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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-32502

Warner Music Group Corp.
(Exact name of Registrant as specified in its charter)

Delaware	**13-4271875**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

75 Rockefeller Plaza
New York, NY 10019
(Address of principal executive offices)

(212) 275-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

As of February 4, 2011, the number of shares of the Registrant's common stock, par value $0.001 per share, outstanding was 154,984,627.

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WARNER MUSIC GROUP CORP.

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ITEM 1. FINANCIAL STATEMENTS

Warner Music Group Corp.

Consolidated Balance Sheets (Unaudited)

	December 31, 2010	September 30, 2010
	(in millions)	
Assets		
Current assets:		
Cash and equivalents	$ 263	$ 439
Accounts receivable, less allowances of $123 and $111 million	424	434
Inventories	34	37
Royalty advances expected to be recouped within one year	167	143
Deferred tax assets	30	30
Other current assets	42	46
Total current assets	960	1,129
Royalty advances expected to be recouped after one year	204	189
Investments	9	9
Property, plant and equipment, net	119	121
Goodwill	1,066	1,057
Intangible assets subject to amortization, net	1,092	1,119
Intangible assets not subject to amortization	100	100
Other assets	54	55
Total assets	$ 3,604	$ 3,779
Liabilities and Deficit		
Current liabilities:		
Accounts payable	$ 168	$ 206
Accrued royalties	1,047	1,034
Accrued liabilities	230	314
Accrued interest	16	59
Deferred revenue	98	100
Other current liabilities	3	8
Total current liabilities	1,562	1,721
Long-term debt	1,943	1,945
Deferred tax liabilities	165	169
Other noncurrent liabilities	162	155
Total liabilities	3,832	3,990
Commitments and Contingencies (See Note 11)		
Deficit:		
Common stock ($0.001 par value; 500,000,000 shares authorized; 154,984,627 and 154,950,776 shares issued and outstanding)	—	—
Additional paid-in capital	613	611
Accumulated deficit	(947)	(929)
Accumulated other comprehensive income, net	55	53
Total Warner Music Group Corp. shareholders' deficit	(279)	(265)
Noncontrolling interest	51	54
Total deficit	(228)	(211)
Total liabilities and deficit	$ 3,604	$ 3,779

See accompanying notes.

Warner Music Group Corp.

Consolidated Statements of Operations (Unaudited)

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
	(in millions, except per share amounts)	
Revenues	$ 789	$ 918
Costs and expenses:		
Cost of revenues	(442)	(511)
Selling, general and administrative expenses (a)	(266)	(304)
Amortization of intangible assets	(54)	(56)
Total costs and expenses	(762)	(871)
Operating income	27	47
Interest expense, net	(47)	(51)
Other income, net	—	1
Loss before income taxes	(20)	(3)
Income tax benefit (expense)	2	(13)
Net loss	(18)	(16)
Less: income attributable to noncontrolling interest	—	(1)
Net loss attributable to Warner Music Group Corp.	$ (18)	$ (17)
Net loss per common share attributable to Warner Music Group Corp.:		
Basic	$ (0.12)	$ (0.11)
Diluted	$ (0.12)	$ (0.11)
Weighted average common shares:		
Basic	150.0	149.5
Diluted	150.0	149.5
(a) Includes depreciation expense of:	$ (9)	$ (9)

See accompanying notes.

Warner Music Group Corp.

Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended December 31, 2010	(in millions)	Three Months Ended December 31, 2009
Cash flows from operating activities			
Net loss	$ (18)		$ (16)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	63		65
Deferred income taxes	(8)		(3)
Non-cash interest expense	3		10
Non-cash stock-based compensation expense	2		3
Other non-cash items	(1)		—
Changes in operating assets and liabilities:			
Accounts receivable	8		7
Inventories	3		4
Royalty advances	(41)		(11)
Accounts payable and accrued liabilities	(86)		(69)
Accrued interest	(43)		(41)
Other balance sheet changes	5		9
Net cash used in operating activities	(113)		(42)
Cash flows from investing activities			
Investments and acquisitions of businesses	(44)		—
Acquisition of publishing rights	(14)		(4)
Proceeds from the sale of investments	—		9
Capital expenditures	(8)		(7)
Net cash used in investing activities	(66)		(2)
Cash flows from financing activities			
Net cash used in financing activities	—		—
Effect of exchange rate changes on cash and equivalents	3		(1)
Net decrease in cash and equivalents	(176)		(45)
Cash and equivalents at beginning of period	439		384
Cash and equivalents at end of period	$ 263		$ 339

See accompanying notes.

Warner Music Group Corp.

Consolidated Statement of Equity (Deficit) (Unaudited)

	Common Stock Shares	Common Stock Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Warner Music Group Corp. Shareholders' Deficit	Noncontrolling Interests	Total Equity (Deficit)
				(in millions, except number of common shares)				
Balance at September 30, 2010	154,950,776	$0.001	$ 611	$ (929)	$ 53	$ (265)	$ 54	$(211)
Comprehensive loss:								
Net loss	—	—	—	(18)	—	(18)	—	(18)
Foreign currency translation adjustment	—	—	—	—	1	1	—	1
Deferred gains on derivative financial instruments	—	—	—	—	1	1	—	1
Other	—	—	—	—	—	—	(3)	(3)
Total comprehensive loss						(16)	(3)	(19)
Stock based compensation	—	—	2	—	—	2	—	2
Exercises of stock options	33,851	—	—	—	—	—	—	—
Balance at December 31, 2010	154,984,627	$0.001	$ 613	$ (947)	$ 55	$ (279)	$ 51	$(228)

See accompanying notes.

Warner Music Group Corp.

Notes to Consolidated Interim Financial Statements (Unaudited)

1. Description of Business

Warner Music Group Corp. (the "Company" or "Parent") was formed by a private equity consortium of investors (the "Investor Group") on November 21, 2003. The Company is the direct parent of WMG Holdings Corp. ("Holdings"), which is the direct parent of WMG Acquisition Corp. ("Acquisition Corp."). Acquisition Corp. is one of the world's major music-based content companies and the successor to substantially all of the interests of the recorded music and music publishing businesses of Time Warner Inc. ("Time Warner"). Effective March 1, 2004, Acquisition Corp. acquired such interests from Time Warner for approximately $2.6 billion (the "Acquisition"). The original Investor Group included affiliates of Thomas H. Lee Partners ("THL"), affiliates of Bain Capital Investors, LLC ("Bain"), affiliates of Providence Equity Partners, Inc. ("Providence") and Music Capital Partners, L.P. ("Music Capital"). Music Capital's partnership agreement required that the Music Capital partnership dissolve and commence winding up by the second anniversary of the Company's May 2005 initial public offering. As a result, on May 7, 2007, Music Capital made a pro rata distribution of all shares of common stock of the Company held by it to its partners. The shares held by Music Capital had been subject to a stockholders agreement among Music Capital, THL, Bain and Providence and certain other parties. As a result of the distribution, the shares distributed by Music Capital ceased to be subject to the voting and other provisions of the stockholders agreement and Music Capital was no longer part of the Investor Group subject to the stockholders agreement.

The Company classifies its business interests into two fundamental operations: Recorded Music and Music Publishing. A brief description of these operations is presented below.

Recorded Music Operations

The Company's Recorded Music business primarily consists of the discovery and development of artists and the related marketing, distribution and licensing of recorded music produced by such artists.

The Company is also diversifying its revenues beyond its traditional businesses by entering into expanded-rights deals with recording artists in order to partner with artists in other areas of their careers. Under these agreements, the Company provides services to and participates in artists' activities outside the traditional recorded music business. The Company has built artist services capabilities and platforms for exploiting this broader set of music-related rights and participating more broadly in the monetization of the artist brands it helps create. In developing the Company's artist services business, the Company has both built and expanded in-house capabilities and expertise and has acquired a number of existing artist services companies involved in artist management, merchandising, strategic marketing and brand management, ticketing, concert promotion, fan clubs, original programming and video entertainment. The Company believes that entering into expanded-rights deals and enhancing its artist services capabilities associated with the Company's artists and other artists will permit it to diversify revenue streams to better capitalize on the growth areas of the music industry and permit it to build stronger, long-term relationships with artists and more effectively connect artists and fans.

In the U.S., Recorded Music operations are conducted principally through the Company's major record labels—Warner Bros. Records and The Atlantic Records Group. The Company's Recorded Music operations also include Rhino, a division that specializes in marketing the Company's music catalog through compilations and reissuances of previously released music and video titles, as well as in the licensing of recordings to and from third parties for various uses, including film and television soundtracks. Rhino has also become the Company's primary licensing division focused on acquiring broader licensing rights from certain catalog artists. For example, the Company has an exclusive license with The Grateful Dead to manage the band's intellectual property and a 50% interest in Frank Sinatra Enterprises, an entity that administers licenses for use of Frank Sinatra's name and likeness and manages all aspects of his music, film and stage content. The Company also conducts its Recorded Music operations through a collection of additional record labels, including, among others, Asylum, Cordless, East West, Elektra, Nonesuch, Reprise, Roadrunner, Rykodisc, Sire and Word.

Outside the U.S., Recorded Music activities are conducted in more than 50 countries primarily through Warner Music International ("WMI") and its various subsidiaries, affiliates and non-affiliated licensees. WMI engages in the same activities as the Company's U.S. labels: discovering and signing artists and distributing, marketing and selling their recorded music. In most cases, WMI also markets and distributes the records of those artists for whom the Company's U.S. record labels have international rights. In certain smaller markets, WMI licenses to unaffiliated third-party record labels the right to distribute its records. The Company's international artist services operations also include a network of concert promoters through which WMI provides resources to coordinate tours for the Company's artists and other artists.

Recorded Music distribution operations include WEA Corp., which markets and sells music and DVD products to retailers and wholesale distributors in the U.S.; ADA, which distributes the products of independent labels to retail and wholesale distributors in the U.S.; various distribution centers and ventures operated internationally; an 80% interest in Word Entertainment, which specializes in the distribution of music products in the Christian retail marketplace and ADA Global, which provides distribution services outside of the U.S. through a network of affiliated and non-affiliated distributors.

The Company plays an integral role in virtually all aspects of the recorded music value chain from discovering and developing talent to producing albums and promoting artists and their products. After an artist has entered into a contract with one of the Company's record labels, a master recording of the artist's music is created. The recording is then replicated for sale to consumers primarily in the CD and digital formats. In the U.S., WEA Corp., ADA and Word market, sell and deliver product, either directly or through sub-distributors and wholesalers, to record stores, mass merchants and other retailers. The Company's recorded music products are also sold in physical form to online physical retailers such as Amazon.com, barnesandnoble.com and bestbuy.com and in digital form to online digital retailers like Apple's iTunes and mobile full-track download stores such as those operated by Verizon or Sprint. In the case of expanded-rights deals where the Company acquires broader rights in a recording artist's career, the Company may provide more comprehensive career support and actively develop new opportunities for an artist through touring, fan clubs, merchandising and sponsorships, among other areas. The Company believes expanded-rights deals create better partnerships with its artists, which allow the Company and its artists to work together more closely to create and sustain artistic and commercial success.

The Company has integrated the sale of digital content into all aspects of its Recorded Music and Music Publishing businesses including A&R, marketing, promotion and distribution. The Company's new media executives work closely with A&R departments to make sure that while a record is being made, digital assets are also created with all of its distribution channels in mind, including subscription services, social networking sites, online portals and music-centered destinations. The Company works side by side with its mobile and online partners to test new concepts. The Company believes existing and new digital businesses will be a significant source of growth for the next several years and will provide new opportunities to monetize its assets and create new revenue streams. As a music-based content company, the Company has assets that go beyond its recorded music and music publishing catalogs, such as its music video library, which it has begun to monetize through digital channels. The proportion of digital revenues attributed to each distribution channel varies by region and since digital music is in the relatively early stages of growth, proportions may change as the roll out of new technologies continues. As an owner of musical content, the Company believes it is well positioned to take advantage of growth in digital distribution and emerging technologies to maximize the value of its assets.

Music Publishing Operations

Where recorded music is focused on exploiting a particular recording of a song, music publishing is an intellectual property business focused on the exploitation of the song itself. In return for promoting, placing, marketing and administering the creative output of a songwriter, or engaging in those activities for other rights holders, the Company's Music Publishing business garners a share of the revenues generated from use of the song.

The Company's Music Publishing operations include Warner/Chappell, its global Music Publishing company, headquartered in New York with operations in over 50 countries through various subsidiaries, affiliates and non-affiliated licensees. The Company owns or controls rights to more than one million musical compositions, including numerous pop hits, American standards, folk songs and motion picture and theatrical compositions. Assembled over decades, its award-winning catalog includes over 65,000 songwriters and composers and a diverse range of genres including pop, rock, jazz, country, R&B, hip-hop, rap, reggae, Latin, folk, blues, symphonic, soul, Broadway, techno, alternative, gospel and other Christian music. In January 2011, the Company acquired Southside Independent Music Publishing, a leading independent music publishing company, further adding to its catalog. Warner/Chappell also administers the music and soundtracks of several third-party television and film producers and studios, including Lucasfilm, Ltd., Hallmark Entertainment, Disney Music Publishing and Turner Music Publishing. In 2007, the Company entered the production music library business with the acquisition of Non-Stop Music. The Company has subsequently continued to expand its production music operations with the acquisitions of V The Production Library in 2009 and Groove Addicts Production Music Library, Carlin Recorded Music Library and 615 Music in 2010.

2. Basis of Presentation

Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended December 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2011.

The consolidated balance sheet at September 30, 2010 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010 (File No. 001-32502).

Basis of Consolidation

The accompanying financial statements present the consolidated accounts of all entities in which the Company has a controlling voting interest and/or variable interest entities required to be consolidated in accordance with U.S. GAAP. Significant inter-company balances and transactions have been eliminated. Certain reclassifications have been made to the prior fiscal years' consolidated financial statements to conform with the current fiscal-year presentation.

The Company maintains a 52-53 week fiscal year ending on the Friday nearest to each reporting date. As such, all references to December 31, 2010 and 2009 relate to the three-month periods December 24, 2010 and December 25, 2009, respectively. For convenience purposes, the Company continues to date its financial statements as of December 31.

The Company has performed a review of all subsequent events through the date the financial statements were issued, and has deemed that no additional disclosures are necessary.

New Accounting Pronouncements

In June 2009, the FASB issued FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)" ("FAS 167") (codified under ASC Topic 810, *Consolidation*), which amends the consolidation guidance for variable interest entities. The amendments include: (1) the elimination of the exemption from consolidation for qualifying special purpose entities, (2) a new approach for determining the primary beneficiary of a VIE, which requires that the primary beneficiary have both (i) the power to control the most significant activities of the VIE and (ii) either the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE and (3) the requirement to continually reassess who should consolidate a variable-interest entity. FAS 167 is effective for the beginning of an entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company has adopted the new standard, effective October 1, 2010, on a prospective basis, which did not have a material impact on its financial statements.

3. Comprehensive (Loss) Income

Comprehensive (loss) income consists of net loss and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net (loss) income. For the Company, the components of other comprehensive (loss) income primarily consist of foreign currency translation gains and losses and deferred gains and losses on financial instruments designated as hedges under FASB ASC Topic 815, *Derivatives and Hedging* ("ASC 815"), which include foreign exchange contracts. The following summary sets forth the components of accumulated other comprehensive income, net of related taxes (in millions):

	Foreign Currency Translation Gain (Losses)	Minimum Pension Liability Adjustment	Derivative Financial Instruments Gain (Losses)	Accumulated Other Comprehensive Income
			(in millions)	
Balance at September 30, 2010	**$ 58**	**$ (3)**	**$ (2)**	**$ 53**
Activity through December 31, 2010	1	—	1	2
Balance at December 31, 2010	**$ 59**	**$ (3)**	**$ (1)**	**$ 55**

4. Net (Loss) Income Per Common Share

The Company computes net (loss) income per common share in accordance with FASB ASC Topic 260, *Earnings per Share* ("ASC 260"). Under the provisions of ASC 260, basic net (loss) income per common share is computed by dividing the net (loss) income applicable to common shares after preferred dividend requirements, if any, by the weighted average of common shares outstanding during the period. Diluted net (loss) income per common share adjusts basic net (loss) income per common share for the effects of stock options, warrants and other potentially dilutive financial instruments, only in the periods in which such effect is dilutive.

The following table sets forth the computation of basic and diluted net (loss) income per common share (in millions, except per share amounts):

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Numerator:		
Basic and diluted net loss per common share:		
Net loss attributable to Warner Music Group Corp	$ (18)	$ (17)
Denominator:		
Weighted average common shares outstanding for basic calculation (a)	150.0	149.5
Dilutive effect of options and restricted stock	—	—
Weighted average common outstanding shares for diluted calculation (a)	150.0	149.5
Net loss per common share attributable to Warner Music Group Corp.—basic	$ (0.12)	$ (0.11)
Net loss per common share attributable to Warner Music Group Corp.—diluted	$ (0.12)	$ (0.11)

(a) The denominator excludes the effect of unvested common shares subject to repurchase or cancellation.

The calculation of diluted net loss per share excludes the following weighted average number of stock options and restricted stock because to include them in the calculation would be anti-dilutive:

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Stock options	12.3	13.7

5. Investments

The Company's investments consist of:

	December 31, 2010	September 30, 2010
Cost-method investments	$ 3	$ 3
Equity-method investments	6	6
	$ 9	$ 9

6. Inventories

Inventories consist of the following (in millions):

	December 31, 2010	September 30, 2010
Compact discs and other music-related products	$ 33	$ 36
Published sheet music and song books	1	1
	$ 34	$ 37

7. Goodwill and Intangible Assets

Goodwill

The following analysis details the changes in goodwill for each reportable segment during the three months ended December 31, 2010 (in millions):

	Recorded Music	Music Publishing	Total
Balance at September 30, 2010	**$ 463**	**$ 594**	**$1,057**
Acquisitions	2	7	9
Dispositions	—	—	—
Other	—	—	—
Balance at December 31, 2010	**$ 465**	**$ 601**	**$1,066**

Other Intangible Assets

Other intangible assets consist of the following (in millions):

	September 30, 2010	Acquisitions (a)	Other (b)	December 31, 2010
Intangible assets subject to amortization:				
Recorded music catalog	$ 1,376	—	—	1,376
Music publishing copyrights	976	29	(2)	1,003
Artist contracts	79	—	—	79
Trademarks	31	—	—	31
Other intangible assets	9	—	—	9
	2,471	29	(2)	2,498
Accumulated amortization	(1,352)			(1,406)
Total net intangible assets subject to amortization	1,119			1,092
Intangible assets not subject to amortization:				
Trademarks and brands	100			100
Total net other intangible assets	$ 1,219			$ 1,192

(a) The acquisition of music publishing copyrights for the three months ended December 31, 2010 includes 615 Music.
(b) Other represents foreign currency translation adjustments.

8. Restructuring Costs

Acquisition-Related Restructuring Costs

In connection with the Acquisition that was effective as of March 1, 2004, the Company reviewed its operations and implemented several plans to restructure its operations. As part of these restructuring plans, the Company recorded a restructuring liability during 2004, which included costs to exit and consolidate certain activities of the Company, costs to exit certain leased facilities and operations such as international distribution operations, costs to terminate employees and costs to terminate certain artist, songwriter, co-publisher and other contracts. Such liabilities were recognized as part of the cost of the Acquisition. As of December 31, 2010, the Company had approximately $18 million of liabilities outstanding primarily related to long-term lease obligations for vacated facilities, which are expected to be settled by 2019 and $51 million of liabilities outstanding primarily related to revaluations of artist and other contracts.

9. Debt

The Company's long-term debt consists of (in millions):

	December 31, 2010	September 30, 2010
9.5% Senior Secured Notes due 2016—Acquisition Corp (a)	$ 1,066	$ 1,065
7.375% U.S. dollar-denominated Senior Subordinated Notes due 2014—Acquisition Corp.	465	465
8.125% Sterling-denominated Senior Subordinated Notes due 2014—Acquisition Corp. (b)	154	157
9.5% Senior Discount Notes due 2014—Holdings	258	258
Total long term debt	$ 1,943	$ 1,945

(a) 9.5% Senior Secured Notes due 2016; face amount of $1.1 billion less unamortized discount of $34 million at December 31, 2010 and $35 million at September 30, 2010.
(b) Change represents the impact of foreign currency exchange rates on the carrying value of the £100 million Sterling-denominated notes.

Restricted Net Assets

The Company is a holding company with no independent operations or assets other than through its interests in its subsidiaries, such as Holdings and Acquisition Corp. Accordingly, the ability of the Company to obtain funds from its subsidiaries is restricted by

the indenture for the Acquisition Corp. Senior Secured Notes, the indenture for the Acquisition Corp. Senior Subordinated Notes, and the indenture for the Holdings Senior Discount Notes.

10. Stock-based Compensation

The following table represents the expense recorded by the Company with respect to its stock-based awards for the three months ended December 31, 2010 and 2009 (in millions):

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Recorded Music	$ 1	$ 2
Music Publishing	—	—
Corporate expenses	1	1
Total	$ 2	$ 3

During the three months ended December 31, 2010, the Company awarded 305,000 stock options to its employees. During the three months ended December 31, 2009, the Company awarded 125,000 shares of restricted stock to its employees.

11. Commitments and Contingencies

Pricing of Digital Music Downloads

On December 20, 2005 and February 3, 2006, the Attorney General of the State of New York served the Company with requests for information in connection with an industry-wide investigation as to whether the practices of industry participants concerning the pricing of digital music downloads violate Section 1 of the Sherman Act, New York State General Business Law §§ 340 et seq., New York Executive Law §63(12), and related statutes. On February 28, 2006, the Antitrust Division of the U.S. Department of Justice served the Company with a request for information in the form of a Civil Investigative Demand as to whether its activities relating to the pricing of digitally downloaded music violate Section 1 of the Sherman Act. Both investigations have now been closed. Subsequent to the announcements of the above governmental investigations, more than thirty putative class action lawsuits concerning the pricing of digital music downloads were filed and were later consolidated for pre-trial proceedings in the Southern District of New York. The consolidated amended complaint, filed on April 13, 2007, alleges conspiracy among record companies to delay the release of their content for digital distribution, inflate their pricing of CDs and fix prices for digital downloads. The complaint seeks unspecified compensatory, statutory and treble damages. All defendants, including the Company, filed a motion to dismiss the consolidated amended complaint on July 30, 2007. On October 9, 2008, the District Court issued an order dismissing the case as to all defendants, including the Company. On November 20, 2008, plaintiffs filed a Notice of Appeal from the order of the District Court to the Circuit Court for the Second Circuit. Oral argument took place before the Second Circuit Court of Appeals on September 21, 2009. On January 12, 2010, the Second Circuit vacated the judgment of the District Court and remanded the case for further proceedings. On January 27, 2010, all defendants, including the Company, filed a petition for rehearing en banc with the Second Circuit. On March 26, 2010, the Second Circuit denied the petition for rehearing en banc. On August 20, 2010 all defendants including the Company, filed a petition for Certiorari before the Supreme Court. The petition was rejected on January 10, 2011. The case will now return to the trial court. The Company intends to defend against these lawsuits vigorously, but is unable to predict the outcome of these suits. Any litigation the Company may become involved in as a result of the inquiries of the Attorney General and Department of Justice, regardless of the merits of the claim, could be costly and divert the time and resources of management.

In addition to the matter discussed above, the Company is involved in other litigation arising in the normal course of business. Management does not believe that any legal proceedings pending against the Company will have, individually, or in the aggregate, a material adverse effect on its business. However, the Company cannot predict with certainty the outcome of any litigation or the potential for future litigation. Regardless of the outcome, litigation can have an adverse impact on the Company, including its brand value, because of defense costs, diversion of management resources and other factors.

12. Derivative Financial Instruments

The Company uses derivative financial instruments primarily foreign currency forward exchange contracts (“FX Contracts”) for the purpose of managing foreign currency exchange risk by reducing the effects of fluctuations in foreign currency exchange rates.

The Company enters into FX Contracts primarily to hedge its royalty payments and balance sheet items denominated in foreign currency. The Company applies hedge accounting to FX Contracts for cash flows related to royalty payments. The Company records these FX Contracts in the consolidated balance sheet at fair value and changes in fair value are recognized in Other Comprehensive Income (“OCI”) for unrealized items and recognized in earnings for realized items. The Company elects to not apply hedge accounting to foreign currency exposures related to balance sheet items. The Company records these FX Contracts in the consolidated

balance sheet at fair value and changes in fair value are immediately recognized in earnings. Fair value is determined by using observable market transactions of spot and forward rates (i.e., Level 2 inputs). Refer to Note 15.

Netting provisions are provided for in existing International Swap and Derivative Association Inc. ("ISDA") agreements in situations where the Company executes multiple contracts with the same counterparty. As a result, net assets or liabilities resulting from foreign exchange derivatives subject to these netting agreements are classified within other current assets or other current liabilities in the Company's balance sheet. The Company monitors its positions with, and the credit quality of, the financial institutions that are party to any of its financial transactions.

13. Segment Information

As discussed more fully in Note 1, based on the nature of its products and services, the Company classifies its business interests into two fundamental operations: Recorded Music and Music Publishing. Information as to each of these operations is set forth below. The Company evaluates performance based on several factors, of which the primary financial measure is operating income (loss) before non-cash depreciation of tangible assets, non-cash amortization of intangible assets and non-cash impairment charges to reduce the carrying value of goodwill and intangible assets ("OIBDA"). The Company has supplemented its analysis of OIBDA results by segment with an analysis of operating income (loss) by segment.

The accounting policies of the Company's business segments are the same as those described in the summary of significant accounting policies included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2010. The Company accounts for intersegment sales at fair value as if the sales were to third parties. While inter-company transactions are treated like third-party transactions to determine segment performance, the revenues (and corresponding expenses recognized by the segment that is counterparty to the transaction) are eliminated in consolidation, therefore, do not themselves impact the consolidated results. Segment information consists of the following (in millions):

Three Months Ended	Recorded music	Music publishing	Corporate expenses and eliminations	Total
December 31, 2010				
Revenues	$ 673	$ 120	$ (4)	$789
OIBDA	90	18	(18)	90
Depreciation of property, plant and equipment	(6)	(1)	(2)	(9)
Amortization of intangible assets	(37)	(17)	—	(54)
Operating income (loss)	$ 47	$ —	$ (20)	$ 27
December 31, 2009				
Revenues	$ 783	$ 141	$ (6)	$918
OIBDA	113	22	(23)	112
Depreciation of property, plant and equipment	(6)	(1)	(2)	(9)
Amortization of intangible assets	(39)	(17)	—	(56)
Operating income (loss)	$ 68	$ 4	$ (25)	$ 47

14. Additional Financial Information

Cash Interest and Taxes

The Company made interest payments of approximately $88 million and $81 million during the three months ended December 31, 2010 and 2009, respectively. The Company paid approximately $11 million and $9 million of income and withholding taxes during the three months ended December 31, 2010 and 2009, respectively. The Company received $1 million of income tax refunds during the three months ended December 31, 2010.

15. Fair Value Measurements

ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

In accordance with the fair value hierarchy, described above, the following table shows the fair value of the Company's financial instruments that are required to be measured at fair value as of December 31, 2010. Derivatives not designated as hedging instruments primarily represent the balances below and the gains and losses on these financial instruments are included as other income of $3 million in the statement of operations. Derivatives designated as hedging instruments are not material to the Company's financial statements.

	Fair Value Measurements as of December 31, 2010			
	(Level 1)	(Level 2)	(Level 3)	Total
		(in millions)		
Other Current Assets:				
Foreign Currency Forward Exchange Contracts (a)	$ —	$ 5	$ —	$ 5
Other Current Liabilities:				
Foreign Currency Forward Exchange Contracts (a)	$ —	$ (2)	$ —	$ (2)

(a) The fair value of foreign currency forward exchange contracts is based on dealer quotes of market forward rates and reflects the amount that the Company would receive or pay at their maturity dates for contracts involving the same currencies and maturity dates.

The majority of the Company's non-financial instruments, which include goodwill, intangible assets, inventories, and property, plant, and equipment, are not required to be remeasured to at fair value on a recurring basis. These assets are evaluated for impairment if certain triggering events occur. If such evaluation indicates that an impairment exists, the asset is written down to its fair value. In addition, an impairment analysis is performed at least annually for goodwill and indefinite-lived intangible assets.

Fair Value of Debt

Based on the level of interest rates prevailing at December 31, 2010, the fair value of the Company's fixed-rate debt exceeded the carrying value by approximately $76 million. Unrealized gains or losses on debt do not result in the realization or expenditure of cash and generally are not recognized for financial reporting purposes unless the debt is retired prior to its maturity.

WARNER MUSIC GROUP CORP.

Supplementary Information
Consolidating Financial Statements

The Company is the direct parent of Holdings, which is the direct parent of Acquisition Corp. Holdings has issued and outstanding the Holdings Senior Discount Notes due 2014. The Holdings Senior Discount Notes are guaranteed by the Company. These guarantees are full, unconditional, joint and several. The following consolidating financial statements are presented for the information of the holders of the Holdings Senior Discount Notes and present the results of operations, financial position and cash flows of (i) the Company, which is the guarantor of the Holdings Senior Discount Notes, (ii) Holdings, which is the issuer of the Holdings Senior Discount Notes, (iii) the subsidiaries of Holdings (Acquisition Corp. is the only direct subsidiary of Holdings) and (iv) the eliminations necessary to arrive at the information for the Company on a consolidated basis. Investments in consolidated subsidiaries are presented under the equity method of accounting.

The Company and Holdings are holding companies that conduct substantially all their business operations through Acquisition Corp. Accordingly, the ability of the Company and Holdings to obtain funds from its subsidiaries is restricted by the indentures for the Acquisition Corp. Senior Secured Notes due 2016 and the Acquisition Corp. Senior Subordinated Notes due 2014, and, with respect to the Company, the indenture for the Holdings Senior Discount Notes.

WARNER MUSIC GROUP CORP.

