

Warner Music Group Corp.  
Form 424B3  
March 16, 2012  
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Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-179162

PROSPECTUS

# WMG Holdings Corp.

## Offer to Exchange

**\$150,000,000 Outstanding 13.75% Senior Notes due 2019**

**for**

**\$150,000,000 Registered 13.75% Senior Notes due 2019**

WMG Holdings Corp. is offering to exchange the \$150 million aggregate principal amount of outstanding 13.75% Senior Notes due 2019 (the Old Notes ) for a like principal amount of registered 13.75% Senior Notes due 2019 (the New Notes ).

The terms of the New Notes are identical in all material respects to the terms of the Old Notes, except that the New Notes are registered under the Securities Act of 1933, as amended (the Securities Act ), and will not contain restrictions on transfer or provisions relating to additional interest, will bear a different CUSIP number from the Old Notes and will not entitle their holders to registration rights.

The New Notes are fully and unconditionally guaranteed, on a senior unsecured basis by Warner Music Group Corp., the corporate parent of WMG Holdings Corp.

No public market currently exists for the Old Notes or the New Notes.

The exchange offer will expire at 5:00 p.m., New York City time, on April 16, 2012 (the Expiration Date ) unless we extend the Expiration Date. You should read the section called The Exchange Offer for further information on how to exchange your Old Notes for New Notes.

**See Risk Factors beginning on page 17 for a discussion of risk factors that you should consider prior to tendering your Old Notes in the exchange offer and risk factors related to ownership of the Notes.**

Each broker-dealer that receives New Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading

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activities. We have agreed that, for a period of 90 days after the Expiration Date, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

**Neither the Securities and Exchange Commission ( SEC ) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is March 16, 2012

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**You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. You should not assume that the information contained in this prospectus is accurate as of any date other than the date of this prospectus. Also, you should not assume that there has been no change in the affairs of Warner Music Group Corp. and its subsidiaries since the date of this prospectus.**

In connection with the exchange offer, we have filed with the SEC a registration statement on Form S-4, under the Securities Act of 1933, relating to the New Notes to be issued in the exchange offer. This prospectus includes (i) as Annex A, a copy of our Annual Report on Form 10-K for the fiscal year ended September 30, 2011 filed with the SEC on December 8, 2011 and (ii) as Annex B, a copy of our quarterly report on Form 10-Q for the quarterly period ended December 31, 2011 filed with the SEC on February 9, 2012. In connection with this registration statement on Form S-4, SEC rules require that the most recently filed annual financial statements be recast to reflect any subsequent changes in accounting principles or presentation that are being applied retrospectively. As a result, we have recast certain financial information presented in our Annual Report on Form 10-K included as Annex A to reflect changes in the preliminary purchase price allocation related to the Merger. These changes were previously reflected in our most recent quarterly report on Form 10-Q included as Annex B; accordingly, the financial information in Annex A should be read in conjunction with our Form 10-Q included as Annex B. Except as related to the matters that have led to the recast financial information presented herein, the disclosures contained in Annex A have not otherwise been updated from those disclosures contained in our 2011 Form 10-K. Investors are directed to these documents included in this prospectus for information about us and our business. As permitted by the rules of the SEC, this prospectus omits information included in the registration statement.

The public may read and copy any reports or other information that we file with the SEC. Such filings are available to the public over the internet at the SEC's website at <http://www.sec.gov>. The SEC's website is included in this prospectus as an inactive textual reference only. You may also read and copy any document that we file with the SEC at its public reference room at 100 F St., N.E., Washington D.C. 20549. You may obtain

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information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. You may also obtain a copy of the exchange offer registration statement and other information that we file with the SEC at no cost by calling us or writing to us at the following address:

Warner Music Group Corp.

75 Rockefeller Plaza

New York, New York 10019

Attn: Investor Relations

(212) 275-2000

**In order to obtain timely delivery of such materials, you must request documents from us no later than five business days before you make your investment decision or at the latest by April 9, 2012.**

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**SUMMARY**

*This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider in making your investment decision. You should read the following summary together with the entire prospectus, including the more detailed information regarding our company, the New Notes being exchanged in this offering and the financial statements and the related notes appearing elsewhere in this prospectus. You should also carefully consider, among other things, the matters discussed in the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus before deciding to exchange your Notes.*

*In this prospectus, unless the context requires otherwise, (1) the terms we, us, Warner and our refer to Warner Music Group Corp. and its consolidated subsidiaries, (2) any reference to the Issuer is to (a) WM Holdings Finance Corp. prior to the consummation of the merger of WM Holdings Finance Corp. with and into WMG Holdings Corp. and (b) WMG Holdings Corp. (and not any of its subsidiaries) after the consummation of such merger, (3) the term Warner Music Group refers to Warner Music Group Corp., a Delaware corporation, which is the corporate parent of WMG Holdings Corp. and a Guarantor of the Notes and not any of its subsidiaries and (4) the term Acquisition Corp. refers to WMG Acquisition Corp. a Delaware corporation, which is a direct subsidiary of the Issuer.*

**Our Company**

We are one of the world's major music content companies. Our company is composed of two businesses: Recorded Music and Music Publishing. We believe we are the world's third-largest recorded music company and also the world's third-largest music publishing company. We are a global company, generating over half of our revenues in more than 50 countries outside of the U.S. We generated revenues of \$2.869 billion and \$779 million during the twelve months ended September 30, 2011 and the three months ended December 31, 2011 and had a corresponding net loss of \$206 million and \$26 million, respectively.

Our Recorded Music business produces revenue primarily through the marketing, sale and licensing of recorded music in various physical (such as CDs, LPs and DVDs) and digital (such as downloads, streaming, and ringtones) formats. We have one of the world's largest and most diverse recorded music catalogs, including 28 of the top 100 best selling albums in the U.S. of all time. Our Recorded Music business also benefits from additional revenue streams associated with artists, including merchandising, sponsorships, touring and artist management. We often refer to these rights as expanded rights and to the recording agreements which provide us with participations in such rights as expanded-rights deals or 360° deals. Prior to intersegment eliminations, our Recorded Music business generated revenues of \$2.344 billion and \$661 million during the twelve months ended September 30, 2011 and the three months ended December 31, 2011, respectively.

Our Music Publishing business owns and acquires rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use. We publish music across a broad range of musical styles. We hold rights in over one million copyrights from over 65,000 songwriters and composers. Prior to intersegment eliminations, our Music Publishing business generated revenues of \$544 million and \$123 million during the twelve months ended September 30, 2011 and the three months ended December 31, 2011, respectively.

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### **Our Business Strengths**

We believe the following competitive strengths will enable us to grow our revenue and increase our margins and cash flow and to continue to generate recurring revenue through our diverse base of Recorded Music and Music Publishing assets:

#### **Evergreen Catalog of Recorded Music Content, Library of Classic Songs and Vibrant Roster of Recording Artists and Songwriters.**

We believe the depth and quality of our Recorded Music catalog and Music Publishing library stand out with a collection of owned and controlled evergreen recordings and songs that generate steady cash flows. We believe these assets demonstrate our historical success in developing talent and will help to attract future talent in order to enable our continued success. We have been able to consistently attract, develop and retain successful recording artists and songwriters. Our talented artist and repertoire ( A&R ) teams are focused on finding and nurturing future successful recording artists and songwriters, as evidenced by our roster of recording artists and songwriters and our recent successes in our Recorded Music and Music Publishing businesses. We believe our relative size, the strength and experience of our management team, our ability to respond to industry and consumer trends and challenges, our diverse array of genres, our large catalog of hit recordings and songs and our A&R skills will help us continue to generate steady cash flows.

#### **Highly Diversified Revenue Base.**

Our revenue base is derived largely from recurring sources such as our Recorded Music catalog and our Music Publishing library and new recordings and songs from our roster of recording artists and songwriters. In any given year, only a small percentage of our total revenue depends on recording artists and songwriters without an established track record and our revenue base does not depend on any single recording artist, songwriter, recording or song. We have built a large and diverse catalog of recordings and songs that covers a wide breadth of musical styles, including pop, rock, jazz, country, R&B, hip-hop, rap, reggae, Latin, alternative, folk, blues, gospel and other Christian music. We are a significant player in each of our major geographic regions. Continuing to enter into additional expanded-rights deals will further diversify the revenue base of our Recorded Music business.

#### **Flexible Cost Structure With Low Capital Expenditure Requirements.**

We have a highly variable cost structure, with substantial discretionary spending and minimal capital requirements. We have contractual flexibility with regard to the timing and amounts of advances paid to existing recording artists and songwriters as well as discretion regarding future investment in new recording artists and songwriters, which further allows us to respond to changing industry conditions. The vast majority of our contracts cover multiple deliverables, most of which are only deliverable at our option. Our significant discretion with regard to the timing and expenditure of variable costs provides us with considerable latitude in managing our expenses. In addition, our capital expenditure requirements are predictable. We had an increased level of capital expenditures in fiscal year 2010 and 2011 as a result of several information technology infrastructure projects, including the delivery of an SAP enterprise resource planning application in the U.S. for fiscal year 2011 and improvements to our royalty systems for fiscal year 2012. We continue to seek sensible opportunities to convert fixed costs to variable costs (such as the sale of our CD and DVD manufacturing, packaging and physical distribution operations in 2003) and to enhance our effectiveness, flexibility, structure and performance by reducing and realigning long-term costs. We also continue to implement changes to better align our workforce with the changing nature of the music industry by continuing to shift resources from our physical sales channels to efforts focused on digital distribution and emerging technologies and other new revenue streams. In addition, we continue to look for opportunities to outsource additional back-office functions where it can make us more efficient, increase our capabilities and lower our costs.

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### **Continued Transition to Higher-Margin Digital Platforms.**

We derive revenue from different digital business models and products, including digital downloads of single audio tracks and albums, digital subscription services, interactive webcasting, video streaming and downloads and mobile music, in the form of ringtones, ringback tones and full-track downloads. We have established ourselves as a leader in the music industry's transition to the digital era by expanding our distribution channels, including through internet cloud-based services, establishing a strong partnership portfolio and developing innovative products and initiatives to further leverage our content and rights. For the twelve months ended September 30, 2011 and the three months ended December 31, 2011, digital revenue represented approximately 33% and 31% of our Recorded Music revenue, respectively.

We believe that product innovation is crucial to digital growth. We have integrated the development of innovative digital products and strategies throughout our business and established a culture of product innovation across the company aimed at leveraging our assets to drive creative product development. Through our digital initiatives we have established strong relationships with our customers, developed new products and become a leader in the expanding worldwide digital music business. Due to the absence of certain costs associated with physical products, such as manufacturing, distribution, inventory and returns, we continue to experience higher margins on our digital product offerings than our physical product offerings.

### **Diversified, Growing and Higher-Margin Revenue Streams through Expanded-Rights Deals.**

We have been expanding our relationships with recording artists to partner with them in other areas of their careers by entering into expanded-rights, or 360°, deals. Under these arrangements, we participate in sources of revenue outside of the recording artist's record sales, such as live performances, merchandising, fan clubs, artist management and sponsorships. These opportunities have allowed us, and we believe will continue to allow us, to further diversify our revenue base and offset declines in revenue from physical record sales over time. Expanded-rights deals allow us to leverage our existing brand management infrastructure, generating higher incremental margins. As of the end of fiscal year 2011, we had expanded-rights deals in place with over 50% of our active global Recorded Music roster. The vast majority of these agreements have been signed with recording artists in the early stages of their careers. As a result, we expect the revenue streams derived from these deals to increase in value over time as we help recording artists on our active global Recorded Music roster gain prominence.

### **Experienced Management Team and Strategic Investor.**

We have a strong management team that includes executives with a successful record of managing transitions in the recorded music industry. Edgar Bronfman, Jr., who currently serves as a member of our Board of Directors, Lyor Cohen, who currently serves as our Chairman and CEO, Recorded Music, and many other members of top management have been with our company since its acquisition from Time Warner in 2004. Since that time, we have successfully implemented an A&R strategy that focuses on the return on investment (ROI) for each artist and songwriter. Our management team has also delivered strong results in our digital business, which, along with our efforts to diversify our revenue mix, is helping us transform our company. At the same time, management has remained vigilant in managing costs and maintaining financial flexibility. Stephen Cooper, who was appointed as our CEO in August 2011, has over 30 years of experience as a financial advisor, and has served as chairman or chief executive officer of various businesses. In January 2011, Cameron Strang was appointed CEO of our Music Publishing business following our purchase of Southside Independent Music Publishing, a company he founded in 2004.

In addition, following the consummation of the Merger (as defined below), we believe we will benefit from the extensive investment experience of our strategic owner, Access, a privately held, U.S.-based industrial group

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founded by Len Blavatnik. Access is a long-term, strategic investor with significant equity stakes in businesses with combined annual revenues of over \$90 billion. Access has partnered with strong, proven management teams to provide strategic direction in its relationships with existing and previously owned companies.

### **Our Strategy**

We intend to increase revenues and cash flow through the following business strategies:

#### **Attract, Develop and Retain Established and Emerging Recording Artists and Songwriters.**

A critical element of our strategy is to find, develop and retain recording artists and songwriters who achieve long-term success, and we intend to enhance the value of our assets by continuing to attract and develop new recording artists and songwriters with staying power and market potential. Our A&R teams seek to sign talented recording artists with strong potential, who will generate a meaningful level of revenues and increase the enduring value of our catalog by continuing to generate sales on an ongoing basis, with little additional marketing expenditure. We also work to identify promising songwriters who will write musical compositions that will augment the lasting value and stability of our music publishing library. We intend to evaluate our recording artist and songwriter rosters continually to ensure we remain focused on developing the most promising and profitable talent and remain committed to maintaining financial discipline in evaluating agreements with artists. We will also continue to evaluate opportunities to add to our catalog or acquire or make investments in companies engaged in businesses that are similar or complementary to ours on a selective basis.

#### **Maximize the Value of Our Music Assets.**

Our relationships with recording artists and songwriters, along with our recorded music catalog and our music publishing library are our most valuable assets. We intend to continue to exploit the value of these assets through a variety of distribution channels, formats and products to generate significant cash flow from our music content. We believe that the ability to monetize our music content should improve over time as new distribution channels and the number of formats increase. We will seek to exploit the potential of previously unmonetized content in new channels, formats and product offerings, including premium-priced album bundles and full-track video and full-track downloads on mobile phones. For example, we have a large catalog of music videos that we have yet to fully monetize, as well as unexploited album art, lyrics and B-side tracks that have never been released. We will also continue to work with our partners to explore creative approaches and constantly experiment with new deal structures and product offerings to take advantage of new distribution channels.

#### **Capitalize on Digital Distribution.**

Emerging digital formats should continue to produce new means for the distribution, exploitation and monetization of the assets of our Recorded Music and Music Publishing businesses. We believe that the continued development of legitimate online and mobile channels for the consumption of music content presents significant promise and opportunity for the music industry. Digital tracks and albums are not only reasonably priced for the consumer, but also offer a superior customer experience relative to illegal alternatives. Legitimate digital music is easy to use, fosters discovery, presents gift options, offers uncorrupted, high-quality song files and integrates seamlessly with popular portable music players such as Apple's iPod/iPhone/iPad devices and smartphones which run on operating systems such as Google's Android, RIM's Blackberry and Microsoft's Windows. Research conducted by NPD in December 2010 shows that legitimate digital music offerings are driving additional uptake. More than 40% of U.S. Internet consumers age 13+ who started buying or bought more digital albums in the year covered by the survey, and more than 30% who started buying or bought more digital tracks, did so in order to get content for their portable devices. Approximately 20% - 30% of these consumers did so because it was easy to find music through digital music stores and services, because they had established a



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level of comfort with purchasing music through such services, and because they discovered more music through them; about a quarter received a digital gift card, or more digital gift cards than in the past, which encouraged such purchasing. We believe digital distribution will drive incremental Recorded Music catalog sales given the ability to offer enhanced presentation and searchability of our catalog.

We intend to continue to extend our global reach by executing deals with new partners and developing optimal business models that will enable us to monetize our content across various platforms, services and devices. Our research conducted in late 2009 shows that the average U.S. consumer actively uses 3.6 different means of consuming music, with online video services like YouTube and online radio services like Pandora having emerged as key outlets for music. Research conducted by NPD in December 2010 shows that more than two out of every five U.S. Internet consumers age 13+ listened to music via an online video site in the period covered by the 2010 survey, and more than a third listened to music via an online radio service. In addition, with worldwide smartphone users expected to reach nearly 1.4 billion by 2015, we expect that the mobile platform will represent an area of significant opportunity for music content. Figures from comScore's September 2011 MobiLens data release show that the uptake of music among users of such phones is significant: three-month averages through September 2011 found that 45% of existing smartphone users in the U.S. and 41% of their counterparts across five major European territories (the U.K., Germany, France, Spain and Italy) listened to music downloaded and stored or streamed on their handsets from services such as iTunes, Pandora, iHeartRadio, Deezer, and Spotify in the periods covered by monthly surveys. We believe that demand for music-related products, services and applications that are optimized for smartphones as well as devices like Apple's iPad will continue to grow with the continued development of these platforms.

### **Enter into Expanded-Rights Deals to Form Closer Relationships with Recording Artists and Capitalize on the Growth Areas of the Music Industry.**

Since the end of calendar 2005, we have adopted a strategy of entering into expanded-rights deals with new recording artists. We have been very successful in entering into expanded-rights deals. This strategy has allowed us to create closer relationships with our recording artists through our provision of additional artist services and greater financial alignment. This strategy also has allowed us to diversify our Recorded Music revenue streams in order to capitalize on growth areas of the music industry such as merchandising, fan clubs, sponsorship and touring. We have built significant in-house resources through hiring and acquisitions in order to provide additional services to our recording artists and third-party recording artists. We believe this strategy will contribute to Recorded Music revenue growth over time.

### **Focus on Continued Management of Our Cost Structure.**

We will continue to maintain a disciplined approach to cost management in our business and to pursue additional cost-savings with a focus on aligning our cost structure with our strategy and optimizing the implementation of our strategy. As part of this focus, we will continue to monitor industry conditions to ensure that our business remains aligned with industry trends. We will also continue to aggressively shift resources from our physical sales channels to efforts focused on digital distribution and other new revenue streams. As digital revenue makes up a greater portion of total revenue, we will manage our cost structure accordingly. In addition, we will continue to look for opportunities to convert fixed costs to variable costs through outsourcing certain functions. Our outsourcing initiatives are another component of our ongoing efforts to monitor our costs and to seek additional cost savings. As of the completion of our Merger (as defined below) on July 20, 2011, we have targeted cost-savings over the next nine fiscal quarters of \$50 million to \$65 million based on identified cost-savings initiatives and opportunities, including targeted savings expected to be realized as a result of shifting from a public to a private company, reduced expenses related to finance, legal and information technology and reduced expenses related to certain planned corporate restructuring initiatives.

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### **Contain Digital Piracy.**

Containing piracy is a major focus of the music industry and we, along with the rest of the industry, are taking multiple measures through the development of new business models, technological innovation, litigation, education and the promotion of legislation and voluntary agreements to combat piracy, including filing civil lawsuits, participating in education programs, lobbying for tougher anti-piracy legislation and international efforts to preserve the value of music copyrights. We also believe technologies geared towards degrading the illegal filesharing process and tracking the source of pirated music offer a means to reduce piracy. We believe these actions and technologies, in addition to the expansive growth of legitimate online and mobile music offerings, will help to limit the revenue lost to digital piracy.

## **The Transactions**

### **The Acquisition**

Pursuant to the Agreement and Plan of Merger, dated as of May 6, 2011 (the Merger Agreement), by and among Warner Music Group, AI Entertainment Holdings LLC (formerly Airplanes Music LLC), a Delaware limited liability company (the Acquiror) and an affiliate of Access Industries, Inc. (Access), and Airplanes Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Acquiror (Merger Sub and together with Warner Music Group and the Acquiror, the Acquiring Parties). Under the terms of the Merger Agreement, on July 20, 2011 (the Closing Date), Merger Sub merged with and into Warner Music Group with Warner Music Group surviving as a wholly-owned subsidiary of the Acquiror (the Merger).

On the Closing Date, in connection with the Merger, each outstanding share of common stock of Warner Music Group (other than any shares owned by Warner Music Group or its wholly-owned subsidiaries, or by the Acquiror and its affiliates, or by any stockholders who were entitled to and who properly exercised appraisal rights under Delaware law, and shares of unvested restricted stock granted under Warner Music Group's equity plan) was cancelled and converted automatically into the right to receive \$8.25 in cash, without interest and less applicable withholding taxes (collectively, the Merger Consideration).

Equity contributions totaling approximately \$1.1 billion from Access Industries Holdings LLC, together with (i) the proceeds from the sale of (a) \$150 million aggregate principal amount of 9.50% Senior Secured Notes due 2016 (the Secured WMG Notes) initially issued by WM Finance Corp. (the Initial OpCo Issuer) which was merged with and into WMG Acquisition Corp. (the OpCo Merger), (b) \$765 million aggregate principal amount of 11.50% Senior Notes due 2018 initially issued by the Initial OpCo Issuer (the Unsecured WMG Notes and together with the Secured WMG Notes, the WMG Notes) and (c) the Old Notes and (ii) cash on hand at Warner Music Group, were used, among other things, to finance the aggregate Merger Consideration, to make payments in satisfaction of other equity-based interests in Warner Music Group under the Merger Agreement, to repay certain of our then existing indebtedness and to pay related transaction fees and expenses.

### **The Financing Transactions**

In connection with the Merger, Warner Music Group also refinanced certain of its existing consolidated indebtedness, including (i) the repurchase and redemption by the Issuer of its approximately \$258 million in fully accreted principal amount outstanding 9.5% Senior Discount Notes due 2014 (the Existing Holdings Notes), and the satisfaction and discharge of the related indenture, and (ii) the repurchase and redemption by Acquisition Corp. of its \$465 million in aggregate principal amount outstanding 7 3/8% Dollar-denominated Senior Subordinated Notes due 2014 and £100 million in aggregate principal amount of its outstanding 8 1/8% Sterling-denominated Senior Subordinated Notes due 2014 (the Existing Acquisition Corp. Notes and together with the Existing Holdings Notes, the Existing Unsecured Notes), and the satisfaction and discharge of the related indenture, and payment of related tender offer or call premiums and accrued interest on the Existing Unsecured Notes.

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Also in connection with the Merger, Acquisition Corp. entered into a new senior secured revolving credit facility (the Revolving Credit Facility ), which provides for commitments of up to \$60 million. Amounts under the Revolving Credit Facility were undrawn at the Closing Date.

On the Closing Date, the Initial Holdings Issuer was merged with and into the Issuer, with the Issuer continuing as the surviving entity and the issuer of the Notes (the Holdings Merger ). In connection with the Holdings Merger, the Issuer entered into a supplemental indenture to the indenture governing the Notes. As a result of such actions, the Issuer became the obligor under the Notes. In addition, on August 2, 2011, the Issuer entered into a Second Supplemental Indenture to the indenture governing the Notes (as so supplemented, the Indenture ) and Warner Music Group issued a full and unconditional guarantee with respect to the Notes.

In May 2011, Acquisition Corp. received the requisite consents from holders of Acquisition Corp. s existing \$1.1 billion of 9.5% senior secured notes due 2016 (the Existing Secured Notes ) to amend the indenture governing the Existing Secured Notes such that the Transactions (as defined below) would not constitute a Change of Control as defined therein.

The Merger, the making of the Equity Contribution, the closing of the issuance of the Old Notes and the closing of the issuance of the Secured WMG Notes and Unsecured WMG Notes, the entry into the Revolving Credit Facility, the repayment of the Existing Unsecured Notes pursuant to the tender offers and satisfaction and discharge of the related indentures, the payment of related costs, fees and expenses, the Holdings Merger and the OpCo Merger are referred to collectively as the Transactions.

**Corporate Information**

Warner Music Group Corp. is incorporated under the laws of the state of Delaware. Our principal executive office is located at 75 Rockefeller Plaza, New York, New York, and our telephone number is (212) 275-2000.

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**Ownership and Corporate Structure**

The following diagram sets forth a summary of our corporate structure and the obligors under our indebtedness immediately following the completion of the Transactions. For a summary of the debt obligations referenced in this diagram, see Description of Other Indebtedness and Description of Notes .

- (1) Substantially all wholly-owned domestic subsidiaries (subject to customary exceptions) are guarantors under the Revolving Credit Facility and the WMG Notes.

**Presentation of Financial Information**

The financial statements included in this prospectus consist of the consolidated financial statements of Warner Music Group, the Issuer's parent company and a guarantor of the Notes. Warner Music Group and the Issuer are holding companies that conduct substantially all of their business operations through the Issuer's subsidiaries. The financial information of the Issuer is substantially identical to that of Warner Music Group Corp. except as reflected in the Supplementary Information Consolidating Financial Statements included (i) in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011, a copy of which is included in this prospectus as Annex A and (ii) in our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011, a copy of which is included in this prospectus as Annex B.

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In accordance with United States Generally Accepted Accounting Principles ( GAAP ), for fiscal 2011 we have separated our historical financial results for the period from July 20, 2011 to September 30, 2011 ( Successor ) and from October 1, 2010 to July 19, 2011 ( Predecessor ). Successor period and the Predecessor periods are presented on different bases and are, therefore, not comparable. However, we have also combined results for the Successor and Predecessor periods for 2011 in the presentations below (and presented as the results for the twelve months ended September 30, 2011 ) because, although such presentation is not in accordance with GAAP, we believe that it enables a meaningful comparison of results. The combined operating results have not been prepared on a pro forma basis under applicable regulations and may not reflect the actual results we would have achieved absent the Merger and the transactions related to the Merger and may not be predictive of future results of operations.

**Certain Trademarks and Trade Names**

This prospectus includes certain trademarks which are protected under applicable intellectual property laws and are our property or the property of our subsidiaries. This prospectus also contains trademarks, service marks, copyrights and trade names of other companies, which are the property of their respective owners. Solely for convenience, our trademarks and trade names referred to in this prospectus may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names.

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**Summary of the Terms of the Exchange Offer**

The Notes

On July 20, 2011 (the Issuance Date ), the Issuer issued and privately placed \$150,000,000 aggregate principal amount of 13.75% Senior Notes due 2019 pursuant to exemptions from the registration requirements of the Securities Act. The Initial Purchasers for the Old Notes were Credit Suisse Securities (USA) LLC and UBS Securities LLC (the Initial Purchasers ). When we use the term Old Notes in this prospectus, we mean the 13.75% Senior Notes due 2019 that were privately placed with the Initial Purchasers on July 20, 2011, and were not registered with the SEC.

When we use the term New Notes in this prospectus, we mean the 13.75% Senior Notes due 2019 registered with the SEC and offered hereby in exchange for the Old Notes. When we use the term Notes in this prospectus, the related discussion applies to both the Old Notes and the New Notes.

The terms of the New Notes are identical in all material respects to the terms of the Old Notes, except that the New Notes are registered under the Securities Act and will not be subject to restrictions on transfer or contain provisions relating to additional interest, will bear a different CUSIP and ISIN number than the Old Notes and will not entitle their holders to registration rights.

The CUSIP numbers for the Old Notes are 92936F AA0 (Rule 144A) and U97142 AA8 (Regulation S). The CUSIP number for the New Notes is 92930M AG8.

The Exchange Offer

You may exchange Old Notes for a like principal amount of New Notes. The consummation of the exchange offer is not conditioned upon any minimum or maximum aggregate principal amount of Old Notes being tendered for exchange.

Resale of New Notes

We believe the New Notes that will be issued in the exchange offer may be resold by most investors without compliance with the registration and prospectus delivery provisions of the Securities Act, subject to certain conditions. You should read the discussions under the headings The Exchange Offer and Plan of Distribution for further information regarding the exchange offer and resale of the New Notes.

Registration Rights Agreement

We have undertaken the exchange offer pursuant to the terms of the Registration Rights Agreement we entered into with the Initial Purchasers, dated as of July 20, 2011, (the Registration Rights Agreement ). Pursuant to the Registration Rights Agreement, we agreed to use commercially reasonable efforts to consummate an exchange offer for the Old Notes pursuant to an effective registration statement or to cause resales of the Old Notes to be registered. We have filed this registration statement to meet our obligations under the Registration Rights Agreement. If we fail to satisfy our obligations

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under the Registration Rights Agreement, we will pay special interest to holders of the Old Notes under specified circumstances. See Exchange Offer; Registration Rights.

Consequences of Failure to Exchange the Old Notes You will continue to hold Old Notes that remain subject to their existing transfer restrictions if:

you do not tender your Old Notes; or

you tender your Old Notes and they are not accepted for exchange.

We will have no obligation to register the Old Notes after we consummate the exchange offer. See The Exchange Offer Terms of the Exchange Offer; Period for Tendering Old Notes.

Expiration Date The exchange offer will expire at 5:00 p.m., New York City time, on April 16, 2012 (the Expiration Date ), unless we extend it, in which case Expiration Date means the latest date and time to which the exchange offer is extended.

Interest on the New Notes The New Notes will accrue interest from the most recent date to which interest has been paid or provided for on the Old Notes or, if no interest has been paid on the Old Notes, from the date of original issue of the Old Notes.

Conditions to the Exchange Offer The exchange offer is subject to several customary conditions. Notwithstanding any other provision in the exchange offer, we shall not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes and may terminate or amend the exchange offer if at any time prior to 5:00 p.m., New York City time, on the Expiration Date, we determine in our reasonable judgment that the exchange offer violates applicable law, any applicable interpretation of the staff of the SEC or any order of any governmental agency or court of competent jurisdiction.

The foregoing conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any such condition or may be waived by us in whole or in part at any time and from time to time, prior to the Expiration Date, in our reasonable discretion. Our failure at any time to exercise any of the foregoing rights prior to 5:00 p.m., New York City time, on the Expiration Date shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time prior to 5:00 p.m., New York City time, on the Expiration Date.

In addition, we will not accept for exchange any Old Notes tendered, and no New Notes will be issued in exchange for any such Old Notes, if at any such time any stop order shall be threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture governing the





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Notes under the Trust Indenture Act of 1939, as amended. Pursuant to the Registration Rights Agreement, we are required to use our commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible time.

See The Exchange Offer Conditions. We reserve the right to terminate or amend the exchange offer at any time prior to the Expiration Date upon the occurrence of any of the foregoing events. If we make a material change to the terms of the exchange offer, we will, to the extent required by law, disseminate additional offer materials and will extend the exchange offer.

Procedures for Tendering Old Notes

If you wish to accept the exchange offer, you must tender your Old Notes and do the following on or prior to the Expiration Date, unless you follow the procedures described under The Exchange Offer Guaranteed Delivery Procedures.

if Old Notes are tendered in accordance with the book-entry procedures described under The Exchange Offer Book-Entry Transfer, transmit an Agent's Message to the Exchange Agent through the Automated Tender Offer Program ( ATOP ) of The Depository Trust Company ( DTC ), or

transmit a properly completed and duly executed letter of transmittal, or a facsimile copy thereof, to the Exchange Agent, including all other documents required by the letter of transmittal.

See The Exchange Offer Procedures for Tendering Old Notes.

Guaranteed Delivery Procedures

If you wish to tender your Old Notes, but cannot properly do so prior to the Expiration Date, you may tender your Old Notes according to the guaranteed delivery procedures set forth under The Exchange Offer Guaranteed Delivery Procedures.

Withdrawal Rights

Tenders of Old Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw a tender of Old Notes, a notice of withdrawal must be actually received by the Exchange Agent at its address set forth in The Exchange Offer Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. See The Exchange Offer Withdrawal Rights.

Acceptance of Old Notes and Delivery of New Notes

Except in some circumstances, any and all Old Notes that are validly tendered in the exchange offer prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. The New Notes issued pursuant to the exchange offer will be delivered promptly after such acceptance. See The Exchange Offer Acceptance of Old Notes for Exchange; Delivery of New Notes.

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Material United States Federal Income Tax Considerations

We believe that the exchange of an Old Note for a New Note pursuant to the exchange offer will not be treated as a sale or exchange of the Old Note by a Holder (as defined in Material United States Federal Income Tax Considerations ) for U.S. federal income tax purposes. See Material United States Federal Income Tax Considerations.

Exchange Agent

Wells Fargo Bank, National Association is serving as the Exchange Agent (the Exchange Agent ).

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**Summary of the Terms of the Notes**

The terms of the New Notes offered in the exchange offer are identical in all material respects to the Old Notes, except that the New Notes:

are registered under the Securities Act and therefore will not be subject to restrictions on transfer;

will not be subject to provisions relating to additional interest;

will bear a different CUSIP number;

will not entitle their holders to registration rights; and

will be subject to terms relating to book-entry procedures and administrative terms relating to transfers that differ from those of the Old Notes.

Securities Offered	\$150 million aggregate principal amount of 13.75% Senior Notes due 2019.
Maturity	October 1, 2019.
Interest	Interest is payable in cash on April 1 and October 1 of each year, beginning October 1, 2011.
Optional Redemption	<p>Prior to October 1, 2015, the Issuer may redeem some or all of the Notes at a price equal to 100% of the principal amount of the Notes plus a make-whole premium as set forth under Description of Notes Optional Redemption. Additionally, the Issuer may redeem the Notes, in whole or in part, at any time on or after October 1, 2015 at the redemption prices set forth under Description of Notes Optional Redemption.</p> <p>The Issuer pays 113.75% of the face amount of the Notes plus accrued and unpaid interest and special interest, if any;</p> <p>The Issuer redeems the Notes within 90 days of completing the equity offering; and</p> <p>at least 50% of the aggregate principal amount of the Notes originally issued remains outstanding afterwards.</p> <p>See Description of Notes Optional Redemption.</p>

Change of Control

Upon a change of control (as defined under Description of Notes ), the Issuer is required to make an offer to purchase the Notes. The purchase price will equal 101% of the principal amount of such notes on the date of purchase plus accrued and unpaid interest and special interest, if any. The Issuer may not have sufficient funds available at the time of any change of control to make any required debt repayment (including repurchases of the Notes). See Risk Factors Risk Factors Related to the Notes and the Exchange Offers The Issuer may not be able to repurchase the notes upon a change of control.

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Asset Sale Proceeds	If the Issuer or its restricted subsidiaries engage in certain asset sales, the Issuer generally must either invest the net cash proceeds from such sales in our business within a period of time, prepay certain indebtedness, prepay other senior debt or make an offer to purchase a principal amount of the Notes equal to the excess net cash proceeds. The purchase price of the Notes will be 100% of their principal amount, plus accrued and unpaid interest and special interest, if any, to the date of purchase in the event of any asset sale offer.
Ranking	The Notes are senior unsecured indebtedness of the Issuer and rank senior in right of payment to all existing and future subordinated indebtedness of the Issuer; are equal in right of payment with all existing and future senior indebtedness of the Issuer; are effectively junior to all existing and future secured indebtedness of the Issuer and its subsidiaries, including the Secured WMG Notes, the Existing Secured Notes and indebtedness under the Revolving Credit Facility, to the extent of the value of the assets securing such indebtedness; and are structurally subordinated to all existing and future indebtedness and other liabilities (other than certain intercompany obligations) of any subsidiary of the Issuer that does not guarantee the Notes.
Guarantees	The Notes are fully and unconditionally guaranteed on a senior unsecured basis by Warner Music Group. The Notes are not guaranteed by any subsidiary of the Issuer.
Certain Covenants	<p>The Indenture contains covenants limiting the Issuer's ability and the ability of most of its subsidiaries to:</p> <ul style="list-style-type: none"><li>incur additional debt or issue certain preferred shares;</li><li>create liens on certain debt;</li><li>pay dividends on or make distributions in respect of the Issuer's capital stock or make investments or other restricted payments;</li><li>create restrictions on the ability of the Issuer's restricted subsidiaries to pay dividends to the Issuer or make certain other intercompany transfers;</li><li>sell certain assets;</li><li>enter into certain transactions with the Issuer's affiliates; and</li><li>consolidate, merge, sell or otherwise dispose of all or substantially all of the Issuer's assets.</li></ul> <p>These covenants are subject to a number of important limitations and exceptions. See Description of Notes.</p>

Form and Denominations

The Notes were issued in minimum denominations of \$2,000 and higher integral multiples of \$1,000. The Notes are book-entry only and registered in the name of a nominee of DTC.

