

Orchard Enterprises, Inc.
Form DEF 14A
April 29, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934. (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (As permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

THE ORCHARD ENTERPRISES, INC.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - 1) Title of each class of securities to which transaction applies:
 - 2) Aggregate number of securities to which transaction applies:
 - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - 4) Proposed maximum aggregate value of transaction:
 - 5) Total fee paid:
- Fee paid previously with preliminary materials.

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identifying the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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**THE ORCHARD ENTERPRISES, INC.
100 Park Avenue, 2nd Floor
New York, New York 10017**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held June 4, 2008**

To Our Stockholders:

On June 4, 2008, The Orchard Enterprises, Inc. will hold its 2008 Annual Meeting of Stockholders at the offices of Reed Smith LLP, 599 Lexington Avenue, 22nd Floor, New York, New York 10022. The meeting will begin at 10:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect the Board of Directors.
2. To ratify the appointment of our independent registered public accountants for fiscal year 2008.
3. To approve the adoption of The Orchard Enterprises, Inc. 2008 Stock Plan, which further amends our Amended and Restated 2005 Stock Plan.
4. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Only stockholders who owned shares of our common stock or our Series A Convertible Preferred Stock at the close of business on April 24, 2008 will be entitled to notice of, and to vote at, this meeting or any adjournments that may take place. For a period of at least ten days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at our principal offices located at 100 Park Avenue, 2nd Floor, New York, New York 10017.

Your vote is important. Whether or not you expect to attend the meeting in person, you are urged to sign, date, and return the enclosed proxy card at your earliest convenience to ensure the presence of a quorum at the Annual Meeting. If you send in your proxy and then decide to attend the Annual Meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.

Your Board of Directors recommends that you vote in favor of the three proposals outlined in the Proxy Statement. Please refer to the Proxy Statement for detailed information on each of the proposals.

By Order of the Board of Directors,
Stanley H. Schneider
Secretary
New York, New York
April 29, 2008

PROXY STATEMENT

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PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

The accompanying proxy is solicited by the Board of Directors (the Board) of The Orchard Enterprises, Inc., a Delaware corporation (The Orchard or the Company), for use at the Company's annual meeting of stockholders (the Annual Meeting) to be held on June 4, 2008 at 10:00 a.m., Eastern Daylight Time, and at any adjournment or postponement thereof, for the purposes set forth in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the offices of Reed Smith LLP, 599 Lexington Avenue, 22nd Floor, New York, New York 10022.

The Company's complete mailing address is 100 Park Avenue, 2nd Floor, New York, New York, 10017, and its telephone number is 212-201-9280.

These proxy solicitation materials are first being mailed on or about May 5, 2008 to all stockholders entitled to vote at the Annual Meeting.

GENERAL INFORMATION

Certain Financial Information. Please note that our consolidated financial statements and related information are included with our 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC) on March 31, 2008, a copy of which is enclosed with this Proxy Statement.

Attendance at Annual Meeting. Admission to the meeting is limited to stockholders and will be on a first-come, first-served basis. Registration will begin at 9:00 a.m. and each stockholder may be asked to present valid picture identification such as a driver's license or passport. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

Voting Securities. Only stockholders of record as of the close of business on April 24, 2008 (the Record Date) will be entitled to vote at the meeting and any adjournment thereof. As of the Record Date, there were 6,271,786 shares of our common stock and 448,833 shares of our Series A Convertible Preferred Stock issued and outstanding, of which 2,709,276 shares of our common stock and 446,918 shares of our Series A Convertible Preferred Stock were held by Dimensional Associates. Stockholders may vote in person or by proxy. Each holder of shares of common stock is entitled to one (1) vote per share and each holder of shares of our Series A Convertible Preferred Stock is entitled to three and one third (31/3) votes per share on each proposal presented in this Proxy Statement. There is no cumulative voting in the election of directors.

Solicitation of Proxies. The cost of soliciting proxies will be borne by us. In addition to soliciting stockholders by mail, we will request that banks and brokers and other persons representing beneficial owners of the shares forward the proxy solicitation material to such beneficial owners, and we may reimburse these parties for their reasonable out-of-pocket costs. We may use the services of our officers, directors and regular employees, without additional compensation, to solicit proxies personally or by telephone, facsimile or email.