Supplementary Information
Consolidating Balance Sheet (Unaudited)
December 31, 2010

	Warner Music Group Corp.	WMG Holdings Corp. (issuer)	WMG Acquisition Corp.	Eliminations	Warner Music Group Corp. Consolidated
			(in millions)		
Assets:					
Current assets:					
Cash and equivalents	$ 164	$ —	$ 99	$ —	$ 263
Accounts receivable, net	—	—	424	—	424
Inventories	—	—	34	—	34
Royalty advances expected to be recouped within one year	—	—	167	—	167
Deferred tax assets	—	—	30	—	30
Other current assets	—	—	42	—	42
Total current assets	164	—	796	—	960
Royalty advances expected to be recouped after one year	—	—	204	—	204
Investments in and advances to (from) consolidated subsidiaries	(467)	(181)	—	648	—
Investments	—	—	9	—	9
Property, plant and equipment, net	—	—	119	—	119
Goodwill	—	—	1,066	—	1,066
Intangible assets subject to amortization, net	—	—	1,092	—	1,092
Intangible assets not subject to amortization	—	—	100	—	100
Other assets	25	(27)	56	—	54
Total assets	$ (278)	$ (208)	$ 3,442	$ 648	$ 3,604
Liabilities and Deficit:					
Current liabilities:					
Accounts payable	$ —	$ —	$ 168	$ —	$ 168
Accrued royalties	—	—	1,047	—	1,047
Accrued liabilities	—	—	230	—	230
Accrued interest	—	1	15	—	16
Deferred revenue	—	—	98	—	98
Other current liabilities	—	—	3	—	3
Total current liabilities	—	1	1,561	—	1,562
Long-term debt	—	258	1,685	—	1,943
Deferred tax liabilities, net	—	—	165	—	165
Other noncurrent liabilities	1	—	161	—	162
Total liabilities	1	259	3,572	—	3,832
Total Warner Music Group Corp. deficit	(279)	(467)	(181)	648	(279)
Noncontrolling interest	—	—	51	—	51
Total deficit	(279)	(467)	(130)	648	(228)
Total liabilities and deficit	$ (278)	$ (208)	$ 3,442	$ 648	$ 3,604

WARNER MUSIC GROUP CORP.

Supplementary Information
Consolidating Balance Sheet (Unaudited)
September 30, 2010

	Warner Music Group Corp.	WMG Holdings Corp. (issuer)	WMG Acquisition Corp.	Eliminations	Warner Music Group Corp. Consolidated
			(in millions)		
Assets:					
Current assets:					
Cash and equivalents	$ 176	$ —	$ 263	$ —	$ 439
Accounts receivable, net	—	—	434	—	434
Inventories	—	—	37	—	37
Royalty advances expected to be recouped within one year	—	—	143	—	143
Deferred tax assets	—	—	30	—	30
Other current assets	—	—	46	—	46
Total current assets	176	—	953	—	1,129
Royalty advances expected to be recouped after one year	—	—	189	—	189
Investments in and advances to (from) consolidated subsidiaries	(454)	(174)	—	628	—
Investments	—	—	9	—	9
Property, plant and equipment, net	—	—	121	—	121
Goodwill	—	—	1,057	—	1,057
Intangible assets subject to amortization, net	—	—	1,119	—	1,119
Intangible assets not subject to amortization	—	—	100	—	100
Other assets	14	(15)	56	—	55
Total assets	$ (264)	$ (189)	$ 3,604	$ 628	$ 3,779
Liabilities and Deficit:					
Current liabilities:					
Accounts payable	$ —	$ —	$ 206	$ —	$ 206
Accrued royalties	—	—	1,034	—	1,034
Accrued liabilities	—	—	314	—	314
Accrued interest	—	7	52	—	59
Deferred revenue	—	—	100	—	100
Other current liabilities	—	—	8	—	8
Total current liabilities	—	7	1,714	—	1,721
Long-term debt	—	258	1,687	—	1,945
Deferred tax liabilities, net	—	—	169	—	169
Other noncurrent liabilities	1	—	154	—	155
Total liabilities	1	265	3,724	—	3,990
Total Warner Music Group Corp. deficit	(265)	(454)	(174)	628	(265)
Noncontrolling interest	—	—	54	—	54
Total deficit	(265)	(454)	(120)	628	(211)
Total liabilities and deficit	$ (264)	$ (189)	$ 3,604	$ 628	$ 3,779

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WARNER MUSIC GROUP CORP.

Supplementary Information
Consolidating Statements of Operations (Unaudited)
For The Three Months Ended December 31, 2010 and 2009

	Three months ended December 31, 2010				
	Warner Music Group Corp.	WMG Holdings Corp. (issuer)	WMG Acquisition Corp.	Eliminations	Warner Music Group Corp. Consolidated
			(in millions)		
Revenues	$ —	$ —	$ 789	$ —	$ 789
Costs and expenses:					
Cost of revenues	—	—	(442)	—	(442)
Selling, general and administrative expenses	—	—	(266)	—	(266)
Amortization of intangible assets	—	—	(54)	—	(54)
Total costs and expenses	—	—	(762)	—	(762)
Operating income	—	—	27	—	27
Interest expense, net	—	(6)	(41)	—	(47)
Equity (losses) gains from consolidated subsidiaries	(17)	(11)	—	28	—
Other (expense) income, net	—	—	—	—	—
Loss before income taxes	(17)	(17)	(14)	28	(20)
Income tax (expense) benefit	(1)	—	3	—	2
Net loss	(18)	(17)	(11)	28	(18)
Less: loss attributable to noncontrolling interest	—	—	—	—	—
Net loss attributable to Warner Music Group Corp.	$ (18)	$ (17)	$ (11)	$ 28	$ (18)

	Three months ended December 31, 2009				
	Warner Music Group Corp.	WMG Holdings Corp. (issuer)	WMG Acquisition Corp.	Eliminations	Warner Music Group Corp. Consolidated
			(in millions)		
Revenues	$ —	$ —	$ 918	$ —	$ 918
Costs and expenses:					
Cost of revenues	—	—	(511)	—	(511)
Selling, general and administrative expenses	—	—	(304)	—	(304)
Amortization of intangible assets	—	—	(56)	—	(56)
Total costs and expenses	—	—	(871)	—	(871)
Operating income	—	—	47	—	47
Interest expense, net	—	(6)	(45)	—	(51)
Equity (losses) gains from consolidated subsidiaries	(17)	(11)	—	28	—
Other income, net	—	—	1	—	1
Loss before income taxes	(17)	(17)	3	28	(3)
Income tax expense	—	—	(13)	—	(13)
Net loss	(17)	(17)	(10)	28	(16)
Less: income attributable to noncontrolling interest	—	—	(1)	—	(1)
Net loss attributable to Warner Music Group Corp.	$ (17)	$ (17)	$ (11)	$ 28	$ (17)

WARNER MUSIC GROUP CORP.

Supplementary Information
Consolidating Statement of Cash Flows (Unaudited)
For The Three Months Ended December 31, 2010

	Warner Music Group Corp.	WMG Holdings Corp. (issuer)	WMG Acquisition Corp.	Eliminations	Warner Music Group Corp. Consolidated
			(in millions)		
Cash flows from operating activities:					
Net (loss) income	$ (18)	$ (17)	$ (11)	$ 28	$ (18)
Adjustments to reconcile net (loss) income to net cash used in operating activities:					
Depreciation and amortization	—	—	63	—	63
Deferred income taxes	—	—	(8)	—	(8)
Non-cash interest expense	—	—	3	—	3
Non-cash, stock-based compensation expense	—	—	2	—	2
Equity losses (gains) from consolidated subsidiaries	17	11	—	(28)	—
Other non-cash items	—	—	(1)	—	(1)
Changes in operating assets and liabilities:					
Accounts receivable	—	—	8	—	8
Inventories	—	—	3	—	3
Royalty advances	—	—	(41)	—	(41)
Accounts payable and accrued liabilities	—	—	(86)	—	(86)
Accrued interest	—	(6)	(37)	—	(43)
Other balance sheet changes	(11)	12	4	—	5
Net cash used in operating activities	(12)	—	(101)	—	(113)
Cash flows from investing activities:					
Investments and acquisitions of businesses	—	—	(44)	—	(44)
Acquisition of publishing rights	—	—	(14)	—	(14)
Capital expenditures	—	—	(8)	—	(8)
Net cash used in investing activities	—	—	(66)	—	(66)
Cash flows from financing activities:					
Net cash used in financing activities	—	—	—	—	—
Effect of exchange rate changes on cash and equivalents	—	—	3	—	3
Net decrease in cash and equivalents	(12)	—	(164)	—	(176)
Cash and equivalents at beginning of period	176	—	263	—	439
Cash and equivalents at end of period	$ 164	$ —	$ 99	$ —	$ 263

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WARNER MUSIC GROUP CORP.

Supplementary Information
Consolidating Statement of Cash Flows (Unaudited)
For The Three Months Ended December 31, 2009

	Warner Music Group Corp.	WMG Holdings Corp. (issuer)	WMG Acquisition Corp.	Eliminations	Warner Music Group Corp. Consolidated
			(in millions)		
Cash flows from operating activities:					
Net (loss) income	$ (16)	$ (16)	$ (10)	$ 26	$ (16)
Adjustments to reconcile net (loss) income to net cash used in operating activities:					
Depreciation and amortization	—	—	65	—	65
Deferred income taxes	—	—	(3)	—	(3)
Non-cash interest expense	—	5	5	—	10
Non-cash, stock-based compensation expense	—	—	3	—	3
Equity losses (gains) from consolidated subsidiaries	16	10	—	(26)	—
Other non-cash items	—	—	—	—	—
Changes in operating assets and liabilities:					
Accounts receivable	—	—	7	—	7
Inventories	—	—	4	—	4
Royalty advances	—	—	(11)	—	(11)
Accounts payable and accrued liabilities	—	—	(69)	—	(69)
Accrued interest	—	1	(42)	—	(41)
Other balance sheet changes	—	—	9	—	9
Net cash used in operating activities	—	—	(42)	—	(42)
Cash flows from investing activities:					
Acquisition of publishing rights	—	—	(4)	—	(4)
Proceeds from the sale of investments	—	—	9	—	9
Capital expenditures	—	—	(7)	—	(7)
Net cash used in investing activities	—	—	(2)	—	(2)
Cash flows from financing activities:					
Net cash used in financing activities	—	—	—	—	—
Effect of exchange rate changes on cash and equivalents	—	—	(1)	—	(1)
Net decrease in cash and equivalents	—	—	(45)	—	(45)
Cash and equivalents at beginning of period	188	—	196	—	384
Cash and equivalents at end of period	$ 188	$ —	$ 151	$ —	$ 339

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our results of operations and financial condition with the unaudited interim financial statements included elsewhere in this Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2010 (the "Quarterly Report").

We maintain an Internet site at www.wmg.com. We use our website as a channel of distribution for material company information. Financial and other material information regarding the Company is routinely posted on and accessible at *http://investors.wmg.com*. In addition, you may automatically receive email alerts and other information about the Company by enrolling your email by visiting the "email alerts" section at *http://investors.wmg.com*. We make available on our website free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K as soon as practicable after we electronically file such reports with the Securities and Exchange Commission (the "SEC"). Our website and the information posted on it or connected to it shall not be deemed to be incorporated by reference into this Quarterly Report.

"SAFE HARBOR" STATEMENT UNDER PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report 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 Quarterly Report, 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. Such 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 or common stock in open market purchases, privately or otherwise, 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 Quarterly Report. Additionally, important factors could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report. As stated elsewhere in this Quarterly Report, such risks, uncertainties and other important factors include, among others:

- the impact of our substantial leverage 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;
- 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;
- the threat posed to our business by piracy of music by means of home CD-R activity, Internet peer-to-peer file-sharing and sideloading of unauthorized content;
- the significant threat posed to our business and the music industry by organized industrial piracy;
- 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' deficit;
- 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;
- 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;
- 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;
- that changes to our information technology infrastructure to harmonize our systems and processes may fail to operate as designed and intended;
- the possibility that our owners' interests will conflict with ours or yours; and
- failure to attract and retain key personnel.

There may be other factors not presently known to us or which we currently consider to be immaterial that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Quarterly Report and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report. We disclaim any duty to publicly update or revise forward-looking statements to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

INTRODUCTION

Warner Music Group Corp. was formed by the Investor Group on November 21, 2003. The Company is the direct parent of Holdings, which is the direct parent of Acquisition Corp. Acquisition Corp. is one of the world's major music-based content companies and the successor to substantially all of the interests of the recorded music and music publishing businesses of Time Warner. Effective March 1, 2004, Acquisition Corp acquired such interests from Time Warner for approximately $2.6 billion. The original Investor Group included THL, Bain, Providence and Music Capital. Music Capital's partnership agreement required that the Music Capital partnership dissolve and commence winding up by the second anniversary of the Company's May 2005 initial public offering. As a result, on May 7, 2007, Music Capital made a pro rata distribution of all shares of common stock of the Company held by it to its partners. The shares held by Music Capital had been subject to a stockholders agreement among Music Capital, THL, Bain and Providence and certain other parties. As a result of the distribution, the shares distributed by Music Capital ceased to be subject to

the voting and other provisions of the stockholders agreement and Music Capital was no longer part of the Investor Group subject to the stockholders agreement.

The Company and Holdings are holding companies that conduct substantially all of their business operations through their subsidiaries. The terms "we," "us," "our," "ours," and the "Company" refer collectively to Warner Music Group Corp. and its consolidated subsidiaries, except where otherwise indicated.

Management's discussion and analysis of results of operations and financial condition ("MD&A") is provided as a supplement to the unaudited financial statements and footnotes included elsewhere herein to help provide an understanding of our financial condition, changes in financial condition and results of our operations. MD&A is organized as follows:

- *Overview.* This section provides a general description of our business, as well as recent developments that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.
- *Results of operations.* This section provides an analysis of our results of operations for the three months ended December 31, 2010 and 2009. This analysis is presented on both a consolidated and segment basis.
- *Financial condition and liquidity.* This section provides an analysis of our cash flows for the three months ended December 31, 2010 and 2009, as well as a discussion of our financial condition and liquidity as of December 31, 2010. The discussion of our financial condition and liquidity includes (i) a summary of our debt agreements and (ii) a summary of our key debt compliance measures under our debt agreements.

Use of OIBDA

We evaluate our operating performance based on several factors, including our primary financial measure of operating income (loss) before non-cash depreciation of tangible assets, non-cash amortization of intangible assets and non-cash impairment charges to reduce the carrying value of goodwill and intangible assets (which we refer to as "OIBDA"). We consider OIBDA to be an important indicator of the operational strengths and performance of our businesses, including the ability to provide cash flows to service debt. However, a limitation of the use of OIBDA as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our businesses. Accordingly, OIBDA should be considered in addition to, not as a substitute for, operating income, net income (loss) attributable to Warner Music Group Corp. and other measures of financial performance reported in accordance with U.S. GAAP. In addition, our definition of OIBDA may differ from similarly titled measures used by other companies. A reconciliation of consolidated historical OIBDA to operating income and net income (loss) attributable to Warner Music Group Corp. is provided in our "Results of Operations."

Use of Constant Currency

As exchange rates are an important factor in understanding period to period comparisons, we believe the presentation of results on a constant-currency basis in addition to reported results helps improve the ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant-currency information compares results between periods as if exchange rates had remained constant period over period. We use results on a constant-currency basis as one measure to evaluate our performance. We calculate constant currency by calculating prior-year results using current-year foreign currency exchange rates. We generally refer to such amounts calculated on a constant-currency basis as "excluding the impact of foreign currency exchange rates." These results should be considered in addition to, not as a substitute for, results reported in accordance with U.S. GAAP. Results on a constant-currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not a measure of performance presented in accordance with U.S. GAAP.

OVERVIEW

We are one of the world's major music-based content companies. We classify our business interests into two fundamental operations: Recorded Music and Music Publishing. A brief description of each of those operations is presented below.

Recorded Music Operations

Our Recorded Music business primarily consists of the discovery and development of artists and the related marketing, distribution and licensing of recorded music produced by such artists.

We are also diversifying our revenues beyond our traditional businesses by entering into expanded-rights deals with recording artists in order to partner with artists in other areas of their careers. Under these agreements, we provide services to and participate in artists' activities outside the traditional recorded music business. We have built artist services capabilities and platforms for exploiting this broader set of music-related rights and participating more broadly in the monetization of the artist brands we help create. In developing our artist services business, we have both built and expanded in-house capabilities and expertise and have acquired a number of existing artist services companies involved in artist management, merchandising, strategic marketing and brand management, ticketing, concert promotion, fan club, original programming and video entertainment. We believe that entering into

expanded-rights deals and enhancing our artist services capabilities with respect to our artists and other artists will permit us to diversify revenue streams to better capitalize on the growth areas of the music industry and permit us to build stronger, long-term relationships with artists and more effectively connect artists and fans.

In the U.S., our Recorded Music operations are conducted principally through our major record labels—Warner Bros. Records and The Atlantic Records Group. Our Recorded Music operations also include Rhino, a division that specializes in marketing our music catalog through compilations and reissuances of previously released music and video titles, as well as in the licensing of recordings to and from third parties for various uses, including film and television soundtracks. Rhino has also become our primary licensing division focused on acquiring broader licensing rights from certain recording artists. For example, we have an exclusive license with The Grateful Dead to manage the band's intellectual property and a 50% interest in Frank Sinatra Enterprises, an entity that administers licenses for use of Frank Sinatra's name and likeness and manages all aspects of his music, film and stage content. We also conduct our Recorded Music operations through a collection of additional record labels, including, among others, Asylum, Cordless, East West, Elektra, Nonesuch, Reprise, Roadrunner, Rykodisc, Sire and Word.

Outside the U.S., our Recorded Music activities are conducted in more than 50 countries primarily through WMI and its various subsidiaries, affiliates and non-affiliated licensees. WMI engages in the same activities as our U.S. labels: discovering and signing artists and distributing, marketing and selling their recorded music. In most cases, WMI also markets and distributes the records of those artists for whom our U.S. record labels have international rights. In certain smaller markets, WMI licenses to unaffiliated third-party record labels the right to distribute its records. Our international artist services operations also include a network of concert promoters through which WMI provides resources to coordinate tours for our artists and other artists.

Our Recorded Music distribution operations include WEA Corp., which markets and sells music and DVD products to retailers and wholesale distributors in the U.S.; ADA, which distributes the products of independent labels to retail and wholesale distributors in the U.S.; various distribution centers and ventures operated internationally; an 80% interest in Word Entertainment, which specializes in the distribution of music products in the Christian retail marketplace; and ADA Global, which provides distribution services outside of the U.S. through a network of affiliated and non-affiliated distributors.

We play an integral role in virtually all aspects of the recorded music value chain from discovering and developing talent to producing albums and promoting artists and their products. After an artist has entered into a contract with one of our record labels, a master recording of the artist's music is created. The recording is then replicated for sale to consumers primarily in the CD and digital formats. In the U.S., WEA Corp., ADA and Word market, sell and deliver product, either directly or through sub-distributors and wholesalers, to record stores, mass merchants and other retailers. Our recorded music products are also sold in physical form to online physical retailers such as Amazon.com, barnesandnoble.com and bestbuy.com and in digital form to online digital retailers like Apple's iTunes and mobile full-track download stores such as those operated by Verizon or Sprint. In the case of expanded-rights deals where we acquire broader rights in a recording artist's career, we may provide more comprehensive career support and actively develop new opportunities for an artist through touring, fan clubs, merchandising and sponsorships, among other areas. We believe expanded-rights deals create better partnerships with our artists, which allow us and our artists to work together more closely to create and sustain artistic and commercial success.

We have integrated the sale of digital content into all aspects of our Recorded Music and Music Publishing businesses including A&R, marketing, promotion and distribution. Our new media executives work closely with A&R departments to make sure that while a record is being made, digital assets are also created with all of our distribution channels in mind, including subscription services, social networking sites, online portals and music-centered destinations. We work side by side with our mobile and online partners to test new concepts. We believe existing and new digital businesses will be a significant source of growth for the next several years and will provide new opportunities to monetize our assets and create new revenue streams. As a music-based content company, we have assets that go beyond our recorded music and music publishing catalogs, such as our music video library, which we have begun to monetize through digital channels. The proportion of digital revenues attributed to each distribution channel varies by region and since digital music is still in the relatively early stages of growth, proportions may change as the roll out of new technologies continues. As an owner of musical content, we believe we are well positioned to take advantage of growth in digital distribution and emerging technologies to maximize the value of our assets.

Recorded Music revenues are derived from three main sources:

- *Physical and other*: the rightsholder receives revenues with respect to sales of physical products such as CDs and DVDs. We are also diversifying our revenues beyond sales of physical products and receive other revenues from our artist services business and our participation in expanded rights associated with our artists and other artists, including sponsorship, fan club, artist websites, merchandising, touring, ticketing and artist and brand management;
- *Digital*: the rightsholder receives revenues with respect to online and mobile downloads, mobile ringtones or ringback tones and online and mobile streaming; and
- *Licensing:* the rightsholder receives royalties or fees for the right to use the sound recording in combination with visual images such as in films or television programs, television commercials and videogames.

The principal costs associated with our Recorded Music operations are as follows:

- *Royalty costs and artist and repertoire costs*—the costs associated with (i) paying royalties to artists, producers, songwriters, other copyright holders and trade unions, (ii) signing and developing artists, (iii) creating master recordings in the studio and (iv) creating artwork for album covers and liner notes;
- *Product costs*—the costs to manufacture, package and distribute product to wholesale and retail distribution outlets as well as those principal costs related to expanded rights;
- *Selling and marketing costs*—the costs associated with the promotion and marketing of artists and recorded music products, including costs to produce music videos for promotional purposes and artist tour support; and
- *General and administrative costs*—the costs associated with general overhead and other administrative costs.

Music Publishing Operations

Where recorded music is focused on exploiting a particular recording of a song, music publishing is an intellectual property business focused on the exploitation of the song itself. In return for promoting, placing, marketing and administering the creative output of a songwriter, or engaging in those activities for other rights holders, our Music Publishing business garners a share of the revenues generated from use of the song.

Our Music Publishing operations include Warner/Chappell, our global Music Publishing company headquartered in New York with operations in over 50 countries through various subsidiaries, affiliates and non-affiliated licensees. We own or control rights to more than one million musical compositions, including numerous pop hits, American standards, folk songs and motion picture and theatrical compositions. Assembled over decades, our award-winning catalog includes over 65,000 songwriters and composers and a diverse range of genres including pop, rock, jazz, country, R&B, hip-hop, rap, reggae, Latin, folk, blues, symphonic, soul, Broadway, techno, alternative, gospel and other Christian music. In January 2011, the Company acquired Southside Independent Music Publishing, a leading independent music publishing company, further adding to its catalog. Warner/Chappell also administers the music and soundtracks of several third-party television and film producers and studios, including Lucasfilm, Ltd., Hallmark Entertainment, Disney Music Publishing and Turner Music Publishing. In 2007, we entered the production music library business with the acquisition of Non-Stop Music. We have subsequently continued to expand our production music operations with the acquisitions of V The Production Library in 2009 and Groove Addicts Production Music Library, Carlin Recorded Music Library and 615 Music in 2010.

Publishing revenues are derived from five main sources:

- *Mechanical:* the licensor receives royalties with respect to compositions embodied in recordings sold in any physical format or configuration (*e.g.*, CDs and DVDs);
- *Performance:* the licensor receives royalties if the composition is performed publicly through broadcast of music on television, radio, cable and satellite, live performance at a concert or other venue (*e.g.*, arena concerts, nightclubs), online and mobile streaming and performance of music in staged theatrical productions;
- *Synchronization:* the licensor receives royalties or fees for the right to use the composition in combination with visual images such as in films or television programs, television commercials and videogames as well as from other uses such as in toys or novelty items and merchandise;
- *Digital:* the licensor receives royalties or fees with respect to online and mobile downloads, mobile ringtones and online and mobile streaming; and
- *Other:* the licensor receives royalties for use in sheet music.

The principal costs associated with our Music Publishing operations are as follows:

- *Artist and repertoire costs*—the costs associated with (i) signing and developing songwriters and (ii) paying royalties to songwriters, co-publishers and other copyright holders in connection with income generated from the exploitation of their copyrighted works; and
- *General and administration costs*—the costs associated with general overhead and other administrative costs.

Factors Affecting Results of Operations and Financial Condition

Market Factors

Since 1999, the recorded music industry has been unstable and the worldwide market has contracted considerably, which has adversely affected our operating results. The industry-wide decline can be attributed primarily to digital piracy. Other drivers of this decline are the bankruptcies of record retailers and wholesalers, growing competition for consumer discretionary spending and retail shelf space, and the maturation of the CD format, which has slowed the historical growth pattern of recorded music sales. 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. While new formats for selling recorded music product have been created, including the legal downloading of digital music using the Internet and the distribution of music on mobile devices, revenue streams from these new formats have not yet reached a level where they fully offset the declines in CD sales. The recorded music industry performance may continue to negatively impact our operating results. In addition, a declining recorded music industry could continue to have an adverse impact on portions of the music publishing business. This is because the music publishing business generates a significant portion of its revenues from mechanical royalties from the sale of music in CD and other physical recorded music formats.

Severance Charges

During the first quarter of fiscal 2011 we took additional actions to further align our cost structure with industry trends. This resulted in severance charges of $11 million for the three months ended December 31, 2010, compared to $5 million for the three months ended December 31, 2009.

Expanding Business Models to Offset Declines in Physical Sales

Digital Sales

A key part of our strategy to offset declines in physical sales is to expand digital sales. New digital models have enabled us to find additional ways to generate revenues from our music content. In the early stages of the transition from physical to digital sales, overall sales have decreased as the increases in digital sales have not yet met or exceeded the decrease in physical sales. Part of the reason for this gap is the shift in consumer purchasing patterns made possible from new digital models. In the digital space, consumers are now presented with the opportunity to not only purchase entire albums, but to “unbundle” albums and purchase only favorite tracks as single-track downloads. While to date, sales of online and mobile downloads have constituted the majority of our digital Recorded Music and Music Publishing revenue, that may change over time as new digital models, such as access models (models that typically bundle the purchase of a mobile device with access to music) and streaming subscription services, continue to develop. In the aggregate, we believe that growth in revenue from new digital models has the potential to offset physical declines and drive overall future revenue growth. In the digital space, 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 which 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 digital margins will generally be higher than physical margins as a result of the elimination of certain costs associated with physical products. As consumer purchasing patterns change over time and new digital models are launched, we may see fluctuations in contribution margin depending on the overall sales mix.

Expanded-Rights Deals

We have also been seeking to expand our relationships with recording artists as another means to offset declines in physical revenues in Recorded Music. For example, we have been signing recording artists to expanded-rights deals for the last several years. Under these expanded-rights deals, we participate in the recording artist's revenue streams, other than from recorded music sales, such as live performances, merchandising and sponsorships. We believe that additional revenue from these revenue streams will help to offset declines in physical revenue over time. As we have generally signed newer artists to these deals, increased non-traditional revenue from these deals is expected to come several years after these deals have been signed as the artists become more successful and are able to generate revenue other than from recorded music sales. While non-traditional Recorded Music revenue, which includes revenue from expanded-rights deals as well as revenue from our artist services business, was less than 10% of our total revenue in fiscal 2010, we believe this revenue should continue to grow and represent a larger proportion of our revenue over time. We also believe that the strategy of entering into expanded-rights deals and continuing to develop our artist services business will contribute to Recorded Music growth over time. Margins for the various non-traditional Recorded Music revenue streams can vary significantly. The overall impact on margins will, therefore, depend on the composition of the various revenue streams in any particular period. For instance, revenue from touring under our expanded-rights deals typically flows straight through to net income with little incremental cost. Revenue from our management business and revenue from sponsorship and touring under expanded-rights deals are all high margin, while merchandise revenue under expanded-rights deals and concert promotion revenue from our concert promotion businesses tend to be lower margin than our traditional revenue streams from recorded music and music publishing.

RESULTS OF OPERATIONS

Three Months Ended December 31, 2010 Compared with Three Months Ended December 31, 2009

Consolidated Historical Results

Revenues

Our revenues were composed of the following amounts (in millions):

	For the Three Months Ended December 31,		*2010 vs. 2009*	
	2010	2009	$ Change	% Change
Revenue by Type				
Physical and other	$ 421	$ 548	$ (127)	-23%
Digital	178	172	6	3%
Licensing	74	63	11	17%
Total Recorded Music	**673**	**783**	**(110)**	**-14%**
Mechanical	39	47	(8)	-17%
Performance	44	50	(6)	-12%
Synchronization	24	25	(1)	-4%
Digital	11	15	(4)	-27%
Other	2	4	(2)	-50%
Total Music Publishing	**120**	**141**	**(21)**	**-15%**
Intersegment elimination	(4)	(6)	2	-33%
Total Revenue	**$ 789**	**$ 918**	**$ (129)**	**-14%**
Revenue by Geographical Location				
U.S. Recorded Music	$ 257	$ 284	$ (27)	-10%
U.S. Publishing	40	47	(7)	-15%
Total U.S.	**297**	**331**	**(34)**	**-10%**
International Recorded Music	416	499	(83)	-17%
International Publishing	80	94	(14)	-15%
Total International	**496**	**593**	**(97)**	**-16%**
Intersegment eliminations	(4)	(6)	2	-33%
Total Revenue	**$ 789**	**$ 918**	**$ (129)**	**-14%**

Total Revenue

Total revenues decreased by $129 million, or 14%, to $789 million for the three months ended December 31, 2010 from $918 million for the three months ended December 31, 2009. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 85% and 15% of total revenues for the three months ended December 31, 2010 and 2009, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 37% and 63% of total revenues for the three months ended December 31, 2010, respectively, compared to 36% and 64% for the three months ended December 31, 2009, respectively. Excluding the unfavorable impact of foreign currency exchange rates, total revenues decreased $107 million, or 12%.

Total digital revenues after intersegment eliminations increased by $3 million, or 2%, to $187 million for the three months ended December 31, 2010 from $184 million for the three months ended December 31, 2009. Total digital revenues represented 24% and 20% of consolidated revenues for the three months ended December 31, 2010 and 2009. Prior to intersegment eliminations, total digital revenues for the three months ended December 31, 2010 were comprised of U.S. revenues of $102 million and international revenues of $87 million, or 54% and 46% of total digital revenues, respectively. Prior to intersegment eliminations, total digital revenues for the three months ended December 31, 2009 were comprised of U.S. revenues of $108 million and international revenues of $79 million, or 58% and 42% of total digital revenues, respectively.

Recorded Music revenues decreased by $110 million, or 14%, to $673 million for the three months ended December 31, 2010 from $783 million for the three months ended December 31, 2009. Prior to intersegment eliminations, Recorded Music revenues represented 85% of consolidated revenues, for the three months ended December 31, 2010 and 2009. U.S. Recorded Music revenues were $257 million and $284 million, or 38% and 36% of Recorded Music revenues for the three months ended December 31, 2010 and 2009, respectively. International Recorded Music revenues were $416 million and $499 million, or 62% and 64% of consolidated Recorded Music revenues for the three months ended December 31, 2010 and 2009, respectively. This performance reflected a competitive holiday release schedule and the ongoing impact of the transition from physical to digital sales. The increases in digital revenue have not yet fully offset the decline in physical revenue. We believe this is attributable to the ability of consumers in the digital space to purchase individual tracks from an album rather than purchase the entire album and the ongoing issue of piracy. Digital revenues increased by $6 million, or 3%, for the three months ended December 31, 2010, largely due to continued international download growth and the roll-out and consumer adoption of new streaming services. Digital revenue, especially in the U.S., is increasingly related to our overall release schedule and the timing and success of new products and service introductions. Licensing revenues increased $11 million, or 17%, to $74 million for the three months ended December 31, 2010, driven primarily by increases in licensing our recorded music assets in film and television as well as compilations. Excluding the unfavorable impact of foreign currency exchange rates, total revenues decreased by $92 million, or 12%.