Risk Factors

Investing in the Notes involves substantial risks and uncertainties. See [Risk Factors](#) and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to purchase any Notes.

**Table of Contents****Ratio of Earnings to Fixed Charges**

	Successor			Predecessor			
	Three months ended December 31, 2011	From July 20, 2011 through September 30, 2011	From October 1, 2010 through July 19, 2011	2010	2009	2008	2007
Ratio of earnings to fixed charges(1)	0.67x	0.57x	0.09x	0.50x	0.76x	1.07x	1.21x

- (1) For purposes of calculating such ratios, earnings consist of the amount resulting from taking Net Loss attributable to WMG Music Group Corp. and adding back the following items: (a) income taxes, (b) loss from discontinued operations, and (c) fixed charges. Fixed charges consist of the amount resulting from adding the following: (a) interest expense including amortized premiums, discounts and financing fees, and (b) an estimate of the interest within rental expense (1/3 of annual rent expense).

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**RISK FACTORS**

*Investing in the Notes involves a high degree of risk. The risks and uncertainties described below may not be the only ones facing us. Additional risks and uncertainties that we do not currently know about or that we currently believe are immaterial may also adversely impact our business operations. If any of the following risks actually occur, our business, financial condition or results of operations would likely suffer. In such case, the trading price of the Notes could fall, and you may lose all or part of the money you paid to buy such securities.*

**Risk Factors Related to Our Business**

**The recorded music industry has been declining and may continue to decline, which may adversely affect our prospects and our results of operations.**

The industry began experiencing negative growth rates in 1999 on a global basis and the worldwide recorded music market has contracted considerably. Illegal downloading of music, CD-R piracy, industrial piracy, economic recession, bankruptcies of record wholesalers and retailers, and growing competition for consumer discretionary spending and retail shelf space may all be contributing to a declining recorded music industry. Additionally, the period of growth in recorded music sales driven by the introduction and penetration of the CD format has ended. While CD sales still generate most of the recorded music revenues, CD sales continue to decline industry-wide and we expect that trend to continue. However, new formats for selling recorded music product have been created, including the legal downloading of digital music and the distribution of music on mobile devices and revenue streams from these new channels have emerged. These new digital revenue streams are important as they are beginning to offset declines in physical sales and represent a growing area of our Recorded Music business. In addition, we are also taking steps to broaden our revenue mix into growing areas of the music business, including sponsorship, fan clubs, artist websites, merchandising, touring, ticketing and artist management. As our expansion into these new areas is recent, we cannot determine how our expansion into these new areas will impact our business. Despite the increase in digital sales, artist services revenues and expanded-rights revenues, revenues from these sources have yet to fully offset declining physical sales on a worldwide industry basis and it is too soon to determine the impact that sales of music through new channels might have on the industry or when the decline in physical sales might be offset by the increase in digital sales, artist services revenues and expanded-rights revenues. While U.S. industry-wide track-equivalent album sales rose in 2011 for the first time since 2004, album sales continued to fall in other countries, such as the U.K., as a result of ongoing digital piracy and the transition from physical to digital sales in the recorded music business. Accordingly, the recorded music industry performance may continue to negatively impact our operating results. While it is believed within the recorded music industry that growth in digital sales will re-establish a growth pattern for recorded music sales, the timing of the recovery cannot be established with accuracy nor can it be determined how these changes will affect individual markets. A declining recorded music industry is likely to lead to reduced levels of revenue and operating income generated by our Recorded Music business. Additionally, a declining recorded music industry is also likely to have a negative impact on our Music Publishing business, which generates a significant portion of its revenues from mechanical royalties attributable to the sale of music in CD and other physical recorded music formats.

**There may be downward pressure on our pricing and our profit margins and reductions in shelf space.**

There are a variety of factors that could cause us to reduce our prices and reduce our profit margins. They are, among others, price competition from the sale of motion pictures in Blu-Ray/DVD-Video format and videogames, the negotiating leverage of mass merchandisers, big-box retailers and distributors of digital music, the increased costs of doing business with mass merchandisers and big-box retailers as a result of complying with operating procedures that are unique to their needs and any changes in costs associated with new digital formats. In addition, we are currently dependent on a small number of leading online music stores, which allows them to significantly influence the prices we can charge in connection with the distribution of digital music. Over the course of the last decade, U.S. mass-market and other stores' share of U.S. physical music sales has continued to grow. While we cannot predict how future competition will impact music retailers, as the music industry continues to transform it is possible that the share of music sales by mass-market retailers such as Wal-Mart and Target and online music stores such as Apple's iTunes will continue to grow as a result of the decline of specialty music retailers, which could further increase their negotiating leverage. During the past several years, many



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specialty music retailers have gone out of business. The declining number of specialty music retailers may not only put pressure on profit margins, but could also impact catalog sales as mass-market retailers generally sell top chart albums only, with a limited range of back catalog. See We are substantially dependent on a limited number of online music stores, in particular Apple's iTunes Music Store, for the online sale of our music recordings and they are able to significantly influence the pricing structure for online music stores.

### **Our prospects and financial results may be adversely affected if we fail to identify, sign and retain artists and songwriters and by the existence or absence of superstar releases and by local economic conditions in the countries in which we operate.**

We are dependent on identifying, signing and retaining recording artists with long-term potential, whose debut albums are well received on release, whose subsequent albums are anticipated by consumers and whose music will continue to generate sales as part of our catalog for years to come. The competition among record companies for such talent is intense. Competition among record companies to sell records is also intense and the marketing expenditures necessary to compete have increased as well. We are also dependent on signing and retaining songwriters who will write the hit songs of today and the classics of tomorrow. Our competitive position is dependent on our continuing ability to attract and develop artists whose work can achieve a high degree of public acceptance. Our financial results may be adversely affected if we are unable to identify, sign and retain such artists under terms that are economically attractive to us. Our financial results may also be affected by the existence or absence of superstar artist releases during a particular period. Some music industry observers believe that the number of superstar acts with long-term appeal, both in terms of catalog sales and future releases, has declined in recent years. Additionally, our financial results are generally affected by the worldwide economic and retail environment, as well as the appeal of our Recorded Music catalog and our Music Publishing library.

### **We may have difficulty addressing the threats to our business associated with home copying and Internet downloading.**

The combined effect of the decreasing cost of electronic and computer equipment and related technology such as CD burners and the conversion of music into digital formats have made it easier for consumers to obtain and create unauthorized copies of our recordings in the form of, for example, burned CDs and MP3 files. For example, about 95% of the music downloaded in 2008, or more than 40 billion files, were illegal and not paid for, according to the International Federation of the Phonographic Industry (IFPI) 2009 Digital Music Report. IFPI, citing data from third-party company Envisional, also reported in its Recording Industry in Numbers 2011 publication that 23.8% of global Internet traffic is infringing. In addition, while growth of music-enabled mobile consumers offers distinct opportunities for music companies such as ours, it also opens the market up to certain risks from behaviors such as sideloading of unauthorized content and illegitimate user-created ringtones. A substantial portion of our revenue comes from the sale of audio products that are potentially subject to unauthorized consumer copying and widespread digital dissemination without an economic return to us. The impact of digital piracy on legitimate music sales is hard to quantify but we believe that illegal filesharing has a substantial negative impact on music sales. We are working to control this problem in a variety of ways including further litigation, by lobbying governments for new, stronger copyright protection laws and more stringent enforcement of current laws, through graduated response programs achieved through cooperation with ISPs and legislation being advanced or considered in many countries, through technological measures and by establishing legitimate new media business models. We cannot give any assurances that such measures will be effective. If we fail to obtain appropriate relief through the judicial process or the complete enforcement of judicial decisions issued in our favor (or if judicial decisions are not in our favor), if we are unsuccessful in our efforts to lobby governments to enact and enforce stronger legal penalties for copyright infringement or if we fail to develop effective means of protecting our intellectual property (whether copyrights or other rights such as patents, trademarks and trade secrets) or our entertainment-related products or services, our results of operations, financial position and prospects may suffer.

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**Organized industrial piracy may lead to decreased sales.**

The global organized commercial pirate trade is a significant threat to content industries, including the music sector. A study by Frontier Economics cited by IFPI, estimates that digitally pirated music, movies and software is valued at \$30 billion to \$75 billion. In addition, an economic study conducted by Tera Consultants in Europe found that if left unabated, digital piracy could result in an estimated loss of 240 billion Euros in retail revenues for the creative industries including music in Europe over the period from 2008-2015. Unauthorized copies and piracy have contributed to the decrease in the volume of legitimate sales and put pressure on the price of legitimate sales. They have had, and may continue to have, an adverse effect on our business.

**Legitimate channels for digital distribution of our creative content are a recent development, and their impact on our business is unclear and may be adverse.**

We have positioned ourselves to take advantage of online and mobile technology as a sales distribution channel and believe that the continued development of legitimate channels for digital music distribution holds promise for us in the future. Digital revenue streams of all kinds are important to offset continued declining revenue from physical CD sales industry-wide over time. However, legitimate channels for digital distribution are a recent development and we cannot predict their impact on our business. In digital formats, certain costs associated with physical products such as manufacturing, distribution, inventory and return costs do not apply. Partially eroding that benefit are increases in mechanical copyright royalties payable to music publishers that only apply in the digital space. While there are some digital-specific variable costs and infrastructure investments necessary to produce, market and sell music in digital formats, we believe it is reasonable to expect that we will generally derive a higher contribution margin from digital sales than physical sales. However, we cannot be sure that we will generally continue to achieve higher margins from digital sales. Any legitimate digital distribution channel that does develop may result in lower or less profitable sales for us than comparable physical sales. In addition, the transition to greater sales through digital channels introduces uncertainty regarding the potential impact of the unbundling of the album on our business. It remains unclear how consumer behavior will continue to change when customers are faced with more opportunities to purchase only favorite tracks from a given album rather than the entire album. In addition, if piracy continues unabated and legitimate digital distribution channels fail to gain consumer acceptance, our results of operations could be harmed. Furthermore, as new distribution channels continue to develop, we may have to implement systems to process royalties on new revenue streams for potential future distribution channels that are not currently known. These new distribution channels could also result in increases in the number of transactions that we need to process. If we are not able to successfully expand our processing capability or introduce technology to allow us to determine and pay royalty amounts due on these new types of transactions in a timely manner, we may experience processing delays or reduced accuracy as we increase the volume of our digital sales, which could have a negative effect on our relationships with artists and brand identity.

**We are substantially dependent on a limited number of online music stores, in particular Apple's iTunes Music Store, for the online sale of our music recordings and they are able to significantly influence the pricing structure for online music stores.**

We derive an increasing portion of our revenues from sales of music through digital distribution channels. We are currently dependent on a small number of leading online music stores that sell consumers digital music. Currently, the largest U.S. online music store, iTunes, typically charges U.S. consumers prices ranging from \$0.69 to \$1.29 per single-track download. We have limited ability to increase our wholesale prices to digital service providers for digital downloads as we believe Apple's iTunes controls more than two-thirds of the legitimate digital music track download business in the U.S. If Apple's iTunes were to adopt a lower pricing model or if there were structural change to other download pricing models, we may receive substantially less per download for our music, which could cause a material reduction in our revenues, unless it is offset by a corresponding increase in the number of downloads. Additionally, Apple's iTunes and other online music stores at present accept and make available for sale all the recordings that we and other distributors deliver to them. However, if online stores in the future decide to limit the types or amount of music they will accept from music content owners like us, our revenues could be significantly reduced.

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### **Our involvement in intellectual property litigation could adversely affect our business.**

Our business is highly dependent upon intellectual property, an area that has encountered increased litigation in recent years. If we are alleged to infringe the intellectual property rights of a third party, any litigation to defend the claim could be costly and would divert the time and resources of management, regardless of the merits of the claim. There can be no assurance that we would prevail in any such litigation. If we were to lose a litigation relating to intellectual property, we could be forced to pay monetary damages and to cease the sale of certain products or the use of certain technology. Any of the foregoing may adversely affect our business.

### **Due to the nature of our business, our results of operations and cash flows may fluctuate significantly from period to period.**

Our net sales, operating income and profitability, like those of other companies in the music business, are largely affected by the number and quality of albums that we release or that include musical compositions published by us, timing of our release schedule and, more importantly, the consumer demand for these releases. We also make advance payments to recording artists and songwriters, which impact our operating cash flows. The timing of album releases and advance payments is largely based on business and other considerations and is made without regard to the impact of the timing of the release on our financial results. We report results of operations quarterly and our results of operations and cash flows in any reporting period may be materially affected by the timing of releases and advance payments, which may result in significant fluctuations from period to period.

### **We may be unable to compete successfully in the highly competitive markets in which we operate and we may suffer reduced profits as a result.**

The industries in which we operate are highly competitive, are subject to ongoing consolidation among major music companies, are based on consumer preferences and are rapidly changing. Additionally, they require substantial human and capital resources. We compete with other recorded music companies and music publishers to identify and sign new recording artists and songwriters who subsequently achieve long-term success and to renew agreements with established artists and songwriters. In addition, our competitors may from time to time reduce their prices in an effort to expand market share and introduce new services, or improve the quality of their products or services. We may lose business if we are unable to sign successful recording artists or songwriters or to match the prices or the quality of products and services, offered by our competitors. Our Recorded Music business competes not only with other recorded music companies, but also with the recorded music efforts of live events companies and recording artists who may choose to distribute their own works. Our Music Publishing business competes not only with other music publishing companies, but also with songwriters who publish their own works. Our Recorded Music business is to a large extent dependent on technological developments, including access to and selection and viability of new technologies, and is subject to potential pressure from competitors as a result of their technological developments. For example, our Recorded Music business may be further adversely affected by technological developments that facilitate the piracy of music, such as Internet peer-to-peer filesharing and CD-R activity, by an inability to enforce our intellectual property rights in digital environments and by a failure to develop successful business models applicable to a digital environment. The Recorded Music business also faces competition from other forms of entertainment and leisure activities, such as cable and satellite television, pre-recorded films on DVD, the Internet and computer and videogames.

### **We may be materially and adversely affected by the acquisition of EMI's recorded music division by Universal and the acquisition of EMI Music Publishing by a group including Sony Corporation of America (an affiliate of Sony/ATV).**

In November 2011, Vivendi and its subsidiary, Universal Music Group (UMG), announced that it had signed with Citigroup, Inc. ( Citi ) a definitive agreement to purchase EMI's recorded music division. The proposed acquisition would combine the largest and the fourth-largest recorded music companies. The transaction is subject to certain closing conditions, including regulatory approvals.

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Also in November 2011, an investor group comprised of Sony Corporation of America (an affiliate of Sony/ATV), in conjunction with the Estate of Michael Jackson, Mubadala Development Company PJSC, Jynwel Capital Limited, the Blackstone Group's GSO Capital Partners LP and David Geffen announced that they had signed with Citi a definitive agreement to purchase EMI Music Publishing. The proposed acquisition would combine the second- and fourth-largest music publishers. The transaction is subject to certain closing conditions, including regulatory approvals.

Should these transactions close, we cannot predict what impact they might have on the competitive landscape of the industries in which we operate or on our results of operations.

### **Our business operations in some foreign countries subject us to trends, developments or other events which may affect us adversely.**

We are a global company with strong local presences, which have become increasingly important as the popularity of music originating from a country's own language and culture has increased in recent years. Our mix of national and international recording artists and songwriters provides a significant degree of diversification for our music portfolio. However, our creative content does not necessarily enjoy universal appeal. As a result, our results can be affected not only by general industry trends, but also by trends, developments or other events in individual countries, including:

limited legal protection and enforcement of intellectual property rights;

restrictions on the repatriation of capital;

fluctuations in interest and foreign exchange rates;

differences and unexpected changes in regulatory environment, including environmental, health and safety, local planning, zoning and labor laws, rules and regulations;

varying tax regimes which could adversely affect our results of operations or cash flows, including regulations relating to transfer pricing and withholding taxes on remittances and other payments by subsidiaries and joint ventures;

exposure to different legal standards and enforcement mechanisms and the associated cost of compliance;

difficulties in attracting and retaining qualified management and employees or rationalizing our workforce;

tariffs, duties, export controls and other trade barriers;

longer accounts receivable settlement cycles and difficulties in collecting accounts receivable;

recessionary trends, inflation and instability of the financial markets;

higher interest rates; and

political instability.

We may not be able to insure or hedge against these risks, and we may not be able to ensure compliance with all of the applicable regulations without incurring additional costs. Furthermore, financing may not be available in countries with less than investment-grade sovereign credit ratings. As a result, it may be difficult to create or maintain profit-making operations in developing countries.

In addition, our results can be affected by trends, developments and other events in individual countries. There can be no assurance that in the future other country-specific trends, developments or other events will not have such a significant adverse effect on our business, results of operations or financial condition. Unfavorable conditions can depress sales in any given market and prompt promotional or other actions that affect our margins.

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### **Our business may be adversely affected by competitive market conditions and we may not be able to execute our business strategy.**

We intend to increase revenues and cash flow through a business strategy which requires us, among other things, to continue to maximize the value of our music assets, to significantly reduce costs to maximize flexibility and adjust to new realities of the market, to continue to act to contain digital piracy and to diversify our revenue streams into growing segments of the music business by entering into expanded-rights deals with recording artists and by operating our artist services businesses and to capitalize on digital distribution and emerging technologies.

Each of these initiatives requires sustained management focus, organization and coordination over significant periods of time. Each of these initiatives also requires success in building relationships with third parties and in anticipating and keeping up with technological developments and consumer preferences and may involve the implementation of new business models or distribution platforms. The results of our strategy and the success of our implementation of this strategy will not be known for some time in the future. If we are unable to implement our strategy successfully or properly react to changes in market conditions, our financial condition, results of operations and cash flows could be adversely affected.

### **Our ability to operate effectively could be impaired if we fail to attract and retain our executive officers.**

Our success depends, in part, upon the continuing contributions of our executive officers. Although we have employment agreements with our executive officers, there is no guarantee that they will not leave. The loss of the services of any of our executive officers or the failure to attract other executive officers could have a material adverse effect on our business or our business prospects.

### **A significant portion of our Music Publishing revenues is subject to rate regulation either by government entities or by local third-party collection societies throughout the world and rates on other income streams may be set by arbitration proceedings, which may limit our profitability.**

Mechanical royalties and performance royalties are the two largest sources of income to our Music Publishing business and mechanical royalties are a significant expense to our Recorded Music business. In the U.S., mechanical rates are set pursuant to an arbitration process under the U.S. Copyright Act unless rates are determined through voluntary industry negotiations and performance rates are set by performing rights societies and subject to challenge by performing rights licensees. Outside the U.S., mechanical and performance rates are typically negotiated on an industry-wide basis. The mechanical and performance rates set pursuant to such processes may adversely affect us by limiting our ability to increase the profitability of our Music Publishing business. If the mechanical rates are set too high it may also adversely affect us by limiting our ability to increase the profitability of our Recorded Music business. In addition, rates our Recorded Music business receives in the U.S. for, among other sources of income and potential income, webcasting and satellite radio are set by an arbitration process under the U.S. Copyright Act unless rates are determined through voluntary industry negotiations. It is important as sales shift from physical to diversified distribution channels that we receive fair value for all of the uses of our intellectual property as our business model now depends upon multiple revenue streams from multiple sources. If the rates for Recorded Music income sources that are established through legally prescribed rate-setting processes are set too low, it could have a material adverse impact on our Recorded Music business or our business prospects.

### **An impairment in the carrying value of goodwill or other intangible and long-lived assets could negatively affect our operating results and shareholders' equity.**

On December 31, 2011, we had \$1.376 billion of goodwill and \$102 million of indefinite-lived intangible assets. Financial Accounting Standards Codification ( ASC ) Topic 350, Intangibles - Goodwill and other ( ASC 350 ) requires that we test these assets for impairment annually (or more frequently should indications of impairment arise) by estimating the fair value of each of our reporting units (calculated using a discounted cash

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flow method) and comparing that value to the reporting units' carrying value. If the carrying value exceeds the fair value, there is a potential impairment and additional testing must be performed. In performing our annual tests and determining whether indications of impairment exist, we consider numerous factors including actual and projected operating results of each reporting unit, external market factors such as market prices for similar assets, the market capitalization of our stock, and trends in the music industry. As noted, the Merger was completed during the fourth quarter of the fiscal year ended September 30, 2011 and resulted in all assets and liabilities being recognized at fair value as of July 20, 2011. This eliminated the need for Warner Music Group to perform a separate annual assessment of the recoverability of its goodwill and intangibles. No indicators of impairment were identified during the Predecessor period that required Warner Music Group to perform an interim assessment or recoverability test, nor were any identified during the Successor period. However, future events may occur that could adversely affect the estimated fair value of our reporting units. Such events may include, but are not limited to, strategic decisions made in response to changes in economic and competitive conditions and the impact of the economic environment on our operating results. Failure to achieve sufficient levels of cash flow at our reporting units could also result in impairment charges on goodwill and indefinite-lived intangible assets. If the value of the acquired goodwill or acquired indefinite-lived intangible assets is impaired, our operating results and shareholders' equity could be adversely affected.

We also had \$2.612 billion of definite-lived intangible assets as of December 31, 2011. FASB ASC Topic 360-10-35, ( ASC 360-10-35 ) requires companies to review these assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If similar events occur as enumerated above such that we believe indicators of impairment are present, we would test for recoverability by comparing the carrying value of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount, we would perform the next step, which is to determine the fair value of the asset, which could result in an impairment charge. Any impairment charge recorded would negatively affect our operating results and shareholders' equity.

**Unfavorable currency exchange rate fluctuations could adversely affect our results of operations.**

The reporting currency for our financial statements is the U.S. dollar. We have substantial assets, liabilities, revenues and costs denominated in currencies other than U.S. dollars. To prepare our consolidated financial statements, we must translate those assets, liabilities, revenues and expenses into U.S. dollars at then-applicable exchange rates. Consequently, increases and decreases in the value of the U.S. dollar versus other currencies will affect the amount of these items in our consolidated financial statements, even if their value has not changed in their original currency. These translations could result in significant changes to our results of operations from period to period. Prior to intersegment eliminations, approximately 60% and 62% of our revenues related to operations in foreign territories for the twelve months ended September 30, 2011 and the three months ended December 31, 2011, respectively. From time to time, we enter into foreign exchange contracts to hedge the risk of unfavorable foreign currency exchange rate movements. As of December 31, 2011, we have hedged a portion of our material foreign currency exposures related to royalty payments remitted between our foreign affiliates and our U.S. affiliates through the end of the current fiscal year.

**We may not have full control and ability to direct the operations we conduct through joint ventures.**

We currently have interests in a number of joint ventures and may in the future enter into further joint ventures as a means of conducting our business. In addition, we structure certain of our relationships with recording artists and songwriters as joint ventures. We may not be able to fully control the operations and the assets of our joint ventures, and we may not be able to make major decisions or may not be able to take timely actions with respect to our joint ventures unless our joint venture partners agree.

**The enactment of legislation limiting the terms by which an individual can be bound under a personal services contract could impair our ability to retain the services of key artists.**

California Labor Code Section 2855 ( Section 2855 ) limits the duration of time any individual can be bound under a contract for personal services to a maximum of seven years. In 1987, Subsection (b) was added,

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which provides a limited exception to Section 2855 for recording contracts, creating a damages remedy for record companies. Legislation was introduced in New York in 2009 to create a statute similar to Section 2855 to limit contracts between artists and record companies to a term of seven years which term may be reduced to three years if the artist was not represented in the negotiation and execution of such contracts by qualified counsel experienced with entertainment industry law and practices, potentially affecting the duration of artist contracts. There is no assurance that California will not introduce legislation in the future seeking to repeal Subsection (b). The repeal of Subsection (b) of Section 2855 and/or the passage of legislation similar to Section 2855 by other states could materially affect our results of operations and financial position.

**We face a potential loss of catalog if it is determined that recording artists have a right to recapture rights in their recordings under the U.S. Copyright Act.**

The U.S. Copyright Act provides authors (or their heirs) a right to terminate U.S. licenses or assignments of rights in their copyrighted works in certain circumstances. This right does not apply to works that are works made for hire. Since the effective date of U.S. federal copyright protection for sound recordings (February 15, 1972), virtually all of our agreements with recording artists provide that such recording artists render services under a work-made-for-hire relationship. A termination right exists under the U.S. Copyright Act for U.S. rights in musical compositions that are not works made for hire. If any of our commercially available sound recordings were determined not to be works made for hire, then the recording artists (or their heirs) could have the right to terminate the U.S. federal copyright rights they granted to us, generally during a five-year period starting at the end of 35 years from the date of release of a recording under a post-1977 license or assignment (or, in the case of a pre-1978 grant in a pre-1978 recording, generally during a five-year period starting at the end of 56 years from the date of copyright). A termination of U.S. federal copyright rights could have an adverse effect on our Recorded Music business. From time to time, authors (or their heirs) can terminate our U.S. rights in musical compositions. However, we believe the effect of those terminations is already reflected in the financial results of our Music Publishing business.

**If we acquire, combine with or invest in other businesses, we will face certain risks inherent in such transactions.**

We may pursue strategic transactions in the future, which could be difficult to implement, disrupt our business or change our business profile significantly.

We have in the past considered and will continue to, from time to time, consider opportunistic strategic transactions, which could involve acquisitions, combinations or dispositions of businesses or assets, or strategic alliances or joint ventures with companies engaged in businesses that are similar or complementary to ours. Any such strategic combination could be material. Any future strategic transaction could involve numerous risks, including:

potential disruption of our ongoing business and distraction of management;

potential loss of recording artists or songwriters from our rosters;

difficulty integrating the acquired businesses or segregating assets to be disposed of;

exposure to unknown and/or contingent or other liabilities, including litigation arising in connection with the acquisition, disposition and/or against any businesses we may acquire;

reputational or other damages to our business as a result of a failure to consummate such a transaction for, among other reasons, failure to gain anti-trust approval; and

changing our business profile in ways that could have unintended consequences.



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If we enter into significant strategic transactions in the future, related accounting charges may affect our financial condition and results of operations, particularly in the case of any acquisitions. In addition, the

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financing of any significant acquisition may result in changes in our capital structure, including the incurrence of additional indebtedness. Conversely, any material disposition could reduce our indebtedness or require the amendment or refinancing of our outstanding indebtedness or a portion thereof. We may not be successful in addressing these risks or any other problems encountered in connection with any strategic transactions. We cannot assure you that if we make any future acquisitions, investments, strategic alliances or joint ventures or enter into any business combination that they will be completed in a timely manner, that they will be structured or financed in a way that will enhance our creditworthiness or that they will meet our strategic objectives or otherwise be successful. We also may not be successful in implementing appropriate operational, financial and management systems and controls to achieve the benefits expected to result from these transactions. Failure to effectively manage any of these transactions could result in material increases in costs or reductions in expected revenues, or both. In addition, if any new business in which we invest or which we attempt to develop does not progress as planned, we may not recover the funds and resources we have expended and this could have a negative impact on our businesses or our company as a whole.

### **We have outsourced our information technology infrastructure and certain finance and accounting functions and may outsource other back-office functions, which will make us more dependent upon third parties.**

In an effort to make our information technology, or IT, more efficient and increase our IT capabilities and reduce potential disruptions, as well as generate cost savings, we signed a contract during fiscal year 2009 with a third-party service provider to outsource a significant portion of our IT infrastructure functions. This outsourcing initiative was a component of our ongoing strategy to monitor our costs and to seek additional cost savings. As a result, we rely on third parties to ensure that our IT needs are sufficiently met. This reliance subjects us to risks arising from the loss of control over IT processes, changes in pricing that may affect our operating results, and potentially, termination of provisions of these services by our supplier. In addition, in an effort to make our finance and accounting functions more efficient, as well as generate cost savings, we signed a contract during fiscal year 2009 with a third-party service provider to outsource certain finance and accounting functions. A failure of our service providers to perform services in a satisfactory manner may have a significant adverse effect on our business. We may outsource other back-office functions in the future, which would increase our reliance on third parties.

### **We have engaged in substantial restructuring activities in the past, and may need to implement further restructurings in the future and our restructuring efforts may not be successful or generate expected cost savings.**

The recorded music industry continues to undergo substantial change. These changes continue to have a substantial impact on our business. See

The recorded music industry has been declining and may continue to decline, which may adversely affect our prospects and our results of operations. Following the Time Warner acquisition in 2004, we implemented a broad restructuring plan in order to adapt our cost structure to the changing economics of the music industry. We continue to shift resources from our physical sales channels to efforts focused on digital distribution, emerging technologies and other new revenue streams. In addition, in order to help mitigate the effects of the recorded music transition, we continue our efforts to reduce overhead and manage our variable and fixed cost structure to minimize any impact. As of the completion of the Merger in July 2011, we have targeted cost savings over the next nine fiscal quarters following the Merger of \$50 million to \$65 million based on identified cost savings initiatives and opportunities. While a portion of these initiatives and opportunities have been implemented, there can be no assurances that additional cost savings will be achieved in full or at all.

We cannot be certain that we will not be required to implement further restructuring activities, make additions or other changes to our management or workforce based on other cost reduction measures or changes in the markets and industry in which we compete. Our inability to structure our operations based on evolving market conditions could impact our business. Restructuring activities can create unanticipated consequences and negative impacts on the business, and we cannot be sure that any future restructuring efforts will be successful or generate expected cost savings.

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**Access, which indirectly owns all of our outstanding capital stock following the consummation of the Merger, controls our company and may have conflicts of interest with the holders of our debt or us in the future. Access may also enter into, or cause us to enter into, strategic transactions that could change the nature or structure of our business, capital structure or credit profile.**

Following the consummation of the Merger, Access indirectly owns all of our common stock, and the actions that Access undertakes as the sole ultimate shareholder may differ from or adversely affect the interests of debt holders. Because Access ultimately controls our voting shares and those of all of our subsidiaries, it has the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as to elect our directors and those of our subsidiaries, to change our management and to approve any other changes to our operations. Access also has the power to direct us to engage in strategic transactions, with or involving other companies in our industry, including acquisitions, combinations or dispositions, and any such transaction could be material. Any such transaction would carry the risks set forth above under . If we acquire, combine with or invest in other businesses, we will face certain risks inherent in such transactions.

Additionally, Access is in the business of making investments in companies and is actively seeking to acquire interests in businesses that operate in our industry and may compete, directly or indirectly, with us. Access may also pursue acquisition opportunities that may be complementary to our business, which could have the effect of making such acquisition opportunities unavailable to us. Access could elect to cause us to enter into business combinations or other transactions with any business or businesses in our industry that Access may acquire or control, or we could become part of a group of companies organized under the ultimate common control of Access that may be operated in a manner different from the manner in which we have historically operated. Any such business combination transaction could require that we or such group of companies incur additional indebtedness, and could also require us or any acquired business to make divestitures of assets necessary or desirable to obtain regulatory approval for such transaction. The amounts of such additional indebtedness, and the size of any such divestitures, could be material. Access may also from time to time purchase outstanding indebtedness that we issued prior to, or in connection with, the Merger, and could also subsequently sell any such indebtedness. Any purchase or sale of such indebtedness, including the Notes, may affect the value of, trading price or liquidity of such indebtedness.

Finally, because we do not have any securities listed on a securities exchange following the consummation of the Merger and the related transactions, we are not subject to certain of the corporate governance requirements of any securities exchange, including any requirement to have any independent directors.

**Our reliance on one company as the primary supplier for the manufacturing, packaging and physical distribution of our products in the U.S. and Canada and part of Europe could have an adverse impact on our ability to meet our manufacturing, packaging and physical distribution requirements.**

On November 16, 2010, we entered into a series of new agreements with Cinram and its affiliates including an agreement with Cinram Manufacturing LLC (formerly Cinram Manufacturing Inc.), Cinram Distribution LLC and Cinram International Inc. for the U.S. and Canada and an agreement with Cinram International Inc., Cinram GmbH and Cinram Operations UK Limited for certain territories within the European Union. We entered into certain amendments to the agreements in January 2011. Both new agreements, as amended, now expire on January 31, 2014. The terms of the new agreements, as amended, remain substantially the same as the terms of the original 2003 agreements, as amended, but now provide us with the option to use third-party vendors at any time to fulfill our requirements for up to a certain percentage of the volume provided to us during the 2010 calendar year by Cinram (and up to a higher percentage upon the occurrence of certain events). In addition, we have expanded termination rights. As Cinram continues to be our primary supplier of manufacturing and distribution services in the U.S., Canada and part of Europe, our continued ability to meet our manufacturing, packaging and physical distribution requirements in those territories depends largely on Cinram's continued successful operation in accordance with the service level requirements mandated by us in our service agreements. If, for any reason, Cinram were to fail to meet contractually required service levels, or were unable to otherwise continue to provide services, we may have difficulty satisfying our commitments to our wholesale and retail

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customers in the short term until we more fully transitioned to an alternate provider, which could have an adverse impact on our revenues. In February 2011, Cinram announced the successful completion of a refinancing and recapitalization transaction. Any future inability of Cinram to continue to provide services due to financial distress, refinancing issues or otherwise could also require us to switch to substitute suppliers of these services for more services than currently planned. Even though our agreements with Cinram give us a right to terminate based upon failure to meet mandated service levels and now also permit us to use third-party vendors for a portion of our service requirements, and although there are several capable substitute suppliers, it might be costly for us to switch to substitute suppliers for any such services, particularly in the short term, and the delay and transition time associated with finding substitute suppliers could also have an adverse impact on our revenues.

### **Risk Factors Related to the Notes and the Exchange Offers**

#### **The Issuer may not have access to the cash flow and other assets of its subsidiaries that may be needed to make payments on the Notes.**

The Issuer is a holding company, and as such has no independent operations or material assets other than its ownership of equity interests in its subsidiaries, including Acquisition Corp., and its subsidiaries' contractual arrangements, and it will depend on its subsidiaries to distribute funds to it so that it may pay its obligations and expenses, including satisfying its obligations under the Notes. The Issuer's ability to make payments on the Notes is dependent on the earnings and the distribution of funds from its subsidiaries. The ability of the Issuer's subsidiaries to make distributions, dividends or advances to it will depend on their future operating performance and on economic, financial, competitive, legislative and other factors and any legal and regulatory restrictions on the payment of distributions and dividends to which they may be subject. The agreements governing our indebtedness restrict distributions, dividends or loans from us and our subsidiaries to the Issuer, and under the terms of the Indenture, we and our subsidiaries are permitted to incur certain additional indebtedness that may restrict distributions, dividends or loans from us or those subsidiaries to the Issuer. We and the Issuer cannot assure you that the agreements governing our current and future indebtedness will permit us to provide the Issuer with sufficient dividends, distributions or loans to fund payments on the Notes when due.

Furthermore, none of the Issuer's subsidiary companies, including Acquisition Corp. is under any obligation to guarantee the Notes. The Notes are therefore structurally subordinated to any existing or future indebtedness and other liabilities of the Issuer in the absence of any guarantee of the Notes by Acquisition Corp. In the event of a bankruptcy, liquidation or reorganization of any of Acquisition Corp. or its subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of claims from the assets of that company before any assets are or could be made available for distribution to the Issuer. The Notes are also effectively subordinated to the secured indebtedness of the Issuer's subsidiaries, including Acquisition Corp., to the extent of the value of the assets securing such indebtedness. As of December 31, 2011, Acquisition Corp. had approximately \$1.316 billion of secured indebtedness represented by the Secured WMG Notes and the Existing Secured Notes, with up to \$60 million available for future borrowings under the Revolving Credit Facility. As of December 31, 2011, Acquisition Corp. and its subsidiaries had \$2.214 billion in aggregate principal amount of indebtedness.