Voting of Proxies. All shares represented by a valid proxy received prior to the meeting will be voted. Where a stockholder specifies by means of the proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the specification so made. If no choice is indicated on the proxy, the shares will be voted FOR all nominees, FOR all other proposals described herein and as the proxy holders may determine in their discretion with respect to any other matters that properly come before the meeting. See TRANSACTION OF OTHER BUSINESS. A stockholder giving a proxy has the power to revoke his or her proxy, at any time prior to the time it is voted, by delivering to our Secretary a written instrument revoking the proxy or a validly executed proxy with a later date, or by attending the meeting and voting in person.

Quorum. The required quorum for the transaction of business at the Annual Meeting is a majority of the votes eligible to be cast by holders of shares of common stock and Series A Convertible Preferred Stock issued and outstanding on the Record Date. Shares that are voted FOR, WITHHOLD, ABSTAIN or AGAINST a matter (the Votes Cast) are treated as being present at the Annual Meeting for purposes of establishing a quorum. In the event that there are not sufficient votes for a quorum, or to approve or ratify any matter being presented at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies. However, the presence in person or by proxy of Dimensional Associates, our majority stockholder, will assure that a quorum is present at the meeting.

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Abstentions. Abstentions will be counted for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of Votes Cast with respect to a proposal (other than the election of directors). Accordingly, abstentions will have the same effect as a vote AGAINST the proposal.

Broker Non-Votes. Broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business, but will not be counted for purposes of determining the number of Votes Cast with respect to the particular proposal on which the broker has expressly not voted. Accordingly, broker non-votes will not affect the outcome of the voting on a particular proposal.

SUMMARY OF PROPOSALS

The following three proposals will be considered at the Annual Meeting. Management of the Company anticipates that Dimensional Associates, the majority stockholder of the Company, will vote all of its shares in favor of each of the proposals set forth below. In such event, the approval of each such proposal would be assured.

Proposal One Election of Directors

The first proposal is to elect seven (7) directors to the Board. Nominees for directors are David Altschul, Viet Dinh, Michael Donahue, Nathan Peck, Greg Scholl, Danny Stein and Joel Straka. Each nominee, other than Nathan Peck and Joel Straka, currently serves as one of our directors.

Additional information about the election of directors and a brief biography of each nominee appears under the section PROPOSAL ONE: ELECTION OF DIRECTORS.

The Board unanimously recommends that you vote FOR each nominee.

Proposal Two Ratification of Appointment of Independent Registered Public Accounting Firm

The second proposal is to ratify the appointment of Marcum & Kliegman LLP as our independent registered public accounting firm for 2008.

Additional information about the ratification of the appointment of Marcum & Kliegman LLP as our independent registered public accounting firm appears under the section PROPOSAL TWO: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

The Board unanimously recommends that you vote FOR the ratification of the appointment of the Company's independent registered public accounting firm for 2008.

Proposal Three Approval of the adoption of The Orchard Enterprises, Inc. 2008 Stock Plan

The third proposal is to approve the adoption of The Orchard Enterprises, Inc. 2008 Stock Plan, which further amends and restates our Amended and Restated 2005 Stock Plan.

Additional information about the approval of the adoption of The Orchard Enterprises, Inc. 2008 Stock Plan appears under the section PROPOSAL THREE: APPROVAL OF THE ADOPTION OF THE ORCHARD ENTERPRISES, INC. 2008 STOCK PLAN.

The Board unanimously recommends that you vote FOR the approval of the adoption of The Orchard Enterprises, Inc. 2008 Stock Plan.

Other Matters. At the date of this Proxy Statement, the only business the Board intends to present or knows that others will present at the Annual Meeting is that set forth above. If any other matter or matters are properly brought before the Annual Meeting, or any adjournment thereof, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their judgment.

PROPOSAL ONE: ELECTION OF DIRECTORS

Our Board currently consists of seven (7) members. The term of all of our directors will expire at the Annual Meeting. All of our current directors, other than Terry Hatchett and Clayton Trier, will be standing for re-election.

