Exhibit 35

We continue to make progress both in our product and organizational development. We remain confident about the market need for our technology and services, as demonstrated by discussions from both the recording labels and digital media companies. However, to be honest, the current business development and fund raising environment are extremely challenging, and the result is delays for completed deals.

FINANCIAL HIGHLIGHTS
Cash usage was slightly over our retargeted forecast for November. This reforecast was $80K lower than the original target. In addition, as will be explained, we took out a short term loan convertible to Series C shares for $200K.

Cash Use		Actual	Budget	Notes
Income	18K		$22K	
Expenses				
Engineering:	$39K	$39K		
Operations:		$42K	$40K	Payment of system hosting expenses from prev. periods.
Support:		$7K	$11K	Software rental not yet paid
Marketing:		$60K	$27K	Payment of PR expenses from previous periods.
Bus Dev:		$20K	$24K	Lower use of outside marketing consulting.
MuscleFish:		$52K	$50K	Untargeted marketing consulting for Soundfisher
G&A		$27K	$58K	Targeted legal fees not yet paid.
Total		$229K	$227K	

Cash Position: November 30 $196K.

With current budget, cash lasts into the middle of December. This is an improvement over our previous cash forecast. We are in the process of finalizing an 12 month operating budget with the objective of maintaining a reasonable cash burn, without sacrificing our goal of establishing an industry standard. In addition, we are exploring short and medium term opportunities for revenue generation.

SERIES C FUND RAISING PROGRESS
We have commitments for our Series C round of $1.8M, with several other VC firms in various stages of evaluting an investment. We have gained tentative approval from AmBex to have a first close of around $900K in December with the remainder to close in January.

The firms that are evaluting participation in the C round include:
Granite Ventures (Chase H&Q), Oak Technology, 3I, Forrest, Binkley & Brown. In addition, our Washington law firm has decided to convert their legal fees of $30K into a Series C investment.

ENGINEERING UPDATE

Recognition Engine
This month we have improved the accuracy of the underlying recognition engine. We now test our accuracy against 26 hours of captured radio broadcast that has been hand annotated with the correct answers. The engine runs in two modes: exhaustive search and indexed. Exhaustive search speed grows with the size of our database; indexed search speed does not. On a

25,000 signature database, the size we typically run in production, indexed searching is about 5 times faster than an exhaustive search.

Running in exhaustive search mode our accuracy on this test is 98.5% positive id, 1.5% false negative, 0% wrong. This is excellent. Running in indexed search mode our accuracy on this test can range from 93 to 96% positive id, still with 0% wrong. (The actual rate depends on the composition of the reference database.) This is a very good accuracy rate.

Achieving these results has slowed our performance some, but it is still acceptable. In the next month we will focus on improving our index accuracy and speed. We still believe it is possible to achieve 100% positive id with acceptable performance, and this remains our stretch goal.

Clango
Our clango servers continue to run 24x7 without fail. We have run artificial work loads to stress the id server application and the application has performed flawlessly under the load. We have completed several enhancements to the clango client: better Win2k support, a file drag/drop function, a more recent version of the audio intercept driver, and a more robust uninstall. We will not release this version until we have deployed a new version of our production id server code to support these features. This should happen next month.

We have completed the beta test version of our first custom clango client.
This one is for Akoo. The client looks like clango, but is cobranded with the Akoo logo. In addition, all of the active links on the client go to cobranded web pages. Our initial design did not anticipate the cobranded web pages, we had expected Akoo to create their own web site. Cobranding our web pages was unscheduled but we should complete that work in the next week.

Other Development
We have completed development of the our C library for WinCE and delivered a first version to AudioRamp. This library will allow AudioRamp to embed our identification technology within their product. We are eagerly awaiting their first test.

Our Playlist Generation application monitors radio broadcast or streaming audio and generates a playlist of every song. This month our newest engineer, Nancy Kim, enhanced PlayGen so that it can use our internet based id servers (the previous version ran in a degraded mode when the client was off of our local LAN). This setup will be used in the upcoming BMI test.

We completed development of the file identification and duplicate detection application. This is targeted at Inktomi and other web searching companies.
This application will identify the content of a file found by a web spider.
In addition, for those files we are unable to identify with our database, this application will identify which of these files are duplicates of each other. This application will help web indexes to be more friendly to copyright holders and to provide more effective multimedia searches to their users. This week we will complete our internal testing and shelve the application until Inktomi is ready.

We have done the early, high level design of the national radio monitoring network. I had hoped that this month we would be able to complete the specific design, but pursuing other opportunities pushed this work out. We have made progress on some of the obvious components, such as the playlist database, but the detailed design has been delayed. As we understand the overall schedule for our collaboration with R&R we will return to the low level design.

OPERATIONS
The load-balancing device has been installed and is working at our ISP (XO).
There will be one final round of testing before it is completely in production.
With this device we now have two redundant servers for music identification with automatic fail over capability and future increases in capacity will be a simple matter of adding servers.

Song Database
We continue to increase the coverage of our database. In the month of November we kept our coverage of genres to 7 (Adult Contemporary, Top-40, Alternative, Modern Rock, Classic Rock, Country and Urban). We increased the sources of information to build the database. In addition to the playlists from more than 180 radio stations that we are tracking we also started using the information supplied by R&R (which is a compilation of over 1000 stations) and playlists from over 100 Spinner.com radio stations.
In the month of November we manufactured 4300 new song clips that are very targeted to these genres. Our current manufacturing rate is about 250 new
clips per day.   This manual manufacturing process will be winding down at
the beginning of December. For the month of December we will be focusing our efforts on cleaning-up the known (minor) quality issues with the database.

Radio Monitoring
We have created a detailed plan for the effort required to launch a network of radio monitoring sites. This plan includes a pert chart of the activities, budgets, human resources and equipment required.

MARKETING
In November, we hired a Director of Marketing, to be responsible Audible Magic's marketing efforts. Her name is Mindy Gillen and her most recent position was with Akamai.

She will be responsible for both the product management and Marcom efforts for the company. For outbound communications she is focused on market education and are developing materials to differentiate our technology advantage. We are developing a technology primer/whitepaper to be completed by the end of December.

We are working actively with our PR firms to provide strategic direction, enhance efforts at media outreach, and control costs. We sent a communication out to the media pre-announcing the technology primer and inviting the media to use us as a source of information about the hot topic of audio identification. We got a pretty good response to the communication.

We are also trying to interest an analyst in doing an audio recognition technology comparison report and are considering the value of a small scale challenge to stump our technology (a la SDMI)in order to add clout to our claims of superior technology.

Lastly, we are exploring other market opportunities for our technology that might result in shorter term opportunities while we continue to work on major music industry partnerships.

BUSINESS DEVELOPMENT
November was a challenging month for Business Development but is concluding with promise.

We met with EMI and are confident that we will be able to build a business relationship with this influential music label. We are currently discussing or negotiating terms for a potential deal with four companies, BMI, eMarker, UnSurface and AudioRamp. Additionally, we have active conversations going with a few excellent prospects including Inktomi, Yahoo Broadcast, InterTrust (DRM), Sonique (Lycos' media player) and Fast Search (the search engine behind Lycos.)

December is traditionally a slow time for Business Development when many of our contacts become distracted by the holidays. We will kick off the month by reinforcing our position with each of the companies with which we've opened relationships and we'll use any down time to continue research necessary to build new relationships and expand our prospective business lines.

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