#### **You may have difficulty in selling the Notes that you do not exchange.**

If you do not exchange your Old Notes for the New Notes offered in the exchange offer, your Old Notes will continue to be subject to significant transfer restrictions. Those transfer restrictions are described in the Indenture and arose because the Old Notes were originally issued under exemptions from the registration requirements of the Securities Act.

The Old Notes may not be offered, sold or otherwise transferred, except in compliance with the registration requirements of the Securities Act, pursuant to an exemption from registration under the Securities Act or in a transaction not subject to the registration requirements of the Securities Act, and in compliance with state securities laws. The issuer did not register the Old Notes under the Securities Act, and it does not intend to do so. If you do not exchange your Old Notes, your ability to sell those Notes will be significantly limited.

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If a large number of outstanding Old Notes are exchanged for New Notes issued in the exchange offer, it may be more difficult for you to sell your unexchanged Old Notes due to the limited amounts of Old Notes that would remain outstanding following the exchange offer.

**Old Notes will not be accepted for exchange if you fail to follow the exchange offer procedures and, as a result, your Old Notes will continue to be subject to existing transfer restrictions and you may not be able to sell your Old Notes.**

We will not accept Old Notes for exchange if you do not follow the proper exchange offer procedures. We will issue New Notes as part of the exchange offer only after a timely receipt of your Old Notes. We are under no duty to give notification of defects or irregularities with respect to the tenders of outstanding notes for exchange. If there are defects or irregularities with respect to your tender of outstanding notes, we may not accept your outstanding notes for exchange. Therefore, if you want to tender your Old Notes, please allow sufficient time to ensure timely delivery. If we do not receive your Old Notes and any other required documents by the Expiration Date, we will not accept your Old Notes for exchange. For more information, see [The Exchange Offer Procedures for Tendering](#).

**Because there is no public market for the New Notes, you may not be able to resell your New Notes.**

The New Notes will be registered under the Securities Act, but will constitute a new issue of securities with no established trading market, and there can be no assurance as to:

the liquidity of any trading market that may develop;

the ability of holders to sell their New Notes; or

the price at which the holders would be able to sell their New Notes.

If a trading market were to develop, the New Notes might trade at higher or lower prices than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar securities and our financial performance.

**Certain affiliates of Warner have in the past purchased, and may in the future purchase, debt securities of Warner, including the Old Notes, which could limit the liquidity of or the trading prices for the New Notes.**

Certain affiliates of Warner have in the past purchased, and may in the future purchase, debt securities of Warner, including the Old Notes. Affiliates of the Issuer that hold Old Notes are not permitted to participate in the exchange offer and, as a result, any Old Notes held by Affiliates of the Issuer will remain outstanding and subject to certain existing transfer restrictions and may be transferred only in limited circumstances under the securities laws. Any Old Notes that remain outstanding and are not exchanged in the exchange offer may limit the liquidity of the New Notes and could adversely affect the trading prices of the New Notes.

**Our substantial leverage on a consolidated basis could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our obligations under our indebtedness.**

We are highly leveraged. As of December 31, 2011, our total consolidated indebtedness was \$2.214 billion. In addition, we would have been able to borrow up to \$60 million under our Revolving Credit Facility.

Our high degree of leverage could have important consequences for our investors. For example, it may:

make it more difficult for us to make payments on our indebtedness;

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increase our vulnerability to general economic and industry conditions, including recessions and periods of significant inflation and financial market volatility;

expose us to the risk of increased interest rates because any borrowings we make under the Revolving Credit Facility will bear interest at variable rates;

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require us to use a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing our ability to fund working capital, capital expenditures and other expenses;

limit our ability to refinance existing indebtedness on favorable terms or at all or borrow additional funds in the future for, among other things, working capital, acquisitions or debt service requirements;

limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;

place us at a competitive disadvantage compared to competitors that have less indebtedness; and

limit our ability to borrow additional funds that may be needed to operate and expand our business.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in the indentures relating to our outstanding notes and the Revolving Credit Facility. If new indebtedness is added to our current debt levels, the related risks that we and our subsidiaries now face could intensify.

### **We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.**

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

The Issuer will rely on its direct subsidiary Acquisition Corp. and its subsidiaries to make payments on its borrowings. If Acquisition Corp. does not dividend funds to the Issuer in an amount sufficient to make such payments, if necessary in the future, the Issuer may default under the indenture governing the Notes, which would result in all such notes becoming due and payable. Because Acquisition Corp.'s debt agreements have covenants that limit its ability to make payments to the Issuer, the Issuer may not have access to funds in an amount sufficient to service its indebtedness.

### **Our debt agreements contain restrictions that limit our flexibility in operating our business.**

The indentures governing our outstanding notes contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability, the Issuer's ability and the ability of our restricted subsidiaries to, among other things:

incur additional debt or issue certain preferred shares;

create liens on certain debt;

pay dividends on or make distributions in respect of our capital stock or make investments or other restricted payments;

sell certain assets;

create restrictions on the ability of our restricted subsidiaries to pay dividends to us or make certain other intercompany transfers;

enter into certain transactions with our affiliates; and

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.



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In addition, the credit agreement governing the Revolving Credit Facility contains a number of covenants that limits Acquisition Corp.'s ability and the ability of its restricted subsidiaries to:

pay dividends on, and redeem and purchase, equity interests;

make other restricted payments;

make prepayments on, redeem or repurchase certain debt;

incur certain liens;

make certain loans and investments;

incur certain additional debt;

enter into guarantees and hedging arrangements;

enter into mergers, acquisitions and asset sales;

enter into transactions with affiliates;

change the business we and our subsidiaries conduct;

restrict the ability of our subsidiaries to pay dividends or make distributions;

amend the terms of subordinated debt and unsecured bonds; and

make certain capital expenditures.

The ability of Acquisition Corp. to borrow additional amounts under the Revolving Credit Facility will depend upon satisfaction of these covenants. Events beyond our control can affect our ability to meet these covenants.

Our failure to comply with obligations under the instruments governing our indebtedness may result in an event of default under such instruments. We cannot be certain that we will have funds available to remedy these defaults. A default, if not cured or waived, may permit acceleration of our indebtedness. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all.

All of these restrictions could affect our ability to operate our business or may limit our ability to take advantage of potential business opportunities as they arise.

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If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments in recording artists and songwriters, capital expenditures or dividends, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The indentures governing our outstanding notes restrict our ability to dispose of assets and use the proceeds from dispositions. We may not be able to consummate those dispositions or to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

**If we or our subsidiaries default on our or their obligations to pay our or their indebtedness, the Issuer may not be able to make payments on the Notes.**

Any default under the agreements governing our indebtedness, including a default under the Revolving Credit Facility that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us and/or the Issuer unable to pay principal, premium, if any, and interest on the Notes and our other indebtedness when due and substantially decrease the market value of the Notes and our other indebtedness.

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If we or our subsidiaries are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our or the Issuer's indebtedness, or if we or the Issuer otherwise fail to comply with the various covenants in the instruments governing our or the Issuer's indebtedness (including covenants in the credit agreement governing the Revolving Credit Facility or the indentures governing our indebtedness, including the Indenture), we or the Issuer could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Revolving Credit Facility could elect to terminate their commitments thereunder and cease making further loans, and holders of such indebtedness that is secured could institute foreclosure proceedings against our assets, which could further result in a cross-default or cross-acceleration of our debt issued under other instruments, and we could be forced into bankruptcy or liquidation. If amounts outstanding under the Revolving Credit Facility, the Notes, our other indebtedness or other debt of our subsidiaries are accelerated, all our non-guarantor subsidiaries' debt and liabilities would be payable from our subsidiaries' assets, prior to any distributions of our subsidiaries' assets to pay interest and principal on the Notes and our other indebtedness, and we and/or the Issuer might not be able to repay or make any payments on the Notes and our other indebtedness.

### **The Issuer may not be able to repurchase the Notes upon a change of control.**

Upon the occurrence of a change of control event specified in the Indenture, the Issuer, will be required to offer to repurchase all outstanding Notes (unless otherwise redeemed) at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and special interest, if any, to the date of repurchase. It is possible, however, that the Issuer would not have sufficient funds available at the time of the change of control to make the required repurchase of Notes. We may be unable to repay all of that indebtedness or to obtain such consent. Any requirement to offer to repurchase outstanding Notes may therefore require us to refinance our other outstanding debt, which we may not be able to do on commercially reasonable terms, if at all. A change of control may constitute an event of default under the Revolving Credit Facility. In addition, the Issuer's failure to repurchase the Notes after a change of control in accordance with the terms of the Indenture would constitute an event of default under the Indenture, which in turn would result in a default under the Revolving Credit Facility, resulting in the acceleration of the indebtedness represented by the Notes and under the Revolving Credit Facility.

### **Certain corporate events may not trigger a change of control event, in which case the Issuer will not be required to redeem the Notes.**

The Indenture permits the Issuer to engage in certain important corporate events that would increase indebtedness or alter our business but would not constitute a Change of Control as defined in the Indenture. If we effected a leveraged recapitalization or other such non-change of control transaction that resulted in an increase in indebtedness or fundamentally changed our business, the Issuer's ability to make payments on the Notes would be adversely affected. However, the Issuer would not be required to redeem the Notes, and you might be required to continue to hold your Notes, despite the Issuer's decreased ability to meet its obligations under the Notes.

The definition of Change of Control includes a disposition of all or substantially all of our assets. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of substantially all of our assets. As a result, it may be unclear as to whether a Change of Control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

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### **A reduction in our credit ratings could impact our cost of capital.**

Although reductions in our debt ratings may not have an immediate impact on the cost of debt or our liquidity, they may impact the cost of debt and liquidity over the medium term and future access at a reasonable rate to the debt markets may be adversely impacted.

### **Federal and state fraudulent transfer laws may permit a court to void the Notes and/or the guarantee of the Notes, and if that occurs, you may not receive any payments on the Notes.**

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the Notes and the incurrence of the guarantee of the Notes. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the Notes or the guarantee thereof could be voided as a fraudulent transfer or conveyance if we or the Issuer, as applicable, (a) issued the Notes or incurred the guarantee with the intent of hindering, delaying or defrauding creditors or (b) received less than reasonably equivalent value or fair consideration in return for either issuing the Notes or incurring the guarantee and, in the case of (b) only, one of the following is also true at the time thereof:

we or the Issuer, as applicable, were insolvent or rendered insolvent by reason of the issuance of the Notes or the incurrence of the guarantee;

the issuance of the Notes or the incurrence of the guarantee left us or the Issuer, as applicable, with an unreasonably small amount of capital or assets to carry on its business; or

we or the Issuer intended to, or believed that we or the Issuer would, incur debts beyond our or the Issuer's ability to pay as they mature.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is satisfied. A court would likely find that we did not receive reasonably equivalent value or fair consideration for our guarantee to the extent we did not obtain a reasonably equivalent benefit from the issuance of the Notes.

We cannot be certain as to the standards a court would use to determine whether we or not the Issuer, were insolvent at the relevant time or, regardless of the standard that a court uses, whether the Notes or the guarantee of the Notes would be subordinated to our, the Issuer's other debt. In general, however, a court would deem an entity insolvent if:

the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they became due.

If a court were to find that the issuance of the Notes or the incurrence of a guarantee of the Notes was a fraudulent transfer or conveyance, the court could void the payment obligations under the Notes or that guarantee, subordinate the Notes or that guarantee to presently existing and future indebtedness of the applicable obligor or require the holders of the Notes to repay any amounts received with respect to that guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, with respect to your Notes, you may not receive any repayment on the Notes.

The Indenture contains a savings clause intended to limit each subsidiary guarantor's liability under its guarantee to the maximum amount that it could incur without causing the guarantee to be a fraudulent transfer under applicable law. There can be no assurance that this provision will be upheld as intended.



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**Certain restrictive covenants in the Indenture will not apply during any time that the Notes achieve investment grade ratings.**

Most of the restrictive covenants in the Indenture will not apply during any time that the Notes achieve investment grade ratings from Moody's Investment Service, Inc. and Standard & Poor's, and no default or event of default has occurred. If these restrictive covenants cease to apply, the Issuer may take actions, such as incurring additional debt or making certain dividends or distributions, which would otherwise be prohibited under the Indenture. Ratings are given by these rating agencies based upon analyses that include many subjective factors. The investment grade ratings, if granted, may not reflect all of the factors that would be important to holders of the Notes.

**The pro forma financial information in this prospectus may not be reflective of our operating results and financial conditions following the Transactions.**

The pro forma financial information included in this prospectus is derived from our historical consolidated financial statements. The preparation of this pro forma information is based upon certain assumptions and estimates. This pro forma information may not reflect what our results of operations, financial position and cash flows would have been had the Transactions and specified adjustments occurred during the periods presented or what our results of operations, financial position and cash flows will be in the future. The pro forma information contained in this prospectus is based on adjustments that we believe are reasonable; however, our estimate of these adjustments may differ from actual amounts, and any such differences may be material.

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**FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this prospectus, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs, cost savings, industry trends and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, intend, estimate, anticipate, believe or continue or the negative thereof or variations thereon or similar terminology. Forward-looking statements include, among others, statements regarding our ability to develop talent and attract future talent, our ability to reduce future capital expenditures, our ability to monetize our music content, including through new distribution channels and formats to capitalize on the growth areas of the music industry, our ability to effectively deploy our capital, the development of digital music and the effect of digital distribution channels on our business, including whether we will be able to achieve higher margins from digital sales, the success of strategic actions we are taking to accelerate our transformation as we redefine our role in the music industry, the effectiveness of our ongoing efforts to reduce overhead expenditures and manage our variable and fixed cost structure and our ability to generate expected cost savings from such efforts, our success in limiting piracy, our ability to compete in the highly competitive markets in which we operate, the growth of the music industry and the effect of our and the music industry's efforts to combat piracy on the industry, our intention to pay dividends or repurchase our outstanding notes in open market purchases, privately or otherwise, the impact on us of potential strategic transactions, our ability to fund our future capital needs and the effect of litigation on us. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus. Additionally, important factors could cause our actual results to differ materially from the forward-looking statements we make in this prospectus. As stated elsewhere in this prospectus, such risks, uncertainties and other important factors include, among others:

litigation in respect of the Merger;

disruption from the Merger and the transactions related to the Merger making it more difficult to maintain certain strategic relationships;

risks relating to recent or future ratings agency actions or downgrades as a result of the Merger and the transactions related to the Merger or for any other reason;

reduced access to capital markets as the result of the delisting of our common stock on the New York Stock Exchange following consummation of the Merger;

the impact of our substantial leverage, including the increase associated with additional indebtedness incurred in connection with the Merger and the transactions related to the Merger, on our ability to raise additional capital to fund our operations, on our ability to react to changes in the economy or our industry and on our ability to meet our obligations under our indebtedness;

our ability to achieve expected or targeted cost savings following consummation of the Merger;

the continued decline in the global recorded music industry and the rate of overall decline in the music industry;

our ability to continue to identify, sign and retain desirable talent at manageable costs;

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the threat posed to our business by piracy of music by means of home CD-R activity, Internet peer-to-peer filesharing and sideloading of unauthorized content;

the significant threat posed to our business and the music industry by organized industrial piracy;



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the popular demand for particular recording artists and/or songwriters and albums and the timely completion of albums by major recording artists and/or songwriters;

the diversity and quality of our portfolio of songwriters;

the diversity and quality of our album releases;

significant fluctuations in our results of operations and cash flows due to the nature of our business;

our involvement in intellectual property litigation;

the possible downward pressure on our pricing and profit margins;

our ability to continue to enforce our intellectual property rights in digital environments;

the ability to develop a successful business model applicable to a digital environment and to enter into expanded-rights deals with recording artists in order to broaden our revenue streams in growing segments of the music business;

the impact of heightened and intensive competition in the recorded music and music publishing businesses and our inability to execute our business strategy;

risks associated with our non-U.S. operations, including limited legal protections of our intellectual property rights and restrictions on the repatriation of capital;

the impact of legitimate music distribution on the Internet or the introduction of other new music distribution formats;

the reliance on a limited number of online music stores and their ability to significantly influence the pricing structure for online music stores;

the impact of rate regulations on our Recorded Music and Music Publishing businesses;

the impact of rates on other income streams that may be set by arbitration proceedings on our business;

the impact an impairment in the carrying value of goodwill or other intangible and long-lived assets could have on our operating results and shareholders' equity;

risks associated with the fluctuations in foreign currency exchange rates;

our ability and the ability of our joint venture partners to operate our existing joint ventures satisfactorily;

the enactment of legislation limiting the terms by which an individual can be bound under a personal services contract;

potential loss of catalog if it is determined that recording artists have a right to recapture recordings under the U.S. Copyright Act;

changes in law and government regulations;

trends that affect the end uses of our musical compositions (which include uses in broadcast radio and television, film and advertising businesses);

the growth of other products that compete for the disposable income of consumers;

the impact on the competitive landscape of the music industry from the announced sale of EMI's recorded music and music publishing businesses.

risks inherent in relying on one supplier for manufacturing, packaging and distribution services in North America and Europe;

risks inherent in our acquiring or investing in other businesses including our ability to successfully manage new businesses that we may acquire as we diversify revenue streams within the music industry;

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the fact that we have engaged in substantial restructuring activities in the past, and may need to implement further restructurings in the future and our restructuring efforts may not be successful or generate expected cost savings;

the fact that we are outsourcing certain back-office functions, such as IT infrastructure and development and certain finance and accounting functions, which will make us more dependent upon third parties;

the possibility that our owners' interests will conflict with ours or yours;

failure to attract and retain key personnel; and

risks related to other factors discussed under "Risk Factors" in this prospectus.

Other risks, uncertainties and factors, including those discussed under "Risk Factors," could cause our actual results to differ materially from those projected in any forward-looking statements we make. You should read carefully the factors described in the "Risk Factors" section of this prospectus to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.

We assume no obligation to update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

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**THE EXCHANGE OFFER**

Pursuant to the Registration Rights Agreement, we agreed, at our own cost, to use commercially reasonable efforts to prepare and file with the SEC a registration statement on an appropriate form under the Securities Act with respect to a proposed offer (the Registered Exchange Offer ) to the holders of the Old Notes, who are not prohibited by any law or policy of the SEC from participating in the Registered Exchange Offer, to issue and deliver to such holders of Old Notes, in exchange for their Old Notes, a like aggregate principal amount of New Notes of the Issuer issued under the Indenture that are identical in all material respects to the Old Notes that would be registered under the Securities Act, except for provisions relating to registration rights and the transfer restrictions relating to the Old Notes, and except for certain related differences described below. See Exchange Offer; Registration Rights.

The following contains a summary of the material provisions of the exchange offer being made pursuant to the Registration Rights Agreement. Reference is made to the provisions of the Registration Rights Agreement, which has been filed as an exhibit to the registration statement. Copies are available as set forth under the heading Where You Can Find More Information.

**Terms of the Exchange Offer**

***General***

In connection with the issuance of the Old Notes pursuant to a purchase agreement, dated as of July 14, 2011 between us and the Initial Purchasers of the Old Notes, the holders of the Old Notes from time to time became entitled to the benefits of the Registration Rights Agreement.

Under the Registration Rights Agreement, we have agreed to use our commercially reasonable efforts to cause the registration statement, of which this prospectus forms a part, to become effective under the Securities Act and to consummate the exchange offer within 365 days of the date of original issuance of the Old Notes. We have also agreed to use our commercially reasonable efforts to keep the exchange offer open for the period required by applicable law (including pursuant to any applicable interpretation by the staff of the SEC), but in any event for at least 20 business days.

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, all Old Notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. We will issue New Notes in exchange for an equal principal amount of outstanding Old Notes accepted in the exchange offer. Old Notes may be tendered only in denominations of \$2,000 and in integral multiples of \$1,000 in excess thereof. This prospectus, together with the letter of transmittal, is being sent to all registered holders of Old Notes on or about the date of this prospectus. The exchange offer is not conditioned upon any minimum principal amount of Old Notes being tendered for exchange. However, our obligation to accept Old Notes for exchange pursuant to the exchange offer is subject to certain customary conditions as set forth below under Conditions.

Under the circumstances set forth below, we will use our commercially reasonable efforts to cause the SEC to declare effective a shelf registration statement with respect to the resale of the outstanding Notes within the time periods specified in the Registration Rights Agreement and to keep the shelf registration statement effective until the earlier of 365 days following the effective date of such registration statement or such shorter period ending when all outstanding Notes covered by the statement have been sold in the manner set forth and as contemplated in the registration statement or are distributed to the public pursuant to Rule 144 or, after the 90th day following the effectiveness of the shelf registration, would be eligible to be sold by a holder that is not an affiliate (as defined in Rule 144) of us pursuant to Rule 144 without volume of manner of sale restrictions. These circumstances include:

if applicable law or interpretation of the staff of the SEC do not permit us and the guarantors to effect the exchange offer;

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if for any reason the exchange offer has not been consummated within 365 days of the date of the original issuance of the Old Notes;

under certain circumstances, the Initial Purchasers so request with respect to Notes not eligible to be exchanged for exchange Notes in the exchange offer; or

any Holder of the Notes (other than an Initial Purchaser) is not permitted by applicable law to participate in the exchange offer, or if any Holder may not resell the exchange Notes acquired by it in the exchange offer to the public without delivering a prospectus and the prospectus contained in the exchange offer Registration Statement is not available for such resales by such Holder (other than, in either case, due solely to the status of such Holder as an affiliate of the Issuer within the meaning of the Securities Act or due to such Holder's inability to make the representations referred to above).

Old Notes shall be deemed to have been accepted as validly tendered when, as and if we have given oral or written notice of such acceptance to the Exchange Agent. The Exchange Agent will act as agent for the tendering holders of Old Notes for the purposes of receiving the New Notes and delivering New Notes to such holders.

Under existing interpretations of the staff of the SEC contained in several no-action letters to third parties, the New Notes would in general be freely transferable by holders thereof (other than affiliates of us) after the exchange offer without further registration under the Securities Act (subject to certain representations required to be made by each holder of Old Notes participating in the exchange offer, as set forth below). The relevant no-action letters include the Exxon Capital Holdings Corporation letter, which was made available by the SEC on May 13, 1988, the Morgan Stanley & Co. Incorporated letter, which was made available by the SEC on June 5, 1991, the K-111 Communications Corporation letter, which was made available by the SEC on May 14, 1993, and the Shearman & Sterling letter, which was made available by the SEC on July 2, 1993.

However, any purchaser of Old Notes who is an affiliate of ours or who intends to participate in the exchange offer for the purpose of distributing the New Notes:

will not be able to rely on such SEC interpretation;

will not be able to tender its Old Notes in the exchange offer; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of Old Notes unless such sale or transfer is made pursuant to an exemption from those requirements.

By executing, or otherwise becoming bound by, the letter of transmittal, each holder of the Old Notes will represent that:

any New Notes to be received by such holder will be acquired in the ordinary course of its business;

it has no arrangements or understandings with any person to participate in the distribution of the Notes within the meaning of the Securities Act; and

it is not an affiliate of us or, if it is such an affiliate, such holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

We have not sought, and do not intend to seek, a no-action letter from the SEC with respect to the effects of the exchange offer, and there can be no assurance that the SEC staff would make a similar determination with respect to the New Notes as it has made in previous no-action letters.

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In addition, in connection with any resales of those Old Notes, each exchanging dealer, as defined below, receiving New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such exchanging dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Notes. See Plan of Distribution.

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The SEC has taken the position in the Shearman & Sterling no-action letter, which it made available on July 2, 1993, that exchanging dealers may fulfill their prospectus delivery requirements with respect to the New Notes, other than a resale of an unsold allotment from the original sale of the Old Notes, by delivery of the prospectus contained in the exchange offer registration statement.

Upon consummation of the exchange offer, any Old Notes not tendered will remain outstanding and continue to accrue interest at the rate of 13.75%, but, with limited exceptions, holders of Old Notes who do not exchange their Old Notes for New Notes pursuant to the exchange offer will no longer be entitled to registration rights and will not be able to offer or sell their Old Notes unless such Old Notes are subsequently registered under the Securities Act, except pursuant to an exemption from or in a transaction not subject to the Securities Act and applicable state securities laws. With limited exceptions, we will have no obligation to effect a subsequent registration of the Old Notes.

### ***Expiration Date; Extensions; Amendments; Termination***

The Expiration Date for the exchange offer shall be 5:00 p.m., New York City time, on April 16, 2012, unless we, in our sole discretion, extend the exchange offer, in which case the expiration date for the exchange offer shall be the latest date to which the exchange offer is extended.

To extend an expiration date, we will notify the Exchange Agent of any extension by oral or written notice and will notify the holders of the relevant Old Notes by means of a press release or other public announcement prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date for the exchange offer. Such notice to noteholders will disclose the aggregate principal amount of the outstanding Notes that have been tendered as of the date of such notices and may state that we are extending the exchange offer for a specified period of time.

In relation to the exchange offer, we reserve the right to

(1) delay acceptance of any Old Notes due to an extension of the exchange offer, to extend the exchange offer or to terminate the exchange offer and not permit acceptance of Old Notes not previously accepted if any of the conditions set forth under Conditions shall have occurred and shall not have been waived by us prior to 5:00 p.m., New York City time, on the Expiration Date, by giving oral or written notice of such delay, extension or termination to the Exchange Agent, or

(2) amend the terms of the exchange offer in any manner deemed by us to be advantageous to the holders of the Old Notes.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice of such delay, extension or termination or amendment to the Exchange Agent. If we amend the exchange offer in a manner that we determine to constitute a material change, including the waiver of a material condition, we will promptly disclose the amendment in a manner reasonably calculated to inform the holders of outstanding Notes of that amendment and we will extend the exchange offer if necessary so that at least five business days remain in the offer following notice of the material change.

Without limiting the manner in which we may choose to make public an announcement of any delay, extension or termination of the exchange offer, we shall have no obligations to publish, advertise or otherwise communicate any such public announcement, other than by making a timely release to an appropriate news agency.

### **Interest on the New Notes**

The New Notes will accrue interest at the rate of 13.75% per annum, accruing interest from the last interest payment date on which interest was paid on the corresponding Old Note surrendered in exchange for such New Note to the day before the consummation of the exchange offer and thereafter, at the rate of 13.75 % per annum,

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provided, that if an Old Note is surrendered for exchange on or after a record date for the Notes for an interest payment date that will occur on or after the date of such exchange and as to which interest will be paid, interest on the New Note received in exchange for such Old Note will accrue from the date of such interest payment date. Interest on the New Notes is payable on April 1 and October 1 of each year. No additional interest will be paid on Old Notes tendered and accepted for exchange except as provided in the Registration Rights Agreement.

### **Procedures for Tendering**

To tender in the exchange offer, you must complete, sign and date the letter of transmittal, or a facsimile of such letter of transmittal, have the signatures on such letter of transmittal guaranteed if required by such letter of transmittal, and mail or otherwise deliver such letter of transmittal or such facsimile, together with any other required documents, to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date.

In addition, either

certificates of Old Notes must be received by the Exchange Agent along with the applicable letter of transmittal;

a timely confirmation of a book-entry transfer of Old Notes, if such procedures are available, into the Exchange Agent's account at the book-entry transfer facility, The Depository Trust Company, pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date with the letter of transmittal; or

you must comply with the guaranteed delivery procedures described below.

We will only issue New Notes in exchange for Old Notes that are timely and properly tendered. The method of delivery of Old Notes, letter of transmittal and all other required documents is at your election and risk. Rather than mail these items, we recommend that you use an overnight or hand-delivery service. If such delivery is by mail, it is recommended that registered mail, properly insured, with return receipt requested, be used. In all cases, sufficient time should be allowed to assure timely delivery and you should carefully follow the instructions on how to tender the Old Notes. No Old Notes, letters of transmittal or other required documents should be sent to us. Delivery of all Old Notes (if applicable), letters of transmittal and other documents must be made to the Exchange Agent at its address set forth below under Exchange Agent. You may also request your respective brokers, dealers, commercial banks, trust companies or nominees to effect such tender on your behalf. Neither we nor the Exchange Agent are required to tell you of any defects or irregularities with respect to your Old Notes or the tenders thereof.

Your tender of Old Notes will constitute an agreement between you and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal. Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on his behalf.

All questions as to the validity, form, eligibility, time of receipt and withdrawal of the tendered Old Notes will be determined by us in our sole discretion, such determination being final and binding on all parties. We reserve the absolute right to reject any and all Old Notes not properly tendered or any Old Notes which, if accepted, would, in the opinion of counsel for us, be unlawful. We also reserve the absolute right to waive any irregularities or defects with respect to tender as to particular Old Notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes must be cured within such time as we shall determine. Neither we, the Exchange Agent nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of Old Notes, nor shall any of them incur any liability for failure to give such notification. Tendere of Old Notes will not be deemed to have been



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made until such irregularities have been cured or waived. Any Old Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to such holder by the Exchange Agent, unless otherwise provided in the letter of transmittal, promptly following the Expiration Date.

In addition, we reserve the right in our sole discretion, subject to the provisions of the indenture pursuant to which the Notes are issued:

to purchase or make offers for any Old Notes that remain outstanding subsequent to the Expiration Date or, as set forth under Conditions, to terminate the exchange offer;

to redeem the Old Notes in whole or in part at any time and from time to time, as set forth under Description of Notes Optional Redemption; and

to the extent permitted under applicable law, to purchase the Old Notes in the open market, in privately negotiated transactions or otherwise.

The terms of any such purchases or offers could differ from the terms of the exchange offer.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the Old Notes being surrendered for exchange are tendered:

(1) by a registered holder of the Old Notes who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal, or

(2) for the account of an eligible guarantor institution within the meaning of Rule 17Ad-15 under the Exchange Act, or a commercial bank or trust company having an office or correspondent in the United States that is a member in good standing of a medallion program recognized by the Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program ( STAMP ), the Stock Exchanges Medallion Program ( SEMP ) and the New York Stock Exchange Medallion Signature Program ( MSP ) (each, an Eligible Institution ).

If signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantees must be by an Eligible Institution.

If the letter of transmittal is signed by a person or persons other than the registered holder or holders of Old Notes, the Old Notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders appear on the Old Notes and with the signatures guaranteed.

If the letter of transmittal or any Old Notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers or corporations or others acting in a fiduciary or representative capacity, the person should so indicate when signing and, unless waived by us, proper evidence satisfactory to us of such person's authority to so act must be submitted.

**Acceptance of Old Notes for Exchange; Delivery of New Notes**

Upon satisfaction or waiver of all of the conditions to the exchange offer all Old Notes properly tendered will be accepted promptly after the Expiration Date, and the New Notes will be issued promptly after the Expiration Date. See Conditions. For purposes of the exchange offer, Old Notes shall be deemed to have been accepted as validly tendered for exchange when, as and if we have given oral or written notice thereof to the Exchange Agent. For each Old Note accepted for exchange, the holder of such Note will receive a New Note having a principal amount equal to that of the surrendered Old Note.

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In all cases, issuance of New Notes for Old Notes that are accepted for exchange pursuant to the exchange offer will be made only after timely receipt by the Exchange Agent of:

certificates for such Old Notes or a timely book-entry confirmation of such Old Notes into the Exchange Agent's account at the book-entry transfer facility;

a properly completed and duly executed letter of transmittal; and

all other required documents.

If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the exchange offer, such unaccepted or such non-exchanged Old Notes will be returned without expense to the tendering holder of such Notes, if in certificated form, or credited to an account maintained with such book-entry transfer facility promptly after the expiration or termination of the exchange offer.

### **Book-Entry Transfer**

The Exchange Agent will make a request to establish an account with respect to the Old Notes at the book-entry transfer facility, The Depository Trust Company, for purposes of the exchange offer within two business days after the date of this prospectus. Any financial institution that is a participant in the book-entry transfer facility's systems may make book-entry delivery of Old Notes by causing the book-entry transfer facility to transfer such Old Notes into the Exchange Agent's account for the relevant Notes at the book-entry transfer facility in accordance with such book-entry transfer facility's procedures for transfer. However, although delivery of Old Notes may be effected through book-entry transfer at the book-entry transfer facility, the letter of transmittal or facsimile thereof with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received by the Exchange Agent at one of the addresses set forth below under "Exchange Agent" on or prior to 5:00 p.m., New York City time, on the Expiration Date or the guaranteed delivery procedures described below must be complied with. Delivery of documents to the applicable book-entry transfer facility does not constitute delivery to the Exchange Agent.

### **Exchanging Book-Entry Notes**

The Exchange Agent and the book-entry transfer facility, The Depository Trust Company, have confirmed that any financial institution that is a participant in the book-entry transfer facility may utilize the book-entry transfer facility's Automated Tender Offer Program ( "ATOP" ) to tender Old Notes.

Any participant in the book-entry transfer facility may make book-entry delivery of Old Notes by causing the book-entry transfer facility to transfer such Old Notes into the Exchange Agent's account for the relevant Notes in accordance with the book-entry transfer facility's ATOP procedures for transfer. However, the exchange for the Old Notes so tendered will only be made after a book-entry confirmation of the book-entry transfer of such Old Notes into the Exchange Agent's account for the relevant Notes, and timely receipt by the Exchange Agent of an agent's message and any other documents required by the letter of transmittal. The term "agent's message" means a message, transmitted by the book-entry transfer facility and received by the Exchange Agent and forming part of a book-entry confirmation, which states that the book-entry transfer facility has received an express acknowledgement from a participant tendering Old Notes that are the subject of such book-entry confirmation that such participant has received and agrees to be bound by the terms of the letter of transmittal, and that we may enforce such agreement against such participant.

### **Guaranteed Delivery Procedures**

If the procedures for book-entry transfer cannot be completed on a timely basis, a tender may be effected if:

the tender is made through an Eligible Institution;

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prior to the Expiration Date, the Exchange Agent receives by facsimile transmission, mail or hand delivery from such Eligible Institution a properly completed and duly executed letter of transmittal and notice of guaranteed delivery, substantially in the form provided by us, which

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- (1) sets forth the name and address of the holder of the Old Notes and the principal amount of Old Notes tendered;
- (2) states the tender is being made thereby;
- (3) guarantees that within three New York Stock Exchange ( NYSE ) trading days after the date of execution of the notice of guaranteed delivery, the certificates for all physically tendered Old Notes, in proper form for transfer, or a book-entry confirmation, as the case may be, and any other documents required by the letter of transmittal will be deposited by the Eligible Institution with the Exchange Agent; and

a book-entry confirmation or the certificates for all physically tendered Old Notes, in proper form for transfer, or a book-entry confirmation, as the case may be, and all other documents required by the letter of transmittal are received by the Exchange Agent within three NYSE trading days after the date of execution of the notice of guaranteed delivery.

### **Withdrawal of Tenders**

Tenders of Old Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date at the address set forth below under Exchange Agent. Any such notice of withdrawal must:

specify the name of the person having tendered the Old Notes to be withdrawn;

identify the Old Notes to be withdrawn, including the principal amount of such Old Notes;

in the case of Old Notes tendered by book-entry transfer, specify the number of the account at the book-entry transfer facility from which the Old Notes were tendered and specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn Old Notes and otherwise comply with the procedures of such facility;

contain a statement that such holder is withdrawing its election to have such Old Notes exchanged;

be signed by the holder in the same manner as the original signature on the letter of transmittal by which such Old Notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer to have the trustee with respect to the Old Notes register the transfer of such Old Notes in the name of the person withdrawing the tender; and

specify the name in which such Old Notes are registered, if different from the person who tendered such Old Notes.

All questions as to the validity, form, eligibility and time of receipt of such notice will be determined by us, in our sole discretion, such determination being final and binding on all parties. Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the tendering holder of such Notes without cost to such holder, in the case of physically tendered Old Notes, or credited to an account maintained with the book-entry transfer facility for the Old Notes promptly after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described under Procedures for Tendering and Book-Entry Transfer above at any time on or prior to 5:00 p.m., New York City time, on the Expiration Date.