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The Board has nominated Nathan Peck and Joel Straka for initial election as directors and David Altschul, Viet Dinh, Michael Donahue, Greg Scholl and Danny Stein for re-election as directors. Please see [Nominees](#) for information concerning the nominees to serve as our directors. If any nominee declines to serve or becomes unable to stand for re-election for any reason (although the Board knows of no reason to anticipate that this will occur), the Board may reduce the size of the Board, designate a substitute or leave an additional vacancy unfilled. If a substitute is designated, proxies voting on the original director nominee will be cast for the substituted nominee.

All of the directors elected at the Annual Meeting will serve a one-year term expiring at the next annual meeting of stockholders.

Nominees

Listed below are our Company's seven nominees for election as directors at the Annual Meeting.

Name	Age	Position(s)	Director Since
David Altschul	61	Director	2006
Viet Dinh	40	Director	2007
Michael Donahue	49	Director	2007
Nathan Peck	54	Director nominee	
Greg Scholl	38	Director; President and Chief Executive Officer	2007
Danny Stein	38	Director	2007
Joel Straka	40	Director nominee	

David Altschul has served as a member of our Board since February 2006. Since January 2004, Mr. Altschul has been a partner in Altschul & Olin, LLP, a law firm, where his practice is primarily focused upon representing individuals and companies in the worldwide music industry. From January 2003 to December 2003, Mr. Altschul practiced law as a sole practitioner. From March 2002 to July 2002, Mr. Altschul served as an independent consultant to the Record Industry Association of America. From November 1980 to December 2001, Mr. Altschul was employed in various positions for Warner Bros. Records, including serving as General Counsel from 1986 to 1995 and as both Vice Chairman and General Counsel from 1995 to 2001. Mr. Altschul has a BA degree from Amherst College and a JD degree from Yale Law School.

Viet Dinh has served as a member of our Board since November 2007. Mr. Dinh has been a Professor of Law at Georgetown University Law School since 1996, and currently is the Co-Director of its Asian Law & Policy Studies Program. He served as Assistant Attorney General of the United States from May 2001 to May 2003. Since June, 2003, he has been the principal at Bancroft Associates PLLC, a law and public policy consulting firm specializing in national security, regulatory compliance, and law enforcement. Mr. Dinh currently serves on the board of directors of News Corporation (NYSE: NWS) and M&F Worldwide (NYSE: MFW). Mr. Dinh has an A.B. degree in government and economics from Harvard University and a J.D. degree from Harvard Law School.

Michael Donahue has served as a member of our Board since November 2007. Mr. Donahue currently serves as an independent advisor to firms in the information and technology industries. He served as executive chairman of Expensewatch.com from 2006 to March 2007. In 2005, Mr. Donahue completed a twenty-year career with KPMG LLP, KPMG Consulting and BearingPoint. During his tenure with KPMG and its successors, he most recently served as Group Executive Vice President and Chief Operating Officer (2001 to 2005) and Managing Partner, Technology Solutions (1997 to 2001). He also served on the board of directors of KPMG LLP from 1998 to 2001. Mr. Donahue

currently serves on the boards of directors of Air Products and Chemicals, Inc. (NYSE: APD), Arbinet, Inc. (NASDAQ: ARBX) and GSI Commerce, Inc. (NASDAQ: GSIC). Mr. Donahue has degrees in economics and history from the University of Pennsylvania.

Nathan Peck is being nominated for first time election to our Board. Mr. Peck has been a Senior Lecturer at The Johnson Graduate School of Management, Cornell University since 2005. From 1999 to 2005, Mr. Peck served as Executive Vice President and Chief Administrative Officer of KPMG Consulting (now BearingPoint), during which time he was part of the Company's Corporate Leadership Team, Executive Committee and Investment Committee.

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Before being promoted to the Corporate Leadership Team in 1999, Mr. Peck served as the Financial Services Consulting Co-Practice Leader and Bank Consulting Practice Leader for KPMG Consulting from 1997 to 1999 and 1995 to 1997, respectively. From 1992 to 1995, Mr. Peck was Senior Vice President and Managing Director for Bankers Trust Company. Mr. Peck is an alumnus of McKinsey & Co., has a CPA and earned a MBA and a BA from Cornell University.