Music Publishing revenues decreased by $21 million, or 15%, to $120 million for the three months ended December 31, 2010 from $141 million for the three months ended December 31, 2009. Prior to intersegment eliminations, Music Publishing revenues represented 15% of consolidated revenues, for the three months ended December 31, 2010 and 2009. U.S. Music Publishing revenues were $40 million and $47 million, or 33% of Music Publishing revenues for the three months ended December 31, 2010 and 2009, respectively. International Music Publishing revenues were $80 million and $94 million, or 67% of Music Publishing revenues for the three months ended December 31, 2010 and 2009, respectively. Excluding the unfavorable impact of foreign currency exchange rates, total Music Publishing revenues decreased by $17 million, or 12%, for the three months ended December 31, 2010.

The decrease in Music Publishing revenue was driven primarily by the decreases in mechanical revenue, performance revenue and digital revenue. These decreases reflected the ongoing impact of the transition from physical to digital sales in the recorded music industry, the timing of cash collections, an interim reduction in royalty rates related to radio performances in the U.S. and our decision not to renew certain low margin administrative deals.

Revenue by Geographical Location

U.S. revenues decreased by $34 million, or 10%, to $297 million for the three months ended December 31, 2010 from $331 million for the three months ended December 31, 2009. The overall decline in the U.S. Recorded Music business reflected a competitive holiday release schedule, the ongoing impact of the transition from physical to digital sales in the recorded music industry and declines in mobile revenues primarily related to lower ringtone demand. The overall decline in the U.S. Music Publishing business was due primarily to an interim reduction in royalty rates related to radio performances.

International revenues decreased by $97 million, or 16%, to $496 million for the three months ended December 31, 2010 from $593 million for the three months ended December 31, 2009. Excluding the unfavorable impact of foreign currency exchange rates, total international revenues decreased $75 million or 13%. Revenue growth in certain Asia-Pacific countries was more than offset by weakness in the rest of the world. An increase in digital revenue, primarily as a result of continued growth in global downloads and

streaming, was more than offset by contracting demand for physical product, which reflected a competitive holiday release schedule as well as the ongoing impact of the transition from physical to digital sales in the recorded music industry.

Cost of revenues

Our cost of revenues is composed of the following amounts (in millions):

	For the Three Months Ended December 31,		2010 vs. 2009	
	2010	2009	$ Change	% Change
Artist and repertoire costs	$ 264	$ 291	$ (27)	-9%
Product costs	147	200	(53)	-27%
Licensing costs	31	20	11	55%
Total cost of revenues	**$ 442**	**$ 511**	**$ (69)**	**-14%**

Our cost of revenues decreased by $69 million, or 14%, to $442 million for the three months ended December 31, 2010 from $511 million for the three months ended December 31, 2009. Expressed as a percentage of revenues, cost of revenues were 56% for the three months ended December 31, 2010 and 2009.

Artist and repertoire costs decreased by $27 million, or 9%, to $264 million for the three months ended December 31, 2010 from $291 million for the three months ended December 31, 2009. The decrease in artist and repertoire costs was primarily driven by decreased revenues for the current-year quarter. Artist and repertoire costs increased as a percentage of revenues from 32% for the three months ended December 31, 2009 to 33% in the three months ended December 31, 2010 as a result of the timing of our artist and repertoire spending and change in product mix.

Product costs decreased as a percentage of revenues from 22% for the three months ended December 31, 2009 to 19% in the three months ended December 31, 2010, primarily as a result of effective supply chain management, the continuing change in mix from the sale of physical products to digital products and lower non-traditional recorded music business costs related to our European concert promotion business.

Licensing costs increased $11 million, or 55%, to $31 million for the three months ended December 31, 2010 from $20 million for the three months ended December 31, 2009, primarily as a result of the increase in licensing revenues. Licensing costs as a percentage of licensing revenues increased from 32% for the three months ended December 31, 2009 to 42% for the three months ended December 31, 2010, primarily as a result of changes in revenue mix.

Selling, general and administrative expenses

Our selling, general and administrative expense is composed of the following amounts (in millions):

	For the Three Months Ended December 31,		2010 vs. 2009	
	2010	2009	$ Change	% Change
General and administrative expense (1)	$ 134	$ 147	$ (13)	-9%
Selling and marketing expense	116	138	(22)	-16%
Distribution expense	16	19	(3)	-16%
Total selling, general and administrative expense	**$ 266**	**$ 304**	**$ (38)**	**-13%**

(1) Includes depreciation expense of $9 million for the three months ended December 31, 2010 and 2009.

Total selling, general and administrative expense decreased by $38 million, or 13%, to $266 million for the three months ended December 31, 2010 from $304 million for the three months ended December 31, 2009. Expressed as a percentage of revenues, selling, general and administrative expenses increased from 33% for the three months ended December 31, 2009 to 34% for the three months ended December 31, 2010.

General and administrative expenses decreased by $13 million, or 9%, to $134 million for the three months ended December 31, 2010 from $147 million for the three months ended December 31, 2009. Expressed as a percentage of revenues, general and administrative expenses increased from 16% for the three months ended December 31, 2009 to 17% for the three months ended December 31, 2010, primarily driven by severance charges of $11 million taken during the current-year quarter related to our Recorded Music operations, as compared with $5 million taken during the prior-year quarter.

Selling and marketing expense decreased by $22 million, or 16%, to $116 million for the three months ended December 31, 2010 from $138 million for the three months ended December 31, 2009, primarily related to lower variable marketing expense as a result of our efforts to better align spending on selling and marketing expense with revenues earned. Expressed as a percentage of revenues, selling and marketing expense remained flat at 15% for the three months ended December 31, 2010 and 2009.

Distribution expense decreased by $3 million, or 16%, to $16 million for the three months ended December 31, 2010 from $19 million for the three months ended December 31, 2009. The decrease in distribution expense was driven by the ongoing transition from physical to digital sales. Expressed as a percentage of revenues, distribution expense remained flat at 2% for the three months ended December 31, 2010 and 2009.

Reconciliation of Consolidated Historical OIBDA to Operating Income and Net Loss Attributable to Warner Music Group Corp.

As previously described, we use OIBDA as our primary measure of financial performance. The following table reconciles OIBDA to operating income, and further provides the components from operating income to net loss attributable to Warner Music Group Corp. for purposes of the discussion that follows (in millions):

	For the Three Months Ended December 31,		*2010 vs. 2009*	
	2010	2009	$ Change	% Change
OIBDA	$ 90	$ 112	$ (22)	-20%
Depreciation expense	(9)	(9)	—	—
Amortization expense	(54)	(56)	2	-4%
Operating income	**27**	**47**	**(20)**	**-43%**
Interest expense, net	(47)	(51)	4	-8%
Other income, net	—	1	(1)	-100%
Loss before income taxes	**(20)**	**(3)**	**(17)**	**—**
Income tax benefit (expense)	2	(13)	15	—
Net loss	**(18)**	**(16)**	**(2)**	**13%**
Less: income attributable to noncontrolling interest	—	(1)	1	-100%
Net loss attributable to Warner Music Group Corp.	**$ (18)**	**$ (17)**	**$ (1)**	**6%**

OIBDA

Our OIBDA decreased by $22 million to $90 million for the three months ended December 31, 2010 as compared to $112 million for the three months ended December 31, 2009. Expressed as a percentage of revenues, total OIBDA margin decreased from 12%, for the three months ended December 31, 2009, to 11%, for the three months ended December 31, 2010. Our OIBDA decrease was primarily driven by decreased revenues and increased severance charges related to our Recorded Music operations in the current-year quarter, partially offset by the decrease in artist and repertoire costs, product costs and selling and marketing expense noted above.

See "Business Segment Results" presented hereinafter for a discussion of OIBDA by business segment.

Depreciation expense

Our depreciation expense remained flat at $9 million for the three months ended December 31, 2010 and 2009.

Amortization expense

Amortization expense decreased from $56 million, for the three months ended December 31, 2009, to $54 million for the three months ended December 31, 2010. The decrease was due primarily to certain intangible assets being fully amortized during the current-year quarter.

Operating income

Our operating income decreased $20 million to $27 million, for the three months ended December 31, 2010 as compared to operating income of $47 million for the prior period. The decrease in operating income was primarily a result of the decrease in OIBDA, partially offset by the decrease in amortization expense noted above.

Interest expense, net

Our interest expense, net, decreased $4 million, or 8%, to $47 million for the three months ended December 31, 2010 as compared to $51 million for the three months ended December 31, 2009. The decrease was primarily driven by changes in foreign currency exchange rates related to our sterling denominated notes.

See "—Financial Condition and Liquidity" for more information.

Other income, net

Other income for the three months ended December 31, 2010 and 2009 included net hedging gains on foreign exchange contracts, which represent currency exchange movements associated with inter-company receivables and payables that are short term in nature, offset by equity in earnings on our share of net income on investments recorded in accordance with the equity method of accounting for an unconsolidated investee.

Income tax expense

We provided income tax benefit of $2 million for the three months ended December 31, 2010 as compared to an expense of $13 million for the three months ended December 31, 2009. The decrease in income tax expense was primarily due to losses in foreign territories and one-time benefits related to acquisitions during the three months ended December 31, 2010, offset by additional tax reserves.

We are currently under examination by various taxing authorities. We expect that $7 million of the total accrual of uncertain tax positions, which is $15 million as of December 31, 2010, will be paid during the next twelve months.

Net loss

Our net loss increased by $2 million, to a net loss of $18 million for the three months ended December 31, 2010 as compared to net loss of $16 million for the three months ended December 31, 2009. The increase was a result of decreased OIBDA partially offset by our current tax benefit position.

Noncontrolling interests

Income attributable to noncontrolling interests was $1 million for the three months ended December 31, 2009.

Business Segment Results

Revenue, OIBDA and operating income (loss) by business segment are as follows (in millions):

	For the Three Months Ended December 31,		2010 vs. 2009	
	2010	2009	$ Change	% Change
Recorded Music				
Revenue	$ 673	$ 783	$ (110)	-14%
OIBDA	90	113	(23)	-20%
Operating income	$ 47	$ 68	(21)	-31%
Music Publishing				
Revenue	$ 120	$ 141	$ (21)	-15%
OIBDA	18	22	(4)	-18%
Operating income	$ —	$ 4	$ (4)	-100%
Corporate expenses and eliminations				
Revenue	$ (4)	$ (6)	$ 2	33%
OIBDA	(18)	(23)	5	22%
Operating loss	$ (20)	$ (25)	$ 5	-20%
Total				
Revenue	$ 789	$ 918	$ (129)	-14%
OIBDA	90	112	(22)	-20%
Operating income	$ 27	$ 47	$ (20)	-43%

Recorded Music

Revenues

Recorded Music revenues decreased by $110 million, or 14%, to $673 million for the three months ended December 31, 2010 from $783 million for the three months ended December 31, 2009. Prior to intersegment eliminations, Recorded Music revenues represented 85% of consolidated revenues, for the three months ended December 31, 2010 and 2009. U.S. Recorded Music revenues were $257 million and $284 million, or 38% and 36% of Recorded Music revenues for the three months ended December 31, 2010 and 2009, respectively. International Recorded Music revenues were $416 million and $499 million, or 62% and 64% of consolidated Recorded Music revenues for the three months ended December 31, 2010 and 2009, respectively. This performance reflected a competitive holiday release schedule and the ongoing impact of the transition from physical to digital sales. The increases in digital revenue have not yet fully offset the decline in physical revenue. We believe this is attributable to the ability of consumers in the digital space to purchase individual tracks from an album rather than purchase the entire album and the ongoing issue of piracy. Digital revenues increased by $6 million, or 3%, for the three months ended December 31, 2010, largely due to continued international download growth and the roll-out and consumer adoption of new streaming services. Digital revenue, especially in the U.S., is increasingly related to our overall release schedule and the timing and success of new products and service introductions. Licensing revenues increased $11 million, or 17%, to $74 million for the three months ended December 31, 2010, driven primarily by increases in licensing our recorded music assets in film and television as well as compilations. Excluding the unfavorable impact of foreign currency exchange rates, total revenues decreased by $92 million, or 12%.

Cost of revenues

Recorded Music cost of revenues is composed of the following amounts (in millions):

	For the Three Months Ended December 31,		2010 vs. 2009	
	2010	2009	$ Change	% Change
Artist and repertoire costs	$ 179	$ 194	$ (15)	-8%
Product costs	148	200	(52)	-26%
Licensing costs	31	20	11	55%
Total cost of revenues	**$ 358**	**$ 414**	**$ (56)**	**-14%**

Recorded Music cost of revenues decreased $56 million, or 14%, for the three months ended December 31, 2010. Expressed as a percentage of Recorded Music revenues, cost of revenues remained flat at 53% for the three months ended December 31, 2010 and 2009. The decrease in product costs of $52 million was primarily as a result of effective supply chain management, the change in mix from the sale of physical products to digital products and lower non-traditional recorded music business costs related to our European concert promotion business. The decrease in artist and repertoire costs of $15 million was primarily driven by decreased revenues for

the current-year quarter. The increase in licensing costs of $11 million was driven primarily by the increase in licensing revenue and changes in revenue mix.

Selling, general and administrative expense

Recorded Music selling, general and administrative expense is composed of the following amounts (in millions):

	For the Three Months Ended December 31,		2010 vs. 2009	
	2010	2009	$ Change	% Change
General and administrative expense (1)	$ 100	$ 107	$ (7)	-7%
Selling and marketing expense	115	136	(21)	-15%
Distribution expense	16	19	(3)	-16%
Total selling, general and administrative expense	**$ 231**	**$ 262**	**$ (31)**	**-12%**

(1) Includes depreciation expense of $6 million for the three months ended December 31, 2010 and 2009.

Recorded Music selling, general and administrative expense decreased $31 million, for the three months ended December 31, 2010. The decrease in selling and marketing expense was primarily the result of our efforts to better align selling and marketing expenses with revenues earned, the timing of our releases and the effect of continued cost-management efforts. Expressed as a percentage of Recorded Music revenues, selling, general and administrative expense increased from 33% for the three months ended December 31, 2009 to 34% for the three months ended December 31, 2010, driven by severance charges of $11 million taken during the current-year quarter related to our Recorded Music operations, as compared with $3 million taken during the prior-year quarter, partially offset by realization of cost savings from management initiatives taken in prior periods.

OIBDA and Operating Income

Recorded Music OIBDA was $90 million for the three months ended December 31, 2010 as compared to $113 million for the three months ended December 31, 2009. Recorded Music operating income included the following (in millions):

	For the Three Months Ended December 31,		2010 vs. 2009	
	2010	2009	$ Change	% Change
OIBDA	$ 90	$ 113	$ (23)	-20%
Depreciation and amortization	(43)	(45)	2	-4%
Operating income	**$ 47**	**$ 68**	**$ (21)**	**-31%**

Recorded Music OIBDA decreased by $23 million, or 20%, to $90 million for the three months ended December 31, 2010 compared to $113 million for the three months ended December 31, 2009. Expressed as a percentage of Recorded Music revenues, Recorded Music OIBDA margin decreased to 13% for the three months ended December 31, 2010 from 14% for the three months ended December 31, 2009. Our Recorded Music OIBDA decrease was primarily driven by the decrease in revenues and increased severance charges, partially offset by the realization of cost savings from management initiatives taken in prior periods and the decrease in artist and repertoire costs, product costs and selling and marketing expense noted above.

Recorded Music operating income decreased by $21 million, due primarily to the decrease in OIBDA noted above.

Music Publishing

Revenues

Music Publishing revenues decreased by $21 million, or 15%, to $120 million for the three months ended December 31, 2010 from $141 million for the three months ended December 31, 2009. Prior to intersegment eliminations, Music Publishing revenues represented 15% of consolidated revenues, for the three months ended December 31, 2010 and 2009. U.S. Music Publishing revenues were $40 million and $47 million, or 33% of Music Publishing revenues for the three months ended December 31, 2010 and 2009, respectively. International Music Publishing revenues were $80 million and $94 million, or 67% of Music Publishing revenues for the three months ended December 31, 2010 and 2009, respectively. Excluding the unfavorable impact of foreign currency exchange rates, total Music Publishing revenues decreased by $17 million, or 12%, for the three months ended December 31, 2010.

The decrease in Music Publishing revenue was driven primarily by the decreases in mechanical revenue, performance revenue and digital revenue. These decreases reflected the ongoing impact of the transition from physical to digital sales in the recorded music

industry, the timing of cash collections, an interim reduction in royalty rates related to radio performances in the U.S. and our decision not to renew certain low margin administrative deals.

Cost of revenues

Music Publishing cost of revenues is composed of the following amounts (in millions):

	For the Three Months Ended December 31,		*2010 vs. 2009*	
	2010	2009	$ Change	% Change
Artist and repertoire costs	$ 89	$ 103	$ (14)	-14%
Total cost of revenues	**$ 89**	**$ 103**	**$ (14)**	**-14%**

Music Publishing cost of revenues decreased $14 million, or 14%, to $89 million for the three months ended December 31, 2010, from $103 million for the three months ended December 31, 2009. The decrease in cost of revenues was driven primarily a combination of lower revenues in the current year quarter and lower costs associated with certain administrative deals which we decided not to renew. Expressed as a percentage of Music Publishing revenues, Music Publishing cost of revenues increased to 74% for the three months ended December 31, 2010 from 73% for the three months ended December 31, 2009, primarily as a result of changes in revenue mix.

Selling, general and administrative expense

Music Publishing selling, general and administrative expense is comprised of the following amounts (in millions):

	For the Three Months Ended December 31,		*2010 vs. 2009*	
	2010	2009	$ Change	% Change
General and administrative expense (1)	$ 14	$ 17	$ (3)	-18%
Total selling, general and administrative expense	**$ 14**	**$ 17**	**$ (3)**	**-18%**

(1) Includes depreciation expense of $1 million for the three months ended December 31, 2010 and 2009.

Music Publishing selling, general and administrative expense decreased to $14 million for the three months ended December 31, 2010 as compared with $17 million for the three months ended December 31, 2009. Expressed as a percentage of Music Publishing revenues, Music Publishing selling, general and administrative expense remained flat at 12% for the three months ended December 31, 2010 and 2009.

OIBDA and Operating Income

Music Publishing operating income includes the following (in millions):

	For the Three Months Ended December 31,		2010 vs. 2009	
	2010	2009	$ Change	% Change
OIBDA	$ 18	$ 22	$ (4)	-18%
Depreciation and amortization	(18)	(18)	—	—
Operating income	**$ —**	**$ 4**	**$ (4)**	**-100%**

Music Publishing OIBDA decreased $4 million to $18 million for the three months ended December 31, 2010 from $22 million for the three months ended December 31, 2009. Expressed as a percentage of Music Publishing revenues, Music Publishing OIBDA margin was 15% and 16% for the three months ended December 31, 2010 and 2009, respectively. The decrease in OIBDA was due primarily to lower revenues and changes in revenue mix noted above.

Music Publishing operating income decreased by $4 million due to the decrease in OIBDA noted above.

Corporate Expenses and Eliminations

Our OIBDA loss from corporate expenses and eliminations decreased from $23 million for the three months ended December 31, 2009 to $18 million for the three months ended December 31, 2010, primarily as a result of the realization of cost savings from management initiatives taken in prior periods.

Our operating loss from corporate expenses and eliminations decreased from $25 million for the three months ended December 31, 2009 to $20 million for the three months ended December 31, 2010 due to the decrease in OIBDA loss noted above.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

At December 31, 2010, we had $1.943 billion of debt, $263 million of cash and equivalents (net debt of $1.680 billion, defined as total debt less cash and equivalents and short-term investments) and a $279 million Warner Music Group Corp.'s shareholders' deficit. This compares to $1.945 billion of debt, $439 million of cash and equivalents (net debt of $1.506 billion, defined as total debt less cash and equivalents and short-term investments) and a $265 million shareholders' deficit at September 30, 2010. Net debt increased by $174 million as a result of (i) a $176 million decrease in cash and equivalents and (ii) a $1 million increase related to the accretion on our Senior Secured Notes offset by (ii) a $3 million decrease related to the impact of foreign exchange rates on our Sterling-denominated Senior Subordinated Notes.

The $14 million increase in Warner Music Group Corp.'s shareholders' deficit during the three months ended December 31, 2010 consisted of $18 million of net loss for the three months ended December 31, 2010, offset by $2 million of stock based compensation, foreign currency exchange movements of $1 million and $1 million related to deferred gains on derivative financial instruments

Cash Flows

The following table summarizes our historical cash flows. The financial data for the three months ended December 31, 2010 and 2009 are unaudited and are derived from our interim financial statements included elsewhere herein. The cash flow is comprised of the following in millions:

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Cash used in:		
Operating activities	$ (113)	$ (42)
Investing activities	(66)	(2)
Financing activities	—	—

Operating Activities

Cash used in operating activities was $113 million for the three months ended December 31, 2010 compared with $42 million for the three months ended December 31, 2009. The $71 million increase in cash used in operations related to a combination of lower OIBDA during the current-year quarter, the variable timing of our working capital requirements which include the timing of sales and collections in the period, the timing of artist and repertoire spend compared to the prior year and an increase in cash paid for severance. Included in the current period cash interest was $12 million related to the Holdings Senior Discount Notes, which accreted to their full principal amount due at maturity on December 15, 2009. We made initial cash interest payments on the Holdings Senior Discount Notes in June 2010. As a result, cash interest amounted to $88 million for the three months ended December 31, 2010 as compared with $81 million for the three months ended December 31, 2009.

Investing Activities

Cash used in investing activities was $66 million for the three months ended December 31, 2010 as compared with $2 million for the three months ended December 31, 2009. The $66 million of cash used in investing consisted of $44 million to acquire businesses, $14 million to acquire music publishing rights and $8 million for capital expenditures. The $2 million of cash used in investing activities in the three months ended December 31, 2009 consisted of $7 million in capital expenditures and $4 million to acquire music publishing rights, offset by $9 million of cash proceeds received in connection with the sale of our equity investment in lala media, inc.

Liquidity

Our primary sources of liquidity are the cash flows generated from our subsidiaries' operations and available cash and equivalents and short-term investments. These sources of liquidity are needed to fund our debt service requirements, working capital requirements, capital expenditure requirements, strategic acquisitions and investments, and any dividends or repurchases of our

outstanding notes or common stock in open market purchases, privately negotiated purchases or otherwise, we may elect to pay or make in the future. We believe that our existing sources of cash will be sufficient to support our existing operations over the next fiscal year.

As of December 31, 2010, our long-term debt consisted of $1.1 billion aggregate principal amount of Senior Secured Notes less unamortized discount of $34 million, $619 million of Acquisition Corp. Senior Subordinated Notes and $258 million of Holdings Senior Discount Notes.

Senior Secured Notes

As of December 31, 2010, Acquisition Corp. had $1.066 billion of debt represented by the Acquisition Corp. Senior Secured Notes (the "Acquisition Corp. Senior Secured Notes"). The Acquisition Corp. Senior 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 is equal to the difference between the stated principal amount and the issue price. The OID will be amortized over the term of the Senior Secured Notes using the effective interest rate method and reported as non-cash interest expense. The Acquisition Corp. Senior 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.

The Senior Secured Notes are senior secured obligations of Acquisition Corp. that rank senior in right of payment to Acquisition Corp.'s subordinated indebtedness, including its existing senior subordinated notes. The obligations under the Senior Secured Notes are fully and unconditionally guaranteed on a senior secured basis by each of Acquisition Corp.'s existing direct or indirect wholly owned U.S. subsidiaries and any such subsidiaries that guarantee other indebtedness of Acquisition Corp. in the future. The Senior Secured Notes are not guaranteed by Holdings. All obligations under the Senior Secured Notes and the guarantees of those obligations are secured by first-priority liens, subject to permitted liens, in the assets of Holdings, Acquisition Corp., and the subsidiary guarantors that previously secured our senior secured credit facility, which consist of the shares of Acquisition Corp., Acquisition Corp.'s assets and the assets of the subsidiary guarantors, except for certain excluded assets.

At any time prior to June 15, 2012, Acquisition Corp., at its option, may redeem up to 35% of the aggregate principal amount of the Senior Secured Notes at a redemption price of 109.50% of the principal amount of the Senior Secured Notes redeemed, plus accrued and unpaid interest with the proceeds of an Equity Offering, as defined in the indenture, provided that after such redemption at least 50% of the originally issued Senior Secured Notes remain outstanding. Prior to June 15, 2013, Acquisition Corp. may redeem some or all of the Senior Secured Notes at a price equal to 100% of the principal amount plus a make whole premium, as defined in the indenture. The Senior Secured Notes are also redeemable in whole or in part, at Acquisition Corp.'s option, at any time on or after June 15, 2013 for the following redemption prices, plus accrued and unpaid interest:

Twelve month period beginning June 15,	Percentage
2013	104.750%
2014	102.375%
2015 and thereafter	100.000%

Upon the consummation and closing of a Major Music/Media Transaction, as defined in the indenture, at any time prior to June 15, 2013, the Senior Secured Notes may be redeemed in whole or in part, at Acquisition Corp.'s option, at a redemption price of 104.75% plus accrued and unpaid interest. In the event of a change in control, as defined in the indenture, each holder of the Senior Secured Notes may require Acquisition Corp. to repurchase some or all of its respective Senior Secured Notes at a purchase price equal to 101% plus accrued and unpaid interest.

The indenture for the Senior Secured Notes contains a number of covenants that, among other things, limit (subject to certain exceptions), the ability of Acquisition Corp. and its restricted subsidiaries to (i) incur additional debt or issue certain preferred shares; (ii) pay dividends on or make distributions in respect of its capital stock or make other restricted payments (as defined in the indenture); (iii) make certain investments; (iv) sell certain assets; (v) create liens on certain debt; (vi) consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; (vii) sell or otherwise dispose of its Music Publishing business; (viii) enter into certain transactions with affiliates and (ix) designate its subsidiaries as unrestricted subsidiaries.

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

Senior Subordinated Notes of Acquisition Corp.

Acquisition Corp. has outstanding two tranches of senior subordinated notes due in 2014: $465 million principal amount of U.S. dollar-denominated notes and £100 million principal amount of Sterling-denominated notes (collectively, the "Acquisition Corp.

Senior Subordinated Notes"). The Acquisition Corp. Senior Subordinated Notes mature on April 15, 2014 and bear interest payable semi-annually on April 15 and October 15 of each year at a fixed rate of 7.375% per annum on the $465 million dollar notes and 8.125% per annum on the £100 million Sterling-denominated notes.

The indenture governing the Acquisition Corp. Senior Subordinated Notes limits our ability and the ability of our restricted subsidiaries to incur additional indebtedness or issue certain preferred shares; to pay dividends on or make other distributions in respect of our capital stock or make other restricted payments; to make certain investments; to sell certain assets; to create liens on certain debt without securing the notes; to consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; to enter into certain transactions with affiliates and to designate our subsidiaries as unrestricted subsidiaries. Subject to certain exceptions, the indenture governing the notes permits us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness, and to make certain restricted payments and investments.

Holdings Senior Discount Notes

As of December 31, 2010, Holdings had $258 million of debt represented by the Holdings Senior Discount Notes (the "Holdings Senior Discount Notes"). The Holdings Senior Discount Notes were issued at a discount and had an initial accreted value of $630.02 per $1,000 principal amount at maturity. Prior to December 15, 2009, no cash interest payments accrued. However, interest accrued on the Holdings Senior Discount Notes in the form of an increase in the accreted value of such notes such that the accreted value of the Holdings Senior Discount Notes equaled the principal amount at maturity of $258 million on December 15, 2009. Thereafter, cash interest on the Holdings Senior Discount Notes is payable semi-annually on June 15 and December 15 of each year at a fixed rate of 9.5% per annum with the initial cash interest payment paid on June 15, 2010. The Holdings Senior Discount Notes mature on December 15, 2014.

The indenture governing the Holdings Senior Discount Notes limits our ability and the ability of our restricted subsidiaries to incur additional indebtedness or issue certain preferred shares; to pay dividends on or make other distributions in respect of its capital stock or make other restricted payments; to make certain investments; to sell certain assets; to create liens on certain debt without securing the notes; to consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; to enter into certain transactions with affiliates; and to designate its subsidiaries as unrestricted subsidiaries. Subject to certain exceptions, the indenture governing the notes permits Holdings and its restricted subsidiaries to incur additional indebtedness, including secured indebtedness, and to make certain restricted payments and investments.

Dividends

We discontinued our previous policy of paying a regular quarterly dividend during the second quarter of fiscal year 2008. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors our Board of Directors may deem relevant.

Covenant Compliance

The indentures governing the Holdings Senior Discount Notes, the Acquisition Corp. Senior Subordinated Notes and the Acquisition Corp. Senior Secured Notes contain certain financial covenants, which limit the ability of our restricted subsidiaries as defined in the indentures governing the notes to, among other things, incur additional indebtedness, issue certain preferred shares, pay dividends, make certain investments, sell certain assets, create liens on certain debt, and consolidate, merge, sell or otherwise dispose of all, or some of, our assets. In order for Acquisition Corp. and Holdings to incur additional debt or make certain restricted payments using certain exceptions provided for in the indentures governing the Acquisition Corp. Senior Subordinated Notes, the Acquisition Corp. Senior Secured Notes and Holdings Senior Discount Notes, the Fixed Charge Coverage Ratio, as defined in such indentures, must exceed a 2.0 to 1.0 ratio. The Fixed Charge Coverage Ratio is the ratio of EBITDA to Fixed Charges, as defined in the indentures. EBITDA, as defined in the indentures, is adjusted to add back certain non-cash, non-recurring and other items that are included in the definitions of EBITDA and consolidated net income in the indentures. Fixed Charges are defined in such indentures as consolidated interest expense excluding certain non-cash interest expense.