### **Conditions**

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Notwithstanding any other provision in the exchange offer, we shall not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes and may terminate or amend the exchange offer if at any

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time prior to 5:00 p.m., New York City time, on the Expiration Date, we determine in our reasonable judgment that the exchange offer violates applicable law, any applicable interpretation of the staff of the SEC or any order of any governmental agency or court of competent jurisdiction.

The foregoing conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any such condition or may be waived by us in whole or in part at any time and from time to time, prior to the Expiration Date, in our reasonable discretion. Our failure at any time to exercise any of the foregoing rights prior to 5:00 p.m., New York City time, on the Expiration Date shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time prior to 5:00 p.m., New York City time, on the Expiration Date.

In addition, we will not accept for exchange any Old Notes tendered, and no New Notes will be issued in exchange for any such Old Notes, if at any such time any stop order shall be threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended. Pursuant to the Registration Rights Agreement, we are required to use our commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible time.

**Exchange Agent**

Wells Fargo Bank, National Association has been appointed as Exchange Agent for the exchange offer. Questions and requests for assistance and requests for additional copies of this prospectus or of the letter of transmittal should be directed to the Exchange Agent addressed as follows:

*By Registered or Certified Mail:*

WELLS FARGO BANK, N.A

Corporate Trust Operations

MAC N9303-121

PO Box 1517

Minneapolis, MN 55480

*By Regular Mail or Overnight  
Courier:*

WELLS FARGO BANK, N.A.

Corporate Trust Operations

MAC N9303-121

Sixth & Marquette Avenue

Minneapolis, MN 55479

*By Facsimile (for Eligible  
Institutions only):*

(612) 667-6282

*For Information or Confirmation by*

*Telephone*

(800) 344-5128

*In Person by Hand Only:*

WELLS FARGO BANK, N.A.

12th Floor Northstar East Building

Corporate Trust Operations

608 Second Avenue South

Minneapolis, MN 55479

**Fees and Expenses**

The expenses of soliciting tenders pursuant to the exchange offer will be borne by us. The principal solicitation for tenders pursuant to the exchange offer is being made by mail; however, additional solicitations may be made by telegraph, telephone, teletype or in person by our officers and regular employees.

We will not make any payments to or extend any commissions or concessions to any broker or dealer. We will, however, pay the Exchange Agent reasonable and customary fees for its services and will reimburse the Exchange Agent for its reasonable out-of-pocket expenses in connection therewith. We may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of the prospectus and related documents to the beneficial owners of the Old Notes and in handling or forwarding tenders for exchange.

The expenses to be incurred by us in connection with the exchange offer will be paid by us, including fees and expenses of the Exchange Agent and trustee and accounting, legal, printing and related fees and expenses. The estimated cash expenses to be incurred in connection with the exchange offer are estimated in the aggregate to be \$500,000.



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We will pay all transfer taxes, if any, applicable to the exchange of Old Notes pursuant to the exchange offer. If, however, New Notes or Old Notes for principal amounts not tendered or accepted for exchange are to be registered or issued in the name of any person other than the registered holder of the Old Notes tendered, or if tendered Old Notes are registered in the name of any person other than the person signing the letter of transmittal, or if a transfer tax is imposed for any reason other than the exchange of Old Notes pursuant to the exchange offer, then the amount of any such transfer taxes imposed on the registered holder or any other person will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

## **Material United States Federal Income Tax Considerations**

We believe that the exchange of the Old Notes for the New Notes pursuant to the exchange offer will not be treated as a sale or exchange of the Old Notes for U.S. federal income tax purposes. See [Material United States Federal Income Tax Considerations](#).

## **Accounting Treatment**

The New Notes will be recorded as carrying the same value as the Old Notes, which is face value, as reflected in our accounting records on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes as a result of the exchange offer. The expenses of the exchange offer will be expensed.

## **Consequences of Failure to Exchange**

Holders of Old Notes who do not exchange their Old Notes for New Notes pursuant to the exchange offer will continue to be subject to the restrictions on transfer of such Old Notes as set forth in the legend on such Old Notes as a consequence of the issuance of the Old Notes pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Old Notes may only be offered or sold pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws or in a transaction not subject to the Securities Act and applicable state securities laws. We do not currently anticipate that we will register the Old Notes under the Securities Act following the exchange offer except in the case of Old Notes held by any of our affiliates. To the extent that Old Notes are tendered and accepted pursuant to the exchange offer, there may be little or no trading market for untendered and tendered but unacceptable Old Notes. The restrictions on transfer will make the Old Notes less attractive to potential investors than the New Notes.



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**USE OF PROCEEDS**

The exchange offer is intended to satisfy our obligations under the Registration Rights Agreement we entered into in connection with the private offering of the Old Notes. We will not receive any cash proceeds from the issuance of the New Notes under the exchange offer. In consideration for issuing the New Notes as contemplated by this prospectus, we will receive Old Notes in like principal amounts, the terms of which are identical in all material respects to the New Notes, subject to limited exceptions. Old Notes surrendered in exchange for New Notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the New Notes will not result in any increase in our indebtedness.

The net proceeds from the sale of the Old Notes were approximately \$143 million. We used the net proceeds from the sale of the Old Notes, together with cash on our balance sheet and equity financing to:

finance the aggregate Merger Consideration;

repay the Existing Unsecured Notes pursuant to the tender offers; and

pay fees, expenses, discounts and other costs associated with the Transactions.

For further information regarding the Transactions, see The Transactions.

**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated cash and cash equivalents and capitalization as of December 31, 2011 on an actual basis. The following tables should be read in conjunction with Unaudited Pro Forma Condensed Consolidated Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors, The Transactions and the consolidated financial statements and notes thereto included elsewhere in this prospectus, in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011, a copy of which is included in this prospectus as Annex A and in our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011, a copy of which is included in this prospectus as Annex B.

	<b>As of December 31, 2011</b>
	<b>(\$ in millions)</b>
Cash and cash equivalents	\$ 168
Revolving Credit Facility(1)	\$
<b>Indebtedness</b>	
9.5% Existing Secured Notes due 2016 Acquisition Corp.(2)	1,160
9.5% Secured WMG Notes due 2016 Acquisition Corp.(3)	156
11.5% Unsecured WMG Notes due 2018 Acquisition Corp.(4).	748
Old Notes(5)	150
Total long-term debt	2,214
Total Warner Music Group shareholder's equity	1,025
Total capitalization	\$ 3,239

- (1) Reflects \$60 million of commitments under the Revolving Credit Facility, which had no amounts outstanding at December 31, 2011.
- (2) \$1.1 billion 9.5% Existing Secured Notes due 2016. The balance as of December 31, 2011 includes an unamortized premium of \$60 million.
- (3) \$150 million 9.5% Secured WMG Notes due 2016. The balance as of December 31, 2011 includes an unamortized premium of \$6 million.
- (4) \$765 million 11.5% Unsecured WMG Notes due 2018. The balance as of December 31, 2011 includes an unamortized discount of \$17 million.
- (5) \$150 million Old Notes. We will not receive any cash proceeds from the issuance of the New Notes under the exchange offer. In consideration for issuing the New Notes as contemplated by this prospectus, we will receive Old Notes in like principal amounts, the terms of which are identical in all material respects to the New Notes, subject to limited exceptions. Old Notes surrendered in exchange for New Notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the New Notes will not result in any increase in our indebtedness.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

Our summary balance sheet data as of September 30, 2011 (Successor) and 2010 (Predecessor), and the statement of operations and other data for the period from October 1, 2010 to July 19, 2011 (Predecessor) and from July 20, 2011 to September 30, 2011 (Successor) and for each of fiscal years ended September 30, 2010 and September 30, 2009 (Predecessor) have been derived from our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011, a copy of which is included in this prospectus as Annex A. Our summary statement of operations and other data for the fiscal years ended September 30, 2008 and 2007 (Predecessor) have been derived from our audited financial statements that are not included in this prospectus. Our summary balance sheet data as of September 30, 2009, 2008 and 2007 (Predecessor) were derived from our audited financial statements that are not included in this prospectus. Our summary balance sheet data as of December, 2011 (Successor) and the statement of operations and other data for the three months ended December 31, 2010 (Predecessor) and December 31, 2011 (Successor) have been derived from our interim unaudited financial statements included in our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011, a copy of which is included in this prospectus as Annex B. Our summary balance sheet data as of December 31, 2010 (Predecessor), has been derived from our interim unaudited financial statements included in our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2010, filed with the SEC on February 8, 2011.

The financial data set forth below are not necessarily indicative of future results of operations. This data should be read in conjunction with, and is qualified in its entirety by reference to, the Management's Discussion and Analysis of Financial Condition and Results of Operations and Capitalization sections and our financial statements and notes thereto included elsewhere in this prospectus or in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011, a copy of which is included in this prospectus as Annex A and in our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011, a copy of which is included in this prospectus as Annex B. The financial data set forth below reflects the historical results of Warner Music Group. For a discussion of the material differences between the financial information and historical results of operations of Warner Music Group and those of the Issuer, see Presentation of Financial Information.

The following table sets forth our selected historical financial and other data as of the dates and for the periods ended:

	Successor		Predecessor		Successor		Predecessor	
	Three months ended	Three months ended	From July 20, 2011	From October 1, 2010	Year Ended	Year Ended	Year Ended	Year Ended
	December 31, 2011	December 31, 2010	through September 30, 2011	through July 19, 2011	September 30, 2010	September 30, 2009	September 30, 2008	September 30, 2007
	(\$ in millions)							
	(Unaudited)							
<b>Statement of Operations Data:</b>								
Revenues(1)	\$ 779	\$ 778	\$ 554	\$ 2,315	\$ 2,988	\$ 3,205	\$ 3,506	\$ 3,383
Net loss attributable to Warner Music Group Corp.(2)(3)(4)	(26)	(18)	(31)	(174)	(143)	(100)	(56)	(21)
Diluted loss per common share(5):		(0.12)		(1.15)	(0.96)	(0.67)	(0.38)	(0.14)
Dividends per common share							0.26	0.52
<b>Balance Sheet Data (at period end):</b>								
Cash and equivalents	\$ 168	\$ 263	\$ 154		\$ 439	\$ 384	\$ 411	\$ 333
Total assets	5,372	3,604	5,380		3,811	4,063	4,526	4,572
Total debt (including current portion of long-term debt)	2,214	1,943	2,217		1,945	1,939	2,259	2,273
Warner Music Group Corp. equity (deficit)	1,025	(279)	1,065		(265)	(143)	(86)	(36)
<b>Cash Flow Data:</b>								
Cash flows (used in) provided by:								
Operating activities	\$ 25	\$ (113)	\$ (64)	\$ 12	\$ 150	\$ 237	\$ 304	\$ 302
Investing activities	(11)	(66)	(1,292)	(155)	(85)	82	(167)	(255)
Financing activities	(1)		1,199	5	(3)	(346)	(59)	(94)
Capital expenditures	(6)	(8)	(11)	(37)	(51)	(27)	(32)	(29)

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- (1) Revenues for the fiscal years ended September 30, 2010 and September 30, 2009 include \$5 million and \$25 million, respectively, from an agreement reached by the U.S. recorded music and music publishing industries for payment of mechanical royalties which were accrued by U.S. record companies in prior years.
- (2) Net loss attributable to Warner Music Group Corp. for the period from July 20, 2011 through September 30, 2011 and for the period from October 1, 2010 through July 19, 2011 include \$10 million and \$43 million of transaction costs, respectively, in connection with the Merger.
- (3) Net loss attributable to Warner Music Group Corp. for the three months ended December 31, 2011, December 31, 2010, for the period from July 20, 2011 through September 30, 2011, for the period from October 1, 2010 through July 19, 2011 and for the fiscal years ended September 30, 2010, September 30, 2009, September 30, 2008 and September 30, 2007 include severance charges of \$7 million, \$11 million, \$9 million, \$29 million, \$54 million, \$23 million \$0 million and \$50 million, respectively, resulting from actions to align Warner Music Group's cost structure with industry trends.
- (4) Net loss attributable to Warner Music Group. for the fiscal year ended September 30, 2007 includes a \$64 million benefit related to an agreement Warner Music Group entered into with Bertelsmann AG ( Bertelsmann ) related to a settlement of contingent claims held by Warner Music Group related to Bertelsmann's relationship with Napster in 2000-2001. The settlement covers the resolution of the related legal claims against Bertelsmann by our Recorded Music and Music Publishing businesses.
- (5) Net income (loss) per share for our Predecessor results were calculated by dividing net income (loss) attributable to Warner Music Group Corp. by the weighted average common shares outstanding.

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**UNAUDITED PRO FORMA**

**CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

The following unaudited pro forma condensed consolidated financial statements are based on the historical financial statements of Warner Music Group and present Warner Music Group's results of operations resulting from the Transactions. The accompanying pro forma condensed consolidated Income Statement reflects adjustments to our historical financial data to give effect to the Transactions as if they had occurred on October 1, 2010.

The following unaudited pro forma condensed consolidated Income Statement should be read in conjunction with the historical financial statements of Warner Music Group that are included in this prospectus. The unaudited pro forma condensed consolidated Income Statement is provided for informational purposes only and does not purport to represent our financial condition or our results of operations had the Transactions occurred on or as of the dates noted above or to project the results for any future date or period.

The historical consolidated financial information has been adjusted in the unaudited pro forma condensed consolidated Income Statement to give effect to transactions and events that are (1) directly attributable to the Transactions, (2) factually supportable, and (3) expected to have a continuing impact on the consolidated results.

As a result, under the acquisition method of accounting, the total estimated acquisition consideration, calculated as described in Note 1 to the unaudited pro forma condensed consolidated Income Statement, has been preliminarily allocated to the net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values with the excess recognized as goodwill. Since the unaudited pro forma condensed consolidated Income Statement has been prepared based on preliminary estimates of acquisition consideration and fair values attributable to the Transactions, the actual amounts recorded for the Transactions could differ from the information presented. The estimation and allocations of acquisition consideration are subject to change pending further review of the fair value of the assets acquired and liabilities assumed and actual transaction costs. A final determination of fair values will be based on the actual net tangible and intangible assets and liabilities of Warner Music Group that existed on the closing date for the Transactions.

The unaudited pro forma condensed consolidated Income Statement does not reflect the realization of any cost savings as a result of restructuring activities and other cost savings initiatives planned subsequent to the Transactions. In addition, the unaudited pro forma condensed consolidated Income Statement does not reflect the estimated restructuring charges contemplated in association with any such expected cost savings. Such charges will be expensed in the appropriate accounting periods.

The unaudited pro forma condensed consolidated Income Statement should be read in conjunction with Risk Factors, Use of Proceeds, Capitalization, Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this prospectus, in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011, a copy of which is included in this prospectus as Annex and in our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011, a copy of which is included in this prospectus as Annex B.

**Table of Contents****Warner Music Group Corp.****Pro Forma Condensed Consolidated Income Statement****For the Three Months Ended December 31, 2011****(unaudited)****(in millions)**

	<b>As Reported</b>	<b>Pro Forma Adjustments (See Note 1)</b>	<b>Pro Forma Condensed Consolidated</b>
Revenues	\$ 779		\$ 779
Costs and expenses:			
Cost of revenues	(424)		(424)
Selling, general and administrative expenses (a)	(268)		(268)
Amortization of intangible assets	(48)		(48)
Total costs and expenses	(740)		(740)
Operating income (loss)	39		39
Interest expense, net	(57)		(57)
Other (expense) income, net	(2)		(2)
Loss before income taxes	(20)		(20)
Income tax expense	(6)		(6)
Net loss	(26)		(26)
Less: loss attributable to noncontrolling interests			
Net loss attributable to Warner Music Group	\$ (26)	\$	\$ (26)
(a) Includes depreciation expense of:	\$ (12)	\$	\$ (12)

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**NOTES TO UNAUDITED PRO FORMA CONDENSED**

**CONSOLIDATED INCOME STATEMENT**

(in millions, except for per share data)

**1. Basis of Presentation**

Pursuant to the Merger Agreement, at the effective time of the Merger, each outstanding share of our common stock (other than any shares owned by us or our wholly-owned subsidiaries or the Acquiring Parties or their respective affiliates or by any stockholders who are entitled to and who properly exercise appraisal rights under Delaware law) was cancelled and converted automatically into the right to receive \$8.25 in cash, without interest.

The unaudited condensed consolidated income statement for the three months ended December 31, 2011, as reported, reflects the effect of the Transactions for the full period, therefore no pro forma adjustments are required.

The unaudited pro forma condensed consolidated income statement does not reflect the realization of any cost savings as a result of restructuring activities and other cost savings initiatives planned subsequent to the Transactions. Although management believes such cost savings will be realized, there can be no assurance that these cost savings will be achieved. In addition, the unaudited pro forma condensed consolidated income statement does not reflect the estimated restructuring charges contemplated in association with any such expected cost savings. Such charges will be expensed in the appropriate accounting periods following the Transactions.

The Transactions are accounted for in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification Topic 805, *Business Combinations*, using the acquisition method of accounting. The assets and liabilities of Warner Music Group, including identifiable intangible assets, have been measured using preliminary estimates based on assumptions that management believes are reasonable and are consistent with the information currently available. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. The use of different estimates and judgments could yield materially different results.

**Table of Contents****Warner Music Group Corp.****Pro Forma Condensed Consolidated Income Statement****For the Twelve Months Ended September 30, 2011****(unaudited)****(in millions)**

	Predecessor		Pro Forma Predecessor	Successor	
	From October 1, 2010 through July 19, 2011	Pro Forma Adjustments (See Note 2)	From October 1, 2010 through July 19, 2011	From July 20, 2011 through September 30, 2011	Pro Forma Condensed Consolidated
Revenues	\$ 2,315		\$ 2,315	\$ 554	\$ 2,869
Costs and expenses:					
Cost of revenues	(1,265)	(10)(a)	(1,275)	(286)	(1,561)
Selling, general and administrative expenses (*)	(831)	(2)(b)	(833)	(186)	(1,019)
Transaction Costs	(43)		(43)	(10)	(53)
Amortization of intangible assets	(178)	21 (c)	(157)	(38)	(195)
Total costs and expenses	(2,317)	9	(2,308)	(520)	(2,828)
Operating income (loss)	(2)	9	7	34	41
Interest expense, net	(151)	(11)(d)	(162)	(62)	(224)
Impairment of cost-method investments					
Other (expense) income, net	5		5		5
Loss before income taxes	(148)	(2)	(150)	(28)	(178)
Income tax expense	(27)		(27)	(3)	(30)
Net loss	(175)	(2)	(177)	(31)	(208)
Less: loss attributable to noncontrolling interests	1		1		1
Net loss attributable to Warner Music Group	\$ (174)	(2)	\$ (176)	\$ (31)	\$ (207)
(*) Includes depreciation expense of:	\$ (33)	(2)	\$ (35)	\$ (9)	\$ (44)



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**NOTES TO UNAUDITED PRO FORMA CONDENSED**

**CONSOLIDATED INCOME STATEMENT**

(in millions)

**1. Basis of Presentation**

Pursuant to the Merger Agreement, at the effective time of the Merger, each outstanding share of our common stock (other than any shares owned by us or our wholly-owned subsidiaries or the Acquiring Parties or their respective affiliates or by any stockholders who are entitled to and who properly exercise appraisal rights under Delaware law) was cancelled and converted automatically into the right to receive \$8.25 in cash, without interest.

The unaudited pro forma condensed consolidated income statement for the twelve months ended September 30, 2011, reflects adjustments to our historical financial data to give effect to the Transactions as if they had occurred on October 1, 2010.

The unaudited pro forma condensed consolidated income statement does not reflect the realization of any cost savings as a result of restructuring activities and other cost savings initiatives planned subsequent to the Transactions. Although management believes such cost savings will be realized, there can be no assurance that these cost savings will be achieved. In addition, the unaudited pro forma condensed consolidated income statement does not reflect the estimated restructuring charges contemplated in association with any such expected cost savings. Such charges will be expensed in the appropriate accounting periods following the Transactions.

The Transactions are accounted for in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification Topic 805, *Business Combinations*, using the acquisition method of accounting. The assets and liabilities of Warner Music Group, including identifiable intangible assets, have been measured using preliminary estimates based on assumptions that management believes are reasonable and are consistent with the information currently available. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. The use of different estimates and judgments could yield materially different results.

**2. Adjustments to the Unaudited Pro Forma Condensed Consolidated Statements of Operations**

*Item (a):* The existing purchase accounting reserves originally established for below market artist contracts were eliminated in the balance sheet. This amount represents the reversal of the release of those reserves during the periods presented.

*Item (b):* This amount represents the additional depreciation expense as a result of adjusting the fixed assets to fair value.

*Item (c):* Adjustment to amortization expense to reflect the estimated impact of the amortization expense from changes to the fair value and useful lives of intangible assets.

*Item (d):* This amount represents the adjustment to interest expense as a result of (i) the increase in interest expense associated with the WMG Notes and (ii) the amortization of the deferred financing costs, partially offset by the amortization of the deferred premium associated with the increase in the fair value of the Existing Secured Notes and the premium associated with the Secured WMG Notes. Pro forma interest expense reflects a 9.50% interest rate on the Secured WMG Notes, an 11.50% interest rate on the Unsecured WMG Notes and a 13.75% interest rate on the Notes.

**Table of Contents****MANAGEMENT**

The Issuer is a wholly owned subsidiary of Warner Music Group. The following table sets forth information as to members of senior management of the Issuer, as well as the directors of Warner Music Group, the Issuer's sole stockholder, as of the date of this prospectus. Each of the directors has been a member of the Board of Directors since the completion of the Merger, other than Thomas H. Lee who was appointed in August 2011. The respective age of each individual in the table below is as of the date of this prospectus.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Stephen Cooper	65	CEO and Director
Lyor Cohen	52	Chairman and CEO, Recorded Music and Director
Cameron Strang	44	Chairman and CEO, Warner/Chappell Music and Director
Mark Ansoerge	48	Executive Vice President, Human Resources and Chief Compliance Officer
Brian Roberts	49	Executive Vice President and Chief Financial Officer
Paul M. Robinson	53	Executive Vice President and General Counsel and Secretary
Will Tanous	42	Executive Vice President, Communications and Marketing
Len Blavatnik	54	Vice-Chairman of the Board
Lincoln Benet	48	Director
Alex Blavatnik	47	Director
Edgar Bronfman, Jr.	56	Director
Thomas H. Lee	67	Director
Jörg Mohaupt	44	Director
Donald A. Wagner	48	Director

***Executive Officers***

Our executive officers are appointed by, and serve at the discretion of, the Board of Directors. Each executive officer is an employee of Warner Music Group or one of its subsidiaries. The following information provides a brief description of the business experience of each of our executive officers and directors.

*Stephen Cooper*, 65, has served as our director since July 20, 2011 and as our CEO since August 18, 2011. Previously, Mr. Cooper was our Chairman of the Board from July 20, 2011 to August 18, 2011. Mr. Cooper is a member of the Supervisory Board of Directors for LyondellBasell, one of the world's largest olefins, polyolefins, chemicals and refining companies. Mr. Cooper is an advisor at Zolfo Cooper, a leading financial advisory and interim management firm, of which he was a co-founder and former Chairman. He has more than 30 years of experience as a financial advisor, and has served as Vice Chairman and member of the office of Chief Executive Officer of Metro-Goldwyn-Mayer, Inc.; Chief Executive Officer of Hawaiian Telcom; Executive Chairman of Blue Bird Corporation; Chairman of the Board of Collins & Aikman Corporation; Chief Executive Officer of Krispy Kreme Doughnuts; and Chief Executive Officer and Chief Restructuring Officer of Enron Corporation. Mr. Cooper also served on the supervisory board as Vice Chairman and served as the Chairman of the Restructuring Committee of LyondellBasell Industries AF S.C.A.

*Lyor Cohen*, 52, has served as our director and the Chairman and CEO, Recorded Music of Warner Music Group since July 20, 2011. Previously, Mr. Cohen was the Vice Chairman, Warner Music Group Corp. and Chairman and CEO, Recorded Music Americas and the U.K. from September 2008 to July 20, 2011, Chairman and CEO, Recorded Music North America from March 2008 until September 2008 and Chairman and CEO of U.S. Recorded Music since joining the company in March 1, 2004 until March 2008. From 2002 until 2004, Mr. Cohen was the Chairman and CEO of Universal Music Group's Island Def Jam Music Group. Mr. Cohen served as President of Def Jam from 1988 to 2002. Previously, Mr. Cohen served in various capacities at Rush Management, a hip-hop management company, which he co-founded with Russell Simmons. Mr. Cohen is widely credited with expanding Island Def Jam beyond its hip-hop roots to include a wider range of musical genres.

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*Cameron Strang*, 44, has served as our director since July 20, 2011 and as our CEO, Warner/Chappell Music since January 4, 2011. Mr. Strang assumed the additional role of Warner/Chappell's Chairman on July 1, 2011. Previously, Mr. Strang was the founder of New West Records and of Southside Independent Music Publishing, which was acquired by Warner/Chappell in 2010. Prior to being acquired by Warner/Chappell, Southside was a leading independent music publishing company with a reputation for discovering and developing numerous talented writers, producers and artists across a wide range of genres. Southside was founded with the signing of J.R. Rotem and, in just six years, built a roster that included Elektra Records' recording artist Bruno Mars; producer Brody Brown; Nashville-based writers, Ashley Gorley and Blair Daly; Christian music star, Matthew West; and Kings of Leon. Mr. Strang also co-founded DMZ Records, a joint venture record label. Mr. Strang holds a bachelor of communications degree from the University of British Columbia and a J.D. from British Columbia Law School.

*Mark Ansoerge*, 48, has served as our Executive Vice President, Human Resources and Chief Compliance Officer since August 2008. He was previously Warner Music Group's Senior Vice President and Deputy General Counsel and Chief Compliance Officer and has held various other positions within the legal department since joining the company in 1992. Since the company's initial public offering in 2005, Mr. Ansoerge has also served as Warner Music Group's Chief Compliance Officer. Prior to joining Warner Music Group he practiced law as an associate at Winthrop, Stimson, Putnam & Roberts (now known as Pillsbury Winthrop Shaw Pittman LLP). Mr. Ansoerge holds a bachelor of science degree from Cornell University's School of Industrial and Labor Relations and a J.D. from Boston University School of Law.

*Brian Roberts*, 49, has served as our Executive Vice President and Chief Financial Officer since December 2011. Prior to taking his current role, Mr. Roberts served as Senior Vice President and CFO of Warner/Chappell Music, a position he held since 2007. Prior to joining Warner/Chappell, Mr. Roberts served for five years as BMG Music Publishing's Senior Vice President, Finance & Administration of North and South America. Mr. Roberts holds a B.S. degree in Accounting from Manhattan College and is a Certified Public Accountant in New York.

*Paul M. Robinson*, 53, has served as our Executive Vice President and General Counsel and Secretary since December 2006. Mr. Robinson joined Warner Music Group's legal department in 1995. From 1995 to December 2006, Mr. Robinson held various positions with Warner Music Group, including Acting General Counsel and Senior Vice President, Deputy General Counsel. Before joining Warner Music Group, Mr. Robinson was a partner in the New York City law firm Mayer, Katz, Baker, Leibowitz & Roberts. Mr. Robinson has a B.A. in English from Williams College and a J.D. from Fordham University School of Law.

*Will Tanous*, 42, has served as our Executive Vice President, Communications and Marketing, since May 2008. He was previously Warner Music Group's Senior Vice President, Corporate Communications and has held various positions at Warner Music Group since joining the company in 1993. Prior to joining Warner Music Group, Mr. Tanous held positions at Warner Music International and Geffen Records. He also served as president of two independent record labels. Mr. Tanous holds a B.A. from Georgetown University.

***Board of Directors***

*Len Blavatnik*, 54, has served as a director and as Vice Chairman of the Board of Warner Music Group since July 20, 2011. Mr. Blavatnik is the founder and Chairman of Access, a privately held, U.S. industrial group with strategic investments in the U.S., Europe and South America. Mr. Blavatnik is a director of numerous companies in the Access portfolio, including TNK-BP and UC RUSAL. He previously served as a member of the board of directors of Warner Music Group from March 2004 to January 2008. Mr. Blavatnik provides financial support to and remains engaged in many educational pursuits, recently committing £75 million to establish the Blavatnik School of Government at the University of Oxford. He is a member of academic boards at Cambridge University and Tel Aviv University, and is a member of Harvard University's Committee on University Resources. Mr. Blavatnik and the Blavatnik Family Foundation have also been generous supporters of leading cultural and

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charitable institutions throughout the world. Mr. Blavatnik is a member of the board of directors of the 92nd Street Y in New York, The White Nights Foundation of America and The Center for Jewish History in New York. He is also a member of the Board of Governors of The New York Academy of Sciences and a Trustee of the State Hermitage Museum in St. Petersburg, Russia. Mr. Blavatnik emigrated to the U.S. in 1978 and became a U.S. citizen in 1984. He received his Master's degree from Columbia University in 1981 and his MBA from Harvard Business School in 1989. Mr. Blavatnik is the brother of Alex Blavatnik.

*Lincoln Benet*, 48, has served as a director since July 20, 2011. Mr. Benet is the Chief Executive Officer of Access. Prior to joining Access in 2006, Mr. Benet spent 17 years at Morgan Stanley, most recently as a Managing Director. His experience spanned corporate finance, mergers and acquisitions, fixed income and capital markets. Mr. Benet is a member of the boards of Acision and Boomerang Tube. Mr. Benet graduated summa cum laude with a B.A. in Economics from Yale University and received his M.B.A. from Harvard Business School.

*Alex Blavatnik*, 47, has served as a director since July 20, 2011. Mr. Blavatnik is an Executive Vice President and Vice Chairman of Access. A 1993 graduate of Columbia Business School, Mr. Blavatnik joined Access in 1996 to manage the company's growing activities in Russia. Currently, he oversees Access' operations out of its New York-based headquarters and serves as a director of various companies in the Access global portfolio. In addition, Mr. Blavatnik is engaged in numerous philanthropic pursuits and sits on the boards of several educational and charitable institutions. Mr. Blavatnik is the brother of Len Blavatnik.

*Edgar Bronfman, Jr.*, 56, has served as a director since March 1, 2004. Mr. Bronfman was the Chairman of the Board of Warner Music Group from August 18, 2011 to January 31, 2012 and previously was Warner Music Group's CEO and President from July 20, 2011 to August 18, 2011 and served as Chairman of the Board and CEO from March 1, 2004 to July 20, 2011. Before joining Warner Music Group, Mr. Bronfman served as Chairman and CEO of Lexa Partners LLC, a management venture capital firm which he founded in April 2002. Prior to Lexa Partners, Mr. Bronfman was appointed Executive Vice Chairman of Vivendi Universal in December 2000. He resigned from his position as an executive officer of Vivendi Universal on December 6, 2001, resigned as an employee of Vivendi Universal on March 31, 2002, and resigned as Vice Chairman of Vivendi Universal's Board of Directors on December 2, 2003. Prior to the December 2000 formation of Vivendi Universal, Mr. Bronfman was President and CEO of The Seagram Company Ltd., a post he held since June 1994. During his tenure as the CEO of Seagram, he consummated \$85 billion in transactions and transformed the company into one of the world's leading media and communications companies. From 1989 until June 1994, Mr. Bronfman served as President and COO of Seagram. Between 1982 and 1989, he held a series of senior executive positions for The Seagram Company Ltd. in the U.S. and in Europe. Mr. Bronfman serves on the Boards of InterActiveCorp, Accretive Health, Inc. and the New York University Langone Medical Center. He is also the Chairman of the Board of Endeavor Global, Inc. and is a Member of the Council on Foreign Relations. Mr. Bronfman also serves as general partner at Accretive, LLC, a private equity firm, and is Vice President of the Board of Trustees, The Collegiate School.

*Thomas H. Lee*, 67, has served as a director since August 17, 2011. Mr. Lee had previously served as our director from March 4, 2004 to July 20, 2011. He is Chairman and CEO of Thomas H. Lee Capital, LLC, Thomas H. Lee Capital Management, LLC and Lee Equity Partners, LLC. Thomas H. Lee Capital Management, LLC manages the Blue Star I, LLC fund of hedge funds. Lee Equity Partners, LLC is engaged in the private equity business in New York City. In 1974, Mr. Lee founded the Thomas H. Lee Company, the predecessor of Thomas H. Lee Partners, L.P., and from that time until March 2006 served as its Chairman and CEO. From 1966 through 1974, Mr. Lee was with First National Bank of Boston where he directed the bank's high technology lending group from 1968 to 1974 and became a Vice President in 1973. Prior to 1966, Mr. Lee was a securities analyst in the institutional research department of L.F. Rothschild in New York. Mr. Lee serves or has served, including during the past five years, as a director of numerous public and private companies in which he and his affiliates have invested, including Finlay Enterprises, Inc., The Smith & Wollensky Restaurant Group, Inc., Metris Companies, Inc., MidCap Financial LLC, Refco Inc., Vertis Holdings, Inc. and Wyndham International,

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Inc. Mr. Lee is currently a Trustee of Lincoln Center for the Performing Arts, The Museum of Modern Art, NYU Medical Center and Whitney Museum of American Art among other civic and charitable organizations. He also serves on the Executive Committee for Harvard University's Committee on University Resources. Mr. Lee is a 1965 graduate of Harvard College.

*Jörg Mohaupt*, 44, has served as a director since July 20, 2011. Mr. Mohaupt has been associated with Access since May 2007, and is involved with Access activities in the media and communications sector. Mr. Mohaupt was a managing director of Providence Equity Partners and a member of the London-based team responsible for Providence's European investment activities. Before joining Providence, in 2004, he co-founded and managed Continuum Group Limited, a communications services venture business. Prior to this, Mr. Mohaupt was an executive director at Morgan Stanley & Co. and Lehman Brothers in their respective media and telecommunications groups. Mr. Mohaupt serves on the boards of Perform Group Plc, AINMT, Rebate Networks, Mendeley Research Networks, Icon Entertainment International, RGE Group and Acision. Mr. Mohaupt graduated with a degree in history from Rijksuniversiteit Leiden (Netherlands) and a degree in Communications Science from Universiteit van Amsterdam.

*Donald A. Wagner*, 48, has served as a director since July 20, 2011. Mr. Wagner is a Managing Director of Access, having been with Access since 2010. He is responsible for sourcing and executing new investment opportunities in North America. From 2000 to 2009, Mr. Wagner was a Senior Managing Director of Ripplewood Holdings L.L.C., responsible for investments in several areas and heading the industry group focused on investments in basic industries. Previously, Mr. Wagner was a Managing Director of Lazard Freres & Co. LLC and had a 15-year career at that firm and its affiliates in New York and London. He is a board member of Boomerang Tube and was on the board of NYSE-listed RSC Holdings from November 2006 until August 2009. Mr. Wagner graduated summa cum laude with an A.B. in physics from Harvard College.

## **Board of Directors**

Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors currently consists of ten members. Under our amended and restated certificate of incorporation and by-laws, our Board of Directors shall consist of such number of directors as determined from time to time by resolution adopted by the Board. Our directors hold office until their successors have been elected and qualified or until the earlier of their resignation or removal.

When considering whether directors have the experience, qualifications, attributes or skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of our business and structure, the Board of Directors focuses primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above. In the view of the Board of Directors, its directors provide an appropriate mix of experience and skills relevant to the size and nature of our business. In particular, each of our directors brings specific experience, qualifications, attributes and skills to our Board of Directors.

The directors affiliated with Access, Messrs. Len Blavatnik, Benet, Alex Blavatnik, Mohaupt and Wagner, each bring beneficial experience and attributes to our Board. In addition to their individual attributes, each of them possess experience in advising and managing publicly traded and privately held enterprises and is familiar with the corporate finance and strategic business planning activities that are unique to highly leveraged companies like us. Len Blavatnik has extensive experience advising companies, particularly as founder and Chairman of Access, in his role as a director of TNK-BP Limited and UC RUSAL, and as a former director of Warner Music Group Corp. Mr. Benet has extensive experience in corporate finance, mergers and acquisitions, fixed income and capital markets through his work at Morgan Stanley and Access. Alex Blavatnik has extensive experience advising companies, particularly as Deputy Chairman of Access and as a director of OGIP Ventures, Ltd. Mr. Mohaupt has served as a director of various companies and has extensive experience in corporate finance, mergers and acquisitions, fixed income and capital markets through his work at Providence Equity Partners, Morgan Stanley, Lehman Brothers and Access. Mr. Wagner has served as a director of various companies, including public companies, and has over 26 years of experience in investing, banking and private equity.