Greg Scholl has been the President and Chief Executive Officer of the Company and has served as a member of our Board since November 2007. Mr. Scholl served as a managing director of Dimensional Associates, the controlling stockholder of the Company in 2003 and during that time he became President and Chief Executive Officer of our wholly-owned subsidiary, Orchard Enterprises NY, Inc. (Orchard NY), positions that he held until Orchard NY was acquired by the Company in November 2007. Mr. Scholl was an associate principal at the management consulting firm of McKinsey & Company from 2002 to 2003 in the media and entertainment practice. From 1999 to 2002, Mr. Scholl served as managing member of Carlin Ventures LLC, the private equity fund of Edwin Cohen. From 1993 to 1999, Mr. Scholl served in the technology and the media and entertainment practices of the management consulting firm of Booz Allen & Hamilton, and was a principal at the firm. Mr. Scholl has a Bachelor of Arts degree in History and Science from Harvard College.

Danny Stein has served as a member of our Board since November 2007. Mr. Stein serves as President of JDS Capital Management, Inc., an investment firm based in New York that invests in private and public debt and equity, and he has held this position since 2003. Mr. Stein also serves as chief executive officer of Dimensional Associates, the majority stockholder of the Company, and he was a director of Orchard NY from April 2003 until its acquisition by the Company in November 2007. From May 2001 through October 2002, Mr. Stein was the chief executive officer of TTR Technologies, a company that specialized in copy-protection technologies whose assets were sold to Macrovision (MVSN). From 2000 to 2001, Mr. Stein was President of Javu Technologies, which licenses software and services to corporations that store, manage, deliver or repurpose video assets. From 1999 to May 2000, Mr. Stein was president, chief operating officer and a director of the Wedding List Company, an Internet company with retail outlets specializing in the wedding gift and registry business. Mr. Stein has a Bachelor of Science degree from Cornell University.

Joel Straka is being nominated for first time election to our Board. From 2002 to April 2008, Mr. Straka served as an investment banker at Goldman, Sachs & Co. covering consumer products and retail companies. From 1994 to 2000, Mr. Straka served as a corporate attorney with Cravath, Swaine & Moore. Mr. Straka received an MBA from Columbia Business School in 2002, a JD from the University of Virginia School of Law in 1994 and a BA from Harvard College in 1990.

Director Independence

Our Board consists of seven (7) directors. The Company's nominees for election at the Annual Meeting are David Altschul, Viet Dinh, Michael Donahue, Greg Scholl and Danny Stein, all of whom are currently are members of the Board, and Nathan Peck and Joel Straka, who are first time nominees. Our Board has determined that each of the directors, other than Greg Scholl, our President, Chief Executive Officer and Treasurer, and Danny Stein, who is affiliated with our majority stockholder, Dimensional Associates, are independent directors as defined by the applicable listing standards of the Nasdaq Global Market.

During at least some portion of the year ended December 31, 2007, Terry Hatchett and Clayton Trier, currently members of the Board, and Roger Biscay, Peter Csathy, John Kilcullen, Mitchell Koulouris and Tuhin Roy also served as members of the Board. The Board previously had determined that each of such persons other than Mitchell Koulouris, our former President and Chief Executive Officer, and Tuhin Roy, our former Chief Strategy Officer and President of our wholly-owned subsidiary, Digital Rights Agency, Inc. (DRA), were independent directors as defined

by the applicable listing standards of the Nasdaq Global Market. In the course of our Board's determination regarding the independence of Mr. Kilcullen, it considered advertising purchased by our Company from *Billboard Magazine* in 2006. Mr. Kilcullen is the publisher of Billboard Information Group, which includes *Billboard Magazine*. The Audit Committee of the Board, relying on representations from management and Mr. Kilcullen, determined that such advertising was purchased at the magazine's customary rates and was not material to either entity's annual revenues during 2007.

