of monitoring the Company's business and affairs. The Board's responsibilities also include: providing counsel and oversight with respect to the effectiveness and implementation of the Company's overall compensation philosophy; reviewing, approving, and monitoring fundamental financial and business strategies and major corporate actions, including declarations of dividends; overseeing corporate governance matters; assessing material risks facing the Company and reviewing options for the mitigation of such risks; monitoring the performance of the Company in relation to its goals, strategy and competitors; and developing and monitoring processes for maintaining the integrity of the Company. The Board may administer its functions as a whole or through its committees.

B. Selection, Development and Evaluation of Chief Executive Officer and Senior Management

The Board, with assistance from the Compensation Committee, has responsibility for selecting and evaluating the Chief Executive Officer and senior management, and reviewing and approving the development plans and employment arrangements for such persons. Senior management is defined as any officer who reports directly to the Chief Executive Officer and any other officer of the Company or its subsidiaries so designated by the Chief Executive Officer.

The Compensation Committee conducts an annual performance review of the Chief Executive Officer and senior management, in accordance with its charter and for the purpose of approving such officers' compensation. The Board reviews the Compensation Committee's annual report to ensure that the Chief Executive Officer and senior management are providing the best leadership for the Company, from a short, intermediate and long term perspective, and are operating the Company in a manner consistent with applicable legal requirements and ethical considerations.

C. Succession Planning

The Board, with assistance from the Governance Committee, is responsible for succession planning for persons serving as directors, senior management and Chief Executive Officer.

D. Review of Principles of Corporate Governance

The Governance Committee reviews these Principles on an ongoing basis and recommends modifications to the Board. The purpose of such review is to ensure that these Principles are effective in enabling the

Board to fulfill its responsibilities, to consider whether these Principles continue to accurately reflect Board practices, and to address any changes to applicable laws and regulations.

E. Directors' Preparation and Participation

Each director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, each director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review before each meeting the material distributed in advance for such meetings. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the chairman of the appropriate committee in advance of such meeting.

F. Board Access to Senior Management

Each director is expected to become familiar with the Company's operations and public disclosures. There are no restrictions on contacts or discussions by directors with senior management of the Company or, as appropriate, employees and/or outside counsel to the Company. Senior management should cooperate with the Board and its committees and should render such assistance as requested for the purpose of carrying out Board or committee functions. However, any contact by a director should be carefully handled by the director to avoid directing or interfering with normal day-to-day operations of the business. The Chief Executive Officer of the Company determines appropriate ways to facilitate directors' interaction with officers, employees and outside counsel.

G. Access to Independent Advisors

The Board and its committees have the right at any time to retain independent outside auditors and financial, legal or other advisors. The Company provides appropriate funding, as determined by the Board or any committee, to compensate those independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties. The Board, and its committees, as applicable, may specify a protocol for approval of expenses.

H. Ethics and Conflicts of Interest

The Company maintains a Code of Ethics and Business Conduct (the "Code"). The Governance Committee reviews and promotes compliance with the Code, provided that the Audit Committee has responsibility to review and oversee enforcement of the portions of the Code relating to financial reporting and internal control. The Board expects the directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the Company's policies, including the Code, and director is expected to acknowledge in writing his or her adherence to the Code. If an actual or potential conflict of interest arises for a director, the director must promptly inform the Board. The director must resign if, in the judgment of the Board (with the assistance of the Governance Committee as appropriate), a significant conflict exists and cannot be resolved. All directors must recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board has the responsibility to resolve any conflict of interest question involving persons serving as directors, senior management or Chief Executive Officer, and the Chief Executive Officer has the authority to resolve conflict of interest issues involving any other employee of the Company.

I. Consideration of Other Constituencies

In addition to and in furtherance of its obligation to increase shareholder value, the Board believes it is important to adhere to responsible business practices and practice good corporate citizenship. The Board may consider the impact of its actions and decisions on the Company's customers, employees, suppliers and the communities where the Company operates, in order to protect the Company's long-term value.