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As the former Chairman of our Company, Mr. Bronfman has detailed knowledge of our Company and its history, employees, prospects and competitors. Prior to serving as Chairman, Mr. Bronfman was our Chief Executive Officer and a member of the investor group that acquired our Company from Time Warner in the 2004 Acquisition and has a detailed understanding of our history and culture.

Mr. Cooper has more than 30 years of experience as a financial advisor, and has served as chairman or chief executive officer of various businesses, including Vice Chairman and member of the office of Chief Executive Officer of Metro-Goldwyn-Mayer, Inc. and Chief Executive Officer of Hawaiian Telcom.

Messrs. Cohen and Strang are each actively involved in managing the day-to-day business of our company, providing them with intimate knowledge of our operations, and have significant experience and expertise with companies in our lines of business.

Mr. Lee has extensive experience advising and managing companies, serving as the Chairman and CEO of Thomas H. Lee Capital, LLC, Thomas H. Lee Capital Management, LLC and Lee Equity Partners, LLC and serving as or having served as a director of numerous public and private companies. Mr. Lee was also part of the investor group that acquired our Company from Time Warner in the 2004 Acquisition and was a director of Warner Music Group from March 2004 until July 2011, before subsequently rejoining the Board in August 2011, and has a detailed understanding of our Company.

Our board believes that the qualifications described above bring a broad set of complementary experience, coupled with a strong alignment with the interests of the stockholder of Warner Music Group, to the Board's discharge of its responsibilities.

## **Committees of the Board of Directors**

Following consummation of the Merger, we are a privately held company. As a result, we are no longer subject to any stock exchange listing or SEC rules requiring a majority of our Board of Directors to be independent or relating to the formation and functioning of the various Board committees. The Board of Directors of Warner Music Group has an Audit Committee as well as Compensation and Digital Committees, all of which report to the Board of Directors as they deem appropriate, and as the Board may request. AI Entertainment Holdings LLC (formerly Airplanes Music LLC), which is an affiliate of Access, owns 100% of our common stock and has the power to elect our directors. Thus the Board has determined that it is not necessary for us to have a Nominating Committee or a committee performing similar functions. The Board of Directors does not have a policy with regard to the consideration of any director candidates recommended by our debt holders or other parties.

The Audit Committee is responsible for overseeing the accounting and financial reporting processes of Warner Music Group and audits of the financial statements of Warner Music Group and its subsidiaries. The Audit Committee is responsible for assisting the Board's oversight of (a) the quality and integrity of Warner Music Group's financial statements and related disclosure; (b) the independent auditor's qualifications and independence; (c) the evaluation and management of Warner Music Group's financial risks; (d) the performance of Warner Music Group's internal audit function and independent auditor; and (e) Warner Music Group's compliance with legal and regulatory requirements. The Audit Committee's duties include, when appropriate, as permitted under applicable law, amending or supplementing Warner Music Group's Delegation of Authority Policy without the prior approval of the Board. The current members of Warner Music Group's audit committee are Messrs. Wagner, Benet and Lee. Mr. Wagner serves as the chairman of the committee. Messrs. Benet and Wagner qualify as audit committee financial experts, as defined by Securities and Exchange Commission Rules, based on their education, experience and background.

The Compensation Committee discharges the responsibilities of the Board of Directors of Warner Music Group relating to all compensation, including equity compensation, of Warner Music Group's executives. The Compensation Committee has overall responsibility for evaluating and making recommendations to the Board

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regarding director and officer compensation, compensation under Warner Music Group's long-term incentive plans and other compensation policies and programs. The current members of Warner Music Group's compensation committee are Messrs. Benet, Lee, Mohaupt and Wagner and Len Blavatnik. Mr. Benet serves as the chairman of the committee.

The Digital Committee is responsible for (i) approving digital recording and publishing agreements and related repertoire licensing agreements and related transactions ( Digital Transactions ) that require approval of the Board of Directors and (ii) consulting with Warner Music Group's management on Warner Music Group's strategy for entering into Digital Transactions and related transactions or business. The current members of Warner Music Group's digital committee are Messrs. Bronfman, Mohaupt, Cohen, Strang and Alex Blavatnik. Messrs. Bronfman and Mohaupt serve as the co-chairmen of the committee.

## **Oversight of Risk Management**

On behalf of the Board of Directors, our Audit Committee is responsible for oversight of Warner Music Group's risk management and assessment guidelines and policies. Warner Music Group is exposed to a number of risks including financial risks, operational risks and risks relating to regulatory and legal compliance. The Audit Committee discusses with management and the independent auditors Warner Music Group's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the guidelines and policies to govern the process by which risk assessment and risk management are undertaken. Warner Music Group's Chief Compliance Officer and Head of Internal Audit are responsible for Warner Music Group's risk management function and regularly work closely with Warner Music Group's senior executives to identify risks material to Warner Music Group. The Chief Compliance Officer reports to Warner Music Group's Compliance and Ethics Steering Committee, which is composed of Warner Music Group's General Counsel, Controller, Head of Internal Audit and other senior executives, and both the Chief Compliance Officer and the Head of Internal Audit report regularly to the Chief Financial Officer, the Chief Executive Officer and the Audit Committee regarding Warner Music Group's risk management policies and procedures. In that regard, Warner Music Group's Chief Compliance Officer regularly meets with the Compliance and Ethics Steering Committee and both the Chief Compliance Officer and Head of Internal Audit regularly meet with the Audit Committee to discuss the risks facing Warner Music Group, highlighting any new risks that may have arisen since they last met. The Audit Committee also reports to the Board of Directors on a regular basis to apprise them of their discussions with the Chief Compliance Officer and Head of Internal Audit regarding Warner Music Group's risk management efforts. In addition, the Board of Directors receives management updates on our business operations, financial results and strategy and, as appropriate, discusses and provides feedback with respect to risks related to those topics.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Prior to the consummation of the Merger, Section 16(a) of the Securities Exchange Act of 1934 required Warner Music Group's directors, officers and holders of more than 10% of Warner Music Group's common stock (collectively, Reporting Persons ), to file with the SEC initial reports of ownership and reports of changes in ownership of common stock of Warner Music Group. Such Reporting Persons were required by SEC regulation to furnish Warner Music Group with copies of all Section 16(a) reports they file. Based on our review of the copies of such filings received by it with respect to the fiscal year ended September 30, 2011, Warner Music Group believes that all required persons complied with all Section 16(a) filing requirements. Subsequent to the consummation of the Merger, as Warner Music Group no longer has a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, none of its directors, officers or stockholders remain subject to the reporting requirements of Section 16(a) of the Exchange Act.

## **Code of Conduct**

Warner Music Group has adopted a Code of Conduct as our code of ethics as defined by regulations promulgated under the Securities Act of 1933, as amended (the Securities Act of 1933 ), and the Securities

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Exchange Act of 1934 (and in accordance with the NYSE requirements for a code of conduct ), which applies to all of Warner Music Group s directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A current copy of the Code of Conduct is available on Warner Music Group s website at www.wmg.com by clicking on Investor Relations and then on Corporate Governance. A copy of the Code of Conduct may also be obtained free of charge, from Warner Music Group upon a request directed to Warner Music Group Corp., 75 Rockefeller Plaza, New York, NY 10019, Attention: Investor Relations. Warner Music Group will disclose within four business days any substantive changes in or waivers of the Code of Conduct granted to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website as set forth above rather than by filing a Form 8-K.



**Table of Contents****BENEFICIAL OWNERSHIP**

After the completion of the Merger, we became a wholly owned subsidiary of AI Entertainment Holdings LLC (formerly Airplanes Music LLC), which is an affiliate of Access. Access, through AI Entertainment Holdings LLC, owns 100% of our common stock.

**Security Ownership of Certain Beneficial Owners and Management of Warner Music Group**

The following table provides information as of March 1, 2012 with respect to beneficial ownership of our capital stock by:

each shareholder of Warner Music Group who beneficially owns more than 5% of the outstanding capital stock of Warner Music Group;

each director of Warner Music Group;

each of the executive officers of Warner Music Group named in the Summary Compensation Table appearing under Executive Compensation in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011, a copy of which is included in this prospectus as Annex A; and

all executive officers of Warner Music Group and directors of Warner Music Group as a group.

The amounts and percentages of shares beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

Except as otherwise indicated in these footnotes, each of the beneficial owners listed has, to our knowledge, sole voting and investment power with respect to the indicated shares of common stock.

<b>Name and Address of Beneficial Owner(a)</b>	<b>Title of Class(b)</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class Outstanding</b>
AI Entertainment Holdings LLC (formerly Airplanes Music LLC)	Common Stock	1,000	100%
Stephen Cooper	N/A	N/A	N/A
Lyor Cohen	N/A	N/A	N/A
Mark Ansorge	N/A	N/A	N/A
Brian Roberts	N/A	N/A	N/A
Paul M. Robinson	N/A	N/A	N/A
Cameron Strang	N/A	N/A	N/A
Will Tanous	N/A	N/A	N/A
Len Blavatnik (b)	Common Stock	1,000	100%
Lincoln Benet	N/A	N/A	N/A
Alex Blavatnik	N/A	N/A	N/A
Edgar Bronfman, Jr	N/A	N/A	N/A
Thomas H. Lee	N/A	N/A	N/A
Jörg Mohaupt	N/A	N/A	N/A

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Donald A. Wagner	N/A	N/A	N/A
All executive officers and directors of Warner Music Group as a group (14 persons)	Common Stock	1,000	100%

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- (a) The mailing address of each of these persons is c/o Warner Music Group Corp., 75 Rockefeller Center, New York, New York 10019, (212) 275-2000.
- (b) As of December 31, 2011, the Issuer, Warner Music Group and AI Entertainment Holdings LLC (formerly Airplanes Music LLC) are indirectly controlled by Len Blavatnik. Other than Mr. Blavatnik, no director or member of our senior management team beneficially owns any shares in AI Entertainment Holdings LLC (formerly Airplanes Music LLC) or Warner Music Group.

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**SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

Access, through AI Entertainment Holdings LLC, controls 100% of the Issuer's issued and outstanding capital stock, and Warner Music Group, the Issuer and Acquisition Corp. are affiliates of Access.

For a discussion of related party transactions Warner Music Group is party to, see Item 13. Certain Relationships, Related Transactions and Director Independence in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011, a copy of which is included in this prospectus as Annex A.

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**DESCRIPTION OF OTHER INDEBTEDNESS**

**Revolving Credit Facility**

In connection with the Merger, Acquisition Corp. entered into a credit agreement (the *Credit Agreement*) for a senior secured revolving credit facility with Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto (the *Revolving Credit Facility*).

***General***

Acquisition Corp. is the borrower (the *Borrower*) under the *Credit Agreement* which provides for a revolving credit facility in the amount of up to \$60 million (the *Commitments*) and includes a letter of credit sub-facility. The *Credit Agreement* permits loans for general corporate purposes and may also be utilized to issue letters of credit. The *Credit Agreement* matures five years from the Closing Date.

***Interest Rates and Fees***

Borrowings under the *Credit Agreement* bear interest at Borrower's election at a rate equal to (i) the rate for deposits in U.S. dollars in the London interbank market (adjusted for maximum reserves) for the applicable interest period (*LIBOR rate*), plus 4% per annum, or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent from time to time, (y) the overnight federal funds rate plus 0.5% and (z) the one-month LIBOR rate plus 1.0% per annum, plus, in each case, 3% per annum. The *LIBOR rate* shall be deemed to be not less than 1.5%.

If there is a payment default at any time, then the interest rate applicable to overdue principal will be the rate otherwise applicable to such loan plus 2.00% per annum. Default interest will also be payable on other overdue amounts at a rate of 2.00% per annum above the amount that would apply to an alternative base rate loan.

The *Credit Agreement* bears a commitment fee on the unutilized portion equal to 0.50%, payable quarterly in arrears. Acquisition Corp. is required to pay certain upfront fees to lenders and agency fees to the agent under the *Credit Agreement*, in the amounts and at the times agreed between the relevant parties.

***Prepayments***

If, at any time, the aggregate amount of outstanding borrowings (including letters of credit outstanding thereunder) exceeds the *Commitments*, prepayments of the loans (and after giving effect to such prepayment the cash collateralization of letters of credit) will be required in an amount equal to such excess. The application of proceeds from mandatory prepayments shall not reduce the aggregate amount of then effective commitments under the *Credit Agreement* and amounts prepaid may be reborrowed, subject to then effective commitments under the *Credit Agreement*.

Voluntary reductions of the unutilized portion of the *Commitments* and prepayments of borrowings under the *Credit Agreement* are permitted at any time, in minimum principal amounts set forth in the *Credit Agreement*, without premium or penalty, subject to reimbursement of the Lenders' redeployment costs actually incurred in the case of a prepayment of LIBOR-based borrowings other than on the last day of the relevant interest period.

***Guarantee; Security***

Acquisition Corp. and certain of its domestic subsidiaries entered into a *Subsidiary Guaranty*, dated as of the Closing Date (the *Subsidiary Guaranty*) pursuant to which all obligations under the *Credit Agreement* are guaranteed by Acquisition Corp.'s existing subsidiaries that guarantee the Existing Secured Notes and each other direct and indirect wholly owned U.S. subsidiary, other than certain excluded subsidiaries.

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All obligations of the Borrower and each guarantor are secured by substantially all assets of the Borrower, the Issuer and each subsidiary guarantor to the extent required under the security agreement securing the Existing Secured Notes and the Secured WMG Notes, including a perfected pledge of all the equity interests of the Borrower and of any subsidiary guarantor, mortgages on certain real property and certain intellectual property.

### ***Covenants, Representations and Warranties***

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on dividends on, and redemptions and purchases of, equity interests and other restricted payments, limitations on prepayments, redemptions and repurchases of certain debt, limitations on liens, limitations on loans and investments, limitations on debt, guarantees and hedging arrangements, limitations on mergers, acquisitions and asset sales, limitations on transactions with affiliates, limitations on changes in business conducted by the Borrower and its subsidiaries, limitations on restrictions on ability of subsidiaries to pay dividends or make distributions, limitations on amendments of subordinated debt and unsecured bonds and limitations on capital expenditures. The negative covenants are subject to customary and other specified exceptions.

There are no financial covenants included in the Credit Agreement, other than a springing leverage ratio, which will be tested only when there are loans outstanding under the Credit Agreement in excess of \$5 million (excluding letters of credit).

### ***Events of Default***

Events of default under the Credit Agreement are limited to nonpayment of principal, interest or other amounts, violation of covenants, incorrectness of representations and warranties in any material respect, cross default and cross acceleration of certain material debt, bankruptcy, material judgments, ERISA events, actual or asserted invalidities of the Credit Agreement, guarantees or security documents and a change of control, subject to customary notice and grace period provisions.

### **Existing Secured Notes**

As of December 31, 2011, Acquisition Corp. had \$1.160 billion of debt represented by its 9.5% Senior Secured Notes due 2016 (the Existing Secured Notes). Acquisition Corp. issued \$1.1 billion aggregate principal amount of Existing Secured Notes in 2009 pursuant to the Indenture, dated as of May 28, 2009 (as amended and supplemented, the Existing Secured Notes Indenture), among Acquisition Corp., the guarantors party thereto, and Wells Fargo Bank, National Association as trustee.

The Existing Secured Notes were issued at 96.289% of their face value for total net proceeds of \$1.059 billion, with an effective interest rate of 10.25%. The original issue discount (OID) was \$41 million. The OID was equal to the difference between the stated principal amount and the issue price. Following the Merger, in accordance with the guidance under ASC 805, these notes were recorded at fair value in conjunction with acquisition-method accounting. This resulted in the elimination of the predecessor discount and the establishment of a \$65 million successor premium based on market data as of the closing date. This premium will be amortized using the effective interest rate method and reported as an offset to non-cash interest expense. The Existing Secured Notes mature on June 15, 2016 and bear interest payable semi-annually on June 15 and December 15 of each year at a fixed rate of 9.50% per annum.

Acquisition Corp. used the net proceeds from the Existing Secured Notes offering, plus approximately \$335 million in existing cash, to repay in full all amounts due under its previous senior secured credit facility and pay related fees and expenses. In connection with the repayment, Acquisition Corp. terminated its previous revolving credit facility.

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The Existing Secured Notes remain outstanding following the Merger. Acquisition Corp. entered into a supplemental indenture, dated as of the Closing Date (the Existing Secured Notes Supplemental Indenture ) that supplements the Existing Secured Notes Indenture. Pursuant to the Existing Secured Notes Supplemental Indenture, certain subsidiaries of Acquisition Corp. that had not previously been parties to the Existing Secured Notes Indenture, agreed to become parties thereto and to unconditionally guarantee, on a senior secured basis, payment of the Existing Secured Notes.

### ***Ranking and Security***

The Existing Secured Notes are Acquisition Corp. 's senior secured obligations and are secured on an equal and ratable basis with the Secured WMG Notes and the Revolving Credit Facility and all future indebtedness secured under the same security arrangements as such indebtedness. The Existing Secured Notes rank senior in right of payment to Acquisition Corp. 's existing and future subordinated indebtedness; rank equally in right of payment with all of Acquisition Corp. 's existing and future senior indebtedness, including the Secured WMG Notes, indebtedness under the Revolving Credit Facility and the Unsecured WMG Notes; are effectively senior to all of Acquisition Corp. 's existing and future unsecured indebtedness, to the extent of the assets securing the Existing Secured Notes and are structurally subordinated to all existing and future indebtedness and other liabilities of any of Acquisition Corp. 's non-guarantor subsidiaries (other than indebtedness and liabilities owed to Acquisition Corp. or one of its subsidiary guarantors (as such term is defined below), to the extent of the assets of those subsidiaries. All obligations under the Existing Secured Notes and the guarantees of those obligations are secured by first-priority liens, subject to permitted liens, in the assets of the Issuer (which consists of the shares of Acquisition Corp.), Acquisition Corp., and the subsidiary guarantors, except for certain excluded assets.

### ***Guarantees***

The Existing Secured Notes are fully and unconditionally guaranteed on a senior secured basis by each of Acquisition Corp. 's existing direct or indirect wholly owned domestic subsidiaries, except for certain excluded subsidiaries, and by any such subsidiaries that guarantee other indebtedness of Acquisition Corp. in the future. Such subsidiary guarantors are collectively referred to herein as the subsidiary guarantors, and such subsidiary guarantees are collectively referred to herein as the subsidiary guarantees. Each subsidiary guarantee is a senior secured obligation of such subsidiary guarantor and is secured on an equal and ratable basis with such subsidiary guarantor 's guarantees of the Secured WMG Notes and the Revolving Credit Facility and all future indebtedness of such subsidiary guarantor secured under the same security arrangements as such indebtedness. Each subsidiary guarantee ranks senior in right of payment to all existing and future subordinated obligations of such subsidiary guarantor; ranks equally in right of payment with all of such subsidiary guarantor 's existing and future senior indebtedness, including such subsidiary guarantor 's guarantee of the Secured WMG Notes, indebtedness under the Revolving Credit Facility and the Unsecured WMG Notes; is effectively senior to all of such subsidiary guarantor 's existing and future unsecured indebtedness, to the extent of the assets securing such subsidiary guarantor 's guarantee of the Existing Secured Notes and is structurally subordinated to all existing and future indebtedness and other liabilities of any non-guarantor subsidiary of such subsidiary guarantor (other than indebtedness and liabilities owed to Acquisition Corp. or one of its subsidiary guarantors), to the extent of the assets of such subsidiary. Any subsidiary guarantee of the Existing Secured Notes may be released in certain circumstances. The Existing Secured Notes are not guaranteed by the Issuer.

### ***Optional Redemption***

Acquisition Corp. may redeem the Existing Secured Notes, in whole or in part, at any time prior to June 15, 2013, at a price equal to 100% of the principal amount thereof, plus the applicable make-whole premium and accrued and unpaid interest and special interest, if any, on the Existing Secured Notes to be redeemed to the applicable redemption date.

The Existing Secured Notes may also be redeemed, in whole or in part, at any time prior to June 15, 2013, upon the consummation and closing of a Major Music/Media Transaction (as defined in the Existing Secured

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Notes Indenture), at a redemption price equal to 104.750% of the principal amount of the Existing Secured Notes redeemed plus accrued and unpaid interest and special interest, if any, on the Existing Secured Notes to be redeemed to the applicable redemption date, subject to the right of holders of the Existing Secured Notes on the relevant record date to receive interest due on the relevant interest payment date.

On or after June 15, 2013, Acquisition Corp. may redeem all or a part of the Existing Secured Notes, at its option, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and special interest, if any, on the Existing Secured Notes to be redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on June 15 of the years indicated below:

<b>Year</b>	<b>Percentage</b>
2013	104.750%
2014	102.375%
2015 and thereafter	100.000%

In addition, at any time prior to June 15, 2012, Acquisition Corp. may on any one or more occasions redeem up to 35% of the aggregate principal amount of Existing Secured Notes at a redemption price equal to 109.50% of the principal amount thereof, plus accrued and unpaid interest and special interest, if any, to the date of redemption, with the net cash proceeds of certain equity offerings; provided that: (1) at least 50% of the aggregate principal amount of Existing Secured Notes originally issued under the Existing Secured Notes Indenture (excluding Existing Secured Notes held by Acquisition Corp. and its subsidiaries) remains outstanding immediately after the occurrence of such redemption; and (2) the redemption occurs within 90 days of the date of, and may be conditioned upon, the closing of such equity offering.

***Change of Control***

Upon the occurrence of a change of control, which is defined in the Existing Secured Notes Indenture, each holder of the Existing Secured Notes has the right to require Acquisition Corp. to repurchase some or all of such holder's Existing Secured Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date. A change of control includes, among other events, either a sale of Acquisition Corp.'s Recorded Music business or a sale of its Music Publishing business. A sale of Acquisition Corp.'s Recorded Music Business will not constitute a change of control where Acquisition Corp. has made an offer to redeem all the Existing Secured Notes in connection with such sale.

The Existing Secured Notes remain outstanding following the Merger. In connection with the Merger, in May 2011, Acquisition Corp. received the requisite consents from holders of the Existing Secured Notes to amend the indenture governing the notes such that the Merger would not constitute a Change of Control as defined therein.

***Covenants***

The Existing Secured Notes Indenture contains covenants limiting, among other things, Acquisition Corp.'s ability and the ability of most of its subsidiaries to: incur additional debt or issue certain preferred shares; pay dividends on or make distributions in respect of its capital stock or make investments or other restricted payments; create restrictions on the ability of its restricted subsidiaries to pay dividends to it or make certain other intercompany transfers; sell certain assets; create liens securing certain debt; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; sell or otherwise dispose of its Music Publishing business; and enter into certain transactions with its affiliates.

***Events of Default***

Events of default under the Existing Secured Notes Indenture are limited to the nonpayment of principal or interest when due, violation of covenants and other agreements contained in the Existing Secured Notes Indenture, cross payment default after final maturity and cross acceleration of certain material debt, certain



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bankruptcy and insolvency events, material judgment defaults, actual or asserted invalidity of a guarantee of a significant subsidiary and actual or asserted invalidity of material security interests, subject to customary notice and grace period provisions. The occurrence of an event of default would permit or require the principal of and accrued interest on the Existing Secured Notes to become or to be declared due and payable.

**Secured WMG Notes**

On the Closing Date, the Initial OpCo Issuer issued \$150 million aggregate principal amount of the Secured WMG Notes pursuant to the Indenture, dated as of the Closing Date (as amended and supplemented, the Secured WMG Notes Indenture), between the Initial OpCo Issuer and Wells Fargo Bank, National Association as trustee (the Trustee). Following the completion of the OpCo Merger on the Closing Date, Acquisition Corp. and certain of its domestic subsidiaries (the Guarantors) entered into a Supplemental Indenture, dated as of the Closing Date (the Secured WMG Notes First Supplemental Indenture), with the Trustee, pursuant to which (i) Acquisition Corp. became a party to the Indenture and assumed the obligations of the Initial OpCo Issuer under the Secured WMG Notes and (ii) each Guarantor became a party to the Secured WMG Notes Indenture and provided an unconditional guarantee on a senior secured basis of the obligations of Acquisition Corp. under the Secured WMG Notes.

The Secured WMG Notes were issued at 104.75% of their face value for total net proceeds of \$157 million, with an effective interest rate of 8.32%. The original issue premium (OIP) was \$7 million. The OIP is the difference between the stated principal amount and the issue price. The OIP will be amortized over the term of the Secured WMG Notes using the effective interest rate method and reported as an offset to non-cash interest expense. The Secured WMG Notes mature on June 15, 2016 and bear interest payable semi-annually on June 15 and December 15 of each year at fixed rate of 9.50% per annum.

***Ranking and Security***

The Secured WMG Notes are Acquisition Corp.'s senior secured obligations and are secured on an equal and ratable basis with the Existing Secured Notes and the Revolving Credit Facility and all future indebtedness secured under the same security arrangements as such indebtedness. The Secured WMG Notes rank senior in right of payment to Acquisition Corp.'s existing and future subordinated indebtedness; rank equally in right of payment with all of Acquisition Corp.'s existing and future senior indebtedness, including the Existing Secured Notes, indebtedness under the Revolving Credit Facility and the Unsecured WMG Notes; are effectively senior to all of Acquisition Corp.'s existing and future unsecured indebtedness, to the extent of the assets securing the Secured WMG Notes; and are structurally subordinated to all existing and future indebtedness and other liabilities of any of Acquisition Corp.'s non-guarantor subsidiaries (other than indebtedness and liabilities owed to Acquisition Corp. or one of its subsidiary guarantors (as such term is defined below)) to the extent of the assets of such subsidiaries. All obligations under the Secured WMG Notes and the guarantees of those obligations are secured by first-priority liens, subject to permitted liens, on the assets of the Issuer (which consists of the shares of Acquisition Corp.), Acquisition Corp., and the subsidiary guarantors, except for certain excluded assets.

***Guarantees***

The Secured WMG Notes are fully and unconditionally guaranteed on a senior secured basis by each of Acquisition Corp.'s existing direct or indirect wholly owned domestic subsidiaries, except for certain excluded subsidiaries, and by any such subsidiaries that guarantee other indebtedness of Acquisition Corp. in the future. Such subsidiary guarantors are collectively referred to herein as the subsidiary guarantors, and such subsidiary guarantees are collectively referred to herein as the subsidiary guarantees. Each subsidiary guarantee is a senior secured obligation of such subsidiary guarantor and is secured on an equal and ratable basis with such subsidiary guarantor's guarantees of the Existing Secured Notes and the Revolving Credit Facility and all future indebtedness of such subsidiary guarantor secured under the same security arrangements as such indebtedness.

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Each subsidiary guarantee ranks senior in right of payment to all existing and future subordinated obligations of the applicable subsidiary guarantor; ranks equally in right of payment with all of such subsidiary guarantor's existing and future senior indebtedness, including such subsidiary guarantor's guarantee of the Existing Secured Notes, indebtedness under the Revolving Credit Facility and the Unsecured WMG Notes; is effectively senior to all of such subsidiary guarantor's existing and future unsecured indebtedness, to the extent of the assets securing such subsidiary guarantor's guarantee of the Secured WMG Notes; and is structurally subordinated to all existing and future indebtedness and other liabilities of any non-guarantor subsidiary of such subsidiary guarantor (other than indebtedness and liabilities owed to Acquisition Corp. or one of its subsidiary guarantors), to the extent of the assets of such subsidiary. Any subsidiary guarantee of the Secured WMG Notes may be released in certain circumstances. The Secured WMG Notes are not guaranteed by the Issuer.

***Optional Redemption***

Acquisition Corp. may redeem the Secured WMG Notes, in whole or in part, at any time prior to June 15, 2013, at a price equal to 100% of the principal amount thereof, plus the applicable make-whole premium and accrued and unpaid interest and special interest, if any, on the Secured WMG Notes to be redeemed to the applicable redemption date.

The Secured WMG Notes may also be redeemed, in whole or in part, at any time prior to June 15, 2013, upon the consummation and closing of a Major Music/Media Transaction (as defined in the Secured WMG Notes Indenture), at a redemption price equal to 104.750% of the principal amount of the Secured WMG Notes redeemed plus accrued and unpaid interest and special interest, if any, on the Secured WMG Notes to be redeemed to the applicable redemption date, subject to the right of holders of the Secured WMG Notes on the relevant record date to receive interest due on the relevant interest payment date.

On or after June 15, 2013, Acquisition Corp. may redeem all or a part of the Secured WMG Notes, at its option, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and special interest, if any, on the Secured WMG Notes to be redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on June 15 of the years indicated below:

<b>Year</b>	<b>Percentage</b>
2013	104.750%
2014	102.375%
2015 and thereafter	100.000%

In addition, at any time prior to June 15, 2012, Acquisition Corp. may on any one or more occasions redeem up to 35% of the aggregate principal amount of Secured WMG Notes at a redemption price equal to 109.50% of the principal amount thereof, plus accrued and unpaid interest and special interest, if any, to the date of redemption, with the net cash proceeds of certain equity offerings; provided that: (1) at least 50% of the aggregate principal amount of Secured WMG Notes originally issued under the Secured WMG Notes Indenture (excluding Secured WMG Notes held by Acquisition Corp. and its subsidiaries) remains outstanding immediately after the occurrence of such redemption; and (2) the redemption occurs within 90 days of the date of, and may be conditioned upon, the closing of such equity offering.

***Change of Control***

Upon the occurrence of a change of control, which is defined in the Secured WMG Notes Indenture, each holder of the Secured WMG Notes has the right to require Acquisition Corp. to repurchase some or all of such holder's Secured WMG Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date. A change of control includes, among other events, either a sale of Acquisition Corp.'s Recorded Music business or a sale of its Music Publishing business. A sale of Acquisition Corp.'s Recorded Music Business will not constitute a change of control where Acquisition Corp. has made an offer to redeem all the Secured WMG Notes in connection with such sale.

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The Secured WMG Notes Indenture contains covenants limiting, among other things, Acquisition Corp.'s ability and the ability of most of its subsidiaries to: incur additional debt or issue certain preferred shares; pay dividends on or make distributions in respect of its capital stock or make investments or other restricted payments; create restrictions on the ability of its restricted subsidiaries to pay dividends to it or make certain other intercompany transfers; sell certain assets; create liens securing certain debt; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; sell or otherwise dispose of its Music Publishing business; and enter into certain transactions with its affiliates.

***Events of Default***

Events of default under the Secured WMG Notes Indenture, are limited to the nonpayment of principal or interest when due, violation of covenants and other agreements contained in the Secured WMG Notes Indenture, cross payment default after final maturity and cross acceleration of certain material debt, certain bankruptcy and insolvency events, material judgment defaults, actual or asserted invalidity of a guarantee of a significant subsidiary and actual or asserted invalidity of material security interests, subject to customary notice and grace period provisions. The occurrence of an event of default would permit or require the principal of and accrued interest on the Secured WMG Notes to become or to be declared due and payable.

***Unsecured WMG Notes***

On the Closing Date, the Initial OpCo Issuer issued \$765 million aggregate principal amount of the Unsecured WMG Notes pursuant to the Indenture, dated as of the Closing Date (as amended and supplemented, the Unsecured WMG Notes Indenture), between the Initial OpCo Issuer and Wells Fargo Bank, National Association as trustee (the Trustee). Following the completion of the OpCo Merger on the Closing Date, Acquisition Corp. and certain of its domestic subsidiaries (the Guarantors) entered into a Supplemental Indenture, dated as of the Closing Date (the Unsecured WMG Notes First Supplemental Indenture), with the Trustee, pursuant to which (i) Acquisition Corp. became a party to the Indenture and assumed the obligations of the Initial OpCo Issuer under the Unsecured WMG Notes and (ii) each Guarantor became a party to the Unsecured WMG Notes Indenture and provided an unconditional guarantee of the obligations of Acquisition Corp. under the Unsecured WMG Notes.

The Unsecured WMG Notes were issued at 97.673% of their face value for total net proceeds of \$747 million, with an effective interest rate of 12%. The original issue discount (OID) was \$17 million. The OID is the difference between the stated principal amount and the issue price. The OID will be amortized over the term of the Unsecured WMG Notes using the effective interest rate method and reported as non-cash interest expense. The Unsecured WMG Notes mature on October 1, 2018 and bear interest payable semi-annually on April 1 and October 1 of each year at fixed rate of 11.50% per annum.

***Ranking***

The Unsecured WMG Notes are Acquisition Corp.'s general unsecured senior obligations. The Unsecured WMG Notes rank senior in right of payment to Acquisition Corp.'s existing and future subordinated indebtedness; rank equally in right of payment with all of Acquisition Corp.'s existing and future senior indebtedness, including the Existing Secured Notes, indebtedness under the Revolving Credit Facility and the Secured WMG Notes; are effectively subordinated to all of Acquisition Corp.'s existing and future secured indebtedness, including the Existing Secured Notes, indebtedness under the Revolving Credit Facility and the Secured WMG Notes, to the extent of the assets securing such indebtedness; and are structurally subordinated to all existing and future indebtedness and other liabilities of any of Acquisition Corp.'s non-guarantor subsidiaries (other than indebtedness and liabilities owed to Acquisition Corp. or one of its subsidiary guarantors (as such term is defined below)), to the extent of the assets of such subsidiaries.

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The Unsecured WMG Notes are fully and unconditionally guaranteed on a senior unsecured basis by each of Acquisition Corp.'s existing direct or indirect wholly owned domestic subsidiaries, except for certain excluded subsidiaries, and by any such subsidiaries that guarantee other indebtedness of Acquisition Corp. in the future. Such subsidiary guarantors are collectively referred to herein as the subsidiary guarantors, and such subsidiary guarantees are collectively referred to herein as the subsidiary guarantees. Each subsidiary guarantee ranks senior in right of payment to all existing and future subordinated obligations of such subsidiary guarantor; ranks equally in right of payment with all of such subsidiary guarantor's existing and future senior indebtedness, including such subsidiary guarantor's guarantee of the Existing Secured Notes, indebtedness under the Revolving Credit Facility and the Secured WMG Notes; is effectively subordinated to all of such subsidiary guarantor's existing and future secured indebtedness, including such subsidiary guarantor's guarantee of the Existing Secured Notes, indebtedness under the Revolving Credit Facility and the Secured WMG Notes, to the extent of the assets securing such indebtedness; and is structurally subordinated to all existing and future indebtedness and other liabilities of any non-guarantor subsidiary of such subsidiary guarantor (other than indebtedness and liabilities owed to Acquisition Corp. or one of its subsidiary guarantors), to the extent of the assets of such subsidiary. Any subsidiary guarantee of the Unsecured WMG Notes may be released in certain circumstances. The Unsecured WMG Notes are not guaranteed by the Issuer.

***Optional Redemption***

Acquisition Corp. may redeem the Unsecured WMG Notes, in whole or in part, at any time prior to October 1, 2014, at a price equal to 100% of the principal amount thereof, plus the applicable make-whole premium and accrued and unpaid interest and special interest, if any, on the Secured WMG Notes to be redeemed to the applicable redemption date. On or after October 1, 2014, Acquisition Corp. may redeem all or a part of the Unsecured WMG Notes, at its option, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and special interest, if any, on the Unsecured WMG Notes to be redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on October 1 of the years indicated below:

<b>Year</b>	<b>Percentage</b>
2014	108.625%
2015	105.750%
2016	102.875%
2017 and thereafter	100.000%

In addition, at any time (which may be more than once) before October 1, 2014, Acquisition Corp. may redeem up to 35% of the aggregate principal amount of the Unsecured WMG Notes with the net cash proceeds of certain equity offerings at a redemption price of 111.50%, plus accrued and unpaid interest and special interest, if any, to the applicable redemption date; provided that: (1) at least 50% of the aggregate principal amount of Unsecured WMG Notes originally issued under the Unsecured WMG Notes Indenture remains outstanding immediately after the occurrence of such redemption; and (2) the redemption occurs within 90 days of the date of, and may be conditioned upon, the closing of such equity offering.

