

Digital Music Group, Inc.  
 Form 4  
 November 15, 2007

**FORM 4**

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

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 Scholl Greg J.

(Last) (First) (Middle)

C/O THE ORCHARD, INC., 100  
 PARK AVENUE, 17TH FLOOR

(Street)

NEW YORK, NY 10017

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol

Digital Music Group, Inc. [ORCD]

3. Date of Earliest Transaction (Month/Day/Year)

11/13/2007

4. If Amendment, Date Original Filed (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
 CEO, President, Treasurer & Sec.

6. Individual or Joint/Group Filing (Check Applicable Line)

Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |     |       |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|-----|-------|
|                                 |                                      |  |                                | (A) or (D)  | Code  | V  | Amount                            | (D) | Price |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security | 2. Conversion or Exercise | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any | 4. Transaction Code | 5. Number of Derivative Securities | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Security (Instr. 3 and 4) |
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|------------------------------------|--|---|
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|------------------------------------|--|---|

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| (Instr. 3)                  | Price of Derivative Security | (Month/Day/Year)          | (Instr. 8) | Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | Code | V | (A) | (D) | Date Exercisable          | Expiration Date | Title                    | Amount Number of Shares |
|-----------------------------|------------------------------|---------------------------|------------|--|------|---|-----|-----|---------------------------|-----------------|--------------------------|-------------------------|
| Stock option (right to buy) | \$ 2.48 <sup>(1)</sup>       | 11/13/2007                | A          | 100,000 <sup>(1)</sup>                               |      |   |     |     | 11/13/2007 <sup>(2)</sup> | 11/13/2014      | Common stock             | 100,000                 |
| Restricted stock award      | \$ 0.01                      | 11/13/2007                | A          | 100,000 <sup>(1)</sup>                               |      |   |     |     | 11/13/2007 <sup>(2)</sup> | <sup>(2)</sup>  | Common stock             | 100,000                 |
| Deferred stock award        | \$ 0                         | 11/13/2007 <sup>(3)</sup> | A          | 344,035 <sup>(1)</sup>                               |      |   |     |     | 11/13/2007 <sup>(3)</sup> | <sup>(3)</sup>  | Common stock             | 344,035                 |
| Deferred stock award        | \$ 0                         | 11/13/2007 <sup>(3)</sup> | A          | 1,393  |      |   |     |     | 11/13/2007 <sup>(3)</sup> | <sup>(3)</sup>  | Series A Preferred Stock | 1,393                   |

## Reporting Owners

| Reporting Owner Name / Address   | Relationships |           |         |                                  |
|--|---------------|-----------|---------|----------------------------------|
|  | Director      | 10% Owner | Officer | Other                            |
| Scholl Greg J.<br>C/O THE ORCHARD, INC.<br>100 PARK AVENUE, 17TH FLOOR<br>NEW YORK, NY 10017 | X             |           |         | CEO, President, Treasurer & Sec. |

## Signatures

/s/ Marianne Sarrazin for Greg Scholl  
 11/15/2007  
 \*\*Signature of Reporting Person                      Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
  - \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Amount and exercise price do not reflect the one for three reverse stock split of the issuer's common stock that took effect November 14, 2007.
- These options and restricted stock awards were granted on November 13, 2007 under the terms of Mr. Scholl's employment agreement with the issuer as described in the Proxy Statement (as defined below). One-sixth of each vest every three months over the course of 18 months subject to acceleration or termination in certain circumstances. Giving effect to the reverse stock split, the stock options have an exercise price of \$7.44 and represent the right to acquire 33,333 shares of common stock, the restricted stock award represents the right to acquire 33,333 shares of common stock, and the deferred stock award represents the right to acquire 114,678 shares of common stock.
- (3) Represent shares subject to deferred stock awards of The Orchard Enterprises Inc. granted October 2, 2007 (to replace awards granted July 10, 2007) that were assumed by the issuer in connection with the merger of The Orchard Enterprises, Inc. into a subsidiary of the issuer (the "Merger") as described in the definitive proxy statement of the issuer as filed with the Securities and Exchange Commission on

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October 5, 2007 and first mailed to the issuer's stockholders on October 10, 2007 (the "Proxy Statement"). The deferred stock awards are fully vested and non-forfeitable. The shares will be transferred to Mr. Scholl as follows: upon the earlier of (a)(i) June 1, 2008 in respect of 20% of the awarded shares and (ii) January 1, 2009 in respect of the remaining 80% of the awarded shares; (b) a change in control (as defined in the terms of the award) and (c) death or disability.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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