



December 23, 2008

Dear _____:

You may have seen news reports that the RIAA has discontinued our broad-based end user litigation program against illegal downloading on peer-to-peer (p2p) networks. I wanted to take a few minutes to outline why we made this decision.

When we originally initiated the litigation program some five years ago, we made clear that lawsuits were not our preferred response. We simply had no other alternatives. A whole generation of kids was growing up with the practice and concept that it was okay to take our music without paying for it. Schools chose not to engage. ISPs were busy building broadband penetration and didn't have an appetite to engage on copyright issues. And parents had no real understanding that theft was taking place on their home computers.

The digital marketplace was just forming. We knew that, in the absence of action on our part, that marketplace was destined to be destroyed by an attitude that suggested there were no property rights on the Internet.

So we chose our least preferable, but only option – lawsuits against end users. That decision was encouraged by many in Congress and the Department of Justice, which felt that self-help was the appropriate and responsible act of any copyright owner.

In short, we had no option but self-help, and we stepped up in order to allow the digital marketplace to get the oxygen it needed to take off.

And, happily, it has. Digital revenues still haven't replaced the decline in physical sales, but we are seeing dramatic growth – both in revenues and in the range of models that consumers can now enjoy. Digital revenues in 2004 totaled about \$180 million. For 2008, they will approach \$3 billion, or about 30% of our total revenues. And while the marketplace is dominated still by the download model (especially iTunes), consumers enjoy phenomenal choice – subscriptions, advertising-based legal peer to peer, streaming services, mobile music, and on and on.

As a result of our lawsuits, and the Supreme Court's Grokster decision, there is now remarkable awareness and clarity about the law. Kids now are growing up with a clear understanding that the owners and creators of intellectual property are entitled to

compensation, in some form, for their work. That understanding inures to the benefit, ultimately, of every digitized product in the economy.

The other critical change has been the growing willingness of ISPs to engage to protect the integrity of legal web commerce. The interests of content and ISPs are converging. We both want to see a digital marketplace uncompromised by network hogs, spammers and con artists.

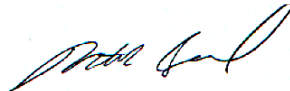
Also, during this past summer, we began discussions with New York Attorney General Cuomo, who suggested that now was the time to take our practice of last resort – lawsuits – and replace that form of deterrence with productive engagement by the ISP community in the form of graduated response programs. At his request, as an act of good faith in pursuing these alternatives, we discontinued initiating new lawsuits in August. Since that time, we have worked through the Attorney General, and directly with ISPs, to craft agreements for graduated response programs. While this process is ongoing, we have reached a confidential agreement on principles for such programs with several leading U.S. ISPs.

We intend to work vigorously to conclude additional agreements and implementation plans expeditiously. Relative to litigation, a graduated response program is far less blunt, far more efficient and, we believe, ultimately far more effective to protect the property rights of the music community. Already, in just the last couple of months, we have seen more notices forwarded from ISPs to subscribers than we filed lawsuits over the previous five years.

We are delighted that circumstances have evolved to the point where we could transition from lawsuits to these ISP graduated response programs.

Please let us know if you have any questions. As always, we look forward to working with you in your efforts to make the emerging marketplace as vibrant as possible by harmonizing rules for platforms and strengthening respect for property.

Best wishes,

A handwritten signature in black ink, appearing to read "Mitch Bainwol", written in a cursive style.

Mitch Bainwol
Chairman and CEO