***Change of Control***

Upon the occurrence of certain events constituting a change of control, Acquisition Corp. is required to make an offer to repurchase all of Unsecured WMG Notes (unless otherwise redeemed) at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and special interest, if any to the repurchase date.

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***Covenants***

The Unsecured WMG Notes Indenture contains covenants that, among other things, limit Acquisition Corp.'s ability and the ability of most of its subsidiaries to: incur additional debt or issue certain preferred shares; pay dividends on or make distributions in respect of its capital stock or make investments or other restricted payments; create restrictions on the ability of its restricted subsidiaries to pay dividends to Acquisition Corp. or make certain other intercompany transfers; sell certain assets; create liens securing certain debt; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets.

***Events of Default***

Events of default under the Unsecured WMG Notes Indenture are limited to: the nonpayment of principal or interest when due, violation of covenants and other agreements contained in the Unsecured WMG Notes Indenture, cross payment default after final maturity and cross acceleration of certain material debt, certain bankruptcy and insolvency events, material judgment defaults, and actual or asserted invalidity of a guarantee of a significant subsidiary subject to customary notice and grace period provisions. The occurrence of an event of default would permit or require the principal of and accrued interest on the Unsecured WMG Notes to become or to be declared due and payable.

**Guarantee of Acquisition Corp. Notes**

On December 8, 2011 we issued guarantees whereby we agreed to fully and unconditionally guarantee, on a senior unsecured basis, the payments of Acquisition Corp. on the Existing Secured Notes, the Secured WMG Notes, and the Unsecured WMG Notes.

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**DESCRIPTION OF NOTES**

You can find the definitions of certain terms used in this description under the subheading **Certain Definitions**. In this **Description of Notes** section, the term **Issuer** refers only to WM Holdings Finance Corp. prior to the Merger and to WMG Holdings Corp. as the surviving corporation after the Merger, and not to any of their subsidiaries.

The Issuer issued its 13.75% Senior Notes due 2019 (the **Old Notes** ) and will issue the new 13.75% Senior Notes due 2019 (the **New Notes** ) under the indenture dated as of July 20, 2011, as amended by the First Supplemental Indenture, dated as of July 20, 2011 and the Second Supplemental Indenture, dated as of August 2, 2011 (the **Indenture** ) between itself and Wells Fargo Bank, National Association, as trustee (the **Trustee** ). The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended. The terms of the New Notes will be substantially identical to the terms of the Old Notes except that the New Notes will be registered under the Securities Act and will not contain restrictions on transfer or provisions relating to additional interest, will bear a different CUSIP number from the Old Notes, and will not entitle their holders to registration rights. New Notes will otherwise be treated as Old Notes for purposes of the Indenture.

The following description is a summary of the material provisions of the Indenture and the Notes. It does not restate those agreements in their entirety. We urge you to read those documents because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture and the Notes have been filed (or incorporated by reference) as exhibits to the registration statement of which this prospectus constitutes a part. Copies of the Indenture and the Notes are available as set forth under **Where You Can Find More Information**. **Certain defined terms** used in this description but not defined below under **Certain Definitions** have the meanings assigned to them in the Indenture or the Notes.

The registered holder of any Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture. The Old Notes and the New Notes, are each considered collectively to be a single class for all purposes under the Indenture, including, without limitations, for purposes of waivers, amendments, redemptions and offers to purchase. In this **Description of Notes**, any reference to (i) **Notes** refers collectively to the Old Notes and the New Notes, unless the context otherwise requires, and (ii) a **series** of Notes refers to the Old Notes and New Notes collectively, as applicable.

**Brief Description of the Notes and the Guarantee**

The Notes:

are general, unsecured obligations of the Issuer;

rank senior in right of payment to all existing and future subordinated Indebtedness of the Issuer;

are *pari passu* in right of payment with all existing and future senior Indebtedness of the Issuer;

are effectively subordinated to all existing and future secured Indebtedness of the Issuer and its Subsidiaries, including the Existing Secured OpCo Notes, the New Secured OpCo Notes and the Revolving Credit Facility, to the extent of the value of the assets securing such Indebtedness; and

structurally subordinated to all existing and future Indebtedness and other liabilities of any Subsidiary of the Issuer, including the Existing Secured OpCo Notes, the New Secured OpCo Notes, the Unsecured OpCo Notes and the Revolving Credit Facility.

The Notes are entitled to the benefits of the Guarantee by Warner Music Group Corp. The Guarantee:

is the general, unsecured obligation of such Guarantor;

ranks senior in right of payment to all existing and future subordinated Indebtedness of such Guarantor;

is pari passu in right of payment with all existing and future senior Indebtedness of such Guarantor;

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is effectively subordinated to all existing and future secured Indebtedness of such Guarantor, to the extent of the value of the assets securing such Indebtedness; and

As of December 31, 2011:

the Notes and related Guarantee were structurally subordinated to approximately \$2.064 billion of liabilities of OpCo and the other Subsidiaries of the Issuer;

the Notes and related Guarantee were effectively subordinated to approximately \$1.316 billion of secured borrowed money Indebtedness of OpCo and its Subsidiaries; and

OpCo had \$60.0 million in unutilized capacity under the Revolving Credit Facility.

The Indenture permits us to incur additional Indebtedness, including additional secured Indebtedness.

### **Principal, Maturity and Interest**

The Indenture provides for the issuance by the Issuer of Notes with an unlimited principal amount, of which an aggregate principal amount of \$150.0 million is currently outstanding. The Issuer may issue additional Notes (the additional Notes ) from time to time. Any offering of additional Notes is subject to the covenant described below under the caption Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock. The Notes and any additional Notes subsequently issued under the Indenture would be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Issuer issued the Notes in denominations of \$2,000 and integral multiples of \$1,000 in excess of \$2,000. The Notes will mature on October 1, 2019.

Interest on the Notes accrues at the rate of 13.75% *per annum* and is payable semi-annually in arrears on April 1 and October 1, commencing on October 1, 2011. The Issuer will make each interest payment to the holders of record on the immediately preceding March 15 and September 15.

Interest on the Notes accrues from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

### **Methods of Receiving Payments on the Notes**

If a holder has given wire transfer instructions to the Issuer, the Issuer, through the paying agent or otherwise, will pay all principal, interest and premium and Special Interest (as defined under Registration Rights; Exchange Offer ), if any, on that holder s Notes in accordance with those instructions. All other payments on the Notes will be made at the office or agency of the paying agent and registrar within the City and State of Minneapolis, Minnesota, unless the Issuer elects to make interest payments by check mailed to the holders at their address set forth in the register of holders.

### **Paying Agent and Registrar for the Notes**

The trustee has initially acted as paying agent and registrar. The Issuer may change the paying agent or registrar without prior notice to the holders, and the Issuer or any of its Subsidiaries may act as paying agent or registrar.

### **Transfer and Exchange**

A holder may transfer or exchange Notes in accordance with the Indenture and the procedures described in Transfer Restrictions. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuer is not required to transfer or exchange any Note selected for redemption. Also, the Issuer is not required to transfer or exchange any Note (1) for a period of 15 days before a selection of Notes to be redeemed or (2) tendered and not withdrawn in connection with a Change of Control Offer or an Asset Sale Offer.





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### **Holding Company Structure**

The Issuer is a holding company and does not have any material assets or operations other than ownership of Capital Stock of OpCo. All of its operations are conducted through its Subsidiaries. Claims of creditors of Subsidiaries of the Issuer, including creditors under the Existing Secured OpCo Notes, the New Secured OpCo Notes, the Unsecured OpCo Notes and the Revolving Credit Facility, trade creditors, and claims of preferred stockholders (if any) of such Subsidiaries generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of the Issuer's creditors, including holders of the Notes. The Notes, therefore, are structurally subordinated to creditors (including creditors under the Existing Secured OpCo Notes, the New Secured OpCo Notes, the Unsecured OpCo Notes and the Revolving Credit Facility and trade creditors) and preferred stockholders (if any) of our Subsidiaries, including OpCo. As of September 30, 2011, the Issuer had Indebtedness of approximately \$150.0 million outstanding and its Subsidiaries had liabilities of approximately \$2,067 million outstanding. Although the Indenture limits the incurrence of Indebtedness and the issuance of Preferred Stock of the Issuer's Restricted Subsidiaries, such limitation is subject to a number of significant qualifications. See Risk Factors Risk Factors Related to the Holdings Notes Risk Factors Related to the Holdings Notes Holdings may not have access to the cash flow and other assets of its subsidiaries that may be needed to make payment on the Holdings Notes.

### **Optional Redemption**

At any time prior to October 1, 2015, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes (including the aggregate principal amount of any additional Notes) issued under the Indenture, at its option, at a redemption price equal to 113.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Special Interest thereon, if any, to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date), with funds in an aggregate amount not exceeding the net cash proceeds of one or more Equity Offerings by the Issuer or any contribution to the Issuer's common equity capital made with the net cash proceeds of one or more Equity Offerings by the Issuer's direct or indirect parent; *provided* that:

- (1) at least 50% of the aggregate principal amount of Notes originally issued under the Indenture (including the aggregate principal amount of any additional Notes) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 90 days of the date of, and may be conditioned upon, the closing of such Equity Offering.

The Notes may be redeemed, in whole or in part, at any time prior to October 1, 2015, at the option of the Issuer, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Special Interest, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

On or after October 1, 2015, the Issuer may redeem all or a part of the Notes, at its option, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Special Interest, if any, on the Notes to be redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on October 1 of the years indicated below:

<b>Year</b>	<b>Percentage</b>
2015	106.875%
2016	103.438%
2017 and thereafter	100.000%

The Issuer may acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture.

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Any redemption or notice of any redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of an Equity Offering, other offering or other corporate transaction or event. Notice of any redemption in respect of an Equity Offering may be given prior to the completion thereof.

### **Selection and Notice**

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or
- (2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate, or in accordance with DTC's procedures.

No Notes of \$2,000 or less can be redeemed in part. If a partial redemption is made with the proceeds of an Equity Offering in accordance with the first paragraph under **Optional Redemption**, the Trustee will select the applicable Notes on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to DTC procedures). Notices of redemption will be mailed by first-class mail or delivered by electronic transmission at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed or delivered by electronic transmission more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

### **Guarantees**

Warner Music Group Corp. has issued a guarantee with respect to the Notes whereby it fully and unconditionally guaranteed, on a senior unsecured basis, the payments of the Issuer on the Notes. No Subsidiary of the Issuer currently guarantees the payment of the Notes, and the Indenture does not require any parent company or Subsidiary of the Issuer to guarantee the Notes.

### **Mandatory Redemption**

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes, other than the Special Mandatory Redemption, if applicable.

### **Repurchase at the Option of Holders**

#### *Change of Control*

If a Change of Control occurs, unless the Issuer has exercised its right to redeem all the Notes as described under **Optional Redemption** (and has not rescinded such exercise), each holder of Notes will have the right to require the Issuer to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of that holder's Notes pursuant to an offer (a **Change of Control Offer**) on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment (a **Change of Control Payment**) in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest and

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Special Interest, if any, on the Notes repurchased, to the date of purchase. On or prior to the date that is 60 days following any Change of Control, the Issuer will mail or deliver by electronic transmission a notice to each holder stating that a Change of Control has occurred or may occur and offering to repurchase Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such conflict.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The paying agent will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Note will be in a principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

Agreements governing Indebtedness of the Issuer or its Subsidiaries may contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased or repaid upon a Change of Control. Agreements governing Indebtedness of the Issuer or its Subsidiaries may prohibit the Issuer from repurchasing the Notes upon a Change of Control or prohibit the Issuer's Subsidiaries from making dividends or distributions to the Issuer to allow the Issuer to repurchase Notes upon a Change of Control, unless such Indebtedness has been repurchased or repaid (or an offer made to effect such repurchase or repayment has been made and the Indebtedness of those creditors accepting such offer has been repurchased or repaid) and/or other specified requirements have been met. Moreover, the exercise by the holders of Notes of their right to require the Issuer to repurchase the Notes could cause a default under such agreements, even if the Change of

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Control itself does not, due to the financial effect of such repurchase on the Issuer and its Subsidiaries. Finally, the Issuer's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. The provisions under the Indenture relating to the Issuer's obligation to make an offer to purchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in principal amount of the Notes. As described above under "Optional Redemption," the Issuer also has the right to redeem the Notes at specified prices, in whole or in part, upon a Change of Control or otherwise. See "Risk Factors" Risk Factors Related to the Offerings, the Notes and the Transactions. The Issuers may not be able to repurchase the notes upon a change of control.

The definition of Change of Control includes a phrase relating to the sale, lease, transfer or other conveyance of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries and therefore it may be unclear as to whether a Change of Control has occurred and whether the holders of the Notes have the right to require the Issuer to repurchase such Notes.

*Asset Sales*

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the fair market value (as determined, as of the time of contractually agreeing to such Asset Sale, in good faith by senior management or the Board of Directors of the Issuer, whose determination shall be conclusive, *provided* that in the case of any Asset Sale involving consideration in excess of \$50.0 million, such determination shall be made by the Board of Directors of the Issuer) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) except for any Permitted Asset Swap, at least 75% of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents.

For purposes of clause (2) above, the amount of (i) any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto, or if incurred or accrued subsequent to the date of such balance sheet, such liabilities that would have been shown on such balance sheet or in the notes thereto if such incurrence or accrual had taken place on or prior to the date of such balance sheet, as determined in good faith by the Issuer) of the Issuer or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets (or are otherwise extinguished in connection with the transactions relating to such Asset Sale), if such liabilities are not Indebtedness, or the Issuer or such Restricted Subsidiary has been released from all liability on payment of the principal amount of such liabilities in connection with such Asset Sale, (ii) any securities, notes or other obligations received by the Issuer or such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received) within 180 days following the closing of such Asset Sale and (iii) any Designated Noncash Consideration received by the Issuer or any of its Restricted Subsidiaries in such Asset Sale having an aggregate fair market value (as determined in good faith by the Board of Directors of the Issuer), taken together with all other Designated Noncash Consideration received pursuant to this clause (iii) that is at that time outstanding, not to exceed the greater of (x) \$100.0 million and (y) 8.5% of Consolidated Tangible Assets at the time of the receipt of such Designated Noncash Consideration (with the fair market value of each item of Designated Noncash Consideration being measured at the time received without giving effect to subsequent changes in value), shall be deemed to be cash for purposes of this paragraph and for no other purpose.

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Within 395 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer or such Restricted Subsidiary may apply an amount equal to those Net Proceeds at its option:

(1) to permanently reduce

- (A) Bank Obligations under a Credit Agreement, and to correspondingly reduce any outstanding commitments with respect thereto, if applicable;
- (B) Obligations constituting Secured Indebtedness, and to correspondingly reduce any outstanding commitments with respect thereto, if applicable;
- (C) Obligations under the Notes or any other Senior Indebtedness of the Issuer (and, in the case of other Senior Indebtedness, to correspondingly reduce any outstanding commitments with respect thereto, if applicable); *provided* that if the Issuer shall so repay any such other Senior Indebtedness, the Issuer will reduce Obligations under the Notes on a *pro rata* basis by, at its option, (A) redeeming Notes as described under Optional Redemption, (B) making an offer (in accordance with the procedures set forth below for an Asset Sale Offer (as defined below)) to all holders of Notes to purchase their Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Special Interest, if any, to the date of purchase or (C) purchasing Notes through open market purchases, at a price equal to or higher than 100% of the principal amount thereof; or
- (D) Indebtedness of a Restricted Subsidiary, other than Indebtedness owed to the Issuer or an Affiliate of the Issuer, *provided* that, if an offer to purchase any Indebtedness of OpCo or any of its Restricted Subsidiaries is made in accordance with the terms of such Indebtedness, the obligation to permanently reduce Indebtedness of a Restricted Subsidiary will be deemed to be satisfied to the extent of the amount of the offer, whether or not accepted by the holders thereof, and no Excess Proceeds in the amount of such offer will be deemed to exist following such offer;

(2) to make an investment in (A) any one or more businesses (*provided* that such investment in any business is in the form of the acquisition of Capital Stock and results in the Issuer or a Restricted Subsidiary owning an amount of the Capital Stock of such business such that it constitutes a Restricted Subsidiary), (B) capital expenditures or (C) other assets that, in the case of each of the foregoing clauses (A), (B) and (C), are used or useful in a Permitted Business; and/or

(3) to make an investment in (A) any one or more businesses; *provided* that such investment in any business is in the form of the acquisition of Capital Stock and it results in the Issuer or a Restricted Subsidiary owning an amount of the Capital Stock of such business such that it constitutes a Restricted Subsidiary, (B) properties or (C) other assets that, in the case of each of the foregoing clauses (A), (B) and (C), replace the businesses, properties and/or assets that are the subject of such Asset Sale;

*provided* that the Issuer or such Restricted Subsidiary will be deemed to have complied with clause (2) or (3) above if and to the extent that, within 395 days after the Asset Sale that generated the Net Proceeds, the Issuer or such Restricted Subsidiary has entered into and not abandoned or rejected a binding agreement to consummate any such investment described in clause (2) or (3) above, and such investment is thereafter completed within 180 days after the end of such 395-day period.

When the aggregate amount of Net Proceeds or equivalent amount not applied or invested in accordance with the preceding paragraph ( Excess Proceeds ) exceeds \$50.0 million, the Issuer will make an offer (an Asset Sale Offer ) to all holders of Notes and, if required under the terms of any Indebtedness that ranks *pari passu* with the Notes ( Pari Passu Indebtedness ), to the holders of such Pari Passu Indebtedness, on a *pro rata* basis, to purchase the maximum aggregate principal amount of Notes and such Pari Passu Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof, or, in the case of Pari Passu Indebtedness that is issued or sold at a discount, the amount of the accreted value thereof at such time, plus accrued and unpaid interest and Special Interest, if any, to the date of purchase (or such lesser price, if any, as may be provided under the terms of such Pari Passu Indebtedness).



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Pending the final application of any Net Proceeds or equivalent amount, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds allotted to purchase Notes in such Asset Sale Offer, the Trustee will select the Notes to be purchased on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such conflict.

### **Certain Covenants**

#### *Changes in Covenants When Notes Rated Investment Grade*

Set forth below are summaries of certain covenants currently in effect, contained in the Indenture. If on any date, (i) the Notes have Investment Grade Ratings from both Rating Agencies and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a Covenant Suspension Event and the date thereof being referred to as the Suspension Date ) then, the covenants listed under the following captions in this Description of Notes section of this prospectus will not be applicable to the Notes (collectively, the Suspended Covenants ):

- (1) Repurchase at the Option of Holders Asset Sales ;
- (2) Restricted Payments ;
- (3) Incurrence of Indebtedness and Issuance of Preferred Stock ;
- (4) clauses (4) and (5) of the first paragraph of Merger, Consolidation or Sale of Assets ;
- (5) Transactions with Affiliates ; and
- (6) Dividend and Other Payment Restrictions Affecting Subsidiaries .

Additionally, upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from Net Proceeds shall be reset to zero. During any period that the Suspended Covenants have been suspended, the Board of Directors of the Issuer may not designate any of its Subsidiaries as Unrestricted Subsidiaries unless such designation would have complied with the covenant described under Restricted Payments as if such covenant would have been in effect during such period.

In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the Reversion Date ) one or both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Notes below an Investment Grade Rating, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events. The period of time between the Suspension Date and the Reversion Date is referred to in this Description of Notes as the Suspension Period.



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In the event of any reinstatement of the Suspended Covenants on a Reversion Date, (i) with respect to Restricted Payments made after such reinstatement, the amount available to be made as Restricted Payments will be calculated as though the covenant described below under Restricted Payments had been in effect prior to,

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but not during, the Suspension Period; (ii) all Indebtedness incurred, or Preferred Stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (3) of the definition of *Permitted Debt*; (iii) any Affiliate Transaction entered into after such reinstatement pursuant to an agreement entered into during any Suspension Period shall be deemed to be permitted pursuant to clause (8) of the second paragraph of the covenant described under *Transactions with Affiliates*; and (iv) any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (1) through (3) of the first paragraph of the covenant described under *Dividend and Other Payment Restrictions Affecting Subsidiaries* that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (1) of the second paragraph of the covenant described under *Dividend and Other Payment Restrictions Affecting Subsidiaries*.

During the Suspension Period, any reference in the definitions of *Permitted Liens* and *Unrestricted Subsidiary* to the covenant described under *Incurrence of Indebtedness and Issuance of Preferred Stock* or any provision thereof shall be construed as if such covenant were in effect during the Suspension Period.

Notwithstanding that the Suspended Covenants may be reinstated, (1) no Default, Event of Default or breach of any kind will be deemed to exist or have occurred as a result of any failure by the Issuer or any Subsidiary to comply with the Suspended Covenants during any Suspension Period (or upon termination of the Suspension Period or after that time arising out of actions taken or events that occurred during the Suspension Period), and (2) following a Reversion Date the Issuer and any Subsidiary will be permitted, without causing a Default, Event of Default or breach of any kind, to honor, comply with or otherwise perform any contractual commitments or obligations arising prior to such Reversion Date and to consummate the transactions contemplated thereby, and shall have no liability for any actions taken or events that occurred during the Suspension Period, or for any actions taken or events occurring at any time pursuant to any such commitment or obligation.

There can be no assurance that the Notes will ever achieve or maintain Investment Grade Ratings.

*Restricted Payments*

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(a) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests, including any dividend or distribution payable in connection with any merger or consolidation (other than (A) dividends or distributions by the Issuer payable in Equity Interests (other than Disqualified Stock) of the Issuer or in options, warrants or other rights to purchase such Equity Interests (other than Disqualified Stock) or (B) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Subsidiary, the Issuer or a Restricted Subsidiary receives at least its *pro rata* share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities);

(b) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Issuer or any direct or indirect parent company of the Issuer, including in connection with any merger or consolidation involving the Issuer;

(c) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case prior to any scheduled repayment, sinking fund payment or maturity, any Subordinated Indebtedness (other than (x) Subordinated Indebtedness permitted under clauses (7) and (8) of the definition of *Permitted Debt* or (y) the purchase, repurchase or other acquisition of Subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase or acquisition); or

(d) make any Restricted Investment (all such payments and other actions set forth in these clauses (a) through (d) being collectively referred to as *Restricted Payments*),

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unless, at the time of and immediately after giving effect to such Restricted Payment:

- (1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (2) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption **Incurrence of Indebtedness and Issuance of Preferred Stock** (provided that, in the case of any Restricted Payment by OpCo, or any of its Restricted Subsidiaries, this clause (2) shall not apply if, at the time OpCo or such Restricted Subsidiary makes such Restricted Payment and after giving effect thereto, OpCo could incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption **Incurrence of Indebtedness and Issuance of Preferred Stock** );
- (3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and the Restricted Subsidiaries after the Effective Date (including Restricted Payments permitted by clauses (1), (6)(c), (9), (15) and (18) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the sum, without duplication, of
  - (a) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the beginning of the fiscal quarter during which the Effective Date occurs to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, in the case such Consolidated Net Income for such period is a deficit, minus 100% of such deficit), plus
  - (b) 100% of the aggregate net cash proceeds and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of property and marketable securities received by the Issuer after the Effective Date from the issue or sale of (x) Equity Interests of the Issuer (including Retired Capital Stock (as defined below) but excluding (i) cash proceeds and marketable securities received from the sale of Equity Interests to members of management, directors or consultants of the Issuer, any direct or indirect parent company of the Issuer and the Subsidiaries after the Effective Date to the extent such amounts have been applied to Restricted Payments made in accordance with clause (4) of the next succeeding paragraph and, to the extent actually contributed to the Issuer, Equity Interests of the Issuer's direct or indirect parent companies, (ii) Designated Preferred Stock and (iii) Disqualified Stock) or (y) debt securities of the Issuer that have been converted into or exchanged for such Equity Interests of the Issuer (other than Refunding Capital Stock (as defined below) or Equity Interests or convertible debt securities of the Issuer sold to a Restricted Subsidiary or the Issuer, as the case may be, and other than Disqualified Stock or Designated Preferred Stock or debt securities that have been converted into or exchanged for Disqualified Stock or Designated Preferred Stock), plus
  - (c) 100% of the aggregate amount of cash and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of property and marketable securities contributed to the capital of the Issuer after the Effective Date (other than (i) by a Restricted Subsidiary, (ii) any Excluded Contributions, (iii) any Disqualified Stock, (iv) any Designated Preferred Stock and (v) the Cash Contribution Amount), plus
  - (d) 100% of the aggregate amount received in cash after the Effective Date and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of property and marketable securities received by means of (A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of Restricted Investments made by the Issuer or its Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Issuer or its Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments

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by the Issuer or its Restricted Subsidiaries or (B) the sale (other than to the Issuer or a Restricted Subsidiary) of the Capital Stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary (other than in each case to the extent the Investment in such Unrestricted Subsidiary was made by a Restricted Subsidiary pursuant to clause (7) or (11) of the next succeeding paragraph or to the extent such Investment constituted a Permitted Investment) or a dividend from an Unrestricted Subsidiary, plus

(e) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger or consolidation of an Unrestricted Subsidiary into the Issuer or a Restricted Subsidiary or the transfer of assets of an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary, the fair market value of the Investment in such Unrestricted Subsidiary, as determined by the Board of Directors of the Issuer in good faith at the time of the redesignation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, consolidation or transfer of assets (other than an Unrestricted Subsidiary to the extent the Investment in such Unrestricted Subsidiary was made by a Restricted Subsidiary pursuant to clause (7) or (11) of the next succeeding paragraph or to the extent such Investment constituted a Permitted Investment).

The preceding provisions will not prohibit:

(1) the payment of any dividend or other distribution or the consummation of any redemption within 60 days after the date of declaration of the dividend or other distribution or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or other distribution or redemption would have complied with the provisions of the Indenture;

(2) (A) the redemption, repurchase, retirement or other acquisition of any Equity Interests of the Issuer or any direct or indirect parent company ( Retired Capital Stock ) or Subordinated Indebtedness in exchange for or out of the proceeds of the sale or issuance (other than to a Restricted Subsidiary or the Issuer) of Equity Interests of the Issuer or any direct or indirect parent company thereof to the extent contributed to the equity capital of the Issuer (in each case, other than Disqualified Stock) ( Refunding Capital Stock ) or any contributions to the equity capital of the Issuer, (B) the declaration and payment of dividends on the Retired Capital Stock out of the proceeds of the sale or issuance (other than to a Subsidiary of the Issuer or to an employee stock ownership plan or any trust established by the Issuer or any of its Subsidiaries) of Refunding Capital Stock and (C) if, immediately prior to the retirement of Retired Capital Stock, the declaration and payment of dividends thereon was permitted under clauses (6) (a) or (b) of this paragraph, the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Equity Interests of any direct or indirect parent company of the Issuer) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Retired Capital Stock immediately prior to such retirement;

(3) the redemption, repurchase, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the incurrence of, new Indebtedness which is incurred in compliance with the covenant described under Incurrence of Indebtedness and Issuance of Preferred Stock so long as (A) the principal amount (or, if issued with original issue discount, the issue price) of such new Indebtedness does not exceed the principal amount of, and premium, if any, and accrued interest on, the Indebtedness being so redeemed, repurchased, defeased or otherwise acquired or retired for value plus any fees, premiums, underwriting discounts, costs and expenses related to such redemption, repurchase, defeasance or other acquisition or retirement for value, (B) such new Indebtedness is subordinated to the Notes at least to the same extent as such Indebtedness being so redeemed, repurchased or otherwise acquired or retired for value, (C) such new Indebtedness does not have a Stated Maturity date prior to the Stated Maturity of the Indebtedness being so redeemed, repurchased, defeased or otherwise acquired or retired for value and (D) such new Indebtedness has a Weighted Average Life to Maturity which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness being so redeemed, repurchased, defeased or otherwise acquired or retired for value;

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(4) any Restricted Payment to pay for the repurchase, retirement or other acquisition or retirement for value of Equity Interests of the Issuer or any of its direct or indirect parent companies held by any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any of its direct or indirect parent companies and their respective estates, spouses and former spouses pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement (including, for the avoidance of doubt, any principal and interest payable on any notes issued by the Issuer or any direct or indirect parent company of the Issuer in connection with any such repurchase, retirement or other acquisition), or any stock subscription or shareholder agreement, including any Equity Interest rolled over by management of the Issuer or any direct or indirect parent company of the Issuer in connection with the Transactions; *provided, however*, that the aggregate amount of Restricted Payments made under this clause (4) does not exceed in any calendar year \$30.0 million (with unused amounts in any calendar year being carried over to the two succeeding calendar years); and *provided, further*, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds from the sale of Equity Interests (other than Disqualified Stock) of the Issuer and, to the extent contributed to the Issuer, Equity Interests of any of its direct or indirect parent companies, in each case to any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any of its direct or indirect parent companies that occurs after the Effective Date plus (B) the amount of any cash bonuses otherwise payable to any future, present or former employee, director or consultant of the Issuer or any of its Subsidiaries or any of its direct or indirect parent companies that are foregone in return for the receipt of Equity Interests or the Issuer or any direct or indirect parent company of the Issuer pursuant to deferred compensation plan of such corporation plus (C) the cash proceeds of key man life insurance policies received by the Issuer or its Restricted Subsidiaries after the Effective Date (*provided* that the Issuer may elect to apply all or any portion of the aggregate increase contemplated by clauses (A), (B) and (C) above in any calendar year) less (D) the amount of any Restricted Payments previously made pursuant to clauses (A), (B) and (C) of this clause (4); and *provided, further*, that cancellation of Indebtedness owing to the Issuer from any future, present or former employee, director or consultant of the Issuer or any of its Subsidiaries or any of its direct or indirect parent companies and their respective estates, spouses and former spouses in connection with a repurchase of Equity Interests of the Issuer or any of its direct or indirect parent companies will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(5) the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Issuer or any Restricted Subsidiary issued or incurred in accordance with the covenant described under **Incurrence of Indebtedness and Issuance of Preferred Stock** to the extent such dividends are included in the definition of Fixed Charges for such entity;

(6) (a) the declaration and payment of dividends or distributions to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued after the Effective Date, (b) the declaration and payment of dividends to any direct or indirect parent company of the Issuer, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) of any direct or indirect parent company of the Issuer issued after the Effective Date, *provided* that the aggregate amount of dividends declared and paid pursuant to this clause (b) shall not exceed the aggregate amount of cash actually contributed to the Issuer from the sale of such Designated Preferred Stock, and (c) the declaration and payment of dividends on Refunding Capital Stock that is Preferred Stock in excess of the dividends declarable and payable thereon pursuant to clause (2) of this paragraph; *provided, however*, that for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock or the declaration of such dividends on Refunding Capital Stock that is Preferred Stock, after giving effect to such issuance (and the payment of dividends or distributions) on a *pro forma* basis, (x) the Issuer would have had a Fixed Charge Coverage Ratio of at least 2.00 to 1.00 or (y) in the case of any such declaration or payment of dividends or distributions by OpCo or any of its Restricted Subsidiaries, OpCo would have had a Fixed Charge Coverage Ratio of at least 2.00 to 1.00;

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(7) Investments in Unrestricted Subsidiaries having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (7) that are at the time outstanding, without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash and/or marketable securities, not to exceed the greater of \$75.0 million and 6.0% of Consolidated Tangible Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(8) payments made or expected to be made by the Issuer or any Restricted Subsidiary in respect of withholding or similar taxes payable upon exercise of Equity Interests by any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any of its direct or indirect parent companies and their respective estates, spouses and former spouses and repurchases or withholding of Equity Interests deemed to occur upon exercise of stock options or warrants or the vesting of equity awards (including restricted stock and restricted stock units) if such Equity Interests represent a portion of the exercise price of, or withholding obligation with respect to, such options, warrants or equity awards and any related payment in respect of such obligation;

(9) the declaration and payment of dividends on the Issuer's common stock (or the payment of dividends to any direct or indirect parent company of the Issuer to fund a payment of dividends on such company's common stock), following the first public offering of the Issuer's common stock or the common stock of any direct or indirect parent company of the Issuer after the Effective Date, of up to 6.0% per annum of the net cash proceeds received by or contributed to the Issuer in or from any such public offering;

(10) Restricted Payments in an aggregate amount at any time outstanding equal to the amount of Excluded Contributions;

(11) any other Restricted Payment in an aggregate amount, taken together with all other Restricted Payments made pursuant to this clause (11), at any one time outstanding not to exceed \$100.0 million;

(12) the declaration and payment of dividends to, or the making of loans or any other payments to, any direct or indirect parent company of the Issuer in amounts intended to enable any such parent company to pay or cause to be paid:

- (A) franchise and excise taxes and other fees, taxes and expenses required to maintain its corporate or other legal existence;
- (B) federal, foreign, state and local income or franchise taxes with respect to any period for which the Issuer is a member of a consolidated, combined or unitary group of which such direct or indirect parent company is a member; *provided* that the amount of such payments shall not exceed the tax liability that the Issuer and its Subsidiaries would have incurred were such taxes determined as if such entities were a stand-alone group; and *provided* that Restricted Payments under this clause in respect of any taxes attributable to the income of any Unrestricted Subsidiaries may be made only to the extent that such Unrestricted Subsidiaries have made cash payments to the Issuer or its Restricted Subsidiaries;
- (C) customary salary, bonus and other benefits payable to officers, directors and employees of any direct or indirect parent company of the Issuer to the extent such salaries, bonuses and other benefits are attributable to the ownership or operation of the Issuer and its Restricted Subsidiaries;
- (D) general corporate overhead costs and expenses (including professional expenses) for any direct or indirect parent company of the Issuer to the extent such costs and expenses are attributable to the ownership or operation of the Issuer and its Restricted Subsidiaries;
- (E) fees and expenses other than to Affiliates related to any unsuccessful equity or debt offering not prohibited by the Indenture;
- (F)

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taxes arising by virtue of (i) having capital stock outstanding or being a direct or indirect holding company parent of the Issuer, any Subsidiary of the Issuer or any direct or indirect parent of the Issuer, (ii) having guaranteed any obligations of the Issuer or any Subsidiary of the Issuer, (iii) having made a payment in respect of any of the payments permitted to be made to it under

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this section Restricted Payments , (iv) any actions taken with respect to any intellectual property and associated rights relating to the business of the Issuer or any Subsidiary of the Issuer and (v) the receipt of, or entitlement to, any payment permitted to be made under this section Restricted Payments or any payment in connection with the Transactions, including any payment received after the Effective Date pursuant to any agreement related to the Transactions;

(G) payments made or expected to be made to cover social security, medicare, withholding and other taxes payable in connection with any management equity plan or stock option plan or any other management or employee benefit plan or agreement of any direct or indirect parent company of the Issuer or to make any other payment that would, if made by the Issuer or any Restricted Subsidiary, be permitted pursuant to clause (8) above; and

(H) annual management, consulting, monitoring and advisory fees to any of the Sponsor and its Affiliates in an aggregate amount in any fiscal year not to exceed the Maximum Management Fee Amount, and related expenses and indemnities, pursuant to the Management Agreement or otherwise;

(13) any Restricted Payment made in connection with the Transactions and the fees and expenses related thereto or owed to Affiliates, in each case with respect to any Restricted Payment made or owed to an Affiliate, to the extent permitted by the covenant described under Transactions with Affiliates ;

(14) distributions or payments of Securitization Fees and purchases of Securitization Assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization Financing;

(15) the repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Indebtedness pursuant to provisions similar to those described under the captions Repurchase at the Option of Holders Change of Control and Repurchase at the Option of Holders Asset Sales ; *provided* that a Change of Control Offer or Asset Sale Offer, as applicable, has been made and all Notes tendered by holders of the Notes in connection with a Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed, defeased or acquired or retired for value;

(16) [reserved];

(17) [reserved];

(18) the repurchase, redemption or other acquisition or retirement for value of Equity Interests of the Issuer deemed to occur in connection with paying cash in lieu of fractional shares of such Equity Interests in connection with a share dividend, distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of the Issuer, in each case, permitted under the Indenture;

(19) the distribution, by dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, the primary assets of which are cash and/or Cash Equivalents); and

(20) any Investment by OpCo or any Restricted Subsidiary thereof permitted under clause (3) of the first paragraph of the covenant described under Description of Unsecured WMG Notes Certain Covenants Restricted Payments , to the extent such Investment is not then permitted by clause (3) of the first paragraph of this covenant;

*provided* that at the time of, and immediately after giving effect to, any Restricted Payment permitted under clauses (7) and (11) above, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this covenant will be determined in good faith by the Board of Directors of the Issuer.