The terms of the indentures governing the Acquisition Corp. Senior Subordinated Notes, the Acquisition Corp. Senior Secured Notes and Holdings Senior Discount Notes significantly restrict Acquisition Corp., Holdings and our other subsidiaries from paying dividends and otherwise transferring assets to us. For example, the ability of Acquisition Corp. and Holdings to make such payments is governed by a formula based on 50% of each of their consolidated net income (which, as defined in the indentures governing such notes, excludes goodwill impairment charges and any after-tax extraordinary, unusual or nonrecurring gains and losses), accruing from July 1, 2004 under the indentures governing the Acquisition Corp. Senior Subordinated Notes and the Holdings Senior Discount Notes, and July 1, 2009 under the Acquisition Corp. Senior Secured Notes, plus in each case proceeds from equity offerings and capital contributions, among other items. In addition, as a condition to making such payments to us based on such formula, Acquisition Corp. and Holdings must each have a Fixed Charge Coverage Ratio of at least 2.0 to 1.0 after giving effect to any such payments. Notwithstanding such restrictions, the indentures governing the Acquisition Corp. Senior Subordinated Notes, the Holdings

Senior Discount Notes and the Acquisition Corp. Senior Secured Notes permit an aggregate of $45 million, $75 million and $50 million, respectively, of such payments to be made by Acquisition Corp. and Holdings pursuant to the indentures, whether or not there is availability under the formula or the conditions to its use are met. The indenture governing the Acquisition Corp. Senior Secured Notes also permits Acquisition Corp. to make restricted payments not to exceed $90 million in any fiscal year.

Acquisition Corp. and Holdings may make additional restricted payments using certain other exceptions provided for in the indentures governing the Acquisition Corp. Senior Subordinated Notes, the Acquisition Corp. Senior Secured Notes and Holdings Senior Discount Notes. In addition, as of December 31, 2010, we had $164 million of cash at Warner Music Group Corp., which is unrestricted by any indenture covenants.

Summary

Management believes that funds generated from our operations will be sufficient to fund our debt service requirements, working capital requirements and capital expenditure requirements for the foreseeable future. We also have additional borrowing capacity under our indentures. However, our ability to continue to fund these items and to reduce debt may be affected by general economic, financial, competitive, legislative and regulatory factors, as well as other industry-specific factors such as the ability to control music piracy and the continued industry-wide decline of CD sales. We or any of our affiliates may also, from time to time depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to repurchase our Holdings Senior Discount Notes, our Acquisition Corp. Senior Subordinated Notes or our Acquisition Corp. Senior Secured Notes and/or common stock in open market purchases, privately negotiated purchases or otherwise. The amounts involved in any such transactions, individually or in the aggregate, may be material and may be funded from available cash or from additional borrowings. In addition, we may from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to refinance our Holdings Senior Discount Notes, Acquisition Corp. Senior Subordinated Notes and/or our Acquisition Corp. Senior Secured Notes with existing cash and/or with funds provided from additional borrowings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As discussed in Note 18 to our audited consolidated financial statements for the fiscal year ended September 30, 2010, we are exposed to market risk arising from changes in market rates and prices, including movements in foreign currency exchange rates. As of December 31, 2010, other than as described below, there have been no material changes to the Company's exposure to market risk since September 30, 2010.

We have transactional exposure to changes in foreign currency exchange rates relative to the U.S. dollar due to the global scope of our operations. We use foreign exchange contracts, primarily to hedge the risk that unremitted or future royalties and license fees owed to our U.S. companies for the sale, or anticipated sale, of U.S.-copyrighted products abroad may be adversely affected by changes in foreign currency exchange rates. We focus on managing the level of exposure to the risk of foreign currency exchange rate fluctuations on our major currencies, which include the Euro, British pound sterling, Japanese yen, Canadian dollar, Swedish krona, and Australian dollar. During the three months ended December 31, 2010, we had outstanding hedge contracts for the sale of $220 million and the purchase of $174 million of foreign currencies at fixed rates. During the current-year quarter, certain of our foreign exchange contracts expired and new foreign exchange contracts were renewed with similar features.

The fair value of foreign exchange contracts is subject to changes in foreign currency exchange rates. For the purpose of assessing the specific risks, we use a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of our financial instruments. For foreign exchange forward contracts outstanding at December 31, 2010, assuming a hypothetical 10% depreciation of the U.S dollar against foreign currencies from prevailing foreign currency exchange rates and assuming no change in interest rates, the fair value of the foreign exchange forward contracts would have decreased by $5 million. Because our foreign exchange contracts are entered into for hedging purposes, these losses would be largely offset by gains on the underlying transactions.

We are exposed to foreign currency exchange rate risk with respect to our £100 million principal amount of Sterling-denominated notes that were issued in April 2004. These sterling notes mature on April 15, 2014. As of December 31, 2010, these sterling notes had a carrying value of approximately $154 million. Based on the principal amount of Sterling-denominated notes outstanding as of December 31, 2010 and assuming that all other market variables are held constant (including the level of interest rates), a 10% weakening or strengthening of the U.S. dollar compared to the British pound sterling would not have an impact on the fair value of these sterling notes, since these notes are completely hedged as of December 31, 2010.

ITEM 4. CONTROLS AND PROCEDURES

Certification

The certifications of the principal executive officer and the principal financial officer (or persons performing similar functions) required by Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended (the "Certifications") are filed as exhibits to this report. This section of the report contains the information concerning the evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) ("Disclosure Controls") and changes to internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) ("Internal Controls") referred to in the Certifications and this information should be read in conjunction with the Certifications for a more complete understanding of the topics presented.

Introduction

The Securities and Exchange Commission's rules define "disclosure controls and procedures" as controls and procedures that are designed to ensure that information required to be disclosed by public companies in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by public companies in the reports that they file or submit under the Exchange Act is accumulated and communicated to a company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Securities and Exchange Commission's rules define "internal control over financial reporting" as a process designed by, or under the supervision of, a public company's principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, or U.S. GAAP, including those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management, including the principal executive officer and principal financial officer, does not expect that our Disclosure Controls or Internal Controls will prevent or detect all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the limitations in any and all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Further, the design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected even when effective Disclosure Controls and Internal Controls are in place.

Evaluation of Disclosure Controls and Procedures

Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our Disclosure Controls provided reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act will be recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, including that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes, other than as noted below, in our internal controls over financial reporting or other factors during the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal controls.

In October 2010, we implemented a new SAP enterprise resource planning application in the U.S. for fiscal 2011. While we will experience changes in internal controls over financial reporting in fiscal 2011 as the implementation occurs throughout the fiscal year, we expect to be able to transition to the new processes and controls with no negative impact to our internal control environment. If we fail to effectively implement the SAP application or if the SAP application fails to operate as designed or intended, it may impact our ability to process transactions accurately and efficiently.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Pricing of Digital Music Downloads

On December 20, 2005 and February 3, 2006, the Attorney General of the State of New York served us with requests for information in connection with an industry-wide investigation as to whether the practices of industry participants concerning the pricing of digital music downloads violate Section 1 of the Sherman Act, New York State General Business Law §§ 340 et seq., New York Executive Law §63(12), and related statutes. On February 28, 2006, the Antitrust Division of the U.S. Department of Justice served us with a request for information in the form of a Civil Investigative Demand as to whether its activities relating to the pricing of digitally downloaded music violate Section 1 of the Sherman Act. Both investigations have now been closed. Subsequent to the announcements of the above governmental investigations, more than thirty putative class action lawsuits concerning the pricing of digital music downloads were filed and were later consolidated for pre-trial proceedings in the Southern District of New York. The consolidated amended complaint, filed on April 13, 2007, alleges conspiracy among record companies to delay the release of their content for digital distribution, inflate their pricing of CDs and fix prices for digital downloads. The complaint seeks unspecified compensatory, statutory and treble damages. All defendants, including us, filed a motion to dismiss the consolidated amended complaint on July 30, 2007. On October 9, 2008, the District Court issued an order dismissing the case as to all defendants, including us. On November 20, 2008, plaintiffs filed a Notice of Appeal from the order of the District Court to the Circuit Court for the Second Circuit. Oral argument took place before the Second Circuit Court of Appeals on September 21, 2009. On January 12, 2010, the Second Circuit vacated the judgment of the District Court and remanded the case for further proceedings. On January 27, 2010, all defendants, including us, filed a petition for rehearing en banc with the Second Circuit. On March 26, 2010, the Second Circuit denied the petition for rehearing en banc. On August 20, 2010, all defendants including us, filed a petition for Certiorari before the Supreme Court. The petition was rejected on January 10, 2011. The case will now return to the trial court. We intend to defend against these lawsuits vigorously, but are unable to predict the outcome of these suits. Any litigation we may become involved in as a result of the inquiries of the Attorney General of the State of New York and the Department of Justice, regardless of the merits of the claim, could be costly and divert the time and resources of management.

Other Matters

In addition to the matter discussed above, we are involved in other litigation arising in the normal course of business. Management does not believe that any legal proceedings pending against us will have, individually, or in the aggregate, a material adverse effect on its business. However, we cannot predict with certainty the outcome of any litigation or the potential for future litigation. Regardless of the outcome, litigation can have an adverse impact on our company, including our brand value, because of defense costs, diversion of management resources and other factors.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks and other information in this report before making an investment decision with respect to shares of our common stock or any of our other securities. 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 our common stock or other securities could fall, and you may lose all or part of the money you paid to buy such securities.

Risks 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. 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. Several large specialty music retailers, including Tower Records and Musicland, have filed for bankruptcy protection. 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 "Risk Factors—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 IFPI 2009 Digital Music Report. IFPI also reported in its Recording Industry in Numbers 2010 publication that peer-to-peer (P2P) file-sharing accounts for more than 20% of Internet traffic globally. 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 file-sharing 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.

Organized industrial piracy may lead to decreased sales.

The global organized commercial pirate trade is a significant threat to the music industry. The IIPA estimates that U.S. trade losses due to physical piracy of records and music in 39 key countries/territories around the world with copyright protection and/or enforcement deficiencies totaled $1.5 billion in 2009. 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, 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 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.

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 industry in which we operate is highly competitive, is based on consumer preferences and is rapidly changing. Additionally, the music industry requires 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 artists who may chose 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 file-sharing 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 videocassettes and DVD, the Internet and computer and videogames.

Our business operations in some countries subject us to trends, developments or other events in foreign countries 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.

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 many of whom have been with us since our acquisition from Time Warner in 2004. 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, 2010, we had $1.066 billion of goodwill and $100 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 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. We tested our goodwill and other indefinite-lived intangible assets for impairment in the fourth quarter of fiscal 2010 and concluded that such assets were not impaired. We continue to believe that conclusion is appropriate. 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' deficit could be adversely affected.

We also had $1.092 billion of definite-lived intangible assets at December 31, 2010. 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' deficit.

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 63% of our revenues related to operations in foreign territories for the quarter ended December 31, 2010. 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, 2010, 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, 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 or invest in other businesses, we will face certain risks inherent in such transactions.

We may acquire, make investments in, or enter into strategic alliances or joint ventures with, companies engaged in businesses that are similar or complementary to ours. If we make such acquisitions or investments or enter into strategic alliances, we will face certain risks inherent in such transactions. For example, gaining regulatory approval for significant acquisitions or investments could be a lengthy process and there can be no assurance of a successful outcome and we could increase our leverage in connection with acquisitions or investments. We could face difficulties in managing and integrating newly acquired operations. Additionally, such transactions would divert management resources and may result in the loss of recording artists or songwriters from our rosters. If we invest in companies involved in new businesses or develop our own new business opportunities, we will need to integrate and effectively manage these new businesses before any new line of business can become successful, and as such the progress and success of any new business is uncertain. In addition, investments in new business may result in an increase in capital expenditures to build infrastructure to support our new initiatives. We cannot assure you that if we make any future acquisitions, investments, strategic alliances or joint ventures that they will be completed in a timely manner, that they will be structured or financed in a way that will enhance our credit-worthiness 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 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 Acquisition, 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.

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.

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 the first quarter of fiscal 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 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.

Changes to our information technology infrastructure to harmonize our systems and processes may fail to operate as designed and intended.

We regularly implement business process improvement initiatives to harmonize our systems and processes and to optimize our performance. Our current business process initiatives included the delivery of a SAP enterprise resource planning application in the U.S. for fiscal 2011. While we will experience changes in internal controls over financial reporting in fiscal 2011 as the implementation occurs, we expect to be able to transition to the new processes and controls with no negative impact to our internal control environment. If we fail to effectively implement the SAP application or if the SAP application fails to operate as designed and intended, it may impact our ability to process transactions accurately and efficiently.

We are controlled by entities that may have conflicts of interest with us.

THL, Bain Capital and Providence Equity (collectively, the "Current Investor Group") control a majority of our common stock on a fully diluted basis. In addition, representatives of the Current Investor Group occupy substantially all of the seats on our Board of Directors and pursuant to a stockholders agreement, have the right to appoint all of the independent directors to our board. As a result, the Current Investor Group has the ability to control our policies and operations, including the appointment of management, the entering into of mergers, acquisitions, sales of assets, divestitures and other extraordinary transactions, future issuances of our common stock or other securities, the payments of dividends, if any, on our common stock, the incurrence of debt by us and the amendment of our certificate of incorporation and Bylaws. The Current Investor Group has the ability to prevent any transaction that requires the approval of our Board of Directors or the stockholders regardless of whether or not other members of our Board of Directors or stockholders believe that any such transaction is in their own best interests. For example, the Current Investor Group could cause us to make acquisitions that increase our indebtedness or to sell revenue-generating assets. Additionally, the Current Investor Group is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The Current Investor Group may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. So long as the Current Investor Group continues to hold a majority of our outstanding common stock, they will be entitled to nominate a majority of our Board of Directors, and will have the ability to effectively control the vote in any election of directors. In addition, so long as the Current Investor Group continues to own a significant amount of our equity, even if such amount is less than 50%, they will continue to be able to strongly influence or effectively control our decisions.

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.

We have recently renewed our agreements with Cinram. 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 United States 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 for up to a certain percentage of the volume provided to us by Cinram during the 2010 calendar year (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 was unable to otherwise continue to provide services, we may have difficulty satisfying our commitments to our wholesale and retail customers in the short term until we more fully transitioned to an alternate provider, which could have an adverse impact on our revenues. On January 25, 2011, Cinram announced a proposed refinancing and recapitalization transaction. Any 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 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.

Risks Related to our Leverage

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, 2010, our total consolidated indebtedness was $1.943 billion.

Our high degree of leverage could have important consequences for our investors, including:

- making it more difficult for us and our subsidiaries to make payments on indebtedness;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;

- limiting our ability and the ability of our subsidiaries to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our indentures relating to our outstanding notes. 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.

While we currently have sufficient cash to make scheduled interest payments, in the future WMG Holdings Corp. ("Holdings"), our immediate subsidiary, also may rely on our indirect subsidiary WMG Acquisition Corp. ("Acquisition Corp.") and its subsidiaries to make payments on its borrowings. If Acquisition Corp. does not dividend funds to Holdings in an amount sufficient to make such payments, if necessary in the future, Holdings may default under the indenture governing its borrowings, 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 Holdings, Holdings 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, Holdings' ability and the ability of our restricted subsidiaries to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on or make distributions in respect of our common stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens on certain indebtedness without in certain cases securing the applicable indebtedness;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

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.

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.

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.

Risks Related to our Common Stock

We are a "controlled company" within the meaning of the New York Stock Exchange rules and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements.

The Current Investor Group controls a majority of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the NYSE corporate governance standards. Under the NYSE rules, a company of which more than 50% of the voting power is held by an individual, a group, or another company is a "controlled company" and may elect not to comply with certain NYSE corporate governance requirements, as applicable, including (1) the requirement that a majority of the Board of Directors consist of independent directors, (2) the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, (3) the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (4) the requirement that we perform an annual performance evaluation of the nominating/corporate governance committee and compensation committee. We are utilizing and intend to continue to utilize these exemptions while we are a controlled company. As a result, we will not have a majority of independent directors and neither our nominating and corporate governance committee, which also serves as our executive committee, nor our compensation committee will consist entirely of independent directors. While our executive, governance and nominating committee and compensation committee have charters that comply with NYSE requirements, we are not required to maintain those charters. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

Future sales of our shares could depress the market price of our common stock.

The market price of our common stock could decline as a result of sales of a large number of shares of common stock in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. As of December 31, 2010, we had approximately 155 million shares of common stock outstanding. Approximately 93.3 million shares are held by the Current Investor Group and are eligible for resale from time to time, subject to contractual and Securities Act restrictions. The Current Investor Group has the ability to cause us to register the resale of their shares and certain other holders of our common stock, including members of our management and certain other parties that have piggyback registration rights, will be able to participate in such registration. In addition, in 2005, we registered approximately 8.3 million shares of restricted common stock and approximately 8.4 million shares underlying options issued and securities that may be issued in the future pursuant to our benefit plans and arrangements on registration statements on Form S-8. Shares registered on these registration statements on Form S-8 may be sold as provided in the respective registration statements on Form S-8. In April 2008, we registered an additional 16.5 million shares underlying options issued, and securities that might be issued in the future pursuant to our benefit plans and arrangements, on an additional Form S-8.

The market price of our common stock may be volatile, which could cause the value of your investment to decline.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or potential conditions, could reduce the market price of our common stock in spite of our operating performance. In addition, our operating results could be below the expectations of securities analysts and investors, and in response, the market price of our common stock could decrease significantly. As a result, the market price of our common stock could decline below the price at which you purchase it. You may be unable to resell your shares of our common stock at or above such price. Among the other factors that could affect our stock price are:

- actual or anticipated variations in operating results;
- changes in dividend policy or our intentions to deploy our capital, including any decisions to repurchase our debt or common stock;
- changes in financial estimates or investment recommendations by research analysts;
- actual or anticipated changes in economic, political or market conditions, such as recessions or international currency fluctuations;
- actual or anticipated changes in the regulatory environment affecting the music industry;
- changes in the retailing environment;
- changes in the market valuations of other content on media companies or diversified media companies that are also engaged in some of the business in which we are engaged that may be deemed our peers; and
- announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives.

See "Risk Factors—Due to the nature of our business, our results of operations and cash flows may fluctuate significantly from period to period." In the past, following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and a diversion of management attention and resources, which could significantly harm our profitability and reputation.

Provisions in our Charter and amended and restated bylaws and Delaware law may discourage a takeover attempt.

Provisions contained in our Charter and amended and restated bylaws ("Bylaws") and Delaware law could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. Provisions of our Charter and Bylaws impose various procedural and other requirements, which could make it more difficult for shareholders to effect certain corporate actions. For example, our Charter authorizes our Board of Directors to issue up to 100,000,000 preferred shares and determine the rights including vesting rights, preferences, privileges, qualifications, limitations, and restrictions of unissued series of preferred stock, without any vote or action by our shareholders. Thus, our Board of Directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock. These rights may have the effect of delaying or deterring a change of control of our company. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Item 2 is not applicable and has been omitted.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Item 3 is not applicable and has been omitted.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

French Legal Proceedings

In June 2010, Edgar Bronfman, Jr., our Chairman and CEO, was part of a trial in the Trial Court in Paris involving six other individuals, including the former CEO, CFO, and COO of Vivendi Universal. The other individuals faced various criminal charges and civil claims relating to Vivendi, including Vivendi's financial disclosures, the appropriateness of executive compensation, and trading in Vivendi stock. Mr. Bronfman was formerly the Vice Chairman of Vivendi and faced a charge and claims relating to certain trading in Vivendi stock in January 2002. At the trial, the public prosecutor and the lead civil claimant both took the position that Mr. Bronfman should be acquitted. On January 21, 2011, the court found Mr. Bronfman guilty of the charge relating to his trading in Vivendi stock, found him not liable to the civil claimants, and imposed a fine of 5 million euros and a suspended sentence of 15 months. Mr. Bronfman has appealed the judgment and believes that his trading in Vivendi stock was proper. The civil claimants have filed an appeal as to their civil claims. Under French law, the penalty is suspended pending the final outcome of the case.

ITEM 6. EXHIBITS

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Warner Music Group Corp. (1)
3.2	Amended and Restated Bylaws of Warner Music Group Corp. (2)
10.1	US/Canada Manufacturing and PP&S Agreement, effective as of July 1, 2010, between Warner-Elektra-Atlantic Corporation and Cinram International Inc. *
10.2	US/Canada Transition Agreement, executed as of July 1, 2010, between Warner-Elektra-Atlantic Corporation and Cinram International Inc. *
10.3	International Manufacturing and PP&S Agreement, effective as of July 1, 2010, between WEA International, Inc. and Cinram International Inc. *
10.4	International Transition Agreement, executed as of July 1, 2010, between WEA International, Inc. and Cinram International Inc.*
10.5	Warner Music Group Corp. Deferred Compensation Plan (3) †
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended**
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-15(a) of the Securities Exchange Act of 1934, as amended**

32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002***

32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002***

* Filed herewith. An application for confidential treatment for selected portions of these agreements has been filed with the Securities and Exchange Commission.

** Filed herewith.

*** This certification will be treated as "accompanying" this Quarterly Report on Form 10-Q and not "filed" as part of such report for purposes of Section 18 of the Securities Exchange Act, as amended, or otherwise subject the liability of Section 18 of the Securities Exchange Act of 1934, as amended, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

† Represents management contract, compensatory plan or arrangement in which directors and/or executive officers are eligible to participate.

(1) Incorporated by reference to Warner Music Group Corp.'s Quarterly Report on Form 10-Q for the period ended March 31, 2005 (File No. 001-32502).

(2) Incorporated by reference to Warner Music Group Corp.'s Current Report on Form 8-K filed on November 17, 2009 (File No. 001-32502).

(3) Incorporated by reference to Warner Music Group Corp.'s Registration Statement on Form S-8 (File No. 333-170771).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 8, 2011

WARNER MUSIC GROUP CORP.

By: /S/ EDGAR BRONFMAN, JR.
Name: **Edgar Bronfman, Jr.**
Title: **Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)**

By: /S/ STEVEN MACRI
Name: **Steven Macri**
Title: **Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)**

Exhibit 10.1

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY ASTERISKS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

US/CANADA MANUFACTURING AND PP&S AGREEMENT

This US/CANADA MANUFACTURING AND PP&S AGREEMENT (" Agreement") is made and entered into effective as of July 1, 2010 (the "Effective Date") by and between, on one hand, Warner-Elektra-Atlantic Corporation, a New York corporation with its principal place of business at 75 Rockefeller Plaza, New York, NY 10019 ("WEA"), and on the other hand, Cinram International Inc., a Canadian corporation with its principal place of business at 2255 Markham Road, Scarborough, Ontario M1B 2W3, Canada (" Cinram International Inc."), Cinram Manufacturing LLC, a Delaware limited liability company with its principal place of business at 1400 East Lackawanna Avenue, Olyphant, PA 18448 ("Cinram Manufacturing LLC"), and Cinram Distribution LLC, a Delaware limited liability company with its principal place of business at 948 Meridian Lake Drive, Aurora, IL 60504 (" Cinram Distribution LLC") (Cinram International Inc., Cinram Manufacturing LLC, and Cinram Distribution LLC, individually and collectively, " Cinram"). Each capitalized term used in this Agreement but not defined herein has the meaning ascribed to such term in the Exhibits hereto.

WHEREAS WEA and Cinram Manufacturing LLC (successor by merger to Cinram Manufacturing, Inc.) entered into that certain US MANUFACTURING AND PACKAGING AGREEMENT dated as of October 24, 2003 (the "Original Effective Date"), as amended (the "US Manufacturing Agreement"), pursuant to which Cinram Manufacturing LLC provided certain manufacturing, packaging and related services to WEA in the United States; and

WHEREAS WEA and Cinram Distribution LLC entered into that certain US PICK, PACK AND SHIPPING SERVICES AGREEMENT dated as of Original Effective Date, as amended (the "US PP&S Agreement"), pursuant to which Cinram Distribution LLC provided certain pick, pack, shipping and related services to WEA in the United States; and

WHEREAS Warner Music Canada, Warner International Manufacturing Inc., and Cinram International Inc. entered into that certain MANUFACTURING AGREEMENT dated as of July 1, 2001, as amended (the "Canada Manufacturing Agreement"), pursuant to which Cinram International Inc. provided certain manufacturing and related services to WEA affiliates in Canada and which agreement expired on December 31, 2007, and whereas the services that had been provided under the Canada Manufacturing Agreement prior to its expiration have been provided under the US Manufacturing Agreement since January 1, 2008; and

WHEREAS Warner Music Canada Ltd and Cinram International Inc. entered into that certain WARNER MUSIC DISTRIBUTION SERVICES AGREEMENT dated as of March 31, 2003, as amended (the " Canada Distribution Agreement"), pursuant to which Cinram International Inc. provided certain distribution and related services to WEA affiliates in Canada; and

WHEREAS WEA and Cinram desire to supersede the US Manufacturing Agreement, the US PP&S Agreement and the Canada Distribution Agreement with a single consolidated agreement that governs the provision of manufacturing, packaging, pick, pack, shipping and related services to WEA in the United States and Canada.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, WEA and Cinram hereby agree as follows:

1. **

2. Confirmations Under Existing Credit Agreement . Within seven (7) days after the execution of this Agreement by Cinram and WEA, Cinram shall have obtained from the administrative agent under Cinram's Existing Credit Agreement (as defined below) (the " Administrative Agent"), and shall have delivered to WEA, the letter in the form attached hereto as Exhibit C1 (the "C1 Letter"). In the event that the Existing Credit Agreement is restated, extended or amended as to one or more of the following: principal amount, duration of term, rates, equity participation, events of default, or rights of enforcement, which amendment, restatement or extension requires a vote of the lenders under the Existing Credit Agreement, Cinram shall obtain from the administrative agent and deliver to WEA a letter in the form attached hereto as Exhibit C2. If the Existing Credit Agreement is replaced with a new credit agreement or the Long Term debt is refinanced, whether with some or all of the existing lenders or not, Cinram shall obtain from the administrative agent thereunder, if any, or each of the lenders, if no administrative agent, and deliver to WEA the letter in the form attached hereto as Exhibit C2 (the "C2 Letter"). If the identity of the Administrative Agent changes following the execution of the C1 Letter or the C2 Letter, then Cinram shall promptly (and no later than seven (7) days after such change) provide WEA with the C1 Letter or C2 Letter (as the case may be) from such new Administrative Agent.

3. Performance of Services; Subcontracting . Cinram shall perform the Services (as defined in Exhibit A (M&P Terms) and Exhibit B (PP&S Terms) hereto) in accordance with the terms and conditions of this Agreement. Cinram may not subcontract or delegate this Agreement or its rights or obligations under this Agreement to any other member of the Cinram Group or any third party without WEA's prior written consent, which WEA may grant or withhold in its sole discretion, and any such subcontracting or delegation shall not relieve Cinram of its obligations hereunder. If WEA grants such consent with respect to a particular member of the Cinram Group or third party, such Cinram Group member or third party shall be deemed to be an " Approved Subcontractor" for purposes of this Agreement. Cinram shall cause each Approved Subcontractor to abide by the terms and conditions of this

Agreement applicable to Cinram (regardless of whether such Approved Subcontractor is expressly covered by such terms and conditions). Cinram shall be fully responsible and liable for the acts and omissions of any Cinram subcontractor, including without limitation all Approved Subcontractors. If any Approved Subcontractor takes any action or omits to take any action that would be deemed to be a breach of this Agreement if such action or omission were or were not taken by Cinram, then: (a) Cinram shall immediately notify WEA thereof; (b) upon notice to Cinram from WEA, Cinram shall immediately cease providing any Materials or other WEA property to such subcontractor and permitting such subcontractor to perform Cinram's obligations hereunder, and such entity shall cease to be an Approved Subcontractor for purposes of this Agreement; and (c) Cinram shall be deemed to be in breach of this Agreement as if such action or omission were or were not taken by Cinram.

4. Warranties, Representations, Covenants and Indemnities.

(a) Cinram (i) warrants, represents and/or covenants, as the case may be, that: (A) Cinram has the right, power and authority to enter into and fully perform this Agreement and to legally bind those entities on behalf of which it is entering into this Agreement; (B) no agreement of any kind heretofore entered into by Cinram shall interfere in any manner with the complete performance of this Agreement; (C) subject to WEA's warranties and representations set forth below, any items prepared by or otherwise furnished by Cinram in connection with Components or Products (and the manufacture, sale, offer for sale, import, and export, and use thereof) and Cinram's performance of Services hereunder will not violate any law or infringe upon the rights of any party; (D) Cinram has all necessary rights in and to the Vision Tools (as defined in Exhibit A (M&P Terms)) to grant WEA the rights granted hereunder, and the Vision Tools will not violate any law or infringe upon the rights of any party; and (E) the Vision Tools shall be free from viruses, worms, Trojan horses, and other harmful code and components; and (ii) on its own behalf and on behalf of each of the other members of the Cinram Group, represents, warrants and/or covenants, as the case may be, that: (A) in the event of any CCAA, Chapter 11, ancillary proceedings or other insolvency filing by or in respect of Cinram or any other member of the Cinram Group, or an application for the appointment of a receiver, interim receiver, provisional liquidator, liquidator, by or in respect of Cinram or any other member of the Cinram Group, or a notice of intention or proposal is filed by or in respect of Cinram or any other member of the Cinram Group (collectively a "Filing," and all such proceedings therein, a "Filing Proceeding"), it and they shall not support or propose and shall oppose any order in any Filing Proceeding that has the effect of limiting WEA's rights under Section 5(b) of this Agreement (or any subsequent amendment thereto) that the Permitted Exclusion Percentages ** for the then-current calendar year and the remainder of the Term, or that limits WEA's right to terminate the Term and/or WMI's right to terminate the term of the International Manufacturing and PP&S Agreement; (B) the Long-Term Debt (as defined in Section 5(b)(vi) below) is the only outstanding debt obligation (excluding capitalized lease obligations, trade payables, accrued but unpaid royalties, purchase money security interests and non-speculative hedging obligations all of which are incurred in the ordinary course of business) of the Cinram Group that is in excess of ** (individually or in the aggregate) and neither Cinram nor any member of the Cinram Group shall incur any other such indebtedness other than a refinancing of the Long-Term Debt; (C) no Inventory, Products, Components or Source Materials are or shall be subject to any security interest, lien, claim, assignment, transfer, pledge, hypothecation or other encumbrance (excluding any security interests held or otherwise placed by WEA in or on such materials); (D) neither Cinram nor any member of the Cinram Group shall incur or suffer to exist any security interest, lien, assignment, transfer, pledge, hypothecation or other encumbrance on any of its assets that is in excess of ** in the aggregate other than encumbrances incurred in the ordinary course for capitalized lease obligations and purchase money security interests and any security granted to the holders of the Long-Term Debt; and (E) Cinram shall provide prior written notice to WEA of its intent to effect a Permitted Conversion no less than ten (10) days prior to mailing the proxy circular to unitholders of the Fund, such written notice to include the draft of the proxy circular.