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Attendance at Board Meetings and Board Committees

Our Board of Directors conducts its business through its meetings and through meetings of certain committees of the Board of Directors. The Company is a controlled company under the applicable listing standards of the Nasdaq Global Market because more than 50% of the voting power is held by Dimensional Associates. A controlled company is not required to have a majority of its board of directors composed of independent directors. Director nominees are not required to be selected or recommended for the board's selection by a majority of independent directors or a nominating committee composed solely of independent directors, nor do the Nasdaq Global Market listing standards require a controlled company to certify adoption of a formal written charter or board resolution, as applicable, addressing the nominations process. A controlled company is also exempt from Nasdaq Global Market requirements regarding the determination of officer compensation by a majority of independent directors or a compensation committee composed solely of independent directors. A controlled company is required to have an audit committee composed of at least three directors, who are independent as defined under the rules of both the Securities and Exchange Commission and the Nasdaq Global Market. The Nasdaq Global Market further requires that all members of the audit committee have the ability to read and understand fundamental financial statements and that at least one member of the audit committee possess financial sophistication. The independent directors must also meet at least twice a year in meetings at which only they are present.

We comply voluntarily with the listing standards of the Nasdaq Global Market that otherwise do not apply to controlled companies, except that our Executive, Nominating and Corporate Governance Committee is not composed entirely of independent directors.

Our Board currently has three (3) standing committees: the Audit Committee, the Compensation Committee and the Executive, Nominating and Corporate Governance Committee. During a portion of 2007, the Board also had a standing Content Acquisition Committee. During 2007, our Board of Directors met twelve (12) times, the Audit Committee met eight (8) times, the Compensation Committee met six (6) times, the Nominating and Corporate Governance Committee (which subsequently was renamed the Executive, Nominating and Corporate Governance Committee) met one (1) time, and the Content Acquisition Committee (whose principal responsibilities are now within the Executive, Nominating and Corporate Governance Committee) met three (3) times. All of the incumbent directors attended at least 75% of the meetings of our Board of Directors and each committee on which he served. The directors are encouraged to attend the annual meeting of stockholders. All directors then on the Board attended the 2007 Annual Meeting of Stockholders.

Audit Committee. The Audit Committee currently consists of Messrs. Hatchett (Chairman), Donahue and Trier. The Audit Committee is responsible for reviewing and monitoring our corporate accounting and financial reporting processes, the periodic public release of financial results and the periodic filing of financial reports with the SEC, and selecting the independent registered public accounting firm to audit our consolidated financial statements, including approving their compensation and monitoring their qualifications, independence and performance. Our Board has determined that each member of the Audit Committee is independent under the applicable listing standards of the Nasdaq Global Market, and that each of Messrs. Hatchett and Trier qualifies as an audit committee financial expert under Item 407(d)(5) of Regulation S-K promulgated by the SEC. Messrs. Hatchett and Trier each qualify as an audit committee financial expert by virtue of having previously been partners in the audit division of large international public accounting firms. Neither Mr. Hatchett nor Mr. Trier is standing for re-election to the Board of Directors. In the event that Nathan Peck is elected to the Board of Directors, it is anticipated that Mr. Peck would be designated as the audit committee financial expert. The Audit Committee has a written charter, which is available on our website at <http://investor.theorchard.com> by clicking on the link **Highlights** under the heading **Corporate Governance**. The Report of the Audit Committee of the Board of Directors is included in this Proxy Statement.

Compensation Committee. The Compensation Committee currently consists of Messrs. Dinh (Chairman) and Hatchett. Both members are independent directors under the applicable listing standards of the Nasdaq Global Market. The Compensation Committee is responsible for determining salaries, incentives and other forms of compensation for our Company's executive officers and compensation for non-employee directors, as well as administering the Company's Amended and Restated 2005 Stock Plan and other incentive compensation and employee benefit plans of the Company. The Compensation Committee has a written charter, which is available on

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our website at <http://investor.theorchard.com> by clicking on the link **Highlights** under the heading **Corporate Governance**.