J. Board Interaction with Shareholders and the Public

The Company's Chief Executive Officer serves as its chief spokesperson. Individual Board members may, from time to time, communicate with the Company's constituencies, so long as such

communications are consistent with Company policies. The Chief Executive Officer is informed of such communications.

The Board maintains a policy regarding communications between shareholders and the Board, individual Board members and/or specified Board committees or groups, which the Company describes in its annual proxy statement.

V. BOARD AND COMMITTEE MEETINGS

A. Frequency and Length of Board and Committee Meetings

The Board, at least annually, adopts a schedule of meetings of the Board, which shall set forth the date, time and place of each meeting and shall include at least four meetings per year. The committee chairs are responsible for establishing a schedule of meetings for their respective committees, the number and frequency of which shall be in accordance with the committees' charters. A master schedule of all regular Board and committee meetings is distributed annually to all Board members. The Board and committees reserve ample time for each meeting to ensure full discussion of important matters.

B. Agenda Items for Board Meetings

The Chairman of the Board, with consultation of the Chief Executive Officer if such person is not also serving as Chairman, establishes the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda and to raise subjects that are not on the Board agenda. At least one Board meeting each year includes a special Board session during which the Board reviews strategic business plans.

C. Committee Agendas

Each committee chair develops the agendas for the respective committee meetings. Each member of the committee is free to raise at any committee meeting subjects that are not on the agenda. Committee actions are reported to the full Board.

D. Board Materials Distributed in Advance

It is the preference of the Board that agendas and related back-up materials for Board and Board committee meetings be sent to the directors at least three business days in advance of the meeting. Although such materials may be prepared and distributed in reasonable summary form, any director desiring additional data, reports or further detailed information has the right to obtain whatever information is reasonably available. However, if such information must be obtained from personnel, a director must provide prior notice to the Chief Executive Officer or Chief Financial Officer of his or her intention to interview personnel. On those occasions when it is not feasible to distribute materials in advance, or when the subject matter of the material is too sensitive to distribute in written form, there will be an opportunity for full discussion at the meeting, or other reasonable steps shall be taken to permit directors to become reasonably informed about the matter before voting on it.

E. Attendance of Non-Members at Board and Committee Meetings

As appropriate, and upon invitation by the Board or the applicable committee, members of senior management and other non-directors or non-committee members may attend meetings of the Board or such committee, provided that at least a portion of some regularly scheduled committee meetings should be held with only committee members present (and, if appropriate, the committee's independent consultants).

F. Executive Sessions of Outside Directors

An executive session of the independent directors occurs at least twice each calendar year at regularly scheduled Board meetings. If the Chairman of the Board does not serve as Chief Executive Officer, the

Chairman presides over executive sessions. If the Chairman serves as Chief Executive Officer or is otherwise not independent or absent from an executive session, the Lead Independent Director presides. If the Lead Independent Director is absent, the independent directors present shall appoint one of them to preside over the executive session.

G. Attendance at Annual Shareholder Meeting

Each Board member is encouraged to attend the Company's annual meeting of shareholders.

VI. BOARD COMPENSATION AND PERFORMANCE

A. Director Compensation

The form and amount of director compensation is determined by the Board based on periodic review and input from the Compensation Committee, and shall be appropriate to our Company's size and financial situation. The Compensation Committee conducts an annual review of director compensation to ensure directors are compensated effectively in a manner consistent with the strategy and philosophy of the Company, and to further ensure that the Company will be able to attract, retain and reward those who contribute to the success of the Company.

B. Annual Performance Evaluation of the Board

Upon the Board's request, the Governance Committee will oversee a self-assessment of the performance of the Board as a whole, as well as assist the Board in evaluating each committee's performance. Such assessments shall be reported to and discussed with the full Board. The assessments should generally include an analysis of compliance with these Principles and identification of areas for improvement. The purpose of the assessments is to increase the effectiveness of the Board and committees as a whole. Individual Board members are assessed as set forth in the Governance Committee's charter and Section I.D. of these Principles, in connection with the Governance Committee's responsibility to counsel members whose performance needs improvement and its annual decision on whether to re-nominate existing directors to the Board.