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As of the Effective Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries except WMG Kensington Ltd and its Subsidiaries. The Issuer will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the second to last sentence of the definition of Unrestricted Subsidiary. For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and the Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the second paragraph of the definition of Investments. Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time under this covenant or the definition of Permitted Investments and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants described in this prospectus.

### *Incurrence of Indebtedness and Issuance of Preferred Stock*

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, enter into any guarantee of, or otherwise become directly or indirectly liable, contingently or otherwise, for (collectively, "incur") any Indebtedness (including Acquired Debt), and the Issuer will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided, however*, that

(1) the Issuer and any Restricted Subsidiary of the Issuer may incur Indebtedness (including Acquired Debt) and any Restricted Subsidiary of the Issuer may issue Preferred Stock if the Fixed Charge Coverage Ratio of the Issuer for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Preferred Stock is issued would have been at least 2.00 to 1.00, or

(2) OpCo and any Restricted Subsidiary of OpCo may incur Indebtedness (including Acquired Debt) and any Restricted Subsidiary of OpCo may issue Preferred Stock if the Fixed Charge Coverage Ratio of OpCo for OpCo's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Preferred Stock is issued would have been at least 2.00 to 1.00,

in each case, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following (collectively, "Permitted Debt"):

(1) Indebtedness under the Existing Secured OpCo Notes, the New Secured OpCo Notes and one or more Credit Agreements together with the incurrence of the guarantees thereunder and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof) and other Indebtedness, up to an aggregate principal amount, together with amounts outstanding under a Qualified Securitization Financing incurred pursuant to clause (17) below, not to exceed at any one time outstanding the greater of (A) \$1,550.0 million and (B) the maximum aggregate principal amount (as of the date of incurrence of any such Indebtedness and after giving *pro forma* effect to the incurrence thereof and the application of the net proceeds therefrom (or as of the date of initial borrowing of such Indebtedness after giving *pro forma* effect to the incurrence of the entire committed amount of such Indebtedness)) that can be incurred without exceeding (x) a Senior Secured Indebtedness to EBITDA Ratio for the Issuer of 3.00 to 1.00 or (y) in the case of Indebtedness incurred pursuant to this subclause (B) by OpCo and its Restricted Subsidiaries, a Senior Secured Indebtedness to EBITDA Ratio for OpCo of 3.00 to 1.00 (it being understood that for purposes of determining compliance under this clause (1), any Indebtedness incurred under this clause (1) (whether or not secured) will be included in the amount of Senior Secured Indebtedness for purposes of calculating the Senior Secured Indebtedness to EBITDA Ratio);

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- (2) the incurrence by the Issuer and the Restricted Subsidiaries of Indebtedness represented by the Notes issued on the Issue Date or the Exchange Notes;
- (3) Existing Indebtedness, including the Unsecured OpCo Notes (other than Indebtedness described in clauses (1), (2) and (7));
- (4) Indebtedness (including Capitalized Lease Obligations) incurred by the Issuer or any Restricted Subsidiary and Preferred Stock issued by a Restricted Subsidiary to finance the purchase, lease or improvement of property (real or personal) or equipment that is used or useful in a Permitted Business (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) in an aggregate principal amount that, when aggregated with the principal amount of all other Indebtedness and/or Preferred Stock then outstanding and incurred or issued pursuant to this clause (4), does not exceed the greater of (x) \$50.0 million and (y) 4.0% of Consolidated Tangible Assets;
- (5) Indebtedness incurred by the Issuer or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including without limitation letters of credit in respect of workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other Indebtedness with respect to reimbursement-type obligations regarding workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance; *provided* that upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or incurrence;
- (6) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earnouts or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; *provided* that such Indebtedness is not reflected on the balance sheet of the Issuer or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause);
- (7) Indebtedness of the Issuer owed to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owed to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that (A) any subsequent issuance or transfer of any Capital Stock or any other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Indebtedness (except to the Issuer or a Restricted Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Indebtedness by the issuer thereof and (B) if the Issuer is the obligor on such Indebtedness (other than any Existing Indebtedness) owing to a Restricted Subsidiary that is not OpCo or an OpCo Notes Guarantor, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations of the Issuer with respect to the Notes;
- (8) shares of Preferred Stock of a Restricted Subsidiary issued to the Issuer or a Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Issuer or a Restricted Subsidiary) shall be deemed in each case to be an issuance of such shares of Preferred Stock;
- (9) Hedging Obligations of the Issuer or any Restricted Subsidiary (excluding Hedging Obligations entered into for speculative purposes) for the purpose of limiting (A) interest rate risk with respect to any Indebtedness that is permitted to be incurred by the terms of the Indenture, (B) exchange rate risk with respect to any currency exchange or (C) commodity price risk;
- (10) obligations in respect of self-insurance, performance, bid, appeal and surety bonds and performance and completion guarantees and similar obligations provided by the Issuer or any Restricted Subsidiary or obligations in respect of letters of credit, bank guarantees or similar instruments related thereto, in each case, in the ordinary course of business or consistent with past practice;

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(11) Indebtedness of the Issuer or any Restricted Subsidiary or Preferred Stock of any Restricted Subsidiary not otherwise permitted hereunder in an aggregate principal amount or liquidation preference which, when aggregated with the principal amount and liquidation preference of all other Indebtedness and Preferred Stock then outstanding and incurred pursuant to this clause (11), does not at any one time outstanding exceed the greater of \$250.0 million and 15.0% of Consolidated Tangible Assets (it being understood that any Indebtedness or Preferred Stock incurred pursuant to this clause (11) shall cease to be deemed incurred or outstanding for purposes of this clause (11) but shall be deemed incurred for the purposes of the first paragraph of this covenant from and after the first date on which the Issuer or such Restricted Subsidiary could have incurred such Indebtedness or Preferred Stock under the first paragraph of this covenant without reliance on this clause (11));

(12) (a) any guarantee by the Issuer or a Restricted Subsidiary of Indebtedness or other obligations of any Restricted Subsidiary so long as (in the case of any such Indebtedness) the incurrence of such Indebtedness by such Restricted Subsidiary is permitted under the terms of the Indenture, or (b) any guarantee by a Restricted Subsidiary of Indebtedness or other obligations of the Issuer;

(13) Indebtedness or Preferred Stock of the Issuer or any Restricted Subsidiary that serves to extend, replace, refund, refinance, renew or defease any Indebtedness incurred as permitted under the first paragraph of this covenant and clauses (2), (3) and (4) above, this clause (13) and clause (14) below or any Indebtedness issued to so extend, replace, refund, refinance, renew or defease such Indebtedness including additional Indebtedness incurred to pay premiums and fees in connection therewith (the Refinancing Indebtedness ); *provided* that such Refinancing Indebtedness (A) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness being extended, replaced, refunded, refinanced, renewed or defeased, (B) to the extent such Refinancing Indebtedness refinances Indebtedness that is subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes at least to the same extent as the Indebtedness being refinanced or refunded, (C) shall not include (x) Indebtedness or Preferred Stock of a Subsidiary that is not OpCo or an OpCo Notes Guarantor that refinances Indebtedness or Preferred Stock of the Issuer or (y) Indebtedness or Preferred Stock of the Issuer or a Restricted Subsidiary that refinances Indebtedness or Preferred Stock of an Unrestricted Subsidiary, (D) shall not be in a principal amount (or, if issued with original issue discount, an aggregate issue price) in excess of the principal amount of, premium, if any, and accrued interest on, the Indebtedness being replaced, refunded, refinanced, renewed or defeased plus any fees, premiums, underwriting discounts, costs and expenses relating to such extension, replacement, refunding, refinancing, renewal or defeasance, and (E) shall not have a Stated Maturity date prior to the Stated Maturity of the Indebtedness being extended, replaced, refunded, refinanced, renewed or defeased and *provided, further*, that subclauses (A), (B) and (E) of this clause (13) will not apply to any refunding or refinancing of any Indebtedness under any Credit Agreement;

(14) Indebtedness or Preferred Stock of (A) the Issuer or a Restricted Subsidiary incurred to finance an acquisition of any assets (including Capital Stock), business or Person or (B) Persons that are acquired by the Issuer or any Restricted Subsidiary or merged or consolidated with or into the Issuer or a Restricted Subsidiary in accordance with the terms of the Indenture; *provided* that after giving effect to such acquisition, merger or consolidation (including the incurrence of such Indebtedness) (x) either (1) the Issuer would be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (2) the Fixed Charge Coverage Ratio of the Issuer would be equal to or greater than immediately prior to such acquisition, merger or consolidation or (y) in the case of Indebtedness or Preferred Stock incurred by OpCo or any of its Restricted Subsidiaries, or Indebtedness or Preferred Stock of Persons that are acquired by or merged or consolidated with or into OpCo or any of its Restricted Subsidiaries, either (1) the Fixed Charge Coverage Ratio of OpCo would be equal to or greater than immediately prior to such acquisition, merger or consolidation or (2) OpCo would be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the first paragraph of this covenant.

(15) Indebtedness arising from the honoring by a bank or financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five business days of its incurrence;

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(16) Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer supported by a letter of credit issued pursuant to any Credit Agreement in a principal amount not in excess of the stated amount of such letter of credit;

(17) Indebtedness incurred by a Securitization Subsidiary in a Qualified Securitization Financing that is not recourse to the Issuer or any Restricted Subsidiary of the Issuer other than a Securitization Subsidiary (except for Standard Securitization Undertakings);

(18) (A) Non-Recourse Acquisition Financing Indebtedness and (B) Non-Recourse Product Financing Indebtedness;

(19) Contribution Indebtedness;

(20) Indebtedness of Foreign Subsidiaries of the Issuer, *provided, however*, that the aggregate principal amount of Indebtedness incurred under this clause (20), when aggregated with the principal amount of all other Indebtedness then outstanding and incurred pursuant to this clause (20), does not exceed the greater of (x) \$100.0 million and (y) 8.5% of the Consolidated Tangible Assets of the Foreign Subsidiaries;

(21) Indebtedness consisting of promissory notes issued by the Issuer or any of its Restricted Subsidiaries to future, current or former employees, directors and consultants, and their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests permitted by the covenant described under the caption Restricted Payments;

(22) Indebtedness of the Issuer or any of its Restricted Subsidiaries consisting of (i) the financing of insurance premiums or (ii) take or pay obligations contained in supply arrangements, in each case incurred in the ordinary course of business; and

(23) Indebtedness of the Issuer or any of its Restricted Subsidiaries undertaken in connection with cash management and related activities with respect to any Subsidiary or joint venture in the ordinary course of business.

For purposes of determining compliance with this covenant:

(a) in the event that an item of Indebtedness or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt or Preferred Stock described in clauses (1) through (23) above or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will be permitted to classify or reclassify such item of Indebtedness or Preferred Stock (or any portion thereof) in any manner that complies with this covenant and will only be required to include the amount and type of such Indebtedness or Preferred Stock (or portion thereof) in one of the above clauses or paragraphs; *provided* that Indebtedness outstanding on the Effective Date under the Revolving Credit Agreement, the Existing Secured OpCo Notes and the New Secured OpCo Notes shall be classified as incurred under the second paragraph of this covenant, and not under the first paragraph of this covenant; and

(b) at the time of incurrence, the Issuer will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs above.

Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount and the payment of interest or dividends in the form of additional Indebtedness or Preferred Stock will not be deemed to be an incurrence of Indebtedness or Preferred Stock for purposes of this covenant.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; *provided* that if such Indebtedness is incurred to extend, replace refund, refinance, renew or defease other Indebtedness denominated in a foreign currency, and such extension, replacement, refunding, refinancing, renewal or defeasance would

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cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such extension, replacement, refunding, refinancing, renewal or defeasance, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of, premium, if any, and accrued interest on, the Indebtedness being extended, replaced, refunded, refinanced, renewed or defeased plus any fees, premiums, underwriting discounts, costs and expenses relating to such extension, replacement, refunding, refinancing, renewal or defeasance.

The principal amount of any Indebtedness incurred to extend, replace, refund, refinance, renew or defease other Indebtedness, if incurred in a different currency from the Indebtedness being extended, replaced, refunded, refinanced, renewed or defeased, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such extension, replacement, refunding, refinancing, renewal or defeasance.

*Liens*

The Issuer will not, directly or indirectly, create, incur, assume or suffer to exist any Lien (except Permitted Liens) that secures obligations under any Indebtedness of the Issuer on any asset or property of the Issuer, or any income or profits therefrom, or assign or convey any right to receive income therefrom, unless the Notes are equally and ratably secured with (or, in the event the Lien relates to Subordinated Indebtedness, are secured on a senior basis to) the obligations so secured until such time as such obligations are no longer secured by a Lien.

Any Lien created for the benefit of the holders of the Notes pursuant to the preceding paragraph shall be automatically and unconditionally released and discharged upon the release and discharge of the Lien that gave rise to the obligation to secure the Notes.

*Dividend and Other Payment Restrictions Affecting Subsidiaries*

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any such Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Issuer, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer;
- (2) make loans or advances to the Issuer; or
- (3) sell, lease or transfer any of its properties or assets to the Issuer;

*provided* that dividend or liquidation priority between classes of Capital Stock, or subordination of any obligation (including the application of any remedy bars thereto) to any other obligation, will not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions consisting of, or existing under or by reason of:

- (1) contractual encumbrances or restrictions in effect (x) pursuant to any Credit Agreement, the Existing Secured OpCo Notes, Unsecured OpCo Notes, the New Secured OpCo Notes, any Hedging Obligations, or any related documents or (y) on the Effective Date, including, without limitation, pursuant to Existing Indebtedness and related documentation;
- (2) the Indenture and the Notes;
- (3) purchase money obligations that impose encumbrances or restrictions on the property so acquired;
- (4) applicable law or any applicable rule, regulation or order;

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- (5) any agreement or other instrument of a Person, or relating to Indebtedness or Capital Stock of a Person, which Person is acquired by or merged or consolidated with or into the Issuer or any Restricted Subsidiary, or which agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition from such Person, or any other transaction entered into in connection with any such acquisition, merger or consolidation, as in effect at the time of such acquisition, merger, consolidation or transaction (except to the extent that such Indebtedness was incurred to finance, or otherwise in connection with, such acquisition, merger, consolidation or transaction); *provided* that, for purposes of this clause (5), if a Person other than the Issuer is the Successor Company with respect thereto, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed, as the case may be, by the Issuer or a Restricted Subsidiary, as the case may be, when such Person becomes such Successor Company;
- (6) any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Issuer or any Restricted Subsidiary not otherwise prohibited by the Indenture, including without limitation, customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or other disposition of the Capital Stock or assets of such Subsidiary;
- (7) Secured Indebtedness otherwise permitted to be incurred pursuant to the covenants described under the captions **Incurrence of Indebtedness and Issuance of Preferred Stock** and **Liens** that limits the right of the debtor to dispose of the assets securing such Indebtedness;
- (8) restrictions on cash or other deposits or net worth imposed by customers or suppliers under contracts entered into in the ordinary course of business;
- (9) other Indebtedness or Preferred Stock (i) of the Issuer or any Restricted Subsidiary that is OpCo or an OpCo Notes Guarantor that is incurred subsequent to the Effective Date pursuant to the covenant described under **Incurrence of Indebtedness and Issuance of Preferred Stock** or (ii) that is incurred by a Foreign Subsidiary of the Issuer subsequent to the Effective Date pursuant to the covenant described under **Incurrence of Indebtedness and Issuance of Preferred Stock** ;
- (10) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business;
- (11) customary provisions contained in leases, subleases, licenses or asset sale agreements and other agreements;
- (12) any encumbrances or restrictions pursuant to any agreement, instrument or obligation (a **Refinancing Agreement** ) effecting an extension, renewal, increase, refunding, replacement or refinancing of any contract, instrument or obligation referred to in clauses (1) through (11) above (an **Initial Agreement** ) or that is, or is contained in, any amendment, supplement, restatement or other modification to an Initial Agreement or Refinancing Agreement (an **Amendment** ); *provided* that the encumbrances and restrictions contained in any such Refinancing Agreement or Amendment taken as a whole are not materially less favorable to the holders of the Notes than encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such Refinancing Agreement or Amendment relates (as determined in good faith by the Issuer);
- (13) any encumbrance or restriction of a Securitization Subsidiary effected in connection with a Qualified Securitization Financing; *provided, however,* that such restrictions apply only to any Securitization Subsidiary;
- (14) any encumbrance or restriction in connection with Non-Recourse Product Financing Indebtedness or Non-Recourse Acquisition Financing Indebtedness;
- (15) any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which the Issuer or any of its Restricted Subsidiaries is a party entered into in the ordinary course of business; *provided* that such agreement prohibits the encumbrance of solely the property or assets of the

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Issuer or such Restricted Subsidiary that are the subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Issuer or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary;

(16) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of any Restricted Subsidiary;

(17) customary provisions restricting assignment of any agreement entered into in the ordinary course of business;

(18) any encumbrances or restrictions arising in connection with cash or other deposits permitted under the covenant described under **Liens** ;

(19) any encumbrance or restriction that arises or is agreed to in the ordinary course of business and does not detract from the value of property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer or such Restricted Subsidiary;

(20) customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary; or

(21) an agreement or instrument relating to any Indebtedness incurred subsequent to the Effective Date (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in agreements in effect on the Effective Date (as determined in good faith by the Issuer) or (ii) if such encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer) and either (x) the Issuer determines in good faith that such encumbrance or restriction will not materially affect the Issuer's ability to make principal or interest payments on the Notes or (y) such encumbrance or restriction applies only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness.

*Merger, Consolidation or Sale of Assets*

The Issuer may not (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving Person); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole, in one or more related transactions to another Person; unless:

(1) either: (a) the Issuer is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of the United States, any state of the United States, the District of Columbia or any territory thereof (the Issuer or such Person, as the case may be, being herein called the **Successor Company** );

(2) the Successor Company (if other than the Issuer) assumes all the obligations of the Issuer under the Notes, the Indenture, and the Registration Rights Agreement pursuant to agreements in form reasonably satisfactory to the Trustee;

(3) immediately after such transaction no Default or Event of Default exists; and

(4) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if the same had occurred at the beginning of the applicable four-quarter period, either

(a) the Successor Company would be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described under **Incurrence of Indebtedness and Issuance of Preferred Stock** ; or

(b) the Fixed Charge Coverage Ratio for the Successor Company and its Restricted Subsidiaries would be equal to or greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such transaction;

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*provided* that, for the purposes of this covenant only, neither a Music Publishing Sale nor a Recorded Music Sale will be deemed to be a sale, assignment, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole. For the avoidance of doubt, (1) the Issuer may therefore consummate a Music Publishing Sale in accordance with Repurchase at the Option of Holders Asset Sales without complying with this Merger, Consolidation or Sale of Assets covenant notwithstanding anything to the contrary in this Merger, Consolidation or Sale of Assets covenant, (2) the Issuer may therefore consummate a Recorded Music Sale in accordance with Repurchase at the Option of Holders Asset Sales without complying with this Merger, Consolidation or Sale of Assets covenant notwithstanding anything to the contrary in this Merger, Consolidation or Sale of Assets covenant and (3) the determination in the preceding proviso shall not affect the determination of what constitutes all or substantially all the assets of the Issuer under any other contract to which the Issuer is a party.

For the purpose of this covenant, with respect to any sale, lease, transfer, conveyance or other disposition of properties or assets in connection with any acquisition (including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary), the determination of whether such sale, lease, transfer, conveyance or disposition constitutes a sale of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole shall be made on a *pro forma* basis giving effect to such acquisition.

This Merger, Consolidation or Sale of Assets covenant will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Issuer and its Restricted Subsidiaries. The foregoing clauses (3) and (4) shall not apply to the Merger. Notwithstanding the foregoing clauses (3) and (4), (a) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Issuer or to another Restricted Subsidiary and (b) the Issuer may merge with an Affiliate incorporated solely for the purpose of reincorporating the Issuer in another state of the United States so long as the amount of Indebtedness of the Issuer and its Restricted Subsidiaries is not increased thereby.

*Transactions with Affiliates*

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each, an Affiliate Transaction ) involving aggregate consideration in excess of \$15.0 million, unless:

- (1) the Affiliate Transaction is on terms that are not materially less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and
- (2) the Issuer delivers to the Trustee, with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$30.0 million, a resolution adopted by the Board of Directors of the Issuer approving such Affiliate Transaction and an Officer's Certificate certifying that such Affiliate Transaction complies with clause (1) above.

The foregoing provisions will not apply to the following:

- (1) transactions between or among the Issuer and/or any Restricted Subsidiary and/or any entity that becomes a Restricted Subsidiary as a result of such transaction;
- (2) Restricted Payments and Permitted Investments permitted by the Indenture;
- (3) the payment to any of the Sponsor and its Affiliates of annual management, consulting, monitoring and advisory fees in an aggregate amount in any fiscal year not to exceed the Maximum Management Fee Amount, and related expenses and indemnities, pursuant to the Management Agreement or otherwise;



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- (4) the payment of reasonable and customary fees and compensation paid to, and indemnities and reimbursements provided on behalf of, officers, directors, employees or consultants of the Issuer, any of its direct or indirect parent companies or any Restricted Subsidiary;
- (5) the payments by the Issuer or any Restricted Subsidiary to the Sponsor and any of its Affiliates made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, which payments are approved by a majority of the members of the Board of Directors of the Issuer in good faith;
- (6) transactions in which the Issuer or any Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Issuer or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person;
- (7) payments or loans (or cancellations of loans) to employees or consultants of the Issuer or any of its direct or indirect parent companies or any Restricted Subsidiary which are approved by a majority of the Board of Directors of the Issuer in good faith and which are otherwise permitted under the Indenture;
- (8) payments made or performance under any agreement as in effect on the Effective Date (including, without limitation, each of the agreements entered into in connection with the Transactions) or any amendment thereto (so long as any such amendment taken as a whole is not materially less advantageous to the holders of the Notes in the good faith judgment of the Board of Directors of the Issuer than the applicable agreement as in effect on the Effective Date);
- (9) payments made or performance under any agreement to which Warner Music Group Corp. is a party as of the Effective Date (including, without limitation, each of the agreements entered into in connection with the Transactions) and to or by which the Issuer becomes a party or otherwise bound after the Effective Date, any amendment thereto by which the Issuer becomes a party thereto or otherwise bound thereby, and any other amendment thereto (so long as any such other amendment (other than an amendment to effect the Issuer becoming a party to or otherwise bound by such agreement) taken as a whole is not materially less advantageous to the holders of the Notes in the good faith judgment of the Board of Directors of the Issuer than such agreement as in effect on the Effective Date);
- (10) transactions with customers, clients, suppliers, contractors, joint venture partners or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Issuer and its Restricted Subsidiaries, in the reasonable determination of the Board of Directors of the Issuer or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;
- (11) the Transactions and the payment of all fees and expenses related to the Transactions, including, for the avoidance of doubt, any reimbursement on or after the Effective Date of fees and expenses related to the Transactions paid by the Sponsor and its Affiliates;
- (12) the issuance of Equity Interests (other than Disqualified Stock) of the Issuer to any Parent, any Permitted Holder or any director, officer, employee or consultant of the Issuer, any of its Subsidiaries or any of its direct or indirect parent companies;
- (13) any transaction with a Securitization Subsidiary effected as part of a Qualified Securitization Financing;
- (14) investments by any of the Permitted Holders in securities of the Issuer or any of its Restricted Subsidiaries (and payment of reasonable out-of-pocket expenses incurred by such Permitted Holders in connection therewith) so long as (a) the investment is being offered generally to other investors on the same or more favorable terms and (b) the investment constitutes less than 5.0% of the proposed or outstanding issue amount of such class of securities;

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(15) payments to or from, and transactions with, any joint venture in the ordinary course of business (including, without limitation, any cash management activities related thereto);

(16) entering into, and performing the obligations under, any tax sharing agreement, consistent with the limitations imposed on Restricted Payments under the covenant described under Restricted Payments ; and

(17) intellectual property licenses in the ordinary course of business.

### *Payments for Consent*

The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

## **Reports**

Whether or not required by the Commission, from and after the Effective Date, so long as any Notes are outstanding, the Issuer will furnish to the holders of Notes, as their names and addresses appear in the note register, or make available on the Issuer's website, within the time periods specified in the Commission's rules and regulations:

(1) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Issuer were required to file such Forms including a Management's Discussion and Analysis of Financial Condition and Results of Operations and, with respect to the annual information only, a report on the annual financial statements by the Issuer's certified independent accountants; and

(2) all current reports that would be required to be filed with the Commission on Form 8-K if the Issuer were required to file such reports.

In addition, whether or not required by the Commission, the Issuer will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities and analysts and prospective investors upon request. In addition, the Issuer has agreed that, for so long as any Notes remain outstanding, it will furnish to the holder of the Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Notwithstanding the foregoing provisions of this covenant, the Issuer will be deemed to have furnished reports referred to in clauses (1) and (2) above to the Trustee and the holders of the Notes if the Issuer has filed such reports with the Commission via the EDGAR filing system and such reports are publicly available, *provided however*, that the Trustee shall have no responsibility whatsoever to determine if such filing or posting has occurred.

In addition, if at any time any parent company of the Issuer incurs a guarantee of the Notes (there being no obligation of any parent company of the Issuer to do so) and complies with the requirements of Rule 3-10 of Regulation S-X promulgated by the Commission (or any successor provision), the reports, information and other documents required to be filed and furnished to holders of the Notes pursuant to this covenant may, at the option of the Issuer, be filed by and be those of such parent company rather than the Issuer.

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### **Events of Default and Remedies**

Under the Indenture, an Event of Default is defined as any of the following:

(1) the Issuer defaults in payment when due and payable, upon redemption, acceleration or otherwise, of principal of, or premium, if any, on the Notes;

(2) the Issuer defaults in the payment when due of interest or Special Interest, if any, on or with respect to the Notes and such default continues for a period of 30 days;

(3) the Issuer defaults in the performance of, or breaches any covenant, warranty or other agreement contained in, the Indenture (other than a default in the performance or breach of a covenant, warranty or agreement which is specifically dealt with in clauses (1) or (2) above) and such default or breach continues for a period of 60 days after receipt of written notice given by the Trustee or the holders of not less than 25.0% in principal amount of outstanding Notes under the Indenture;

(4) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary (other than Indebtedness owed to the Issuer or a Restricted Subsidiary), whether such Indebtedness or guarantee now exists or is created after the Issue Date, if (A) such default either (1) results from the failure to pay any principal of such Indebtedness at its stated final maturity (after giving effect to any applicable grace periods) or (2) relates to an obligation other than the obligation to pay principal of any such Indebtedness at its stated final maturity and results in the holder or holders of such Indebtedness causing such Indebtedness to become due prior to its Stated Maturity and (B) the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at stated final maturity (after giving effect to any applicable grace periods), or the maturity of which has been so accelerated, aggregate \$50.0 million (or its foreign currency equivalent) or more at any one time outstanding;

(5) certain events of bankruptcy affecting the Issuer or any Significant Subsidiary; or

(6) the failure by the Issuer or any Significant Subsidiary to pay final judgments (net of amounts covered by insurance policies issued by reputable and creditworthy insurance companies) aggregating in excess of \$50.0 million, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final, and, with respect to any judgments covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed.

If an Event of Default (other than an Event of Default specified in clause (5) above with respect to the Issuer) shall occur and be continuing, the Trustee or the holders of at least 25% in principal amount of outstanding Notes under the Indenture may declare the principal of and accrued interest on such Notes to be due and payable by notice in writing to the Issuer and the Trustee specifying the respective Event of Default and that it is a notice of acceleration (the Acceleration Notice), and the same shall become immediately due and payable.

If an Event of Default specified in clause (5) above with respect to the Issuer occurs and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest on all of the outstanding Notes shall ipso facto become and be immediately due and payable without any declaration or other act on the part of each Trustee or any holder of the Notes.

The Indenture provides that, at any time after a declaration of acceleration with respect to the Notes as described in the two preceding paragraphs, the holders of a majority in principal amount of the Notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration; and

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(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid.

No such rescission shall affect any subsequent Default or impair any right consequent thereto.

The holders of a majority in principal amount of the Notes issued and then outstanding under the Indenture may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of or interest on such Notes.

In the event of any Event of Default specified in clause (4) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the Notes, if within 20 days after such Event of Default arose the Issuer delivers an Officer's Certificate to the Trustee stating that (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and under the Trust Indenture Act of 1939, as amended. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders of the Notes, unless such holders have offered to the Trustee reasonable indemnity. Subject to all provisions of the Indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding Notes issued under such Indenture have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. The Issuer is required, within ten business days, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No past, present or future director, officer, employee, incorporator or stockholder of the Issuer or any direct or indirect parent company or Subsidiary of the Issuer, as such, will have any liability for any obligations of the Issuer or any other obligor under the Notes, the Indenture or the Registration Rights Agreement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

### **Legal Defeasance and Covenant Defeasance**

The obligations with respect to the Notes of the Issuer under the Indenture will terminate (other than certain obligations) and will be released upon payment in full of all of the Notes issued under the Indenture. The Issuer may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding Notes issued under the Indenture ( Legal Defeasance ) and cure all then existing Events of Default except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium and Special Interest, if any, on such Notes when such payments are due from the trust referred to below;
- (2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's obligations in connection therewith; and

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(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer released with respect to certain covenants that are described in the Indenture ( Covenant Defeasance ) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including nonpayment, bankruptcy, receivership, rehabilitation and insolvency events of the Issuer but not its Restricted Subsidiaries) described under Events of Default and Remedies will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance under the Indenture:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or interest and premium and Special Interest, if any, on the outstanding Notes on the stated maturity or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to maturity or to a particular redemption date; *provided* that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any deficit as of the date of redemption (any such amount, the Applicable Premium Deficit ) only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption;

(2) in the case of Legal Defeasance, the Issuer has delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that, subject to customary assumptions and exclusions, (a) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the respective outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer has delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that, subject to customary assumptions and exclusions, the holders of the respective outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Issuer or any of its Restricted Subsidiaries is a party or by which the Issuer or any of its Restricted Subsidiaries is bound (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith);

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(6) the Issuer must deliver to the Trustee an Officers Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(7) the Issuer must deliver to the Trustee an Officer s Certificate and an opinion of counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

### **Amendment, Supplement and Waiver**

Except as provided in the next two succeeding paragraphs, the Indenture or the Notes may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing default or compliance with any provision of the Indenture, the Notes or any Guarantee may be waived with the consent of the holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of each holder affected, an amendment or waiver of the Indenture may not (with respect to any Notes held by a non-consenting holder):

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed final maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption Repurchase at the Option of Holders );
- (3) reduce the rate of or change the time for payment of interest on any Note;
- (4) waive a Default or Event of Default in the payment of principal of, or interest, premium, or Special Interest, if any, on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);
- (5) impair the right of any holder of the Notes to receive payment of principal of, or premium, if any, or interest on such holder s Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder s Notes; or
- (6) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer and the Trustee may amend or supplement the Indenture or the Notes:

- (1) to cure any ambiguity, omission, mistake, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes;
- (3) to provide for the assumption of the Issuer s obligations to holders of Notes in the case of a merger or consolidation or sale of all or substantially all of the Issuer s assets;
- (4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not materially adversely affect the legal rights under the Indenture of any such holder;
- (5) to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act;
- (6) to conform the text of the Indenture or the Notes to any provision of this Description of Notes;
- (7) to add a guarantee of the Notes, including, without limitation, by any parent company of the Issuer;



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(8) to provide for the issuance of additional Notes of the same series in accordance with the limitations set forth in the Indenture as of the Issue Date, or to provide for the issuance of Exchange Notes;

(9) to make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including, without limitation, to facilitate the issuance, administration and book-entry transfer of the Notes; *provided, however*, that (i) compliance with the Indenture as so amended would not result in the Notes being transferred in violation of the Securities Act or any applicable securities law and (ii) such amendment does not materially and adversely affect the rights of holders to transfer the Notes; or

(10) to evidence and provide for the acceptance of appointment by a successor trustee so long as the successor trustee is otherwise qualified and eligible to act as such under the terms of the Indenture.

**Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing or delivery of a notice of redemption or otherwise or will become due and payable by reason of the mailing or delivery of a notice of redemption or otherwise within one year and the Issuer has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation of principal, premium and Special Interest, if any, and accrued interest to the date of maturity or redemption; *provided* that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any Applicable Premium Deficit only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption;

(2) the Issuer has paid or caused to be paid all sums payable by it under the Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of counsel (which opinion of counsel may be subject to customary assumptions and exceptions) to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

**Concerning the Trustee**

If the Trustee becomes a creditor of the Issuer, the Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.



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The holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that, in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

### **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

*Access Investors* means, collectively: (i) Mr. Len Blavatnik; (ii) immediate family members (including spouses and direct descendants) of the Person described in clause (i); (iii) any trusts created for the benefit of the Persons described in clause (i) or (ii) or any trust for the benefit of any such trust; (iv) in the event of the incompetence or death of any Person described in clauses (i) and (ii), such Person's estate, executor, administrator, committee or other personal representative or beneficiaries, in each case who at any particular date shall beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any direct or indirect parent company of the Issuer; (v) any of his or their Affiliates (each of the Persons described in clauses (i) through (v), an Access Party); and (vi) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision) of which any of the Access Parties is a member; *provided* that, in the case of clause (vi) and without giving effect to the existence of such group or any other group, Access Parties, collectively, have beneficial ownership, directly or indirectly, of a majority of the total voting power of the Voting Stock of the Issuer or any direct or indirect parent of the Issuer held by such group.

*Accrued Yield* means, an amount in respect of each \$1,000 principal amount of the Notes that, together with the accrued interest to be paid in a Special Mandatory Redemption, will provide the holder thereof with the yield to maturity on such Notes, calculated on the basis of 360 day year and payable for the actual number of days elapsed from the Issue Date. *Yield to maturity* means the annual yield to maturity of the Notes, calculated based on market convention and as reflected in the pricing term sheet for the offering of the Notes. To the extent the Notes are issued at a premium, *Accrued Yield* shall be an amount that reduces the payment owed by the Issuer in connection with a Special Mandatory Redemption.

*Acquired Debt* means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and
- (2) Indebtedness secured by an existing Lien encumbering any asset acquired by such specified Person.

*Acquisition* means the merger of Airplanes Merger Sub, Inc. with and into Warner Music Group Corp. pursuant to the Merger Agreement.

*Affiliate* of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, *control* (including, with correlative meanings, the terms *controlling*, *controlled by* and *under common control with*), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

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*Applicable Premium* means, with respect to any Note on any applicable redemption date, the greater of:

- (1) 1.0% of the then outstanding principal amount of such Note; and
- (2) the excess, if any, of:
  - (a) the present value at such redemption date of (i) the redemption price of the Note at October 1, 2015 (such redemption price being set forth in the table appearing above under the caption *Optional Redemption* ) plus (ii) all required remaining scheduled interest payments due on the Note through October 1, 2015 (excluding accrued but unpaid interest to such redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 75.0 basis points; over
  - (b) the then outstanding principal amount of the Note.