Executive, Nominating and Corporate Governance Committee. The Executive, Nominating and Corporate Governance Committee currently consists of Messrs. Stein (Chairman), Altschul, Dinh and Trier. All such members, other than Mr. Stein, are independent directors under the applicable listing standards of the Nasdaq Global Market. The Executive, Nominating and Corporate Governance Committee is responsible for developing and recommending Board member selection criteria, identifying and recruiting prospective Board candidates, recommending nominees for election to the Board, considering committee member qualifications, recommending corporate governance principles to the Board, and providing oversight in the evaluation of the Board and each committee. The Executive, Nominating and Corporate Governance Committee also considers nominees proposed by stockholders. It further is responsible for monitoring the progress and status of management's efforts to acquire additional music catalogs and reviewing and approving the terms of all substantive content acquisition and long-term licensing contracts as well as reviewing and approving any new international expansion plans and proposed capital expenditures over a certain threshold, all of which previously were responsibilities of the Content Acquisition Committee. The Executive, Nominating and Corporate Governance Committee has a written charter, which is available on our website at <http://investor.theorchard.com> by clicking on the link **Highlights** under the heading **Corporate Governance**.

Consideration of Director Nominees

Nominations. Our Board believes that the Executive, Nominating and Corporate Governance Committee, a majority of the members of which are independent directors of the Company, can adequately identify appropriate candidates to the Board. The Executive, Nominating and Corporate Governance Committee will consider any future nominees for director nominated by the Company's stockholders.

Stockholder Nominees. The Executive, Nominating and Corporate Governance Committee considers properly submitted stockholder nominations for candidates for membership on the Board as described below under **Identifying and Evaluating Nominees for Directors**. Any stockholder nominations proposed for consideration by the Nominating and Corporate Governance Committee should include the nominee's name and qualifications for Board membership. In addition, they should be submitted within the time frame and in the manner as specified under **STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING**.

Director Qualifications. While the Executive, Nominating and Corporate Governance Committee has not established formal procedures or specific minimum qualifications for the evaluation of director candidates, the candidates for Board membership should have the highest professional and personal ethics and values, and conduct themselves consistent with the Company's Code of Business Conduct. Additionally, candidates and nominees must ultimately reflect a Board that is composed of directors who (i) have broad and relevant experience, (ii) are predominantly independent, (iii) are of high integrity, (iv) have qualifications that will increase overall Board effectiveness, and (v) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to Audit Committee members.

Identifying and Evaluating Nominees for Directors. Typically, any new candidates for nomination to the Board are suggested by existing directors or our executive officers, although candidates may also come to our attention through stockholders, professional search firms or other persons. The Executive, Nominating and Corporate Governance Committee of the Board will carefully review the qualifications of any candidates who have been properly brought to its attention. Such a review may, in the Committee's discretion, include a review solely of information provided to the Committee or it may also include discussion with persons familiar with the candidate, an interview with the candidate or other actions that the Committee deems proper. In the case of new director candidates, the questions of independence and financial expertise are important to determine what roles can be performed by the candidate, and the

Executive, Nominating and Corporate Governance Committee determines whether the candidate will meet the independence standards set forth in the SEC rules and regulations and the applicable Nasdaq listing standards, and the level of the candidate's financial expertise. In the case of incumbent directors whose terms of service are set to expire, the Executive, Nominating and Corporate Governance Committee reviews such directors' overall service to our Company during their terms, including attendance at meetings, level

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of participation, quality of performance, and whether the director continues to meet the independence standards set forth in the applicable SEC rules and regulations and the applicable Nasdaq listing standards. The Committee shall consider the suitability of each candidate, including the current members of the Board, in light of the current size and composition of the Board. In evaluating the qualifications of the candidates, the Committee considers many factors, including character, integrity, reputation, business judgment, independence, relevant business and industry expertise, diversity of experience, geographic location of the candidate, length of service and other criteria. The Committee evaluates such factors, among others, and does not assign any particular weighting or priority to any of these factors. Candidates properly recommended by stockholders are evaluated by the Executive, Nominating and Corporate Governance Committee using the same criteria as other candidates. Candidates are first screened by the Executive, Nominating and Corporate Governance Committee, and if approved by the Executive, Nominating and Corporate Governance Committee, they are then screened by other members of the Board. The full Board approves the final nomination(s) based on recommendations from the Executive, Nominating and Corporate Governance Committee. The Chairman of the Board, acting on behalf of the full Board, will extend the formal invitation to become a nominee of the Board. Qualified candidates for membership on the Board will be considered without regard to race, color, religion, sex, national origin, age, medical condition or disability, sexual orientation, veteran status or any other characteristic protected by law. The nominations for initial election to the Board at the 2008 Annual Meeting were recommended, in the case of Mr. Peck, by a non-management director and, in the case of Mr. Straka, by the Chief Executive Officer and a non-management director.