(b) Cinram agrees to and does hereby indemnify, save and hold WEA and its Affiliates, and each of their respective officers, directors and employees (collectively, for the purposes of this Section 4(b) only, "WEA") harmless to the maximum extent permitted by law from any and all loss and damage (including court costs and reasonable attorneys' fees as and when incurred) arising out of, connected with or as a result of: (i) any inaccuracy, inconsistency with, failure of, or breach or threatened breach by Cinram, any other member of the Cinram Group, or any Approved Subcontractor or other subcontractor of any of the foregoing, of any warranty, representation, agreement, undertaking or covenant contained in this Agreement; (ii) the occurrence of any Termination Event (as defined below); and/or (iii) any and all damages or injuries of any kind or nature whatsoever (including death resulting therefrom) to any persons, whether employees of Cinram or otherwise, and to any property caused by, resulting from, arising out of or occurring in connection with the execution of the work under this Agreement (including as a result of any product liability claims), whether such damages or injuries are or are alleged to be based upon Cinram's active or passive negligence or participation in the wrong or upon any breach of any statutory duty or obligation on the part of Cinram (except to the extent such damages or injuries directly result from any act of WEA's employees located at Cinram's facilities and are not otherwise covered by the property insurance Cinram is required to maintain hereunder as set forth on Schedule F to Exhibit A (M&P Terms) hereto or Schedule C to Exhibit B (PP&S Terms) hereto, or result from a breach of any warranty, representation, agreement, undertaking or covenant of WEA contained herein). The foregoing indemnity shall be applicable only to such claims as have been reduced to judgment or settled with Cinram's written approval. WEA shall give Cinram prompt notice of any claim to which the foregoing indemnity applies and Cinram shall assume the defense of any such claim through counsel of Cinram's choice and at Cinram's sole expense. WEA shall have the right to participate in such defense through counsel of WEA's choice and at WEA's expense.

(c) WEA warrants, represents and/or covenants, as the case may be, that: (i) WEA has the right, power and authority to enter into and fully perform this Agreement and to legally bind those entities on behalf of which it is entering into this Agreement; (ii) no agreement of any kind heretofore entered into by WEA shall interfere in any manner with the complete performance of this Agreement; and (iii) Material embodied in Products and Components as supplied by WEA shall not violate any law or infringe upon the rights of any third party. As used herein, "Material" shall include all musical compositions, names, biographical materials and likenesses, photographic, video or motion picture images, sound recordings, intellectual properties, packaging and artwork.

(d) WEA agrees to and does hereby indemnify, save and hold Cinram and its Affiliates, and each of their respective officers, directors and employees (collectively, for the purposes of this Section 4(d) only, "Cinram") harmless to the maximum extent permitted by law from any and all loss and damage (including court costs and reasonable attorneys' fees as and when incurred) arising out of, connected with or as a result of: (i) any inaccuracy, inconsistency with, failure of, or breach or threatened breach by WEA of any warranty, representation, agreement, undertaking or covenant contained in this Agreement; and/or (ii) any and all damages or injuries of any kind or nature whatsoever (including death resulting therefrom) to any persons, whether employees of Cinram or otherwise, and to any property caused by, resulting from, arising out of or occurring in connection with any act of WEA's employees located at Cinram's facilities, except to the extent such damages and injuries are covered by the property insurance Cinram is required to maintain hereunder as set forth on Schedule F to Exhibit A (M&P Terms) hereto or Schedule C to Exhibit B (PP&S Terms) hereto; and/or (iii) any products liability claims arising under Exhibit A (M&P Terms) hereto for manufacturing defects directly related to Products not manufactured by Cinram, any Affiliate of Cinram or on behalf of Cinram. The foregoing indemnity shall be applicable only to such claims as have been reduced to judgment or settled with WEA's written approval. Cinram shall give WEA prompt notice of any claim to which the foregoing indemnity applies and WEA shall assume the defense of any such claim through counsel of WEA's choice and at WEA's

sole expense. Cinram shall have the right to participate in such defense through counsel of Cinram's choice and at Cinram's expense.

5. Term; Breach, Cure and Termination; Post-Term Procedures.

(a) Term. The initial term of this Agreement shall commence on the Effective Date and expire on January 31, 2014, subject to earlier termination in accordance with the other terms and conditions of this Agreement (the "Initial Term"). WEA shall have the option to renew the term of this Agreement for up to two (2) additional one (1)-year periods (each, a "Renewal Term") by providing written notice to Cinram at least ninety (90) days prior to the end of the Initial Term or first Renewal Term, as applicable (the Initial Term and any Renewal Term(s), collectively, the "Term").

(b) Termination Events. Following any Termination Event (as defined below) or any other material breach of this Agreement by Cinram, irrespective of whether any notice has been provided to WEA and even where WEA did not discover that such Termination Event or breach occurred until after a filing of bankruptcy or a similar proceeding by a particular member of the Cinram Group: (i) the Permitted Exclusion Percentages set forth in Exhibit A (M&P Terms) and Exhibit B (PP&S Terms) hereto shall automatically (and without the requirement of any notice or action of any kind) be amended to **, which amended Permitted Exclusion Percentages shall apply for the then-current calendar year and the remainder of the Term; and (ii) WEA may by written notice to Cinram at any time (as long as such notice is provided to Cinram no later than six (6) months after Cinram notifies WEA in writing of such Termination Event or breach) terminate the Term in whole or in part. Cinram shall provide WEA with written notice immediately upon, and in any event no later than two (2) business days after, it knows or becomes aware of (or should have known or become aware of) the occurrence of any Termination Event, and failure to provide such notice to WEA shall itself be deemed to be a Termination Event. Each Termination Event shall be deemed to be a material breach of this Agreement that is incapable of cure, and any material breach of this Agreement that is not a Termination Event shall (except as otherwise provided in this Agreement) be subject to a cure period of forty-five (45) days following written notice to Cinram of such breach. Each of the following shall be deemed to be a "Termination Event" for purposes of this Agreement:

(i) Willful and Malicious Breaches. Any willful and malicious breach by Cinram of any material provision of this Agreement.

(ii) Failures With Respect to M&P Services. With respect to Exhibit A (M&P Terms), each of the following:

(A) over any ten (10) day period, Cinram failing to meet the Service Level Requirements for at least fifty ** of Products and/or Components Ordered;

(B) over any one (1)-month period, Cinram failing to meet the Service Level Requirements for at least ** of Products and/or Components Ordered;

(C) over any three (3)-month period, Cinram failing to meet the Service Level Requirements for at least ** of Products and/or Components Ordered;

(D) over any six (6)-month period, Cinram failing to meet the Service Level Requirements for at least ** of Products and/or Components Ordered;

(E) over any twelve (12)-month period, Cinram failing to meet any Platinum Release Date with respect to more than ** of Products or Components Ordered ** or more times in the aggregate; and/or

(F) over any six (6)-month period, Cinram failing to meet any Key Release Date with respect to more than ** of Products or Components Ordered ** or more times in the aggregate.

(iii) Failures With Respect to PP&S Services. With respect to Exhibit B (PP&S Terms), each of the following:

(A) over any ten (10) day period, Cinram failing to meet the Service Level Requirements that are expressed as "per-service" requirements for at least ** of Products Ordered;

(B) over any one (1)-month period, Cinram failing to meet the Service Level Requirements that are expressed as "per-service" requirements for at least ** of Products Ordered;

(C) over any three (3)-month period, Cinram failing to meet the Service Level Requirements that are expressed as "per-service" requirements for at least ** of Products Ordered;

(D) over any six (6)-month period, Cinram failing to meet the Service Level Requirements that are expressed as "per-service" requirements for at least ** of Products Ordered;

(E) over any twelve (12)-month period, Cinram failing to meet the Service Level Requirements that are expressed as an "annual" requirement for ** of Products Ordered;

(F) over any twelve (12)-month period, Cinram failing to meet any Platinum Release Date with respect to more than ** of Products Ordered ** or more times in the aggregate; and/or

(G) over any six (6)-month period, Cinram failing to meet any Key Release Date with respect to more than ** of Products Ordered ** or more times in the aggregate.

(iv) Defaults. Any "Default" or "Event of Default" by any member of the Cinram Group under the Existing Credit Agreement or any other debt agreements to which it is a party or to which it may become a party; provided, however, that any default with respect to obligations (A) incurred in the ordinary course of business, (B) not in respect of borrowed money and (C) aggregating not in excess of ** at any one time outstanding, shall not constitute a Default or Event of Default for purposes of this Section 5(b) (iv) as long as any such default does not result in any cross default in any debt agreement for borrowed money such that that particular debt is also in default.

(v) Misrepresentation. Any member of the Cinram Group commits any (A) material misrepresentation related to its public disclosure obligations and/or with respect

to the Existing Credit Agreement or any other material debt agreements that was not corrected within twenty-four (24) hours of making such misrepresentation via a means reasonably designed to provide broad, non-exclusionary distribution to the public (*e.g.,* a press release, Form 8-K, or so-called "material change report"), or (B) fraud.

(vi) **

(vii) **

(viii) Change in Normal Course Conduct of Business. Cinram or any Affiliate of Cinram that provides Optical Disc manufacturing, packaging or distribution services ceases or threatens to cease conducting business in the normal course.

(ix) Destruction of Assets. A portion of any assets used in providing any services hereunder are damaged, lost, or destroyed, which has a material adverse impact on Cinram's ability to perform its services hereunder.

(x) Change of Control. Any Change of Control (provided that WEA's termination of the Term based solely on this Section 5(b)(x) shall require written notice to Cinram no later than nine (9) months following the later to occur of (A) such Change of Control or (B) written notice to WEA from a member of the Cinram Group that a Change of Control has occurred).

(xi) Insolvency Event. Any Insolvency Event.

(xii) Recorded Music Major Transaction. Any Recorded Music Major Transaction (provided that WEA's termination of the Term based solely on this Section 5(b)(xii) shall require six (6) months' prior written notice to Cinram).

(xiii) Breach of certain representations, warranties and covenants. Cinram or any member of the Cinram Group shall default in the observance or performance of any representation, warranty, agreement, covenant or condition contained in Section 4(a)(ii) above; provided that notwithstanding anything to the contrary in Section 5(b) above, Section 4(a)(ii)(B) and 4(a)(ii)(D) are subject to a cure period of thirty (30) days following such breach and Section 4(a)(ii)(C) and 4(a)(ii)(E) is subject to a cure period of five (5) days following such breach.

(c) Liabilities Prior to Termination. Any termination of the Term under this Section 5 will not relieve Cinram of liability for breaches hereof arising prior to such termination nor shall it relieve WEA from any liability to pay for Services rendered prior to such termination.

(d) Post-Term Procedures.

(i) Upon the expiration or termination of the Term, Cinram shall immediately cause the cessation of all Services hereunder and shall have no further rights or obligations with respect to Products hereunder except as provided herein, and the US/Canada Transition Agreement (as defined below) shall thereafter apply; provided, however, that upon WEA's request, Cinram shall fill any then-currently outstanding orders for units of Components and Products pursuant to the terms of this Agreement and the Exhibits hereto. Within ten (10) business

days following the expiration or termination of the Term, Cinram shall provide WEA with a list of all Source Materials and units of Components and Products (as applicable) in Cinram's possession or control on such date. The mere expiration or termination of the Term shall not affect any obligations of WEA to pay for Services rendered by Cinram under this Agreement prior to such expiration or termination or any other obligation that is expressly provided herein to survive the expiration or termination of such Term.

(ii) The following sections of this Agreement shall survive any expiration or termination of the Term: Sections 1(b), 2, 3, 4, 6, 7, 8 (in accordance with its terms), 9(c) and 10; this Section 5; and any provisions of this Agreement that by their nature are intended to survive expiration or termination of the Term.

(e) Cross-Termination. Notwithstanding anything to the contrary in this Agreement or any other agreement between WEA or its Affiliates and Cinram or any other member of the Cinram Group, and irrespective of whether otherwise expressly provided herein or in such other agreement(s), any right for WEA to terminate the Term and/or for WMI to terminate the term of the International Manufacturing and PP&S Agreement, in whole or in part, shall automatically be deemed to include the right for WEA or WMI (as applicable) to terminate the term of the other such agreement, in whole or in part, upon written notice to Cinram.

6. Motion to Assume or Reject. In the event a bankruptcy or insolvency case is commenced by or against Cinram, Cinram shall decide whether to (a) assume or (b) reject, disclaim or resiliate this entire Agreement, and shall either notify WEA of its decision or, to the extent required by law, file a motion to obtain court approval of its decision, in each case within forty-five (45) days of the entry of the order for relief in such case, which motion and court order approving same shall be in form and substance reasonably satisfactory to WEA. Cinram shall diligently prosecute any such motion.

7. Remedies.

(a) If WEA purports to terminate the Term under Section 5 hereof, then each party hereto shall have the right to seek any remedy or other relief available under applicable law (except as limited by the terms of this Agreement), and each party hereto shall have the right to assert any defenses available under applicable law; provided, however, that under no circumstances shall any party from whom WEA obtains services in substitution for any or all Services to be provided hereunder have any liability whatsoever to Cinram arising out of or related to any actual or purported termination of the Term by WEA, even if in violation of this Agreement, and Cinram shall take no action against any such party in connection with the provision of such services by such party to WEA.

(b) Without limiting Section 7(a) above, the parties acknowledge and agree that: (i) WEA's rights to exercise and enforce the rights, restrictions, limitations and qualifications imposed in Sections 3, 6, and 8 of this Agreement and Exhibit A (M&P Terms) and Exhibit B (PP&S Terms) to this Agreement are of a special, unique, extraordinary and intellectual character, giving them a peculiar value the loss of which by WEA (A) cannot be readily estimated, or adequately compensated for, in monetary damages and (B) would cause WEA substantial and irreparable harm for which it would not have an adequate remedy at law, and (ii) WEA accordingly will be entitled to equitable relief against Cinram (including without limitation temporary restraining orders, preliminary and permanent injunctive relief, and specific performance), in addition to all other remedies that WEA may have, to enforce the terms and conditions of such Sections of and Exhibits to this Agreement and protect its rights hereunder. Except as otherwise provided herein, the rights and remedies of WEA and Cinram provided under this Agreement are cumulative and in addition to any other rights and remedies of the parties at law or equity.

8. Confidentiality.

(a) Each of Cinram and WEA shall, and shall cause its Affiliates, and its and its Affiliates' directors, officers, employees and agents (each, a "Recipient") to, maintain in confidence the material terms of this Agreement, except that (i) WEA may disclose this Agreement on a confidential basis in connection with a potential Recorded Music Major Transaction, to a potential assignee permitted hereunder or to Affiliates of WEA as may be necessary in the ordinary course of business, and (ii) Cinram may disclose this Agreement on a confidential basis to its lenders under the Long-Term Debt or to Affiliates of Cinram as may be necessary in the ordinary course of business (provided, that in each case any such disclosure shall be limited to those persons who agree to be bound by the provisions of this Section 8). The restriction in the preceding sentence shall not apply to information that: (A) becomes generally available to the public other than as a result of disclosure by such Recipient contrary to this Agreement; (B) was available to such Recipient on a non-confidential basis prior to its disclosure to such Recipient; (C) becomes available to such Recipient on a non-confidential basis from a source other than any other Recipient unless such Recipient knows that such source is bound by a confidentiality agreement or is otherwise prohibited from transmitting the information to such Recipient by a contractual obligation; (D) is independently developed by such Recipient without reference to confidential information received from any other party; (E) is required to be disclosed by applicable law or legal process, provided that any Recipient disclosing pursuant to this clause (E) shall notify the other party at least five (5) days prior to such disclosure so as to allow such other party an opportunity to protect such information through protective order or otherwise; (F) is required to be disclosed by any listing agreement with, or the rules or regulations of, any security exchange on which securities of such Recipient or any of its Affiliates are listed or traded; or (G) is required to be disclosed by a party in order to perform its obligations under the Agreement; provided, that any such disclosure shall be limited to those persons who have a need to know such information and who agree to be bound by the provisions of this Section 8. No party hereto shall make a press release or public announcement concerning this Agreement without the prior written consent of the other party hereto.

(b) Cinram shall, and shall cause its Affiliates, and its and its Affiliates' directors, officers, employees and agents to, maintain in confidence all information that: (i) is in its or their possession by reason of Cinram's performance of Services hereunder; and (ii) relates to the Products (including, without limitation, shipment and return volumes, shipping destinations, pricing information and other terms of sale). WEA shall, and shall cause its Affiliates, and its and its' Affiliates' directors, officers, employees and agents to, maintain in confidence all information that: (x) is in its or their possession by reason of Cinram's performance of Services hereunder; and (y) relates to the pricing, methods of manufacture or distribution or other proprietary information of Cinram. The restrictions in the two preceding sentences shall not apply to information that: (A) becomes generally available to the public other than as a result of disclosure by such Recipient contrary to this Agreement; (B) was available to such Recipient on a non-confidential basis prior to its disclosure to such Recipient; (C) becomes available to such Recipient on a non-confidential basis from a source other than any other Recipient unless such Recipient knows that such source is bound by a confidentiality agreement or is otherwise prohibited from transmitting the information to such Recipient by a contractual obligation; (D) is independently developed by such Recipient without reference to confidential information received from any other party; (E) is required to be disclosed by applicable law or legal process, provided that any Recipient disclosing pursuant to this clause (E) shall notify the other party at least five (5) days prior to such disclosure so as to allow such other party an opportunity to protect such information through protective order or otherwise; or (F) is required to be disclosed by any listing agreement with, or the rules or regulations of, any security exchange on which securities of such Recipient or any of its Affiliates are listed or traded. Notwithstanding anything to the contrary above, WEA and its Affiliates shall be permitted to disclose any information on a confidential basis in connection with a potential Recorded Music Major Transaction, to a potential assignee permitted hereunder or to third parties and WEA Affiliates as may be necessary in the

ordinary course of business (provided, that any such disclosure shall be limited to those persons who agree to be bound by the provisions of this Section 8).

(c) The obligations of WEA and Cinram under Sections 8(a) and 8(b) above shall survive for three (3) years following the expiration or termination of the Term.

9. Force Majeure.

(a) If because of an "act of God", inevitable accident, fire, lockout, strike or other labor dispute, riot or civil commotion, act of public enemy or other cause of a similar nature not reasonably within Cinram's control (a "Force Majeure Event"), Cinram is materially hampered in the performance of its obligations under this Agreement or its normal business operations are delayed or become impossible or commercially impracticable, then Cinram shall have the option, by giving WEA written notice, to suspend its obligations under this Agreement solely with respect to those M&P Services, PP&S Services and/or any other Services, in each case, that are affected by such Force Majeure Event, effective upon receipt by WEA of such notice, for the duration of any such contingency. Should Cinram suspend its obligations under this Agreement pursuant to this Section 9(a) with respect to any M&P Services, PP&S Services and/or any other Services, such suspension shall not constitute a breach hereunder and Cinram shall not be subject to price rebates under Section 15 of Exhibit A (M&P Terms) with respect to any occurrences during the pendency of any such suspension of M&P Services, or price rebates under Section 14 of Exhibit B (PP&S Terms) with respect to any occurrences during the pendency of any such suspension of PP&S Services. Immediately upon Cinram's assertion of its right to suspend its obligations with respect to M&P Services, PP&S Services and/or any other Services under this Agreement, WEA shall have the right to manufacture, package, and/or distribute, as the case may be, Products itself or through third parties during the pendency of such suspension (for purposes of clarity, WEA shall be permitted to use third-party vendors to provide M&P Services, PP&S Services and/or any other Services to the extent affected by such Force Majeure Event for any or all of the total volume of Products hereunder during the pendency of the Force Majeure Event). Further, should Cinram suspend its obligations under this Agreement, and in addition to any other rights of WEA hereunder, WEA shall, on and from the date which is twelve (12) months after the occurrence of (which may be earlier than Cinram's assertion of suspension under) a Force Majeure Event, have the right to terminate the Term in whole or in part by notice in writing to Cinram unless prior to the date of such termination Cinram has by notice in writing to WEA ended the suspension of Cinram's obligations under this Agreement. For the avoidance of doubt, should WEA exercise its right of termination under this Section 9(a), no cure period shall be associated with Cinram's failure to perform its obligations hereunder. No liability or obligation of Cinram under any provision hereof, other than those directly affected by a Force Majeure Event, shall be in any way limited or forgiven as a result of any Force Majeure Event. For the avoidance of doubt, no Termination Event shall, in itself, be deemed to constitute a Force Majeure Event.

(b) In addition, within twenty-four (24) hours of becoming aware of any circumstance or event which may reasonably be anticipated to cause or constitute a Force Majeure Event, Cinram shall notify WEA of such circumstance or event. For the avoidance of doubt, such notice shall not constitute an assertion by Cinram of its right to suspend its obligations hereunder.

(c) If for any reason, Cinram is unable to provide any Services hereunder in connection with any Order(s) for a period exceeding twenty-four (24) hours and such inability is reasonably likely to result in Cinram being unable to meet the Service Level Requirements set forth herein, WEA shall have the right to immediately contract with a third party to provide all or any portion of such services for such period of time as may be reasonably necessary for WEA to obtain the services required to fulfill any such Order(s). Once WEA is reasonably satisfied that Cinram is again able to provide the required Services, WEA shall return the contracted Services to Cinram as soon as it is reasonably able to do so; provided,

however, that the return of such Services to Cinram shall be subject to any reasonable commitment WEA has made to the applicable third party that such Services would remain with such third party for a period of time. Cinram shall reimburse WEA upon demand for any and all incremental out-of-pocket charges that WEA reasonably incurs as a result of transferring its Services under this Section 9(c).

10. Miscellaneous.

(a) Waiver. Any party to this Agreement may: (i) extend the time for the performance of any of the obligations or other acts of the other party hereto; (ii) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered by the other party pursuant hereto; or (iii) waive compliance with any of the agreements or conditions of the other party hereto contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition, of this Agreement. The failure of either hereto party to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

(b) Assignment. Cinram shall not have the right without WEA's prior written consent (which consent may be granted or withheld in the sole discretion of WEA) to assign this Agreement or any of the rights granted to Cinram hereunder, in whole or in part; provided, however, that Cinram shall be permitted to assign this Agreement to any wholly owned subsidiary of Cinram International Inc. (provided, further, that Cinram has given WEA prior written notice of such assignment, and that notwithstanding such assignment, Cinram at all times shall remain directly and fully responsible and liable to WEA for the performance of all Services and for all of its representations, warranties and obligations, including without limitation indemnification obligations, hereunder). WEA shall have the right without Cinram's consent to assign this Agreement, in whole or in part, to any subsidiary, parent company or Affiliate of WEA, or to any third-party acquiring all or substantially all of WEA's assets or equity; provided, however, that, in each case, notwithstanding such assignment, WEA at all times shall remain directly and fully liable to Cinram for the performance of the obligations of WEA hereunder.

(c) No Solicitation. During the Term and for a period of ** thereafter, neither Cinram nor any of Cinram's Affiliates may offer employment to any Employee or offer manufacturing, packaging, distribution, pick, pack and ship or similar services to any Distributed Label without the prior written approval of WEA. For purposes of this Section 10(c), "Employee" shall mean any United States employee at the director or department head level or above of WEA (or its Affiliates); and "Distributed Label" shall mean any company whose products are then, or have within the past six (6) months been, distributed by WEA (or its Affiliates) (*e.g.*, under a "P & D" agreement or pick, pack and ship arrangement, etc.).

(d) Further Assurances. Cinram and WEA each agree to execute and deliver all such other and additional instruments and documents and to do such other acts and things as may be necessary to more fully effectuate this Agreement.

(e) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of, and shall be enforceable by, each of the parties hereto and their respective permitted assigns.

(f) Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by telecopy or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10(f)):

WEA:

Warner-Elektra-Atlantic Corporation
75 Rockefeller Plaza
New York, New York 10019
Attn: President
Fax: (212) 258-3121

with copies to:

Warner Music Group
75 Rockefeller Plaza
New York, New York 10019
Attention: EVP & General Counsel
Fax: (212) 258-3092

Warner-Elektra-Atlantic Corporation
75 Rockefeller Plaza
New York, New York 10019
Attn: SVP, Business & Legal Affairs
Fax: (212) 275-3341

Cinram:

Cinram International Inc.
2255 Markham Road
Scarborough, Ontario M1B 2W3
Canada
Attn: Steve Brown
Fax: (416) 298-0612

with a copy to:

Office of General Counsel
Cinram
860 Via de la Paz, Suite F4
Pacific Palisades, CA 90272
Attn: Howard Z. Berman, Esq.
Fax: 310-230-9969

(g) Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(h) Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any federal, state, local or foreign statute, law, ordinance, regulation, code, order, other requirement or rule of law or by public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner in order that the

transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

(i) No Agency. WEA and Cinram each shall have the status of an independent contractor and nothing herein contained shall contemplate or constitute WEA as Cinram's agent or employee or Cinram as WEA's agent or employee. This Agreement does not constitute or acknowledge any partnership or joint venture between WEA and Cinram.

(j) No Third-Party Beneficiaries. Except for the provisions of Sections 4(b) and 4(d) above relating to indemnified parties, this Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other party any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

(k) **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS EXECUTED IN AND TO BE PERFORMED ENTIRELY WITHIN THAT STATE. EXCEPT AS PROVIDED IN SECTION 12(g) OF OR SCHEDULE F TO EXHIBIT A (M&P TERMS) HERETO OR IN SCHEDULE C TO EXHIBIT B (PP&S TERMS) HERETO, ALL ACTIONS AND PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE HEARD AND DETERMINED IN ANY NEW YORK STATE OR FEDERAL COURT SITTING IN THE CITY OF NEW YORK, AND THE PARTIES HERETO HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING AND IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. EACH PARTY HERETO IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH PARTY AT ITS ADDRESS SPECIFIED IN SECTION 10(f) HEREOF. THE PARTIES HERETO AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION 10(k) SHALL AFFECT THE RIGHT OF EITHER PARTY HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW. THE CONSENTS TO JURISDICTION SET FORTH IN THIS SECTION 10(k) SHALL NOT CONSTITUTE GENERAL CONSENTS TO SERVICE OF PROCESS IN THE STATE OF NEW YORK AND SHALL HAVE NO EFFECT FOR ANY PURPOSE EXCEPT AS PROVIDED IN THIS SECTION 10(k) AND SHALL NOT BE DEEMED TO CONFER RIGHTS ON ANY PARTY OTHER THAN THE PARTIES HERETO.**

(l) **WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY. EACH PARTY HERETO: (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10(l).**

(m) Consents. Except as specifically provided to the contrary herein, if any consent, approval or authority is required from either party hereto, such consent, approval or authority shall not be unreasonably withheld or delayed.

(n) Limitation of Liability. **

(o) Vinyl. For the avoidance of doubt, Products in vinyl format are excluded from this Agreement, provided, however, that Cinram will perform PP&S Services for Products in vinyl format as requested by WEA.

(p) Joint and Several Liability. Cinram International Inc., Cinram Manufacturing LLC, and Cinram Distribution LLC are and shall be jointly and severally liable for all representations, warranties and obligations (including without limitation indemnification obligations) of Cinram under this Agreement.

(q) Entire Agreement; Amendment/Modification; Order of Precedence .

(i) This Agreement, including Exhibit A (M&P Terms), Exhibit B (PP&S Terms), Exhibit C1 (C1 Letter) and Exhibit C2 (C2 Letter) hereto, all Schedules to such Exhibits, and any other appendices and attachments hereto or thereto (each of the foregoing hereby incorporated into this Agreement by this reference), contains the entire understanding of the parties hereto relating to the subject matter hereof, and supersedes all prior and contemporaneous oral and written agreements, arrangements, understandings, proposals, and discussions, and any amendments thereto, between the parties to this Agreement relating to the subject matter hereof (including without limitation the US Manufacturing Agreement, the US PP&S Agreement, the Canada Manufacturing Agreement and the Canada Distribution Agreement). WEA and Cinram acknowledge that in addition to this Agreement, the parties hereto and/or certain of their Affiliates have entered into the International Manufacturing and PP&S Agreement, the US/Canada Transition Agreement, and the International Transition Agreement simultaneously with the execution of this Agreement.

(ii) The US Manufacturing Agreement, the US PP&S Agreement, and the Canada Distribution Agreement are hereby terminated as of the Effective Date and shall no longer bind the parties to such agreements or the parties to this Agreement,

except as otherwise expressly set forth therein or herein. Without limitation, (A) Sections 5(d), 7(b), 9, 10(f) and 16 of the US Manufacturing Agreement, Sections 6(d), 8(b), 10, 11(f) and 15 of the US PP&S Agreement, and Sections 11, 23 and 28 of the Canada Distribution Agreement, shall survive the termination of such agreements, and (B) Section 8 (Post-Term Procedures) of the US Manufacturing Agreement and Section 9 (Post-Term Procedures) of the US PP&S Agreement shall not survive the termination of such agreements and shall no longer bind the parties to such agreements or the parties to this Agreement. As of the Effective Date, any Confidential Information exchanged between the parties pursuant to the US Manufacturing Agreement, the US PP&S Agreement, the Canada Manufacturing Agreement or the Canada Distribution Agreement shall be governed solely by Section 7 of this Agreement (as if such Section 7 were in effect at the time such Confidential Information was exchanged), and not by the surviving provisions of such terminated agreements.

(iii) Except as otherwise expressly provided herein, this Agreement may not be modified or amended except in writing executed by WEA and Cinram. In the event of an otherwise irreconcilable conflict between the terms and conditions set forth in the main body of this Agreement and the terms and conditions set forth in any Exhibit hereto, the terms and conditions set forth in the main body of this Agreement shall control.

11. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Affiliate" shall mean, as to any Person, any other Person that directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote ten percent (10%) or more of the capital stock or other ownership interests of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of capital stock or other ownership interests, by contract or otherwise.

(b) "Change of Control" shall mean: **

(c) "Cinram Group" shall mean Cinram International Inc. and its subsidiaries and Affiliates, and a " member" of the Cinram Group shall mean any such entity, and for the avoidance of doubt, includes the Permitted Holdco if it is the Continuing Corporation following a Permitted Conversion.

(d) "Existing Credit Agreement" shall mean that certain Credit Agreement dated as of May 5, 2006, as it may be amended from time to time, among Cinram International ULC, Cinram International Inc., Cinram, Inc., Ivy Hill Corporation and Cinram (U.S.) Holding's, Inc., as borrowers, certain guarantors referred to therein, various lenders, Credit Suisse Securities (USA) LLC, as syndication agent, and JP Morgan Chase Bank, N.A., as administrative agent.

(e) "Fund" shall mean Cinram International Income Fund.