Calculation of the Applicable Premium will be made by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate; *provided* that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee.

*Asset Sale* means (i) the sale, conveyance, transfer or other disposition (whether in a single transaction or a series of related transactions) of property or assets (including by way of a sale and lease-back) of the Issuer or any Restricted Subsidiary (each referred to in this definition as a *disposition* ) or (ii) the issuance or sale of Equity Interests of any Restricted Subsidiary, other than Preferred Stock of a Restricted Subsidiary issued in compliance with the covenant under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* (whether in a single transaction or a series of related transactions), in each case, other than:

- (1) a disposition of Cash Equivalents or Investment Grade Securities or obsolete or worn out property or equipment in the ordinary course of business or inventory (or other assets) held for sale in the ordinary course of business, dispositions of property or assets no longer used or useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and dispositions of Equity Interests received as consideration under contracts entered into in the ordinary course of business with digital service providers and other service providers;
- (2) (a) the disposition of all or substantially all of the assets of the Issuer and its Subsidiaries in a manner permitted pursuant to, and as defined in, the covenant contained under the caption *Certain Covenants Merger, Consolidation or Sale of Assets* or (b) any disposition that constitutes a Change of Control pursuant to the Indenture;
- (3) the making of any Restricted Payment or Permitted Investment that is permitted to be made, and is made, pursuant to the covenant contained under the caption *Certain Covenants Restricted Payments* or the granting of a Lien permitted by the covenant contained under the caption *Certain Covenants Liens* ;
- (4) any disposition of assets or issuance or sale of Equity Interests of any Restricted Subsidiary in any transaction or series of related transactions with an aggregate fair market value of less than \$50.0 million;
- (5) any disposition of property or assets or issuance or sale of securities by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to another Restricted Subsidiary;
- (6) the lease, assignment, sublease, license or sublicense of any real or personal property in the ordinary course of business;
- (7) any issuance or sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary (with the exception of Investments in Unrestricted Subsidiaries acquired pursuant to clause (11) of the definition of *Permitted Investments* );
- (8) foreclosures, condemnations or any similar actions with respect to assets;
- (9) disposition of an account receivable in connection with the collection or compromise thereof;

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(10) sales of Securitization Assets and related assets of the type specified in the definition of Securitization Financing to a Securitization Subsidiary in connection with any Qualified Securitization Financing;

(11) a transfer of Securitization Assets and related assets of the type specified in the definition of Securitization Financing (or a fractional undivided interest therein) by a Securitization Subsidiary in a Qualified Securitization Financing;

(12) to the extent allowable under Section 1031 of the Code, any exchange of like property (excluding any boot thereon) for use in a Permitted Business;

(13) any financing transaction with respect to property built or acquired by the Issuer or any Restricted Subsidiary after the Effective Date, including sale and lease-back transactions and asset securitizations permitted by the Indenture;

(14) the sale or discount of inventory, accounts receivable or notes receivable in the ordinary course of business or the conversion of accounts receivable to notes receivable;

(15) the licensing or sublicensing of intellectual property or other general intangibles in the ordinary course of business;

(16) any surrender or waiver of contract rights or the settlement, release or surrender of contract rights or other litigation claims in the ordinary course of business;

(17) the unwinding or termination of any Hedging Obligations;

(18) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements;

(19) the abandonment of intellectual property rights in the ordinary course of business, which in the reasonable good faith determination of the Issuer are not material to the conduct of the business of the Issuer and its Restricted Subsidiaries taken as a whole; and

(20) any sale, transfer or other disposition necessary or advisable in the good faith determination of the Issuer in order to consummate any acquisition (including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary).

*Bank Obligations* means all Obligations pursuant to a Credit Agreement and related documents incurred pursuant to clause (1) of the definition of Permitted Debt .

*Beneficial Owner* has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act.

*Board of Directors* means:

- (1) with respect to a corporation, the board of directors of the corporation;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership; and
- (3) with respect to any other Person, the board or committee of such Person serving a similar function.

*Capital Stock* means:

- (1) in the case of a corporation, capital stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock;
- (3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and



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(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

*Capitalized Lease Obligation* means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) in accordance with GAAP.

*Cash Contribution Amount* means the aggregate amount of cash contributions made to the capital of the Issuer or any Restricted Subsidiary described in (and applied pursuant to) the definition of Contribution Indebtedness.

*Cash Equivalents* means:

- (1) U.S. dollars, pounds sterling, euros, or, in the case of any Foreign Subsidiary, such local currencies held by it from time to time in the ordinary course of business;
- (2) securities issued or directly and fully and unconditionally guaranteed or insured by the government or any agency or instrumentality of the United States or any member nation of the European Union having maturities of not more than 12 months from the date of acquisition;
- (3) certificates of deposit, time deposits and eurodollar time deposits with maturities of 12 months or less from the date of acquisition, bankers acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any lender party to any Credit Agreement or with any commercial bank having capital and surplus in excess of \$500,000,000;
- (4) repurchase obligations for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;
- (5) commercial paper maturing within 12 months after the date of acquisition and having a rating of at least P-1 from Moody's or A-1 from S&P;
- (6) marketable short-term money market and similar securities having a rating of at least P-2 or A-2 from either Moody's or S&P, respectively (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) and in each case maturing within 12 months after the date of creation thereof;
- (7) investment funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (6) of this definition; and
- (8) readily marketable direct obligations issued by any state of the United States or any political subdivision thereof having one of the two highest rating categories obtainable from either Moody's or S&P with maturities of 12 months or less from the date of acquisition.

*Change of Control* means the occurrence of any of the following:

- (1) the sale, lease, transfer or other conveyance, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole, to any Person other than a Permitted Holder;
- (2) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than the Permitted Holders, in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), of 50% or more of the total voting power of the Voting Stock of the Issuer; *provided* that (x) so long as the Issuer is a Subsidiary of any Parent, no Person or group shall be deemed to be or become a beneficial owner of 50% or more of the total voting power of the Voting Stock of the Issuer unless such

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Person or group shall be or become a beneficial owner of 50% or more of the total voting power of the Voting Stock of such Parent and (y) any Voting Stock of which any Permitted Holder is the beneficial owner shall not in any case be included in any Voting Stock of which any such Person is the beneficial owner ; or

(3) the first day on which the Board of Directors of the Issuer shall cease to consist of a majority of directors who (i) were members of the Board of Directors of the Issuer on the Effective Date or (ii) were either (x) nominated for election by the Board of Directors of the Issuer, a majority of whom were directors on the Effective Date or whose election or nomination for election was previously approved by a majority of such directors, or (y) designated or appointed by a Permitted Holder.

For the purpose of this definition, with respect to any sale, lease, transfer, conveyance or other disposition of properties or assets in connection with any acquisition (including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary), the determination of whether such sale, lease, transfer, conveyance or disposition constitutes a sale of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole shall be made on a *pro forma* basis giving effect to such acquisition.

*Code* means the United States Internal Revenue Code of 1986, as amended from time to time.

*Commission* means the Securities and Exchange Commission.

*Consolidated Depreciation and Amortization Expense* means, with respect to any Person for any period, the total amount of depreciation and amortization expense, including the amortization of deferred financing fees and other non-cash charges (excluding any non-cash item that represents an accrual or reserve for a cash expenditure for a future period) of such Person and its Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with GAAP.

*Consolidated Interest Expense* means, with respect to any Person for any period, the sum, without duplication, of: (a) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income for such period (including (x) amortization of original issue discount, non-cash interest payments (other than imputed interest as a result of purchase accounting and any non-cash interest expense attributable to the movement in the mark-to-market valuation of Hedging Obligations or other derivative instruments pursuant to GAAP), the interest component of Capitalized Lease Obligations, and net payments (if any) pursuant to interest rate Hedging Obligations, but excluding (y) amortization of deferred financing fees, debt issuance costs, commissions, fees and expenses, expensing of any bridge, commitment or other financing fees, penalties and interest relating to taxes, any Special Interest and any special interest or additional interest with respect to other securities, and any accretion of accrued interest on discounted liabilities) and (b) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, less (c) interest income of such Person for such period; *provided, however*, that Securitization Fees shall not be deemed to constitute Consolidated Interest Expense.

*Consolidated Net Income* means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, and otherwise determined in accordance with GAAP; *provided, however*, that

(1) any net after-tax extraordinary, unusual or nonrecurring gains, losses or charges (including, without limitation, severance, relocation, transition and other restructuring costs, and any fees, expenses or charges associated with the Transactions and any acquisition, merger or consolidation after the Effective Date) shall be excluded;

(2) the Net Income for such period shall not include the cumulative effect of a change in accounting principle(s) during such period;

(3) any net after-tax income (loss) from disposed or discontinued operations and any net after-tax gains or losses on disposal of disposed or discontinued operations shall be excluded;

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(4) any net after-tax gains or losses attributable to asset dispositions, other than in the ordinary course of business (as determined in good faith by the Board of Directors of such Person), shall be excluded;

(5) the Net Income for such period of any Person that is not the referent Person or a Subsidiary thereof, or that is an Unrestricted Subsidiary of the referent Person, or that is accounted for by the equity method of accounting, shall be excluded; *provided* that, to the extent not already included, Consolidated Net Income of the referent Person shall be increased by the amount of dividends or distributions or other payments that are actually paid in cash (or to the extent converted into cash) to the referent Person or a Restricted Subsidiary thereof in respect of such period;

(6) solely for the purpose of determining the amount available for Restricted Payments under clause (3) of the first paragraph of Certain Covenants Restricted Payments, the Net Income for such period of any Restricted Subsidiary (other than OpCo or an OpCo Notes Guarantor) shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of its Net Income is not permitted at the date of determination without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless (x) such restriction with respect to the payment of dividends or similar distributions has been legally waived or (y) as permitted by the covenant described under Certain Covenants Dividend and Other Payment Restrictions Affecting Subsidiaries; *provided* that Consolidated Net Income of such Person shall be increased by the amount of dividends or distributions or other payments that are actually paid in cash (or to the extent converted into cash) to such Person or a Restricted Subsidiary thereof in respect of such period, to the extent not already included therein;

(7) solely for purposes of determining the amount available for Restricted Payments under clause (3) of the first paragraph of the covenant described under the caption Certain Covenants Restricted Payments, the amount equal to any reduction in current taxes recognized during the applicable period by the Issuer and its Restricted Subsidiaries as a direct result of deductions arising from (A) the amortization allowed under Section 167 or 197 of the Code for the goodwill and other intangibles arising from the Transactions and (B) employee termination and related restructuring reserves established pursuant to purchase accounting for the two-year period commencing with the Effective Date, in each case, will be included in the calculation of Consolidated Net Income so long as such addition will not result in double-counting;

(8) any non-cash impairment charges resulting from the application of ASC 350 and ASC 360 (formerly Financial Accounting Standards Board Statement Nos. 142 and 144, respectively) and the amortization of intangibles arising from the application of ASC 805 (formerly Financial Accounting Standards Board Statement No. 141), shall be excluded;

(9) non-cash compensation charges, including any such charges arising from stock options, restricted stock grants or other equity-incentive programs shall be excluded;

(10) any net after-tax gains or losses attributable to the early extinguishment of Indebtedness, Hedging Obligations or other derivative instruments shall be excluded;

(11) any fees, expenses or charges incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, Asset Sale, incurrence or repayment of Indebtedness, issuance of Equity Interests, refinancing transaction or amendment or modification of any debt instrument and including, in each case, any such transaction consummated prior to the Effective Date and any such transaction undertaken but not completed, and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful, shall be excluded;

(12) accruals and reserves that are established within twelve months after the Effective Date that are so required to be established as a result of the Transactions (or within twelve months after the closing of any acquisition that are so required to be established as a result of such acquisition) in accordance with GAAP shall be excluded;

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(13) to the extent covered by insurance and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of the insurable event (with a deduction for any amount so added back to the extent not so reimbursed within such 365-day period), expenses with respect to liability or casualty events or business interruption shall be excluded;

(14) any non-cash gain or loss resulting from mark-to-market accounting relating to Hedging Obligations or other derivative instruments shall be excluded; and

(15) any unrealized currency translation gains or losses including those related to currency remeasurements of Indebtedness (including any loss or gain resulting from Hedging Obligations for currency exchange risk) shall be excluded.

Notwithstanding the foregoing, for the purpose of clause (3)(a) of the first paragraph of the covenant contained under the caption **Certain Covenants Restricted Payments** only, there shall be excluded from Consolidated Net Income any income from any sale or other disposition of Restricted Investments made by the Issuer and the Restricted Subsidiaries, any repurchases and redemptions of Restricted Investments by the Issuer and the Restricted Subsidiaries, any repayments of loans and advances which constitute Restricted Investments by the Issuer and any Restricted Subsidiary, any sale of the stock of an Unrestricted Subsidiary or any distribution or dividend from an Unrestricted Subsidiary, in each case only to the extent such amounts increase the amount of Restricted Payments permitted under clause (3)(d) of the first paragraph of the covenant contained under the caption **Certain Covenants Restricted Payments**.

In addition, for purposes of clause (3) of the first paragraph of the covenant described under **Certain Covenants Restricted Payments**, (x) the fiscal quarter in which the Effective Date occurs shall be deemed to be that quarterly period without regard to any break in accounting period as of the Effective Date (if any) resulting from the Transactions (including from any application of purchase accounting to the Transactions) and (y) Consolidated Net Income of any Person for any period ending on or prior to, or commencing from, the Effective Date shall be determined based upon the consolidated financial statements of such Person for such period, and each other Person that is a Restricted Subsidiary thereof upon giving effect to the Transactions shall be deemed to be a Restricted Subsidiary thereof for any such period ending on or prior to the Effective Date.

*Consolidated Tangible Assets* means, with respect to any Person, the consolidated total assets of such Person and its Restricted Subsidiaries determined in accordance with GAAP, less all goodwill, trade names, trademarks, patents, organization expense and other similar intangibles properly classified as intangibles in accordance with GAAP. Unless the context otherwise requires, **Consolidated Tangible Assets** shall mean the Consolidated Tangible Assets of the Issuer, provided that such amount shall not be less than the Consolidated Tangible Assets of Opco.

*Contingent Obligations* means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness ( **primary obligations** ) of any other Person (the **primary obligor** ) in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligation or (B) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, or (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

*Contribution Indebtedness* means Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate principal amount not greater than twice the aggregate amount of cash contributions (other than Excluded Contributions) made to the capital of the Issuer or such Restricted Subsidiary after the Effective Date.

*Credit Agreement* means (a) the Revolving Credit Facility and (b) if so designated by the Issuer, and so long as Indebtedness incurred thereunder does not constitute Subordinated Indebtedness, one or more debt



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facilities, commercial paper facilities or series of notes documented in one or more agreements or indentures, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, as each may be amended, restated, supplemented, modified, renewed, refunded, replaced or refinanced (in whole or in part) from time to time in one or more agreements or indentures (in each case with the same or new lenders or institutional investors or otherwise, and except for any such agreement or indenture that expressly provides that it is not a Credit Agreement), including any agreement or indenture extending the maturity thereof or otherwise restructuring all or any portion of the Indebtedness thereunder or increasing the amount loaned or issued thereunder or altering the maturity thereof.

*Default* means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

*Designated Noncash Consideration* means the fair market value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Noncash Consideration pursuant to an Officer's Certificate setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale, redemption or repurchase of, or collection or payment on, such Designated Noncash Consideration.

*Designated Preferred Stock* means Preferred Stock of the Issuer or any direct or indirect parent company of the Issuer (other than Disqualified Stock), that is issued for cash (other than to the Issuer or any of its Subsidiaries or an employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries) and is so designated as Designated Preferred Stock, pursuant to an Officer's Certificate, on the issuance date thereof, the cash proceeds of which are excluded from the calculation set forth in clause (3) of the first paragraph of the covenant described under Certain Covenants Restricted Payments.

*Disqualified Stock* means, with respect to any Person, any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is puttable or exchangeable), or upon the happening of any event, matures or is mandatorily redeemable (other than as a result of a change of control or asset sale), pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than as a result of a change of control or asset sale), in whole or in part, in each case prior to the date 91 days after the earlier of the final maturity date of the Notes or the date the Notes are no longer outstanding; *provided, however*, that if such Capital Stock is issued to any plan for the benefit of employees of the Issuer, any of its Subsidiaries or any of its direct or indirect parent companies or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer, any of its Subsidiaries or any of its direct or indirect parent companies in order to satisfy applicable statutory or regulatory obligations; *provided, further*, that any Capital Stock held by any future, current or former employee, director, officer, manager or consultant of the Issuer, any of its Subsidiaries or any of its direct or indirect parent companies, or their respective estates, spouses and former spouses, in each case pursuant to any stock subscription or shareholders' agreement, management equity plan or stock option plan or any other management or employee benefit plan or agreement, shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or any of its Subsidiaries or any of its direct or indirect parent companies.

*Domestic Subsidiary* means any Subsidiary of the Issuer that was formed under the laws of the United States, any state of the United States or the District of Columbia.

*EBITDA* means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period

(x) increased (without duplication) by the following, in each case to the extent deducted (and not added back) in calculating Consolidated Net Income for such period:

(1) provision for taxes based on income, profits or capital, plus franchise or similar taxes of such Person,

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- (2) Consolidated Interest Expense of such Person, plus amounts excluded from the calculation of Consolidated Interest Expense as set forth in subclause (y) of clause (a) in the definition thereof,
- (3) Consolidated Depreciation and Amortization Expense of such Person for such period,
- (4) the amount of any restructuring charges or reserves (which, for the avoidance of doubt, shall include retention, severance, systems establishment cost, excess pension charges, contract termination costs, including future lease commitments, and costs to consolidate facilities and relocate employees),
- (5) without duplication, any other non-cash charges (including any impairment charges and the impact of purchase accounting, including, but not limited to, the amortization of inventory step-up) (*provided* that, in the case of any such charge that represents an accrual or reserve for a cash expenditure for a future period, the cash payment in respect thereof in such future period shall be subtracted from EBITDA),
- (6) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-Wholly Owned Subsidiary,
- (7) any net loss resulting from Hedging Obligations,
- (8) the amount of management, monitoring, consulting and advisory fees and related expenses paid to the Sponsor and its Affiliates (or any accruals relating to such fees and related expenses), and any Restricted Payment made to any direct or indirect parent company of such Person intended to enable any such parent company to pay or cause to be paid such amount, during such period,
- (9) Securitization Fees,
- (10) without duplication, pension curtailment expenses, transaction costs and executive contract expenses incurred by affiliated entities of such Person (other than such Person and its Subsidiaries) on behalf of such Person or any of its Subsidiaries and reflected in the combined financial statements of such Person as capital contributions,
- (11) business optimization expenses (including consolidation initiatives, severance costs and other costs relating to initiatives aimed at profitability improvement), and
- (12) any costs or expenses incurred by such Person or a Restricted Subsidiary thereof pursuant to any management equity plan or stock option plan or any other management or employee benefit plan, agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of such Person or net cash proceeds of an issuance of Equity Interest of such Person (other than Disqualified Stock) solely to the extent that such net cash proceeds are excluded from the calculation set forth in clause (3) of the first paragraph under **Certain Covenants Restricted Payments** ;
- (y) increased by the amount of net cost savings and synergies projected by such Person in good faith to result from actions taken or expected to be taken no later than twelve (12) months after the end of such period (calculated on a *pro forma* basis as though such cost savings and synergies had been realized on the first day of the period for which EBITDA is being determined), net of the amount of actual benefits realized during such period from such actions; provided that (A) such cost savings and synergies are reasonably identifiable and factually supportable, (B) for any period that ends prior to the Effective Date or includes one or more of the first three fiscal quarters of such Person ended after the Effective Date (the latest such period, the **Initial Period** ), the aggregate amount of such cost savings and synergies added pursuant to this clause (y) shall not exceed \$65.0 million plus any applicable Historical Adjustments, and (C) for any other period ended after the end of the Initial Period, the aggregate amount of such cost savings and synergies added pursuant to this clause (y) shall be certified by management of such Person and shall not exceed the greater of (1) \$40.0 million and (2) 10.0% of EBITDA for such period (calculated prior to giving effect to any adjustment pursuant to this clause (y)); and

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(z) decreased (without duplication) by the following, in each case to the extent included in calculating Consolidated Net Income for such period:

(1) non-cash gains increasing Consolidated Net Income of such Person for such period (excluding any non-cash gains which represent the reversal of any accrual of, or cash reserve for, anticipated cash charges or asset valuation adjustments made in any prior period), and

(2) any net gain resulting from Hedging Obligations.

*Effective Date* means the effective date of the Merger.

*Equity Interests* means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

*Equity Offering* means any public or private sale of common stock or Preferred Stock of the Issuer or any of its direct or indirect parent companies (excluding Disqualified Stock of the Issuer), other than (i) public offerings with respect to common stock of the Issuer or of any direct or indirect parent company of the Issuer registered on Form S-8, (ii) any such public or private sale that constitutes an Excluded Contribution or (iii) an issuance to any Subsidiary.

*Exchange Act* means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

*Excluded Contribution* means net cash proceeds, marketable securities or Qualified Proceeds, in each case received by the Issuer and its Restricted Subsidiaries from:

(1) contributions to its common equity capital; and

(2) the sale (other than to a Subsidiary or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of the Issuer or any Subsidiary) of Capital Stock (other than Disqualified Stock and Designated Preferred Stock),

in each case designated as Excluded Contributions pursuant to an Officer's Certificate on the date such capital contributions are made or the date such Equity Interests are sold, as the case may be, which are excluded from the calculation set forth in clause (3) of the first paragraph of the covenant contained under the caption Certain Covenants Restricted Payments.

*Existing Indebtedness* means Indebtedness of the Issuer and its Subsidiaries (other than Indebtedness under the Revolving Credit Facility) in existence on the Effective Date, including the Existing Secured OpCo Notes, Unsecured OpCo Notes and the New Secured OpCo Notes.

*Existing Secured OpCo Notes* means WMG Acquisition Corp.'s 9.50% Senior Secured Notes due 2016 issued pursuant to an indenture dated as of May 28, 2009 outstanding on the Effective Date or subsequently issued in exchange for or in respect of any such notes.

*Fixed Charge Coverage Ratio* means, with respect to any Person for any period consisting of such Person's most recently ended four fiscal quarters for which internal financial statements are available, the ratio of EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that such Person or any Restricted Subsidiary thereof incurs, issues, assumes, enters into any guarantee of, redeems, repays, retires or extinguishes any Indebtedness or issues or repays Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or concurrently with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the date of such event, the Calculation Date), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, redemption, repayment, retirement or extinguishment of Indebtedness, or such issuance or repayment of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period.

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For purposes of making the computation referred to above with respect to any specified Person, if any Specified Transaction has been made by such specified Person or any of its Restricted Subsidiaries during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, the Fixed Charge Coverage Ratio shall be calculated on a *pro forma* basis assuming that all such Specified Transactions (and the change in any associated fixed charge obligations and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If, since the beginning of such period, any other Person became a Restricted Subsidiary of such specified Person or was merged with or into such specified Person or any of its Restricted Subsidiaries and, since the beginning of such period, such other Person shall have made any Specified Transaction that would have required adjustment pursuant to the immediately preceding sentence if made by such specified Person or a Restricted Subsidiary thereof since the beginning of such period, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Specified Transaction had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition with respect to any specified Person, whenever *pro forma* effect is to be given to any Specified Transaction (including the Transactions), the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of such specified Person and may include, for the avoidance of doubt, cost savings and synergies resulting from or related to any such Specified Transaction (including the Transactions) which is being given *pro forma* effect that have been or are expected to be realized and for which the actions necessary to realize such cost savings and synergies are taken or expected to be taken no later than 12 months after the date of any such Specified Transaction (in each case as though such cost savings and synergies had been realized on the first day of the applicable period). If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of such specified Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as such specified Person may designate.

*Fixed Charges* means, with respect to any Person for any period, the sum of, without duplication, (a) Consolidated Interest Expense (excluding all non-cash interest expense and amortization/accretion of original issue discount in connection with the Specified Financings (including any original issue discount created by fair value adjustments to existing Indebtedness as a result of purchase accounting)) of such Person for such period, (b) all cash dividends paid during such period (excluding items eliminated in consolidation) on any series of Preferred Stock of such Person and (c) all cash dividends paid during such period (excluding items eliminated in consolidation) on any series of Disqualified Stock.

*Fixed GAAP Date* means the Effective Date, *provided* that at any time after the Effective Date, the Issuer may, by prior written notice to the Trustee, elect to change the Fixed GAAP Date to be the date specified in such notice, and upon the date of such notice, the Fixed GAAP Date shall be such date for all periods beginning on and after the date specified in such notice.

*Fixed GAAP Terms* means (a) the definitions of the terms Capitalized Lease Obligation, Consolidated Depreciation and Amortization Expense, Consolidated Interest Expense, Consolidated Net Income, Consolidated Tangible Assets, EBITDA, Fixed Charge Coverage Ratio, Fixed Charges, Indebtedness, Investments, Net Income, Senior Secured Indebtedness and Senior Secured Indebtedness to EBITDA Ratio, (b) all defined terms in the Indenture to the extent used in or relating to any of the foregoing definitions,

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and all ratios and computations based on any of the foregoing definitions, and (c) any other term or provision of the Indenture or the Notes that, at the Issuer's election, may be specified by the Issuer by written notice to the Trustee from time to time.

*Foreign Subsidiary* means any Subsidiary of the Issuer that is not a Domestic Subsidiary.

*GAAP* means generally accepted accounting principles in the United States of America as in effect on the Fixed GAAP Date (for purposes of the Fixed GAAP Terms) and as in effect from time to time (for all other purposes of the Indenture), including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession, and subject to the following sentence. If at any time the Commission permits or requires U.S.-domiciled companies subject to the reporting requirements of the Exchange Act to use IFRS in lieu of GAAP for financial reporting purposes, the Issuer may elect, by written notice to the Trustee, to use IFRS in lieu of GAAP and, upon any such notice, references herein to GAAP shall thereafter be construed to mean (a) for all periods beginning on and after the date specified in such notice, IFRS as in effect on the date specified in such notice (for purposes of the Fixed GAAP Terms) and as in effect from time to time (for all other purposes of the Indenture) and (b) for prior periods, GAAP as defined in the first sentence of this definition. All ratios and computations based on GAAP contained in the Indenture shall be computed in conformity with GAAP.

*Government Securities* means securities that are

(a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or

(b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

*guarantee* means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner including, without limitation, through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness or other obligations.

*Guarantee* means any guarantee of the obligations of the Issuer under this Indenture and the Notes by a Guarantor in accordance with the provisions of the Indenture.

*Guarantor* means any Person that incurs a Guarantee of the Notes.

*Hedging Obligations* means, with respect to any Person, the obligations of such Person under:

(1) currency exchange, interest rate or commodity swap agreements, currency exchange, interest rate or commodity cap agreements and currency exchange, interest rate or commodity collar agreements; and

(2) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates or commodity prices.

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*Historical Adjustments* means, for any period, the aggregate amount of all adjustments of the nature used in connection with the calculation of Pro Forma Adjusted EBITDA with respect to actions described in notes (a) and (b) to footnote 5 of Summary Historical Consolidated Financial and Other Data contained elsewhere in the Offering Circular to the extent such adjustments continue to be applicable for such period.

*IFRS* means International Financial Reporting Standards and applicable accounting requirements set by the International Accounting Standards Board or any successor thereto (or the Financial Accounting Standards Board, the Accounting Principles Board of the American Institute of Certified Public Accountants, or any successor to either such Board, or the Commission, as the case may be), as in effect from time to time.

*Indebtedness* means, with respect to any Person,

(a) any indebtedness (including principal and premium) of such Person, whether or not contingent,

(i) in respect of borrowed money,

(ii) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or, without double counting, reimbursement agreements in respect thereof),

(iii) representing the balance deferred and unpaid of the purchase price of any property (including Capitalized Lease Obligations) due more than twelve months after such property is acquired, except (i) any such balance that constitutes a trade payable or similar obligation to a trade creditor, in each case, accrued in the ordinary course of business, and (ii) any earn-out obligations until such obligation becomes a liability on the balance sheet of such Person in accordance with GAAP, and if not paid, after becoming due and payable; or

(iv) representing the net obligations under any Hedging Obligations, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with GAAP,

(b) Disqualified Stock of such Person,

(c) to the extent not otherwise included, any obligation by such Person to be liable for, or to pay, as obligor, guarantor or otherwise, the Indebtedness of another Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business) and

(d) to the extent not otherwise included, Indebtedness of another Person secured by a Lien on any asset owned by such Person (whether or not such Indebtedness is assumed by such Person); provided that the amount of Indebtedness of such Person shall be the lesser of (A) the fair market value of such asset at such date of determination (as determined in good faith by such Person) and (B) the amount of such Indebtedness of such other Persons;

*provided, however*, that Contingent Obligations incurred in the ordinary course of business and not in respect of borrowed money shall be deemed not to constitute Indebtedness.

*Independent Financial Advisor* means an accounting, appraisal or investment banking firm or consultant of nationally recognized standing that is, in the good faith judgment of the Issuer, qualified to perform the task for which it has been engaged.

*Investment Grade Rating* means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or an equivalent rating by any other Rating Agency.

*Investment Grade Securities* means:

(1) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof (other than Cash Equivalents);

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(2) debt securities or debt instruments with an Investment Grade Rating, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(3) investments in any fund that invests exclusively in investments of the type described in clauses (1) and (2), which fund may also hold immaterial amounts of cash pending investment or distribution; and

(4) corresponding instruments in countries other than the United States customarily utilized for high quality investments.

*Investments* means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions (excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers, employees, directors and consultants, in each case made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by GAAP to be classified on the balance sheet (excluding the footnotes) of such Person in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property.

For purposes of the definition of *Unrestricted Subsidiary* and the covenant described above under the caption *Certain Covenants Restricted Payments*, (i) *Investments* shall include the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets of a Subsidiary of the Issuer at the time that such Subsidiary is designated an *Unrestricted Subsidiary*; *provided, however*, that upon a redesignation of such Subsidiary as a *Restricted Subsidiary*, the Issuer shall be deemed to continue to have a permanent *Investment* in an *Unrestricted Subsidiary* in an amount (if positive) equal to (x) the Issuer's *Investment* in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; (ii) any property transferred to or from an *Unrestricted Subsidiary* shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Issuer; and (iii) any transfer of *Capital Stock* that results in an entity which became a *Restricted Subsidiary* after the *Effective Date* ceasing to be a *Restricted Subsidiary* shall be deemed to be an *Investment* in an amount equal to the fair market value (as determined by the Board of Directors of the Issuer in good faith as of the date of initial acquisition) of the *Capital Stock* of such entity owned by the Issuer and the *Restricted Subsidiaries* immediately after such transfer.

The amount of any *Investment* outstanding at any time shall be the original cost of such *Investment*, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in cash by the Issuer or a *Restricted Subsidiary* in respect of such *Investment*.

*Issue Date* means July 20, 2011.

*Lien* means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event shall an operating lease be deemed to constitute a *Lien*.

*Management Agreement* means the Management Agreement, dated as of the *Effective Date*, by and among Warner Music Group Corp., the Issuer and the Sponsor and/or its Affiliates, as the same may be amended, supplemented, waived or otherwise modified from time to time, *provided* that the Management Agreement as so amended, supplemented, waived or otherwise modified (other than in the case of an amendment to effect OpCo becoming a party to or otherwise bound by the Management Agreement) is not materially less advantageous to the holders of the Notes in the good faith judgment of the Board of Directors of the Issuer than the Management Agreement as in effect on the *Effective Date*.

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*Maximum Management Fee Amount* means the greater of (x) \$6.0 million plus, in the event that the Issuer acquires (including by consolidation or merger), directly or indirectly, any business, entity or operations following the Effective Date, an amount equal to 1.5% of the positive EBITDA of such acquired business, entity or operations (as determined by the Sponsor in its sole discretion) for the most recent four fiscal quarters prior to such acquisition for which internal financial statements are available as at the date of such acquisition and (y) 1.5% of EBITDA of OpCo for the most recently completed fiscal year.

*Merger* means the merger of WM Holdings Finance Corp. with and into WMG Holdings Corp.

*Merger Agreement* means the Agreement and Plan of Merger, dated as of May 6, 2011, among AI Entertainment Holdings LLC (formerly Airplanes Music LLC), Airplanes Merger Sub, Inc. and Warner Music Group Corp., as the same may be amended, supplemented, waived or otherwise modified from time to time.

*Moody's* means Moody's Investors Service, Inc. and its successors.

*Music Publishing Business* means the subsidiaries and assets constituting the music publishing segment, as defined in the financial statements of the Issuer or OpCo. At any point in time in which music publishing is not a reported segment of the Issuer or OpCo, Music Publishing Business shall refer to the business that was previously included in this segment.

*Music Publishing Sale* means the sale of all or substantially all of the Music Publishing Business, which, for the avoidance of doubt, may include assets constituting a portion of the Recorded Music Business not to exceed 10.0% of the total assets constituting the Recorded Music Business.

*Net Income* means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of Preferred Stock dividends or accretion of any Preferred Stock.

*Net Proceeds* means the aggregate cash proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale, net of the costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, payments made in order to obtain a necessary consent or required by applicable law, and brokerage and sales commissions, any relocation expenses incurred as a result thereof, other fees and expenses, including title and recordation expenses, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), amounts applied or required to be applied to the repayment of Indebtedness that is secured by the property or assets that are the subject of such Asset Sale (including in respect of principal, premium, if any, and interest) or that is required to be paid as a result of such transaction, and any deduction of appropriate amounts to be provided by the Issuer or any Restricted Subsidiary as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by the Issuer or any Restricted Subsidiary after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

*New Secured OpCo Notes* means OpCo's 9.50% Senior Secured Notes due 2016 issued pursuant to an indenture to be dated as of the Issue Date.

*Non-Recourse Acquisition Financing Indebtedness* means any Indebtedness incurred by the Issuer or any Restricted Subsidiary to finance the acquisition, exploitation or development of assets (including directly or through the acquisition of entities holding such assets) not owned by the Issuer or any of its Restricted Subsidiaries prior to such acquisition, exploitation or development, which assets are used for the creation or development of Product for the benefit of the Issuer, and in respect of which the Person to whom such Indebtedness is owed has no recourse whatsoever to the Issuer or any of its Restricted Subsidiaries for the repayment of or payment of such Indebtedness other than recourse to the acquired assets or assets that are the



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subject of such exploitation or development for the purpose of enforcing any Lien given by the Issuer or such Restricted Subsidiary over such assets, including the receivables, inventory, intangibles and other rights associated with such assets and the proceeds thereof.

*Non-Recourse Product Financing Indebtedness* means any Indebtedness incurred by the Issuer or any Restricted Subsidiary solely for the purpose of financing (whether directly or through a partially-owned joint venture) the production, acquisition, exploitation, creation or development of items of Product produced, acquired, exploited, created or developed after the Effective Date (including any Indebtedness assumed in connection with the production, acquisition, creation or development of any such items of Product or secured by a Lien on any such items of Product prior to the production, acquisition, creation or development thereof) where the recourse of the creditor in respect of that Indebtedness is limited to Product revenues generated by such items of Product or any rights pertaining thereto and where the Indebtedness is unsecured save for Liens over such items of Product or revenues and such rights and any extension, renewal, replacement or refinancing of such Indebtedness. *Non-Recourse Product Financing Indebtedness* excludes, for the avoidance of doubt, any Indebtedness raised or secured against Product where the proceeds are used for any other purposes.

*Obligations* means any principal, interest, penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

*Offering Circular* means the offering circular of the Issuer dated July 14, 2011 relating to the offering of the Notes.

*Officer* means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer, the Assistant Treasurer, the Secretary or the Assistant Secretary of the Issuer, as applicable.

*Officer's Certificate* means a certificate signed on behalf of the Issuer by an Officer of the Issuer, who is the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Issuer that meets the requirements set forth in the Indenture.