Code of Business Conduct

Our Company is committed to maintaining the highest standards of business conduct and ethics. We have adopted a Code of Business Conduct for our directors, officers and other employees. The Code of Business Conduct reflects our values and the business practices and principles of behavior that support this commitment. The Code of Business Conduct is available on our website at <http://investor.theorchard.com> by clicking on the link **Highlights** under the heading **Corporate Governance**. We will post any amendment to the Code, as well as any waivers that are required to be disclosed by the rules of the SEC or Nasdaq, on our website.

Communications with the Board by Stockholders

We maintain an informal process for stockholder communication with the Board. Stockholders wishing to communicate with our Board or with an individual Board member concerning our Company may do so by writing to the Board or to the particular Board member, and mailing the correspondence to: Attention: Board of Directors, c/o Secretary, The Orchard Enterprises, Inc., 100 Park Avenue, 2nd Floor, New York, New York 10017. The envelope should indicate that it contains a stockholder communication. Any such communication must state the number of shares beneficially owned by the stockholder making the communication. All such stockholder communications will be forwarded to the director or directors to whom the communications are addressed.

Director Compensation

For the year ended December 31, 2007, each director who was not also an employee was entitled to receive a fee of \$36,000 per year, except that the chairperson of the Audit Committee was entitled to \$40,000 and the Chairman of the Board was entitled to \$50,000 per year. Each non-employee director also was entitled to receive \$500 per committee meeting attended. Our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board or the committees thereof, and for other expenses reasonably incurred in their capacity as directors. Any new non-employee director was entitled to receive an initial option to purchase 4,000 shares of our common stock (after giving effect to the one-for-three reverse stock split effective November 14, 2007) with an exercise price per share equal to the fair market value of our common stock on the date of grant, vesting in equal monthly installments over 12 months beginning on the date of grant. Messrs. Dinh and Donahue received such 4,000 share initial grants on

November 13, 2007, but Mr. Stein declined such a grant. On each date of our annual meeting of stockholders, each non-employee director who has served on the Board for at least the preceding six (6) months was entitled to an additional option to purchase 2,000 shares (post-split) with an exercise price per share equal to the fair market value of our common stock on the date of grant. These annual option grants vest in equal monthly installments over 12 months from the date of grant. In June 2007, our six non-employee

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directors at that time, including Messrs. Hatchett and Trier, each received such 2,000 share option grants. The timing and terms of these option grants to non-employee directors are set forth in the Company's Amended and Restated 2005 Stock Plan; they are automatic and non-discretionary with respect to the number and terms.

The following table summarizes compensation paid to those who served as non-employee directors during any portion of the year ended December 31, 2007.

Name	Non-Equity Nonqualified						Total Compensation
	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)(1)(2)	Incentive Plan Compensation (\$)	Deferred Compensation Earnings (\$)	All Other Compensation (\$)	
David Altschul	\$ 37,000	\$	\$ 32,581	\$	\$	\$	\$ 69,581
Roger Biscay	36,500		32,581				69,081
Peter Csathy	39,550		32,581				72,131
Viet Dinh	6,000		1,455				7,455
Michael Donahue	5,000		1,455				6,455
Terry Hatchett	47,500		32,581				80,081
John Kilcullen	40,550		32,581				73,131
Danny Stein							
Clayton Trier	78,208		36,511				114,719

- (1) Represents the share-based compensation expense recognized for financial statement reporting purposes for the year ended December 31, 2007, in accordance with SFAS No. 123R. For information on the valuation assumptions we used to estimate the fair value of the stock option grants, refer to Note 3 and Note 12 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the SEC on March 31, 2008. This amount represents our accounting expense for the stock option grants and does not correspond to the actual value that may be recognized by each director.
- (2) The aggregate number of stock option grants outstanding at December 31, 2007 for each such director or former director was 12,000 (2,000 granted during 2007) for Mr. Trier; 10,000 (2,000 granted during 2007) for each of Messrs. Altschul, Kilcullen, Csathy, Biscay and Hatchett; and 4,000 (all granted during 2007) for each of Messrs. Donahue and Dinh. The aggregate grant date estimated fair value of options granted to our non-employee directors in 2007, computed in accordance with SFAS No. 123R, was \$85,972.