(f) "Insolvency Event" shall mean any of the foregoing: (i) the auditors of Cinram or any other member of the Cinram Group issue a qualified opinion questioning such Cinram Group member's ability to continue operating as a going concern; (ii) indebtedness of Cinram or any other member of the Cinram Group, with an aggregate principal amount in excess of ** dollars (**), is either not paid when due (at maturity, redemption or otherwise) or is declared due prior to its stated maturity date; (iii) Cinram or any other member of the Cinram Group is unable, admits in writing its inability or fails generally to pay its debts as they become due; or Cinram or any other member of the Cinram Group is wound up, dissolved or liquidated either by act of law or otherwise; (iv) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (A) liquidation, reorganization or other relief in respect of Cinram or any other member of the Cinram Group or its debts or assets, and such proceeding or petition shall continue undismissed for a period of sixty (60) or more days or an order or decree approving or ordering any such liquidation, reorganization or other relief shall be entered, or (B) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Cinram or any other member of the Cinram Group and an order or decree approving or ordering such appointment shall be entered; (v) Cinram or any other member of the Cinram Group commits an act of bankruptcy under the Bankruptcy and Insolvency Act (Canada) (the "BIA"); (vi) one or more creditors file an application for a bankruptcy order against Cinram or any other member of the Cinram Group or files an assignment in bankruptcy under the BIA; (vii) Cinram or any other member of the Cinram Group files a proposal or a notice of intention to make a proposal under the BIA or commences proceedings under the Companies' Creditors Arrangement Act (Canada) (the "CCAA") or otherwise seeks to make an arrangement, adjustment, composition, liquidation, dissolution or similar relief under the BIA, CCAA, CBCA or otherwise; or an application, motion or petition is made against Cinram or any other member of the Cinram Group seeking such relief, other than a Permitted Corporate Arrangement; (viii) any trustee in bankruptcy, interim receiver, receiver, receiver and manager, provisional liquidator, liquidator, or person with similar powers, is appointed in respect of Cinram or any other member of the Cinram Group or its assets; or an application, motion or petition is made by or against Cinram or any other member of the Cinram Group seeking such relief; (ix) Cinram or any other member of the Cinram Group files a voluntary petition in bankruptcy or receivership of any petition or answer seeking, consenting to, or acquiescing in, or the entry of any court order providing for, reorganization, arrangement, adjustment, composition, liquidation, dissolution or similar relief, other than in connection with a Permitted Corporate Arrangement; (x) any creditor enforces, delivers notice of enforcement or becomes entitled to enforce against any significant part of the assets of Cinram or any other member of the Cinram Group; or any writ, warrant of attachment, execution or similar process is issued or levied against all or any significant part of the assets of Cinram or any other member of the Cinram Group; (xi) the failure of Cinram or any other member of the Cinram Group or its bankruptcy estate to move for assumption or rejection of this Agreement within five (5) days after an order for relief has been entered under Title 11 of the United States Code with respect to a petition filed by or against such Cinram Group member; or (xii) the voluntary or involuntary creation (through some action or inaction on Cinram's or any other member of the Cinram Group's part or behalf) of a security interest, lien, assignment, transfer, pledge or hypothecation of any Products or Inventory owned by WEA, or any of the proceeds thereof that is not removed within five (5) business days after Cinram knows or should have known the existence of such security interest, lien, assignment, transfer, pledge or hypothecation. Notwithstanding the foregoing, an Insolvency Event in connection with a particular member of the

Cinram Group that meets each and all of the conditions in subparagraph 11(b)(x)(A) to (D) above shall not be considered a Termination Event (as defined above) by such member of the Cinram Group.

(g) "International Manufacturing and PP&S Agreement" shall mean that certain International Manufacturing and PP&S Agreement entered into of even date herewith between and among WMI, Cinram International Inc., Cinram GmbH and Cinram Operations UK Limited.

(h) "International Transition Agreement" shall mean that certain International Transition Agreement entered into of even date herewith between and among WMI, Cinram International Inc., Cinram GmbH and Cinram Operations UK Limited.

(i) "Major" shall mean any one of the following companies: Sony Music Entertainment Inc., EMI Group Ltd. or Universal Music Group (or their successors).

(j) "Original International Manufacturing Agreement" shall mean that certain International Manufacturing and Packaging Agreement, dated as of October 24, 2003, between WMI and Cinram GmbH, as amended.

(k) "Permitted Conversion" shall mean a conversion transaction effected solely to convert the Fund from an income trust structure to a corporate structure as a result of the "SIFT Rules," where the following conditions are met: (i) the unitholders of the Fund exchange all of their units of the Fund for common shares of Cinram International Inc. or a Permitted Holdco (the public entity being referred to as the "Continuing Corporation"), (ii) the Continuing Corporation will be the entity through which the public investors in the Fund will hold their equity interest in the Cinram Group, (iii) the public ownership of the Continuing Corporation following the conversion is in all material respects the same as the public ownership of the Fund immediately prior to the commencement of the conversion transaction, (iv) there is no change in the assets, debts or liabilities of Cinram International Inc. and its subsidiaries and Affiliates controlled by Cinram International Inc. as of the date hereof as a result of, or in connection with, the conversion transaction other than non-material and incidental expenses required to effect the conversion transaction, (v) there is no additional security interest, lien, claim, assignment, transfer, pledge, hypothecation or other encumbrance on the assets of any member of the Cinram Group as a result of or in connection with the conversion transaction, excluding for greater certainty, any transfer of assets and assumption of liabilities of the Fund, the Trust, the Partnership and Cinram International ULC to and by a Permitted Holdco respectively on a wind-up or dissolution of the Fund, the Trust, the Partnership and Cinram International ULC pursuant to a Permitted Conversion, (vi) all material consents to the conversion transaction have been obtained by the Cinram Group, (vii) the conversion transaction does not and will not conflict with, or result in any violation or breach of, or default (with or without notice or lapse of time or both) under, or give rise to a right of, or result in, termination, cancellation or acceleration of any obligation or to a loss of benefit under, or result in the creation of any security interest, lien, claim, pledge, hypothecation or other encumbrance in or upon any the properties or assets of any member of the Cinram Group, or give rise to any increased, additional, accelerated or guaranteed rights or entitlements under (including any right of a holder of a security of any member of the Cinram Group to require any member of the Cinram Group to acquire such security), any material loan or credit agreement, bond, debenture, note, mortgage, indenture, guarantee, lease or other contract, commitment, agreement, instrument, arrangement, understanding, obligation, undertaking or license, whether oral or written to which any member of the Cinram Group is a party or bound by or any of their respective properties or assets are bound by or subject to or otherwise under which any member of the Cinram group has rights or benefits, (viii) the conversion transaction does not otherwise result in a Change of Control, (ix) the conversion transaction is effected in compliance with all applicable laws, and (x) if a Permitted Holdco is the Continuing Corporation, such Permitted Holdco has provided a written guarantee to WEA in form and substance satisfactory to WEA acting reasonably of the obligations of the Core Companies under the

WEA Agreements on or before the exchange of units for shares of the Permitted Holdco pursuant to the Permitted Conversion.

(l) "Permitted Corporate Arrangement" means a corporate arrangement under the Canada Business Corporations Act (" CBCA") (i) for the sole purpose of a Permitted Conversion, or (ii) where each of the following conditions are met: (A) each of the Core Companies is solvent (as construed under any of the CCAA or BIA) immediately prior to the filing of the corporate arrangement, (B) none of the conditions in paragraphs 11(b)(x)(A) through 11(b)(x)(D) of this Agreement exist, (C) none of the Core Companies are relieved, stayed, prohibited or impaired from the performance of any or all of its obligations under this Agreement, and no order is sought or obtained staying, limiting, prohibiting or impairing WEA from exercising or relying on any of its rights or remedies under this Agreement, (D) there is no exchange or issuance of securities, other than a debt for equity swap, which may include a reasonable consent or similar fee paid to the debt holders by way of issuance of securities, (E) except in the circumstances described in subsection (iii) of this Section 11(l) to the contrary, there is no Change in Control as defined in this Agreement, (F) there is no transfer of all or substantially all of the property of any of the Core Companies assets, (G) there is no liquidation or dissolution of any of the Core Companies, (H) the extension of any debt under the corporate arrangement is not less than 18 months, and (I) prior to any proceedings being brought, instituted or filed in connection with such corporate arrangement, the written consent and approval of at least 67% in dollar amount of the creditors affected by the proposed corporate arrangement shall have been obtained.

(iii) On one single occurrence during the Term, Sections 11(b)(i) (insofar as it applies to an "arrangement") and 11(b)(ii) of this Agreement shall not apply if a Person or group of Persons (for purposes of this definition, a " Group") (as the term "group" is used in Rule 13d-5 of the United States Securities Exchange Act of 1934) (the "Exempt Party") becomes the beneficial owner, directly or indirectly, of thirty percent (30%) or more of the aggregate voting power or aggregate equity value represented by the issued and outstanding Ownership Interests of Cinram or any member of the Cinram Group pursuant to (1) a debt for equity swap in connection with a Permitted Corporate Arrangement, (2) an issuance in connection with a Permitted Corporate Arrangement of instruments convertible into or exchangeable for such Ownership Interests, or (3) an issuance of Ownership Interests the proceeds of which are used to repurchase Ownership Interests or instruments convertible into or exchangeable for Ownership Interests issued in connection with a Permitted Corporate Arrangement, in each case provided that all of the following conditions are met:

(A) during the Term, the Exempt Party does not, and is not entitled, directly or indirectly (through a voting trust or similar agreement or otherwise), to appoint more than 30% of the board of directors (or equivalent) of Cinram or any member of the Cinram Group, or otherwise controls the business of such entities; and

(B) during the Term, the Exempt Party is not directly or indirectly a competitor of WEA; and

(C) during the Term, the Exempt Party does not, directly or indirectly, have an Ownership Interest in a competitor of WEA, other than an Ownership Interest in, a publicly listed competitor of WEA in the aggregate amount of less than five percent (5%) of the aggregate voting power or aggregate equity value represented by the issued and outstanding Ownership Interests of such competitor.

Thereafter, Sections 11(b)(i) and 11(b)(ii) of this Agreement shall apply to any other Persons or Group without regard to this exception.

(m) "Permitted Holdco" shall mean a corporation (i) incorporated in Canada for purposes of effecting the conversion of the Fund to a corporate structure; (ii) that prior to the exchange of its shares for units of the Fund, conducted no business, held no assets and had no liabilities other than non-material assets and liabilities incidental to the Permitted Conversion; (iii) that following the Permitted Conversion (including the wind-up or dissolution of the Fund, the Trust, the Partnership and Cinram International ULC) will hold no other material assets other than the shares of Cinram International Inc.; and (iv) that will as part of the Permitted Conversion receive all of the assets of the Fund, the Trust, the Partnership and Cinram International ULC and assume all of the liabilities of the Fund, the Trust, the Partnership and Cinram International ULC.

(n) "Person" shall mean an individual, partnership, corporation (including, without limitation, a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

(o) "U.S. IT Administration Agreement" shall mean that certain US Administrative Services Agreement, dated as of October 24, 2003, among WEA, on the one hand, and Cinram Manufacturing LLC, Cinram Distribution LLC and certain of their Affiliates, on the other hand.

(p) "US/Canada Transition Agreement" shall mean that certain US/Canada Transition Agreement entered into of even date herewith between WEA and Cinram.

(q) "WMI" shall mean WEA International Inc.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

WARNER-ELEKTRA-ATLANTIC CORPORATION

By: /s/ Paul Robinson

Name: Paul Robinson

Title: Vice President

Date: November 16, 2010

CINRAM INTERNATIONAL INC.

By: /s/ Steve Brown

Name: Steve Brown

Title: CEO

Date: November 16, 2010

CINRAM MANUFACTURING LLC

By: /s/ John H. Bell

Name: John H. Bell

Title: CFO

Date: November 16, 2010

CINRAM DISTRIBUTION LLC

By: /s/ John H. Bell

Name: John H. Bell

Title: CFO

Date: November 16, 2010

Exhibit A

M&P Terms

References to "Company" when used in this Exhibit shall be deemed to refer to Cinram (as defined in this Agreement). Capitalized terms used in this Exhibit but not defined where they appear in the text are defined in Paragraph 14 below.

1. Appointment.

(a)

(i) WEA hereby appoints Company to render, and Company shall render, M&P Services for one hundred percent (100%) of Products (subject to the Permitted Exclusion and the other terms and conditions of this Agreement), in accordance with the terms hereof.

(ii) Notwithstanding anything to the contrary contained in Paragraph 1(a)(i), from and after the effective date of a Recorded Music Major Transaction (the "RMMT Effective Date"), the appointment of Company hereunder shall instead be to render, and Company shall render, M&P Services for at least the Specified Percentage (and, at WEA's election, more than the Specified Percentage) of Products in accordance with the terms hereof (subject to the Permitted Exclusion and the other terms and conditions of this Agreement). WEA shall use commercially reasonable efforts to provide that the Combined Entity's ordering of units of Products and Components under this Exhibit (*i.e.,* mix of New Releases and Catalog Titles and special packaging orders) following the RMMT Effective Date remains generally consistent with WEA's ordering of units of Products and Components under this Exhibit prior to the RMMT Effective Date. The " Specified Percentage" equals the fraction, expressed as a percentage: (A) the numerator of which shall be one hundred percent (100%) of the number of units of Products manufactured and packaged by Company for WEA under this Exhibit and (prior to the Effective Date) under the US Manufacturing Agreement (and/or by WEA on its own behalf, if applicable) during the twelve (12) complete calendar months immediately preceding the RMMT Effective Date (the " WEA Output"); and (B) the denominator of which shall be the WEA Output plus one hundred percent (100%) of the number of units of Records, in any Optical Disc format, manufactured and packaged for sale in the Territory by or for the recorded music business of the applicable Major during the same twelve (12)-month period.

(b) Reservation of Rights. WEA hereby reserves all rights in and to Products not otherwise expressly granted to Company herein.

(c) Reports. Company shall prepare for WEA all of the same production, shipments and inventory reports in the same format and detail that WEA's systems provided as of the Effective Date (it being understood that Company shall not be required to prepare for WEA any reports that would require Company to incur additional out-of-pocket expenses in order to provide them, unless WEA agrees to pay

any such actual out-of-pocket expenses) and shall supply WEA with such reports on at least a monthly basis during the Term. If Company provides more detailed reports to any other party during the Term, Company shall, at WEA's request, provide such more detailed reports to WEA hereunder as of the date that Company commences providing such more detailed reports to such other party but subject to the same terms and conditions under which such reports are provided to such other party (*e.g.,* any additional fees or amounts charged to such party for such more detailed reports). Nothing in such reports shall impart any competitively-sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services or any personal data possessed by Company.

2. Title. As set forth in this Exhibit, Company shall sell to WEA, and WEA shall purchase from Company, Components and Products from time to time pursuant to the terms hereof. Title to units of Components and Products manufactured or packaged by Company pursuant to this Exhibit shall pass to WEA upon the first to occur of the completion of the manufacture or packaging thereof or the time that such goods are identified to the contract as contemplated in UCC Section 2-501. Further, Company acknowledges and agrees that title to units of Products and Components that are received by Company under this Exhibit for distribution shall remain in WEA (or WEA's Affiliates, as applicable) at all times. Company acknowledges that Products (including all intellectual property contained therein and relating thereto) are protected under copyright laws and that WEA is the rightful owner or license holder of all such copyrights. Company acknowledges that any removal of any such materials from Company's approved facilities without WEA's written approval, and any distribution of any such materials in the Territory without WEA's written approval, is an infringement of WEA's copyright. Company shall bear the risk of loss for units of Products in Company's possession, under Company's control or in transit from Company or its designees to any Facility; provided, however, that WEA shall bear the risk of loss for any units of Products in transit for which WEA is responsible for paying the shipping. Notwithstanding, and in addition to, the foregoing, solely to protect WEA in the circumstance that it is ever determined by a court of competent jurisdiction that units of Components and/or Products are owned by Company contrary to the express terms of this Exhibit and intention of the parties, Company hereby grants and shall be deemed to have granted to WEA on the Effective Date a security interest in all such present and future Components and Products, and all products and proceeds (including, without limitation, insurance proceeds but excluding amounts payable to Cinram for M&P Services provided hereunder) of the foregoing, and any additions, improvements and accessions to, and all books and records describing or used in connection with any of the foregoing, to secure all debts, liabilities and obligations of Company to WEA, whether now existing or arising hereafter (including without limitation as a result of Company's breach of this Agreement or any other agreement with WEA, including as a result of the rejection of this Agreement or any other agreement with WEA in a bankruptcy or similar proceeding) and whether liquidated or contingent. The security interest shall attach on the earlier of when such Components or Products are (a) acquired by the Company, (b) manufactured by the Company, or (c) identified to the contract as contemplated in UCC Section 2-501. Company agrees to take such steps as WEA may reasonably request in connection with the perfection of such security interest or otherwise to protect the rights of WEA with respect thereto, at WEA's expense. WEA shall have all rights, powers and privileges of a secured party under the UCC.

3. Services.

(a) Level of Services. Company shall not allocate its facilities, plant capacity or personnel to fulfillment of orders of any other party in a manner which is more favorable than its allocation of such facilities, plant capacity and personnel to the fulfillment of Orders hereunder. In addition, the Services:

(i) shall be rendered on a so-called "label blind" basis;

(ii) shall be rendered in at least the same general manner, subject to at least the same general standards and in at least the same general quality as provided by Company to all other parties whose Records are manufactured and/or packaged by Company in the Territory, but if any such services are not part of the standard Services otherwise provided to WEA hereunder and the provision of such services is at a higher cost to Company, then if WEA requests such services, such services shall be provided to WEA hereunder, but subject to the same terms and conditions provided to such other party. This Paragraph 3(a)(ii) shall not require that Company provide WEA with the automated services provided in Company's Huntsville Facility or otherwise require Company to provide any new services to WEA if the cost of providing such services would be similarly unreasonably burdensome to Company; provided, however, that nothing in this sentence shall limit Company's obligations set forth in Paragraph 6 of this Exhibit;

(iii) shall be rendered in at least the same manner, subject to at least the same standards and in at least the same quality as was provided to WEA's Affiliates for the products of WEA's Affiliates immediately prior to the Original Effective Date;

(iv) shall be rendered in accordance with "first-class" standards that meet the highest quality available in the industry;

(v) shall be rendered in accordance with, or exceed, each of the service level requirements set forth on Schedule A hereto (the requirements set forth on Schedule A hereto being the "Service Level Requirements"); and

(vi) shall, to the extent rendered for the production of Products in CD or DVD format, be rendered in accordance with the technical specifications set forth on Schedule B hereto (the requirements set forth on Schedule B hereto being the "Technical Specifications").

(b) Copy Protection and Digital Rights Management. WEA may from time to time require the integration of copy protection and digital rights management technology into certain Products. Company shall use its commercially reasonable efforts to ensure that it is equipped to provide such technology and shall obtain necessary licenses from the supplier therefor. WEA shall, unless otherwise agreed, be responsible for the copy protection or digital rights management technology license fees and the cost of any packaging adaptation necessary to provide notification of the use of such technology as may be required by the applicable law in the country of sale, and (except as otherwise expressly set forth in this Paragraph 3(b)) all other costs relating to copy protection and digital rights management shall be borne by Company. Company shall report units manufactured and technologies used to WEA on a monthly basis to facilitate the administration of the copy protection and digital rights management license fees. Company shall assist WEA in assessing and testing new copy protection and digital rights management technologies, and on forty-five (45) days' notice will make provision for new copy protection and digital rights management technologies to be implemented, but only so long as such new technologies are available to Company for use. To the extent that the actual, documented, out-of-pocket, non-overhead cost to Company for the assessment, testing and implementation of such new copy protection and digital rights management technologies exceeds one hundred thousand dollars ($100,000) in the aggregate in respect of any Contract Year, then WEA shall reimburse Company for any such excess (but solely to the extent that WEA requested that Company assess, test or implement such new technology). To the extent that any other parties serviced by Company actually utilize any such new copy protection and digital rights management technology, WEA's obligation to reimburse Company for any

such excess shall be reduced pro rata based on the total number of Company's customers utilizing the new copy protection and digital tights management technology. If WEA has already reimbursed Company pursuant to the preceding sentence and subsequently is entitled to a pro rata reduction as provided herein, Company shall refund such amount within thirty (30) days of the date such other party begins utilizing such new copy protection and digital rights management technology.

(c) Fees. M&P Services shall be furnished at the prices set forth on Schedule C hereto and as set forth in this Paragraph 3(c), as they may be modified from time to time by operation of Paragraphs 12 and 15 of this Exhibit (the " Fees"). All amounts set forth in this Agreement including the Schedules hereto are denominated in US dollars, except where such amounts are expressly designated in Canadian dollars in particular Schedules to this Agreement. Throughout the Term, with respect to M&P Services for which there is no price on Schedule C hereto, Company shall provide such Services to WEA, on a non-exclusive basis only, at competitive market rates otherwise available to WEA. Notwithstanding the foregoing sentence, Company shall not be required to provide any such services unless WEA (either itself or through any of its Affiliates) provided such services on its own behalf prior to the Original Effective Date or if Company then-currently provides such services to any party.

(d) Subcontracting. Each entity set forth in Schedule D (Approved Subcontractors) hereto shall be deemed to be an Approved Subcontractor under this Exhibit, solely with respect to performance of the specific M&P Services identified in Schedule D (Approved Subcontractors) for such entity. Orders hereunder shall not be subcontracted to a greater degree than any other orders. Without limiting any other provision of this Agreement, WEA may from time to time designate organizations as prohibited subcontractors under this Agreement if WEA reasonably believes such organizations would not be likely to be able to adhere to the provisions of this Agreement.

(e) Compliance with Law; Code of Conduct. Company shall comply (i) with all laws and regulations in connection with Company's undertakings under this Agreement, except where the failure to do so individually or in the aggregate is immaterial; and (ii) subject to relevant local laws including privacy laws, with the code of conduct attached as Schedule E hereto.

(f) Delivery of Source Materials. WEA shall, at WEA's sole expense, deliver to Company (or to such suppliers as Company may designate) all Source Materials. WEA shall retain title to all Source Materials supplied to Company or its designees, including all digital files derived from such Source Materials. Company shall have no rights in such Source Materials, and will return all such Source Materials to WEA promptly upon request; provided, however, that transfer of DDP (disc description protocol) files previously provided to WEA shall be subject to payment of a mutually agreed upon price. Company shall maintain systems at no charge to WEA so as to be able to receive Source Materials in digital form and online, which shall include metadata and digital proofs.

(g) Ordering.

(i) It shall be WEA's responsibility to determine its production requirements and to order units of Components and Products. All Orders for units of Components and Products shall be evidenced by a written purchase order. Orders must include all information necessary to properly identify the Components and Products to be manufactured and packaged, including artist, title, catalog number and quantity. Company shall use the entire UPC or EAN codes to identify all Components and Products.

(ii) Prior to manufacture, an Order must be Workable. Company shall deliver finished goods units of Components and Products to WEA's designated locations

within the applicable time periods set forth on Schedule A hereto. All of the time periods set forth on Schedule A hereto are referred to as the applicable Turnaround Times for the manufacture of Components and for units of Products in each configuration, respectively, and are measured from the time the Order is Workable.

(iii) At the times that WEA submits Orders, to the extent that an Order is for multiple selections, WEA shall have the right to determine the priority in which the Orders should be filled (that is, it shall have the right to determine and designate which part of the Order is to be delivered within the shorter of the applicable Turnaround Times and which part of the Order is to be delivered within the longer of the applicable Turnaround Times).

(iv) For each item (*i.e.,* a particular Product) in an Order, there shall be an allowable fulfillment deviation as set forth below:

Order Size in Units	Deviation for Catalog titles	Deviation for New Releases
0-10,000	**	**
10,001-50,000	**	**
50,001-300,000	**	**
300,001 and up	**	**

Orders filled within such deviation shall be deemed to be satisfied, and WEA shall pay Company on the actual number of units delivered at the rate(s) charged by Company pursuant to the original Order to which such deviation relates.

(h) Quarterly Meetings. At least once every calendar quarter, WEA may meet with Company's Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) to assess Company's performance under this Exhibit and its ongoing ability to perform its obligations under this Exhibit.

(i) Shipping Costs. Company shall bear the cost and expense of shipping of any and all units of Products, Components or other materials manufactured hereunder from the point of manufacture to: (i) any distribution or warehouse Facility; and (ii) from any distribution or warehouse Facility to any other distribution or warehouse Facility, so long as such movement described in (ii) above is at the direction of Company in its own discretion. Except as otherwise specifically provided herein, WEA shall be responsible for the cost and expense of all other shipments under this Exhibit. To the extent that any shipping costs under this Exhibit are to be borne by WEA but are actually paid by Company, WEA shall only be required to pay Company's actual, documented, out-of-pocket costs charged by such shipping agent for the shipment of units of Products and/or other materials under this Exhibit, and such costs shall be reimbursed to Company by WEA within ten (10) business days following Company's rendition of such invoice to WEA (but in no event shall WEA be required to make any such payment of such invoice prior to Company's payment of such invoice to such shipping agent). If WEA is responsible for shipping expenses, should WEA so elect, WEA shall have the right to: (A) select the shipping agent(s) utilized by Company for shipping of units of Products and/or other materials under this Exhibit (and, in doing so, assume the risk of loss for such units of Products in transit); or (B) in lieu of selecting such shipping agent(s), require that Company submit to WEA any proposed shipping agent(s) which Company wishes to utilize this Exhibit for WEA's prior written approval. If, in a particular instance, WEA is not responsible for shipping expenses or WEA does not exercise its rights pursuant to the preceding sentence,

Company shall utilize the same shipping agent(s) utilized by Company for the shipping of a majority of the other products shipped by or on behalf of Company.

(j) No Unauthorized Manufacture. Company acknowledges that WEA may suffer substantial damages as a result of the unauthorized manufacture of Components or Products. Therefore, Company agrees that: (i) Company shall produce only those quantities of units of Components and Products as are specified in a written Order issued by WEA and subject to the terms set forth in this Agreement; (ii) Company shall deliver the units of Components and Products specified in each Order only to the recipient and location designated by WEA in such order; and (iii) upon WEA's request from time to time, Company shall deliver to WEA separate written confirmation of each manufacturing run made of each Product and Component pursuant to each Order, including the date of the manufacturing run and the number of units produced during the run.

(k) **[INTENTIONALLY OMITTED]**

(l) **

(m) Business Continuity; Facilities.

(i) **

(ii) Upon WEA's request, senior Company employees shall meet with a team designated by WEA to discuss ongoing business continuity issues and, if deemed applicable by WEA, an efficient transition to one or more new manufacturers and/or distributors. At WEA's option, WEA and/or its designated agent(s) shall be permitted at any time during normal business hours to enter any facilities in which any property of WEA (including without limitation Inventory, BOMs, DDPs, Products, or Components) resides, in order to retrieve or otherwise access any such WEA property.

(iii) Company shall provide at least ** prior written notice to WEA of any actual or anticipated closure or discontinuation of use (whether permanent or temporary and whether partial or complete) of any of Company's facilities used in providing M&P Services (including without limitation Company's facilities in Aurora, IL or Olyphant, PA). In the event of any actual or anticipated closure or discontinuation of the use of (whether permanently or temporarily and whether partially or completely) any such facilities, then Company shall: (A) pay and be responsible for, and shall reimburse WEA for, all reasonable expenses incurred by WEA arising from any change to one or more new facility(ies); (B) reimburse WEA for increased shipping and related costs and expenses incurred by WEA as a result of such change (and shall provide WEA with any other similar types of reimbursements and other accommodations as were provided to WEA after the closing of Company's Simi Valley facility); and (C) ensure that there is no adverse impact on the services (including without limitation the quality, reliability, timeliness, or cost to WEA thereof) and/or Company's satisfaction of any Service Level Requirements.

(iv) Company shall provide advance written notice to WEA of all decisions regarding the sale, transfer, disposition, or any other change with respect to Company's material property, facilities and/or assets used in providing M&P Services.

(n) Transfer of WEA Assets. Upon WEA's request, at any time during the Term, Company shall transfer all property of WEA (including without limitation physical finished goods, Inventory, BOMs, DDPs (to the extent not previously provided), Products and Components) to up to two (2) locations designated by WEA, in a secure fashion in accordance with industry custom. If WEA requests any additional preparation, packaging or stickering (other than shipping such items in a secure fashion in accordance with industry custom and the performance of the other services required hereunder), pricing for such services shall be subject to the mutual agreement of WEA and Company. Company shall provide no fewer than **, in order to implement such transfer requests by WEA and shall begin such transfers no later than ** after the applicable transfer request from WEA. At WEA's option, WEA and/or its designated agent(s) shall be permitted at any time during normal business hours to enter any facilities in which any property of WEA is stored (including without limitation physical finished goods, Inventory, BOMs, DDPs, Products and Components), in order to retrieve or otherwise access any such Products and other WEA property.

4. Company's Financial Obligations. WEA shall not be responsible for payment of any of Company's (or Company's Affiliates') indirect or general overhead charges or the salaries of Company's (or Company's Affiliates') employees or agents. All costs associated with the rendering of Services shall be borne by Company. Such costs to be borne by Company include any patent royalties or other similar royalties or license fees payable in connection with the manufacture of Products and Components , which costs, for the avoidance of doubt, exclude mechanical royalties, record royalties and copy protection and digital rights management (*i.e.,* DRM) technology license fees.

