



Open Letter to the U.S. Congress, the Leadership of the Russian Federation, Intellectual Rights Organizations, and Leaders of the Music Industry

July 10, 2006

I am writing to introduce you to The Orchard and let you know about a ground-breaking business initiative that we have undertaken in the Russian Federation. This project has broad implications for the development of legitimate electronic commerce in that country, and we felt that it was important to bring it to your attention.

First, I'd like to give you some background on The Orchard. We are the world's largest and leading digital distributor and marketer of independent music, with a catalogue of more than 1 million licensed tracks representing 73 countries, thousands of labels, and every genre of music. In recent years, as our company has grown, we have taken an increasingly active role in pursuing ventures in territories where online music is in its early stages of development, and where vast sources of repertoire are available for licensing and digital distribution. We are committed to seizing this moment in time, as the music business shifts from physical CD sales to digital sales, to support and promote new channels that can regain tremendous ground that has been lost to piracy over the past decade, particularly in many developing markets.

In Russia, we recently licensed our entire catalogue to the country's first legal music download service, Yanga. We also signed a licensing agreement for a large portion of our catalogue to Audiofind, another new Russian site that distributes music legally according to direct agreements with rights owners.

Prior to helping establish these services through our licensing arrangements with them, which effectively provided a catalogue rich, deep, and broad enough to support a retail business, The Orchard met with copyright holders in Russia and the U.S. to ensure that their rights were protected with regard to the sale of their intellectual property in Russia. We received very positive feedback from them, and are committed to continuing to protect their rights as we further develop our business in that region.

While the media has recently focused on digital piracy in emerging markets like Russia, we have been encouraged by the steps the Russian government has taken to increase protection of intellectual property rights. We also applaud Russia for providing incentives for foreign investment – an important step toward the development of a fair and legal Internet economy in that country.

By reaching out to government authorities, business leaders, and international agencies that represent copyright holders, our goal is to foster a productive dialogue among all who share a commitment to the protection of intellectual property rights.

Please feel free to contact us at the number below if you would like to further explore these important issues, or initiatives we might pursue together toward our common goal of legitimized, legal digital music commerce.

Sincerely,

Greg Scholl
President and Chief Executive Officer
The Orchard