On April 29, 2008, the Compensation Committee recommended, and the Board adopted, a revised Non-Executive Directors' Compensation Program (DCP), to be effective June 4, 2008, provided that The Orchard Enterprises, Inc. 2008 Stock Plan is adopted by Company stockholders on such date. Under the DCP, each non-employee director will receive a fee of \$40,000 per year, payable quarterly, with an additional annual fee of \$3,000 payable to each committee chairman. Our directors will continue to be reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board and for other expenses reasonably incurred in their capacity as directors. In addition, under the DCP, non-employee directors will be entitled to receive an annual restricted stock award for a number of shares of common stock having a value of \$50,000 based on the closing price of our stock on the date of grant, with the initial grant on June 4, 2008 vesting 1/3 on the date of grant and 1/3 on each of the subsequent two annual meeting

dates (provided that such director continues to serve until the time of such future annual meetings). The Chairman of the Board, if he/she is not a full-time employee of the Company, will receive an additional annual restricted stock award with a grant-date value of \$20,000 determined on the same basis and vesting in the same manner. Under the DCP, non-executive directors will also receive an annual option grant to purchase a number of shares of common stock equal to \$50,000 divided by an amount equal to one-third (1/3) of the closing price of our stock on the date of grant. This division by one-third is intended to approximate the share-based compensation expense attributable to such options under the Trinomial Lattice Method, which we use for accounting purposes under SFAS No. 123R. These options will have an exercise price per share equal to the closing price of our common stock on the date of grant and a term of 10 years, with the initial grant on June 4, 2008 vesting 1/3 on the date of grant and 1/3 on each of the subsequent two future annual meetings dates (provided that such director continues to serve until the time of such annual meetings). All such restricted stock awards and options

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to purchase common stock would be pursuant to the terms of The Orchard Enterprises, Inc. 2008 Stock Plan, assuming adoption of such plan is approved at this Annual Meeting. Messrs. Hatchett and Trier, incumbent members of the Board who are not standing for re-election at the Annual Meeting, will not participate in the DCP. It is anticipated that Mr. Stein, who previously has not participated in the Company's non-executive director compensation program and who voluntarily declined the stock option for 4,000 shares that was automatically available to him when he first joined the Board on November 13, 2007, will participate in the DCP, effective June 4, 2008.

Vote Required

The seven (7) nominees for director receiving the highest number of affirmative Votes Cast will be elected as a director.

Recommendation of the Board

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF MESSRS. ALTSCHUL, DINH, DONAHUE, PECK, SCHOLL, STEIN AND STRAKA.

PROPOSAL TWO: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected Marcum & Kliegman LLP as our independent registered public accounting firm for the year ending December 31, 2008. Marcum & Kliegman LLP is an independent registered public accounting firm and has audited the Company's consolidated financial statements for the year ended December 31, 2007.

The Board is asking the stockholders to ratify the selection of Marcum & Kliegman LLP as our independent registered public accounting firm for 2008. Although not required by law, by rules of Nasdaq or by our Bylaws, the Board is submitting the selection of Marcum & Kliegman LLP to the stockholders for ratification as a matter of good corporate practice. Even if the selection is ratified, our Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of our Company and its stockholders.

Representatives of Marcum & Kliegman LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from the Company's stockholders.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

To help ensure the independence of the independent registered public accounting firm, our Audit Committee has adopted a policy requiring the Audit Committee's pre-approval of all audit and non-audit services to be performed for us by our independent registered public accounting firm. The Audit Committee has reviewed all services provided by Marcum & Kliegman LLP, and has concluded that the provision of such services was compatible with maintaining Marcum & Kliegman LLP's independence in conducting its auditing functions.