5. Other Obligations.

(a) Storage of Source Materials, Components and Finished Units of Products. Company shall accept and store all Source Materials and Inventory delivered to or otherwise held by Company under this Exhibit at no charge; provided, however, that with respect to any particular Product, Company shall not be required to store more Source Materials or Inventory than is necessary to satisfy the next ** demand (such determination as to what constitutes ** demand shall be made jointly by WEA and Company based, where possible, upon actual, gross units ordered during the ** period and shall be made

for all Source Materials and Inventory no more frequently than semi-annually during the Term. With respect to Source Materials and Inventory so determined to be in excess of a ** demand therefor, Company shall notify WEA of the specific Source Materials and/or Inventory constituting such excess and within ** days following WEA's receipt of such notice, WEA shall (in WEA's sole discretion) either: (i) remove such excess Source Materials and/or Inventory (at WEA's expense); (ii) direct Company to destroy such excess Source Materials and/or Inventory (at WEA's expense) (and if WEA directs such destruction, Company shall destroy such materials in accordance with WEA's instruction and shall promptly provide WEA with an officer's certificate that confirms such destruction); or (iii) direct Company to store such excess either (x) at a Facility at a cost to WEA of ** or (y) offsite at Company's or Company's Affiliates' leased facility approved in advance, in writing by WEA and the actual, documented, out-of-pocket expense charged by such facility to Company for such storage shall be reimbursed to Company by WEA. Amounts owing under this Paragraph 5(a) shall be invoiced by Company at month end and shall be payable ** from the date of the rendition of such invoice. All Source Materials and all Inventory shall be WEA's property and shall be kept segregated from any other property. Upon receipt of a written request from WEA, Company shall return to WEA, at WEA's cost, any materials supplied by WEA which have not been utilized in the manufacture or packaging of units of Components or Products or otherwise pursuant to this Agreement and which are then in Company's possession or control. The risk of loss, due to any reason, of Source Materials or Inventory in Company's possession or control shall be borne by Company, as further described herein; provided, however, that to the extent any such loss was directly caused by a WEA Employee, Company shall not bear the risk of loss, except to the extent such loss is or would have been covered by Company's property insurance as required under this Agreement and as set forth on Schedule F hereto. WEA shall own all manufacturing parts (for Components and Products) and all derivatives and/or duplicates thereof fabricated in connection with the production process, including all Components, photographic films and color keys, if any, duplicate audio tapes (analog or digital), glass Masters and running Masters and all digital files derived from any of the foregoing. Company shall not destroy any of the Source Materials, Inventory or elements derived therefrom without prior written authorization from WEA; provided, however, that Company may destroy certain such derived elements (*i.e.,* glass Masters and metal parts) to the extent that such elements are generally destroyed by Company in the ordinary course of production. Company shall also, at Company's cost, maintain, protect and backup any and all Source Materials and derivatives in an organized environment to allow for easy access by both Company and WEA.

(b) Insurance. During the Term, Company shall: (i) comply with all provisions set forth on Schedule F hereto; and (ii) at Company's sole cost and expense, maintain adequate insurance coverage for: (A) all Source Materials and Inventory while such items are in Company's possession, under Company's control or in transit to or from Company or its designees to any Facility; and (B) the other matters set forth on Schedule F hereto. The insurance required under this Paragraph 5(b) is not intended to limit Company's liability as otherwise provided in this Agreement.

(c) Computer Access. In order that WEA be able to monitor daily shipments, receipt, production and inventory activity in connection with Components and Products, Company shall give WEA access to Company's computer system for the purpose of providing WEA with real-time information stored therein relating to Components and Products at Company's expense (but no access shall be allowed to information relating to any other party's products or any personal data possessed by Company). Such system shall provide WEA with all of the same types of reports and information currently provided by, and as may be available from, Company's computer systems in connection with other products and components manufactured and/or packaged by Company. In connection therewith, Company shall work with WEA to ensure that WEA is provided with at least the same level of reports and information that WEA's own systems provided as of the Original Effective Date. Nothing in such reports or information provided shall impart any competitively-sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services or any personal data

possessed by Company. Such access shall be available to WEA **, at all times during the Term. Notwithstanding anything herein to the contrary, Company may perform system maintenance and upgrades during which such systems may not be available; provided, however, that such downtime does not exceed **. Throughout the Term, Company shall, at Company's cost, reasonably maintain and enhance its IT services so as to be of a comparable standard to those offered by "first-class" manufacturers and packagers in the Territory.

(d) Inspection. Subject to the provisions set forth below, during the Term and for a period of one (1) year following the expiration or termination of the Term, WEA shall have the right to inspect each WEA Facility and any other facility utilized by Company in connection with Components or Products or the provision of Services hereunder, during regular business hours (utilizing either WEA's own employees, third-party advisers or representatives, insurers, or other experts retained by WEA). WEA may conduct such inspections of each WEA Facility or other facility up to **; provided, however, that to the extent WEA or any of its Affiliates are required by law or contract to inspect, to provide inspections or to provide information that cannot reasonably be obtained without an inspection for any party that would require inspections to be performed more than **, WEA shall, upon reasonable prior written notice to Company, be permitted to perform any such inspection(s). In addition to the inspections permitted in the preceding sentence, at any time upon receipt of any Security Breach Notice (as defined in Paragraph 5(e)), WEA shall have the unlimited right upon reasonable notice to inspect any facility which was the location of the event(s) giving rise to the need for such Security Breach Notice. During any such inspection, WEA may conduct physical inventories of units of Components and Products in Company's possession or control. WEA shall not have access to any competitively-sensitive information relating to any other party's products, or any personal data possessed by Company, during the inspections permitted under this Paragraph 5(d).

(e) Security. Company shall maintain security standards that are at least equivalent to those provided by other "first-class" manufacturers and packagers in the Territory, both in the segregated area of the WEA Facilities for property of WEA and throughout the WEA Facilities, and shall at all times employ the utmost care and diligence to prevent loss, damage, theft, disappearance, unauthorized destruction or usage of such property of WEA. Company's security procedures shall be subject to WEA's prior written approval. Company shall maintain such procedures as approved by WEA and as may reasonably be given to Company from time to time throughout the Term. Notwithstanding the foregoing, Company's security measures (which shall include closed-circuit television monitoring, pass-protected access, employee checking and spot searching, etc.) shall be sufficient to ensure that all Source Materials and Inventory and the intellectual property embodied in such Source Materials and Inventory are in no way compromised, stolen, "leaked" to the public (*e.g.,* copying of recordings embodied on Products which may lead to the availability of such recordings to the public via the Internet or similar means) or otherwise made available to any unauthorized parties. Upon discovery of: (i) loss, damage, theft, disappearance, or destruction of Source Materials or Inventory exceeding ** dollars (**); or (ii) any unauthorized usage of Source Materials or Inventory, Company shall notify WEA as soon as reasonably possible, and in any event within seventy-two (72) hours following such discovery, and shall include in such notification sufficient detail to allow WEA to investigate such incident (each, a "Security Breach Notice"). Regardless of Company's compliance with all security measures set forth herein or with procedures approved by WEA, Company shall be liable as provided herein for the loss, damage, theft, disappearance, destruction or unauthorized usage of any property of WEA.

(f) Salvage. At all times and regardless of whether Company or its insurers are required to compensate WEA for loss as required under this Agreement, WEA shall retain the sole right to salvage for damaged Inventory. Company shall not surrender damaged Inventory to insurers or any other party for destruction or disposal without obtaining WEA's prior written consent.

(g) WEA Employees. Company shall throughout the Term, at the request of WEA, provide up to a maximum of ** employees of WEA or its Affiliates (the "WEA Employees") with, at Company's expense: (i) reasonable office accommodations at such WEA Facilities utilized for manufacturing and/or packaging as may be specified from time to time by WEA; (ii) individual computers; (iii) copy services and any other similar office services in order to permit them to carry out their functions; and (iv) all other reasonable support functions as provided to them as of the Original Effective Date. Company shall also provide telephone, Internet and fax access for each WEA Employee, and WEA shall reimburse Company for Company's actual, documented, out-of-pocket costs therefor. Amounts owing under this Paragraph 5(g) shall be invoiced by Company at month end and shall be payable ** days from the date of the rendition of such invoice. WEA shall be responsible for the direction of, and all compensation and related obligations for, the WEA Employees. The WEA Employees shall operate in accordance with WEA's code of conduct and Company's standard code of conduct contained in its employee policy manual at the applicable WEA Facility (which code of conduct shall be subject to WEA's reasonable approval) and all other lawful policies adopted by Company from time to time governing the conduct of all of its employees and contractors. In the performance of their tasks, the WEA Employees shall not have access to any competitively-sensitive information relating to any other party's products or any personal data possessed by Company.

6. Technology. Throughout the Term, Company shall reasonably update its manufacturing and packaging lines at the WEA Facilities at Company's cost to keep up with new technology requirements and to maintain at least the same level of technology utilized by other "first-class" manufacturers and packagers of Records in the Territory, including machinery and equipment that is reasonably available to provide automated assembly of packaging, inclusion of inserts and application of stickers, shrinkwrap and security materials. Company shall maintain and update its information and technology capabilities at the WEA Facilities, at Company's cost, to meet reasonable WEA requirements and maintain competitive services for WEA and its customers. Company also agrees to reasonably support WEA in the development of technology initiatives.

7. Invoices and Payments.

(a) Rendition of Invoices. During the Term, Company shall prepare and render invoices to WEA with respect to each shipment of units of Components and Products Ordered under this Exhibit. Except with respect to shipping charges to be borne by WEA as provided in Paragraph 3(i) of this Exhibit, the amount due to Company pursuant to each such invoice shall be due and payable by WEA to Company in US dollars (except where such amounts are expressly designated in Canadian dollars in particular Schedules to this Agreement, which amounts shall be payable in Canadian dollars) on or before ** following Company's rendition of such invoice. Such invoices shall contain "per SKU" line item detail with special handling or other miscellaneous charges indicated separately in the form and manner consistent with Company's general form of invoice. The aforementioned invoices shall be denominated in US dollars (except where such amounts are expressly designated in Canadian dollars in particular Schedules to this Agreement, which amounts shall be payable in Canadian dollars). Company shall submit all such invoices to WEA electronically pursuant to reasonable instructions given by WEA to Company from time to time (and in paper form, to the extent WEA so requests) and to the extent that Company's and WEA's computer systems do not already provide for the electronic submission of all such invoices, Company shall use Company's reasonable efforts to work with WEA starting upon the commencement of the Term to create a system whereby all such invoices can be submitted electronically to WEA. For the avoidance of doubt, WEA shall only be liable for payments hereunder if WEA (or WEA's designee) has received the shipment of the relevant finished units of Components and Products reflected in such invoice.

(b) Audits. WEA shall have the right, at WEA's sole expense, to examine (and/or to appoint representatives to examine) Company's (and Company's Affiliates') books and records in order to: (i) verify the correctness of any invoice prepared and rendered by Company in accordance with Paragraph 7(a); (ii) establish the applicability of the provisions contained in Paragraph 5 of the main body of the Agreement, Paragraphs 12 and/or 15 of this Exhibit, and/or the occurrence of any Termination Event; or (iii) otherwise establish compliance by Company with its obligations under this Agreement; provided, however, that only independent, third-party auditors (*i.e.,* auditors other than WEA's then-current outside auditor) shall be utilized for the review of Company's books and records. Independent third-party auditors shall have access to all information necessary to perform their duties, however nothing in any report provided to WEA or its Affiliates by any such independent third-party auditors shall impart to WEA or its Affiliates any competitively-sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services. If any such audit reveals that WEA and/or WEA's Affiliates have been overcharged, Company shall reimburse WEA in the amount of the overcharge. If any such audit reveals that WEA has been overcharged by an amount exceeding ** for the audit period, Company shall reimburse WEA in the amount of the overcharge plus all fees paid by WEA to the auditors concerned in connection with such audit and any other actual, documented, out-of-pocket expense incurred by WEA in connection with such audit. Company shall pay interest to WEA on the amount of the overcharge at **. Regardless of the number of audits conducted hereunder revealing the same specific overcharge to WEA, Company shall not be required to repay to WEA the amount of any such overcharge more than once. WEA's audit right shall survive the expiration or termination of the Term for two (2) years; provided, however, that to the extent WEA or any of WEA's Affiliates are required by law or contract to audit, to provide audits or to provide information which cannot be reasonably obtained without an audit for any third party subsequent to two (2) years after the expiration or termination of the Term, then WEA's audit rights shall be so extended beyond such date as may be reasonably necessary for WEA to comply with such obligations. Company shall retain all books and records related to the performance of Services hereunder after the expiration or termination of the Term for so long as WEA may need to perform audits hereunder, but in no event for more than three (3) years after the rendition of the invoice with respect to the Services to which such invoice relates; provided, however, that before Company destroys any books or records, Company shall deliver written notice of such intent to destroy to WEA not more than sixty (60) days, and not less than thirty (30) days, before the intended date of destruction. WEA shall have fifteen (15) days after receipt of such notice to request copies of the books and records to be destroyed, in which case Company shall make copies of such books and records and deliver the same to WEA (but excluding information related to other customers of Company) at WEA's expense (but at Company's expense if such copies are of electronic files). As used herein, "books and records" shall include, without limitation, physical data and data stored in any electronic, magnetic or optical format.

8. **[INTENTIONALLY OMITTED]**

9. **[INTENTIONALLY OMITTED]**

10. **[INTENTIONALLY OMITTED]**

11. **

12. Adjustments.

(a) **[INTENTIONALLY OMITTED]**

(b) **

(i) **

(ii) **

(A) **

(B) **

(C) **

(iii) **

(A) **

(B) **

(C) **

(c) **[INTENTIONALLY OMITTED]**

(d) Permitted Exclusion. Notwithstanding, and in addition to, any other provision of this Agreement:

(i) **

(ii) **

(iii) **

(A) **

(B) **

(C) **

(D) **

(e) **[INTENTIONALLY OMITTED]**

(f) **

(g) Each of WEA and Company agrees to negotiate in good faith to attempt to resolve any disagreement which may arise in connection with the implementation or interpretation of the terms and provisions of this Paragraph 12. In the event that such good faith negotiation does not result in the resolution of any such disagreement within a fifteen (15)-day period, the parties shall retain an arbitrator to make a fair and reasonable determination as to any such disagreement (the "Arbitrator"). The Arbitrator shall be a retired executive or attorney with substantial experience in the field of manufacturing, preferably in the manufacturing of Optical Discs, shall be independent of each of WEA and Company, and shall endeavor to provide a determination of any dispute among the parties within thirty (30) days of being retained, but in each case, as quickly as possible. The parties shall jointly appoint the Arbitrator and the identity of the Arbitrator shall be satisfactory to each of the parties. The

parties shall share equally in the cost and expense of retaining the Arbitrator. If the parties cannot agree upon a person to act as the Arbitrator within thirty (30) days of the expiry of the fifteen (15)-day negotiation period specified in this Paragraph 12(g), then the Arbitrator shall be selected by the American Arbitration Association. Any arbitration hereunder shall be conducted in conformance with the rules established by the American Arbitration Association. Any determination made by the Arbitrator shall be final and binding on each of the parties.

13. **[INTENTIONALLY OMITTED]**

14. Definitions. For purposes of this Exhibit, the following terms shall have the following meanings:

(a) Certain Terms.

(i) "Armed Forces Post Exchanges" shall mean United States military posts, ships' stores or other United States armed forces facilities.

(ii) "Catalog Titles" shall mean any Product (or Component thereof) following such Product's "street date."

(iii) "Combined Entity" shall mean the entity or entities formed as a result of any Recorded Music Major Transaction.

(iv) "Components" shall mean the packaging or promotional elements included in the Containers or utilized in connection therewith, including inserts, booklets and inlay cards and stickers.

(v) "Containers" shall mean the containers (*e.g.,* jewel boxes and snapper boxes) into which Records are collated.

(vi) "Contract Year" shall mean each separate, consecutive one (1)-year period of the Term, the first such period to commence on the first day of the Term.

(vii) "Facility" shall mean any facility owned and/or leased and controlled by Company or one of Company's Affiliates.

(viii) "Hit Titles" shall mean Catalog Titles designated by WEA as such based upon current or anticipated sales and delivery requirements.

(ix) "Inventory" shall mean all inventory of units of Components and finished units of Products stored in any Facility.

(x) "Key Release" shall mean a New Release of which greater than ** units and less than ** units have been Ordered.

(xi) "Key Release Date" shall mean the date by which the Orders for a Key Release are required to be shipped pursuant to Schedule A hereto.

(xii) "M&P Services" shall mean Manufacturing Services and Packaging Services.

(xiii) "Manufacturing Services" shall mean: (A) selected pre-production services (as reasonably determined by WEA and normally rendered by manufacturers of Products); (B) selection of suppliers; (C) ordering raw materials (including

Components) from various suppliers such as pressing plants, duplicators and printers; (D) assembly; (E) arranging shipment of Components to various points; (F) arranging shipment of finished units from point of manufacture to WEA's distributor and to other shipment locations identified by WEA; and (G) inventory control, all of the foregoing for Optical Discs only.

(xiv) "Manufacturing Source Materials" shall mean, collectively, all materials (other than raw materials such as plastic) necessary to manufacture finished units including Masters and Components, whether in physical or electronic form (as determined by WEA).

(xv) "Master" shall mean any recording embodied in any form from which Records may be derived.

(xvi) "New Release" shall mean any Product (or Component thereof) prior to and including such Product's "street date." For the purposes of Schedule A hereto, all promotional units of Products shall be treated as New Releases.

(xvii) "Optical Disc" shall mean any kind of optical disc now known or hereafter devised, including a compact disc in any of its forms and a Digital Versatile Disc in any of its forms and any other high-density optical disc. For the purposes of this definition, a compact disc includes audio CD, CD-ROM, Video CD, CD-I, CD-R, CD-RW, Photo CD, Enhanced CD and CD+G, as each such term is commonly used and understood. For the purposes of this definition, a Digital Versatile Disc includes DVD-Audio, DVD-Video, DVD-ROM, DVD-R, DVD-RW, DVD-RAM, as each such term is commonly used and understood. "Optical Disc" shall not include Blu-Ray or so-called "high definition" Digital Versatile Discs (collectively referred to as "HD-DVDs"); provided, however, that if WEA's total production of units of Products in HD-DVD format for any Contract Year exceeds five percent (5%) of WEA's total production of units of Products in all formats for such Contract Year (including units of Products in HD-DVD format), then thereafter during the Term, on a prospective basis, HD-DVDs shall be deemed to be "Optical Discs" hereunder. "Optical Disc" shall include the so-called "Hybrid" CD/DVD Disc.

(xviii) "Order" shall mean a request made by WEA for the manufacture and/or packaging of units of Products, Components or any other materials under this Exhibit. An "Order" may be for individual Products, Components or other materials, may be for multiple Products, Components or other materials and may specify multiple quantities of the same Product, Component or other materials to be produced for delivery to single and/or multiple locations. An "Order" shall include a "bill of materials" or "BOM" as said term is utilized in the manufacturing industry.

(xix) "Packaging Services" shall mean: (A) selected pre-production services (as reasonably determined by WEA and normally rendered by packagers of Records); (B) selection of raw material suppliers; (C) ordering raw materials from various suppliers; (D) cooperation, at Company's expense, with any third-party vendors providing printed materials for or on behalf of WEA; (E) assembly; (F) arranging shipment of finished units of Components from point

of manufacture to shipment locations identified by WEA; and (G) inventory control, all of the foregoing for Optical Discs only.

(xx) "Packaging Source Materials" shall mean, collectively, all materials (other than raw materials such as ink and paper) necessary to manufacture Components, whether in physical or electronic form (as determined by WEA).

(xxi) "Platinum Release" shall mean a New Release for which greater than one million (1,000,000) units have been Ordered.

(xxii) "Platinum Release Date" shall mean the date by which the Orders for a Platinum Release are required to be shipped pursuant to Schedule A hereto.

(xxiii) "Pre-Production" shall mean all steps that must be taken in preparation for manufacture once an Order has become Workable.

(xxiv) "Production" shall mean both the actual manufacture of units of Components and/or finished units of Products (as applicable) and the completed delivery of such units to locations in the Territory designated by WEA.

(xxv) "Products" shall mean all Records intended for sale in the Territory for which WEA requires M&P Services to be performed during the Term and for which WEA has the unilateral right to control the identity of the party who renders such M&P Services. Following a Recorded Music Major Transaction, "Products" shall mean all Records intended for sale in the Territory for which the Combined Entity requires M&P Services to be performed during the Term and for which the Combined Entity has the unilateral right to control the identity of the party who renders such M&P Services. It has been WEA's general custom to use its commercially reasonable efforts to acquire the unilateral right to control the identity of the party who renders M&P Services in connection with Records. WEA shall continue to do so during the Term, in accordance with past practice. For the avoidance of doubt, Records sold through so-called "kiosks" shall not constitute "Products" hereunder.

(xxvi) "Recorded Music Major Transaction" shall mean a joint venture, merger, or other combination of all or a substantial portion of the recorded music businesses of Warner Music Group with all or a substantial portion of the recorded music businesses of any Major.

(xxvii) "Records" shall mean all physical forms of recording and reproduction by which sound may be recorded now known or which may hereafter become known, manufactured or sold primarily for home use, jukebox use, or use on or in means of transportation, including magnetic recording tape, film, electronic video recordings and any other physical medium or device for the production of artistic performances manufactured or sold primarily for home use, jukebox use or use on or in means of transportation, whether embodying: (A) sound alone; or (B) sound synchronized with visual images, *e.g.,* "sight and sound" devices, but only so long as such forms of recording and reproduction contain performances of works by recording artists.

(xxviii) "Services" shall mean the M&P Services and all other services to be provided by Company under this Exhibit.

(xxix) "Source Materials" shall mean Manufacturing Source Materials and Packaging Source Materials.

(xxx) "Territory" shall mean, collectively, (a) the United States, its territories and possessions, including Puerto Rico, and Armed Forces Post Exchanges serviced from distribution points in the US, and (b) Canada.

(xxxi) "WEA Facility" shall mean any Facility at which Company provides or has provided Services to WEA hereunder.

(xxxii) "Workable" shall mean: (A) for orders of Manufacturing Services, an Order for which all of the items to be furnished by WEA (such as Source Materials and similar materials) reasonably necessary to complete manufacturing of finished units of Products have been received by Company in reasonably sufficient quantities; and (B) for orders of Packaging Services, an Order for which all of the items to be furnished by WEA (such as print components and similar materials) reasonably necessary to complete packaging and assembly of Components have been received by Company in reasonably sufficient quantities.

(b) Other Definitional and Interpretative Provisions.

(i) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Exhibit shall refer to this Exhibit as a whole and not to any particular provision of this Exhibit, and Paragraph and Schedule references are to this Exhibit unless otherwise specified.

(ii) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(iii) Unless the context requires otherwise, other grammatical forms of defined words or expressions used herein have corresponding meanings.

15. **

(a) **

(b) **

(c) In addition to the foregoing, Company shall be responsible for all incremental out-of-pocket costs of expediting late shipments. This Paragraph 15 shall not limit WEA's other rights against Company for breach hereof, but any amounts paid by Company pursuant to this Paragraph 15 shall reduce any amounts otherwise payable by Company with respect to such breach.

16. **[INTENTIONALLY OMITTED]**

List of Attached Schedules

Schedule A: Service Level Requirements
Schedule B: Technical Specifications
Schedule C: Fees
Schedule D: Approved Subcontractors
Schedule E: WEA’s Code of Conduct for Third-Party Service Providers
Schedule F: Insurance Coverage

Schedule A

Service Level Requirements

**

[2 pages]

Schedule B

Technical Specifications

**

Schedule C

Fees US / US$

**

[8 pages]

Schedule D

Approved Subcontractors

**

Schedule E

WEA's Code of Conduct for Third-Party Service Providers

1. Company will not (without WEA's written consent) manufacture merchandise utilizing any properties the copyright or trademark to which is owned or licensed exclusively by WEA or its wholly owned or controlled Affiliates other than Products in accordance with this Agreement.

2. Company shall not use child labor in the manufacturing, packaging or distribution of Products. The term "child" refers to a person younger than the local legal minimum age for employment or the age for completing compulsory education, but in no case shall any child younger than fifteen (15) years of age (or fourteen (14) years of age where local law allows) be employed in the manufacturing, packaging or distribution of Products.

3. Company shall only employ persons whose presence is voluntary. Company shall not use any forced or involuntary labor, whether prison, bonded, indentured or otherwise.

4. Company shall treat each employee with dignity and respect, and shall not use corporal punishment, threats of violence, or other forms of physical, sexual, psychological or verbal harassment or abuse.

5. Company shall not discriminate in hiring and employment practices, including salary, benefits, advancement, discipline, termination, or retirement on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability.

6. Company recognizes that wages are essential to meeting employees' basic needs. Company shall comply, at a minimum, with all applicable wage and hour laws, including minimum wage, overtime, maximum hours, piece rates and other elements of compensation, and shall provide legally mandated benefits. If local laws do not provide for overtime pay, Company shall pay at least regular wages for overtime work. Except in extraordinary business circumstances, Company shall not require employees to work more than the lesser of (a) forty-eight (48) hours per week and twelve (12) hours overtime or (b) the limits on regular and overtime hours allowed by local law, or, where local law does not limit the hours of work, the regular work week in such country plus twelve (12) hours overtime. In addition, except in extraordinary business circumstances, employees will be entitled to at least one (1) day off in every seven (7)-day period. Company agrees that, where local industry standards are higher than applicable legal requirements, it will meet the higher standards.

7. Company shall provide employees with a safe and healthy workplace in compliance with all applicable laws, ensuring, at a minimum, reasonable access to potable water and sanitary facilities, fire safety, and adequate lighting and ventilation. Company also shall ensure that the same standards of health and safety are applied in any housing it provides for employees. Company shall provide WEA with all information WEA may request about manufacturing, packaging and distribution facilities for the Products.

8. Company shall respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference, in accordance with applicable laws.

9. Company shall comply with all applicable laws, including those pertaining to the manufacture, pricing, sale and distribution of Products.

10. Company shall comply with all applicable environmental laws.

Schedule F

Insurance Coverage

NOTE: The following insurance requirements are intended to provide insurance coverage under this Agreement and each of the other service agreements being entered into between the parties hereto and their Affiliates as of the date hereof. Accordingly, to the extent any such other agreements (or other Exhibits to this Agreement) require insurance coverage thereunder that is duplicative of the insurance coverage provided for below, such insurance coverage need not be duplicated under such other agreements.

Property Insurance. Including Extra Expense and Business Interruption : Company at all times and at its own cost and expense shall insure WEA's property as defined and required in this Agreement under so-called "all risk" policies of insurance, including but not limited to coverage for extended perils, earthquake, windstorm, flood, and collapse; open cargo, war risk cargo and terrorism. Company shall purchase an insurance policy that indemnifies WEA for non-physical damage to source material, if available on a commercially reasonable basis and is warranted by the risk profile of the Company. WEA's property shall consist of and not be limited to source material, finished goods and inventory, returned stock, master recordings, digital files, DVDs, CDs and all printing and packaging material.

Either dedicated policies or portfolio (blanket) coverage forms may provide the "all risk" property insurance, providing that the per occurrence limit of insurance available with respect to the WEA property at any Company location for property damage, business interruption, and extra expense shall not be less than ** per occurrence; and Terrorism for WEA Manufacturing Alsdorf shall be no less than ** per occurrence. Further, the limits of insurance applicable to the extended perils and the perils of earthquake, flood and terrorism shall be an annual aggregate. The deductible on said policies shall be the sole responsibility of Company and be of no greater amount than is commercially reasonable for a company of its financial standing. These policies shall be primary to any policy maintained by or on behalf of WEA. WEA may, at any time, review the amount of insurance required hereunder, and may, from time to time, but in no event more than annually, require a lower or higher amount depending on the best available estimate of the aggregate exposure to loss arising from damage to WEA's property under this Agreement.

The open cargo and war risk cargo insurance policies shall provide per shipment limits of indemnity of no less than ** and contain a warehouse coverage endorsement. In the event that the ** limit of insurance is not adequate to fully insure any given shipment under this Agreement, Company shall purchase additional insurance to cover the full replacement cost of the shipment. The deductible on these policies shall be no greater than what is commercially reasonable for an enterprise with Company's financial standing. The deductible shall be the responsibility of Company and this coverage shall be primary to any coverage maintained by WEA.

All policies shall provide for a reimbursement value with respect to WEA's property at replacement cost for new property of like kind and quality, with no deduction for depreciation, and shall include WEA, its partners, officers, employees, and Affiliates as loss payees under the policies as their interest may appear, and shall provide that no act or omission on the part of Company as the title insured shall prejudice a direct claim by the additional insured. All property policies shall include a waiver of subrogation in favor of WEA. Further, Company agrees to secure terms with its insurer that in the event that Company fails to pay premium resulting in a cancellation of coverage that WEA will be given the opportunity to maintain coverage for its insured property under the policy; and Company will reimburse WEA ** of notice for the expense incurred.

Public Liability Insurance: Company shall also be required to obtain and maintain comprehensive general liability insurance and a follow-form "umbrella liability" policy, providing insurance against claims for bodily injury, including death, property damage, personal and advertising injury, blanket contractual liability, broad form property damage liability, explosion, collapse and underground hazard, and products and completed operations, for such claims occurring or alleged to have occurred in the course of any operations or activities contemplated by this Agreement, in such amounts as from time to time are carried by prudent owners of comparable operations, but in no event less than **, and covering as additional insureds all the WEA individuals and entities for which and to the extent it is responsible under this Agreement.

Workers' Compensation and Employers' Liability Insurance:

The Workers' Compensation policy shall include the following coverage:

1. Coverage A	Statutory
2. Coverage B	Employers' Liability
Bodily Injury by Accident	** each accident
Bodily Injury by Disease	** policy limit
Bodily Injury by Disease	** each employee

Company shall maintain any other employment related insurance coverage required by any jurisdiction having control over any employees or operations used in connection with this Agreement.

Automobile Liability Insurance: Company shall purchase and maintain automobile liability and follow-form "umbrella liability" insurance for all owned, non-owned and hired vehicles with limits of not less than one ** combined single limit for bodily injury and property damage. This insurance coverage must include all automotive and truck equipment used in the performance of the work under this Agreement, and must include the loading and unloading of same.

Environmental Liability Insurance: In the event Company encounters and must perform or engage a contractor to perform work related to the remediation or abatement of "hazardous material" which includes, without limitation, any flammable explosives, radioactive materials, hazardous materials, hazardous waste, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9601, et seq.), the Superfund Amendments and Reauthorization Action of 1986 (Pub. L. No. 99-499, 100 stat. 1613 (1986)), the Hazardous Material Transportation Act, as amended (49 U.S.C. Section 1801, et seq.) and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation (or applicable law in any jurisdiction outside the US), Company, or any contractor performing such work on behalf of Company, shall provide "contractor's pollution liability" insurance, as applicable to the work to be performed, covering claims from third-party injury and property damage as a result of pollution conditions emanating from on-site, under the site, or off the site arising out of its operations and completed operations. Completed operations coverage shall remain in effect for no less than **. Minimum liability limits, including excess liability coverage, shall be **.

The automobile liability insurance must contain provisions for thirty (30) days prior written notice of cancellation, nonrenewal, material change or reduction of insurance sent by certified mail return receipt requested, and waiver of subrogation in favor of WEA, additional insureds and all other such entities, as may be reasonably requested by WEA.

Provisions Applicable to All Policies of Insurance Required Hereunder : Policies of insurance shall be underwritten by an insurer with an AM Best rating of no less than A- and a financial size class of VII or better (or an equivalent rating from an alternate rating agency), and may be an admitted or non-admitted carrier. Any insurer not meeting these criteria must be approved in writing by WEA's risk management department whose authorization shall not be unreasonably withheld. Satisfactory evidence of insurance shall be provided before the commencement of this Agreement and shall be evidenced at each renewal by a binder and certificate of insurance at least ten (10) days before expiration of coverage and upon request of WEA, on an annual basis or as necessitated by a material change in coverage or legal action. Such certificates of insurance shall include loss payee and additional insured provisions as previously noted in this Exhibit. Company shall forward to WEA a copy of all required policy forms upon request. With respect to property located outside the U.S, any loss payable to WEA shall be adjusted and paid in the currency of the United States of America, subject to the rate of exchange published in The Wall Street Journal on the date of the loss. If Company elects to maintain insurance for property located outside the US, where the policy is denominated in a currency other than the US dollar, such policy limits and deductibles shall at all times be sufficient to meet the US dollar denominated requirements set forth on this Schedule F.

Each of WEA and Company agrees to negotiate in good faith to attempt to resolve any disagreement which in any way affects any insurance required to be carried hereunder. In the event that such good faith negotiation does not result in the resolution of any such disagreement within a fifteen (15) day period, the parties shall retain an arbitrator to make a fair and reasonable determination as to any such disagreement (the " Insurance Arbitrator"). The Insurance Arbitrator shall be a retired executive or attorney with substantial experience in the insurance industry, preferably in the field of manufacturing, shall be independent of each of WEA and Company, and shall endeavor to provide a determination of any dispute among the parties within thirty (30) days of being retained, but in each case, as quickly as possible. The parties shall jointly appoint the Insurance Arbitrator and the identity of the Insurance Arbitrator shall be satisfactory to each of the parties. The parties shall share equally in the cost and expense of retaining the Insurance Arbitrator. If the parties cannot agree upon a person to act as the Insurance Arbitrator within thirty (30) days of the expiry of the fifteen (15) day negotiation period specified in this Paragraph, then the Arbitrator shall be selected by the American Arbitration Association. Any arbitration hereunder shall be conducted in conformance with the rules established by the American Arbitration Association. Any determination made by the Insurance Arbitrator shall be final and binding on each of the parties. For the avoidance of doubt, Company shall at all times including during the pendency of any dispute and until such time as such dispute is resolved be required to continue to procure insurance policies at its sole expense in full force and effect as required in this Agreement and as specified herein.

Exhibit B

PP&S Terms

References to "Company" when used in this Exhibit shall be deemed to refer to Cinram (as defined in the Agreement). Capitalized terms used in this Exhibit but not defined where they appear in the text are defined in Paragraph 13 below.

1. Appointment.

(a)

(i) WEA hereby appoints Company to render, and Company shall render, PP&S Services for one hundred percent (100%) of Products (subject to the Permitted Exclusion and the other terms and conditions of this Agreement), in accordance with the terms hereof. For the avoidance of doubt, the PP&S Services shall not include any direct-to-consumer services, including without limitation any direct-to-consumer distribution, returns processing, inventory control, warehousing, or shipping services.

(ii) Notwithstanding anything to the contrary contained in Paragraph 1(a)(i), from and after the effective date of a Recorded Music Major Transaction (the "RMMT Effective Date"), the appointment of Company hereunder shall instead be to render, and Company shall render, PP&S Services for at least the Specified Percentage (and, at WEA's election, more than the Specified Percentage) of Products in accordance with the terms hereof (subject to the Permitted Exclusion and the other terms and conditions of this Agreement). WEA shall use commercially reasonable efforts to provide that the Combined Entity's use of PP&S Services under this Exhibit (*i.e.,* mix of New Releases and Catalog Titles) following the RMMT Effective Date remains generally consistent with WEA's use of PP&S Services under this Exhibit prior to the RMMT Effective Date. The "Specified Percentage" equals the fraction, expressed as a percentage: (A) the numerator of which shall be one hundred percent (100%) of the number of units of Products picked, packed and shipped in the Territory by Company for WEA under this Exhibit and (prior to the Effective Date) under the US PP&S Agreement (and/or by WEA on its own behalf, if applicable) during the twelve (12) complete calendar months immediately preceding the RMMT Effective Date (the "WEA Output"); and (B) the denominator of which shall be the WEA Output plus one hundred percent (100%) of the number of units of Records in physical formats picked, packed and shipped for sale in the Territory by or for the recorded music business of the applicable Major during the same twelve (12)-month period.

(iii) WEA shall be solely responsible for: (A) all sales solicitation of Products; (B) processing of all orders of units of Products by customers; (C) invoicing and collection of customer accounts; and (D) the processing and issuance of credits to customers.

(b) Reservation of Rights. WEA hereby reserves all rights in and to Products not otherwise expressly granted to Company herein.

(c) Reports. Company shall prepare for WEA all of the same shipments, returns and inventory reports in the same format and detail that WEA's systems provided as of the Effective Date (it being understood that Company shall not be required to prepare for WEA any reports that would require Company to incur additional out-of-pocket expenses in order to provide them, unless WEA agrees to pay any such actual out-of-pocket expenses) and shall supply WEA with such reports on at least a monthly basis during the Term. If Company provides more detailed reports to any other party during the Term, Company shall, at WEA's request, provide such more detailed reports to WEA hereunder as of the date that Company commences providing such more detailed reports to such other party, but subject to the same terms and conditions under which such reports are provided to such other party (*e.g.,* any additional fees or amounts charged to such party for such more detailed reports). Monthly and quarterly shipments and return reports shall include at least the following information: selection number, artist name, selection title, product configuration, gross units shipped, units actually returned, net units and Fees. Nothing in such reports shall impart any competitively-sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services or any personal data possessed by Company.

(d) Facilities.

(i) Company shall utilize "first-class" facilities either directly or, subject to WEA's prior approval, by subcontract, for the prompt, timely, and satisfactory performance of the PP&S Services committed hereunder. All distribution center locations used by Company in connection with Products shall be subject to WEA's prior approval (which approval shall not be unreasonably withheld). WEA hereby acknowledges that those distribution facilities listed on Schedule E currently constitute "first-class" facilities and shall be deemed approved by WEA for Company's use hereunder in connection with Products. For the avoidance of doubt, WEA shall have no right to require Company to provide Services under this Exhibit at any Facility other than the Facilities listed on Schedule E and, subject to the terms and conditions of this Agreement, Company shall have the right to close or relocate any such Facilities so long as Company ensures no degradation to Service Level Requirements, shipping time, turnaround times or increased costs to WEA as a result of such closure or change in location.

(ii) On a limited basis only, upon WEA's request, Cinram Distribution will make up to ** shipments per day of Products in quantities of no less than a so-called "carton" to WEA customers directly from the manufacturing facility in Olyphant when WEA reasonably deems it necessary to meet WEA's timing requirements, and Cinram Distribution agrees to make such requested shipments no later than ** after the completion of manufacturing of such units; provided that Cinram Distribution will use commercially reasonable efforts to ship less than so-called "cartons" upon WEA's reasonable request. In the event that Cinram Distribution ceases to ship so-called "banded" unboxed Product to WEA customers from the facility in Olyphant and makes such shipments to WEA customers from the facility at Aurora, Cinram Distribution shall be solely responsible for any additional costs incurred to make such shipments, with the exception of freight costs. For the avoidance of doubt, regardless of whether the "banded" Products are shipped from the Olyphant or Aurora facility, the freight expense shall be charged to WEA (just as it is for all other Products). For the further avoidance of

doubt, all Fees associated with the direct shipment of such Products to WEA customers under this Agreement, including all pick, pack and ship fees, shall be fully applicable to such direct shipments.

(e) Company's Undertakings.

(i) Company shall render Services for WEA to all locations throughout the Territory for all orders for Products as designated by WEA. The Services: (A) shall be rendered on a so-called "label blind" basis; (B) shall be rendered in at least the same general manner, subject to at least the same general standards and in at least the same general quality as provided by Company to all other parties whose products are distributed by Company in the Territory, but if any such services are not part of the standard Services otherwise provided to WEA hereunder and the provision of such services is at a higher cost to Company, then if WEA requests such services, such services shall be provided to WEA hereunder, but subject to the same terms and conditions provided to such other party (this clause (B) shall not require that Company provide WEA with the automated services provided in Company's Huntsville Facility or otherwise require Company to provide any new services to WEA if the cost of providing such services would be similarly unreasonably burdensome to Company; provided, however, that nothing contained in this clause (B) shall limit Company's obligations set forth in Paragraph 7), (C) shall be rendered in at least the same manner, subject to at least the same standards and in at least the same quality as was provided to WEA's Affiliates for the products of WEA's Affiliates immediately prior to the Original Effective Date; (D) shall be rendered in accordance with "first-class" standards that meet the highest quality available in the industry; and (E) shall be rendered in accordance with, or exceed, each of the service level requirements set forth on Schedule A hereto (the requirements set forth on Schedule A hereto being the "Service Level Requirements").

(ii) Company shall ship each Product without alteration in the same configuration and format designated by WEA.

(iii) Company shall accept the return of all units of Products previously distributed by or on behalf of WEA in the Territory prior to the Original Effective Date.

(f) Business Continuity; Facilities.

(i) Upon WEA's request, senior Company employees shall meet with a team designated by WEA to discuss ongoing business continuity issues and, if deemed applicable by WEA, an efficient transition to one or more new manufacturers and/or distributors. At WEA's option, WEA and/or its designated agent(s) shall be permitted at any time during normal business hours to enter any facilities in which any property of WEA (including without limitation Inventory, Products, or Components) reside, in order to retrieve or otherwise access any such WEA property.

(ii) Company shall provide at least ** prior written notice to WEA of any actual or anticipated closure or discontinuation of use (whether permanent or temporary and whether partial or complete) of any of Company's facilities used in providing PP&S Services (including without limitation Company's facilities in Aurora, IL

or Olyphant, PA). In the event of any actual or anticipated closure or discontinuation of the use of (whether permanently or temporarily and whether partially or completely) any such facilities, then Company shall: (A) pay and be responsible for, and shall reimburse WEA for, all reasonable expenses incurred by or on behalf of WEA arising from any change to one or more new facility(ies); (B) reimburse WEA for increased shipping and related costs and expenses incurred by or on behalf of WEA as a result of such change (and shall provide WEA with any other similar types of reimbursements and other accommodations as were provided to WEA after the closing of Company's Simi Valley facility); and (C) ensure that there is no adverse impact on the services (including without limitation the quality, reliability, timeliness, or cost to WEA of services) and/or Company's satisfaction of any Service Level Requirements.

(iii) Company shall provide advance written notice to WEA of all decisions regarding the sale, transfer, disposition, or any other change with respect to Company's material property, facilities and/or assets used in providing the PP&S Services.

(g) Compliance with Law; Code of Conduct. Company shall comply (i) with all laws and regulations in connection with Company's undertakings under this Agreement, except where the failure to do so individually or in the aggregate is immaterial; and (ii) subject to relevant local laws including privacy laws, with the code of conduct attached as Schedule B hereto.

(h) Quarterly Meetings. At least once every calendar quarter, WEA may meet with Company's Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) to assess Company's performance under this Exhibit and its ongoing ability to perform its obligations under this Agreement.

(i) Shipping. If WEA is responsible for shipping expenses, should WEA so elect, WEA shall have the right to: (i) select the shipping agent(s) utilized by Company for shipping of units of Products and/or other materials hereunder (and, in doing so, assume the risk of loss for such units of Products in transit); or (ii) in lieu of selecting such shipping agent(s), require that Company submit to WEA any proposed shipping agent(s) which Company wishes to utilize hereunder for WEA's prior written approval. If, in a particular instance, WEA is not responsible for shipping expenses or WEA does not exercise its rights pursuant to the preceding sentence, Company shall utilize the same shipping agent(s) utilized by Company for the shipping of a majority of the other products shipped by or on behalf of Company.

(j) Additional Services. At WEA's reasonable request, Company shall provide WEA with assembly, packing and shipping services for "point of sale," promotional and merchandising materials to be utilized in connection with Products. Such services shall be provided by Company to WEA on a non-exclusive basis only (and only to the extent that WEA so requests any such services) and, to the extent so requested, shall be provided to WEA at competitive market rates otherwise available to WEA. Notwithstanding this Paragraph 1(j), Company shall only be required to provide such services if either WEA (either itself or through any of its Affiliates) provided such services on its own behalf prior to the Original Effective Date or if Company then-currently provides such services to any party (in which case, if WEA requests such services and Company is not contractually prohibited from providing such services to WEA, they shall be provided to WEA on the same terms and conditions as are provided to such other party).

(k) Permitted Exclusion. Notwithstanding anything in this Agreement to the contrary:

(i) **

(ii) **

(iii) **

(A) **

(B) **

(C) **

(l) **

2. Title. Title to units of Products under this Exhibit (including all copyrights and trademarks contained therein) shall remain in WEA or WEA's Affiliates, as applicable. Company acknowledges that Products (including all intellectual property contained therein and relating thereto) are protected under copyright laws and that WEA is the rightful owner or license holder of all such copyrights. Company acknowledges that any removal of any such materials from Company's approved facilities without WEA's written approval, and any distribution of any such materials in the Territory without WEA's written approval, is an infringement of WEA's copyright. Company shall bear the risk of loss for units of Products in Company's possession, under Company's control or in transit during any shipping of Products between Facilities (to the extent that Company is responsible for paying such shipping expenses). Notwithstanding, and in addition to, the foregoing, solely to protect WEA in the circumstance that it is ever determined by a court of competent jurisdiction that units of Products are owned by Company contrary to the express terms of this Exhibit and intention of the parties, Company hereby grants and shall be deemed to have granted to WEA on the Effective Date a security interest in all such present and future Products, and all products and proceeds (including, without limitation, insurance proceeds but excluding amounts payable to Cinram for PP&S Services provided hereunder) of the foregoing, and any additions, improvements and accessions to, and all books and records describing or used in connection with any of the foregoing, to secure all debts, liabilities and obligations of Company to WEA, whether now existing or arising hereafter (including without limitation as a result of Company's breach of this Agreement or any other agreement with WEA, including as a result of the rejection of this Agreement or any other agreement with WEA in a bankruptcy or similar proceeding) and whether liquidated or contingent. The security interest shall attach on the earlier of when such Products are (a) acquired by the Company or (b) identified to the contract as contemplated in UCC Section 2-501. Company agrees to take such steps as WEA may reasonably request in connection with the perfection of such security interest or otherwise to protect the rights of WEA with respect thereto, at WEA's expense. WEA shall have all rights, powers and privileges of a secured party under the UCC.

3. Ordering Products. WEA shall cause the manufacture of and delivery to Company of such stocks of Products as shall be determined by WEA in WEA's sole discretion.

4. Company's Financial Obligations. WEA shall not be responsible for payment of any of Company's (or Company's Affiliates') indirect or general overhead charges or the salaries of Company's (or Company's Affiliates') employees or agents. All costs associated with the rendering of Services shall be borne by Company. All charges for all packaging materials (including boxes and filler materials) are at the cost of Company. All actual, out-of-pocket, non-overhead freight charges incurred by or on behalf of Company under this Exhibit for shipping of units of Products from Company's distribution warehouse facilities to WEA's customers or otherwise at WEA's request shall be borne by WEA. To the extent that any shipping costs hereunder are to be borne by WEA, WEA shall only be required to pay Company's actual, documented, out-of-pocket costs charged by such shipping company for the shipment of units of Products and/or other materials hereunder, and such costs shall be reimbursed to Company by WEA within ten (10) business days following Company's rendition of such invoice to WEA (but in no event shall WEA be required to make any such payment prior to Company's payment of such invoice to such shipping agent). Company shall be solely responsible for all costs or expenses related to the shipping of units of Products from WEA's manufacturer to the extent that Company or Company's Affiliate is then-currently WEA's manufacturer to Company's distribution Facilities and for the cost of any shipping between any Facilities (except if such shipping was requested by WEA).

5. Terms of Sale of Products. WEA shall determine all terms of sale for Products.

6. Other Obligations.

(a) Storage. Company shall accept and store all units of Products delivered to or otherwise held by Company under this Exhibit at no charge; provided, however, that with respect to any particular Product, Company shall not be required to store more units of such Product than is necessary to satisfy the next ** demand (such determination as to what constitutes ** demand shall be made jointly by WEA and Company based, where possible, upon actual, gross units of Products ordered during the prior ** and shall be made for all Products no more frequently than semi-annually during the Term. With respect to units of Products so determined to be in excess of a ** demand therefor, Company shall notify WEA of the specific units of Products constituting such excess and within ** days following WEA's receipt of such notice, WEA shall (in WEA's sole discretion) either: (i) remove such excess units of Products (at WEA's expense) (and if WEA directs such destruction, Company shall destroy such materials in accordance with WEA's instructions and shall promptly provide WEA with an officer's certificate that confirms such destruction); (ii) direct Company to destroy such excess units of Products (at WEA's expense); or (iii) direct Company to store such excess either: (x) at a Facility at a cost to WEA of eight dollars ($8) per skid per month; or (y) offsite at Company's or Company's Affiliates leased facility approved in advance, in writing, by WEA and the actual, documented, out-of-pocket expense charged by such facility to Company for such storage shall be reimbursed to Company by WEA. Amounts owing under this Paragraph 6(a) shall be invoiced by Company at month end and shall be payable ** days from the date of the rendition of such invoice. Products shall be kept segregated from all of Company's other products or merchandise. The risk of loss, due to any reason, of units of Products in Company's possession or control shall be borne by Company, as further described herein; provided, however, that to the extent any such loss was directly caused by a WEA Employee, Company shall not bear the risk of loss except to the extent such loss is or would have been covered by Company's property insurance as required under this Agreement and as set forth on Schedule C hereto.

(b) Insurance. During the Term, Company shall: (i) comply with all provisions set forth on Schedule C hereto; and (ii) at Company's sole cost and expense, maintain adequate insurance coverage for: (A) all Products while such Products are in Company's possession, under Company's control or in transit to or from Company or its designees to any Facility; and (B) the other matters set forth on Schedule C hereto. The insurance required hereunder is not intended to limit Company's liability as otherwise provided in this Agreement.

(c) Computer Access. In order that WEA be able to monitor daily shipment, returns and inventory activity of Products, Company shall give WEA access to Company's computer system for the purpose of providing WEA with real-time information stored therein relating to Products at Company's expense (but no access shall be allowed to information relating to any other party's products or any personal data possessed by Company). Such system shall provide WEA with all of the same types of reports and information currently provided by, and as may be available from, Company's computer systems in connection with other products distributed by Company. In connection therewith, Company shall work with WEA to ensure that WEA is provided with at least the same level of reports and information that WEA's own systems provided as of the Original Effective Date. Nothing in such reports or information provided shall impart any competitively-sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services or any personal data possessed by Company. Such access shall be available to WEA **, at all times during the Term. Notwithstanding anything herein to the contrary, Company may perform system maintenance and upgrades during which such systems may not be available; provided, however, that such downtime does not exceed **. Throughout the Term, Company shall, at Company's cost, reasonably maintain and enhance its IT services so as to be of a comparable standard to those offered by "first-class" distributors in the Territory.

(d) Inspection. Subject to the provisions set forth below, during the Term and for a period of one (1) year following the expiration or termination of the Term, WEA shall have the right to inspect each

WEA Facility and any other facility utilized by Company in connection with Products, or the provision of Services hereunder, during regular business hours (utilizing either WEA's own employees, third-party advisers or representatives, insurers, or other experts retained by WEA). WEA may conduct such inspections of each Facility or other facility up to **; provided, however, that to the extent WEA or any of its Affiliates are required by law or contract to inspect, to provide inspections or to provide information that cannot reasonably be obtained without an inspection for any party that would require inspections to be performed more than **, WEA shall, upon reasonable prior written notice to Company, be permitted to perform any such inspection(s). In addition to the inspections permitted in the preceding sentence, at any time upon receipt of any Security Breach Notice (as defined in Paragraph 6(e)), WEA shall have the unlimited right upon reasonable notice to inspect any facility which was the location of the event(s) giving rise to the need for such Security Breach Notice. During any such inspection, WEA may conduct physical inventories of units of Products in Company's possession or under Company's control. WEA shall not have access to any competitively-sensitive information relating to any other party's products, or any personal data possessed by Company during the inspections permitted under this Paragraph 6(d).

(e) Security. Company shall maintain security standards that are at least equivalent to those provided by other "first-class" distributors in the Territory, both in the segregated area of the WEA Facilities for Products and throughout the WEA Facilities, and shall at all times employ the utmost care and diligence to prevent loss, damage, theft, disappearance, unauthorized destruction or usage of Products. Company's security procedures shall be subject to WEA's prior written approval. Company shall maintain such procedures as approved by WEA and as may reasonably be given to Company from time to time throughout the Term. Notwithstanding the foregoing, Company's security measures (which shall include closed-circuit television monitoring, pass-protected access, employee checking and spot searching, etc.) shall be sufficient to ensure that Products and the intellectual property embodied in such Products are in no way compromised, stolen, "leaked" to the public *e.g.,* copying of recordings embodied on Products which may lead to the availability of such recordings to the public via the Internet or similar means) or otherwise made available to any unauthorized parties. Upon discovery of (i) loss, damage, theft, disappearance, or destruction of Products exceeding ** dollars **; or (ii) any unauthorized usage of Products, Company shall notify WEA as soon as reasonably possible, and in any event within seventy-two (72) hours following such discovery, and shall include in such notification sufficient detail to allow WEA to investigate such incident (each, a "Security Breach Notice"). Regardless of Company's compliance with all security measures set forth herein or with procedures approved by WEA, Company shall be liable as provided herein for the loss, damage, theft, disappearance, destruction or unauthorized usage of any Products.

(f) Salvage. At all times and regardless of whether Company or its insurers are required to compensate WEA for loss as required under this Agreement, WEA shall retain the sole right to salvage for damaged Products. Company shall not surrender damaged Products to insurers or any other party for destruction or disposal without obtaining WEA's prior written consent.

(g) WEA Employees. Company shall throughout the Term, at the request of WEA, provide up to a maximum of ** employees of WEA or its Affiliates (the "WEA Employees") with, at Company's expense: (i) reasonable office accommodations at such WEA Facilities utilized for distribution and/or warehousing as may be specified from time to time by WEA; (ii) individual computers; (iii) copy services and any other similar office services in order to permit them to carry out their functions; and (iv) all other reasonable support functions as provided to them as of the Original Effective Date. Company shall also provide telephone, Internet and fax access for each WEA Employee, and WEA shall reimburse Company for Company's actual, documented, out-of-pocket costs therefor. Amounts owing under this Paragraph (g) shall be invoiced by Company at month end and shall be payable ** days from the date of the rendition of such invoice. WEA shall be responsible for the direction of, and all compensation and related obligations for, the WEA Employees. The WEA Employees shall operate in accordance with

WEA's code of conduct and Company's standard code of conduct contained in its employee policy manual at the applicable WEA Facility (which code of conduct shall be subject to WEA's reasonable approval) and all other lawful policies adopted by Company from time to time governing the conduct of all of its employees and contractors. In the performance of their tasks, the WEA Employees shall not have access to any competitively-sensitive information relating to any other party's products or any personal data possessed by Company.

7. Technology. Company shall reasonably update the WEA Facilities at Company's cost to keep up with new technology requirements, including investing in technology, systems, equipment and processes to automate distribution processes, packaging and assembly to provide at least the same level of quality and service provided by other "first-class" distributors of Records in the Territory. In the event that any investment in a fundamental new technology (*e.g.,* the conversion to automated systems) results in a decrease in Company's net costs (*i.e.,* taking into account the cost of Company's said investment in implementing such new technology) by more than **, the Fees shall be adjusted so that the net cost benefit is shared equally between WEA and Company. Company shall maintain and update its information and technology capabilities, at Company's reasonable cost, to meet reasonable WEA requirements and maintain competitive services for WEA and its customers.

8. Invoices and Payments.

(a) Rendition of Invoices. For each month of the Term, Company shall prepare and render invoices to WEA on a weekly basis setting forth all Fees owed by WEA under this Exhibit for such week. Except with respect to shipping charges to be borne by WEA as provided in Paragraph 4 of this Exhibit, the amount due to Company pursuant to each such invoice shall be due and payable by WEA to Company in US dollars (except where such amounts are expressly designated in Canadian dollars in particular Schedules to this Agreement, which amounts shall be payable in Canadian dollars) on or ** following Company's rendition of such invoice. Company shall submit all such invoices to WEA electronically pursuant to instructions given by WEA to Company from time to time (and in paper form, to the extent WEA so requests) and to the extent that Company's and WEA's computer systems do not already provide for the electronic submission of all such invoices, Company shall use Company's reasonable efforts to work with WEA starting upon the commencement of the Term to create a system whereby all such invoices can be submitted electronically to WEA.

(b) Audits. WEA shall have the right, at WEA's sole expense, to examine (and/or to appoint representatives to examine) Company's (and Company's Affiliates') books and records in order to: (i) verify the correctness of any invoice prepared and rendered by Company in accordance with Paragraph 8(a); (ii) establish the applicability of the provisions contained in Paragraph 5 of the main body of the Agreement, Paragraph 14 of this Exhibit, and/or the occurrence of any Termination Event; or (iii) otherwise establish compliance by Company with its obligations under this Agreement; provided, however, that only independent, third-party auditors (*i.e.,* auditors other than WEA's then-current outside auditor) shall be utilized for the review of Company's books and records. Independent third-party auditors shall have access to all information necessary to perform their duties, however nothing in any report provided to WEA or its Affiliates by any such independent third-party auditors shall impart to WEA or its Affiliates any competitively-sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services. If any such audit reveals that WEA and/or WEA's Affiliates have been overcharged, Company shall reimburse WEA in the amount of the overcharge. If any such audit reveals that WEA has been overcharged by an amount exceeding ** for the audit period, Company shall reimburse WEA in the amount of the overcharge plus all fees paid by WEA to the auditors concerned in connection with such audit and any other actual, documented, out-of-pocket expense incurred by WEA in connection with such audit. Company shall pay interest to WEA on the amount of the overcharge at **

Regardless of the number of audits conducted hereunder revealing the same specific overcharge to WEA, Company shall not be required to repay to WEA the amount of any such overcharge more than once. WEA's audit right shall survive the expiration or termination of the Term for two (2) years; provided, however, that to the extent WEA or any of WEA's Affiliates are required by law or contract to audit, to provide audits or to provide information which cannot be reasonably obtained without an audit for any third party subsequent to two (2) years after the expiration or termination of the Term, then WEA's audit rights shall be so extended beyond such date as may be reasonably necessary for WEA to comply with such obligations. Company shall retain all books and records related to the performance of Services hereunder after the expiration or termination of the Term for so long as WEA may need to perform audits hereunder, but in no event for more than three (3) years after the rendition of the invoice with respect to the Services to which such invoice relates; provided, however, that before Company destroys any books or records, Company shall deliver written notice of such intent to destroy to WEA not more than sixty (60) days, and not less than thirty (30) days, before the intended date of destruction. WEA shall have fifteen (15) days after receipt of such notice to request copies of the books and records to be destroyed, in which case Company shall make copies of such books and records and deliver the same to WEA (but excluding information related to other customers of Company) at WEA's expense (but at Company's expense if such copies are of electronic files). As used herein, "books and records" shall include, without limitation, physical data and data stored in any electronic, magnetic or optical format.

9. **[INTENTIONALLY OMITTED]**

10. **[INTENTIONALLY OMITTED]**

11. **[INTENTIONALLY OMITTED]**

12. **[INTENTIONALLY OMITTED]**

13. Definitions. For purposes of this Exhibit, the following terms shall have the following meanings:

(a) Certain Terms.

(i) "Armed Forces Post Exchanges" shall mean United States military posts, ships' stores or other United States armed forces facilities.

(ii) "Business Days" shall mean Monday through Friday inclusive except for any United States national public holiday which shall fall on any of those days.

(iii) "Catalog Titles" shall mean any Product (or Component thereof) following such Product's "street date."

(iv) "Combined Entity" shall mean the entity or entities formed as a result of any Recorded Music Major Transaction.

(v) "Contract Year" shall mean each separate, consecutive one (1)-year period of the Term, the first such period to commence on the first day of the Term.

(vi) "Facility" shall mean any facility owned and/or leased and controlled by Company or one of Company's Affiliates.

(vii) "Fees" shall be in US dollars (except where such amounts are expressly designated in Canadian dollars in particular Schedules to this Agreement, which amounts shall be payable in Canadian dollars) and shall mean the pick, pack and ship fees and the various amounts set forth on Schedule D hereto, in each case, subject to adjustment as provided in this Agreement.

(viii) "Hit Titles" shall mean Catalog Titles designated by WEA as such based upon current or anticipated sales and delivery requirements.

(ix) "Key Release" shall mean a New Release of which greater than ** and less than ** units have been Ordered.

(x) "Key Release Date" shall mean the date by which the Orders for a Key Release are required to be shipped pursuant to Schedule A hereto.

(xi) "New Release" shall mean any Product (or Component thereof) prior to and including such Product's "street date." For the purposes of Schedule A hereto, all promotional units of Products shall be treated as New Releases.

(xii) "Order" shall mean a request made by WEA for the rendering of any PP&S Services in connection with units of Products or other materials under this Exhibit. An "Order" may be for individual Products or other materials, may be for multiple Products or other materials and may specify multiple quantities of the same Product or other materials to be delivered to single and/or multiple locations.

(xiii) "Order Cycle Time" shall mean the period from the date and time that Company receives an Order to the date and time Company actually ships such Order.

(xiv) "Platinum Release" shall mean a New Release for which greater than one million (1,000,000) units have been Ordered.

(xv) "Platinum Release Date" shall mean the date by which the Orders for a Platinum Release are required to be shipped pursuant to Schedule A hereto.

(xvi) "PP&S Services" shall mean (A) physical distribution; (B) processing of returns for scrap or return to inventory; (C) inventory control and warehousing; and (D) shipping services for units of Products; in all cases, in orders and quantities as requested and approved by WEA to all locations in the Territory as designated by WEA. For the avoidance of doubt, all determinations regarding the handling of units of Products and other materials under this Exhibit, including the handling of returns, stickering, preparation for shipment (*e.g.,* boxing, etc.) and shipment of units of Products shall be made solely by WEA.

(xvii) "Products" shall mean all Records for which WEA requires PP&S Services to be performed during the Term in the Territory and for which WEA has the unilateral right to control the identity of the party who renders such PP&S Services. Following a Recorded Music Major Transaction, "Products" shall mean all Records for which the Combined Entity requires PP&S Services to be performed during the Term in the Territory and for which the Combined Entity has the unilateral right to control the identity of the party who renders such PP&S

Services. It has been WEA's general custom to use its commercially reasonable efforts to acquire the unilateral right to control the identity of the party who renders PP&S Services in connection with Records. WEA shall continue to do so during the Term, in accordance with past practice. "Products" shall not include Records to be distributed during the Term in the Territory by Word Entertainment.

(xviii) "Recorded Music Major Transaction" shall mean a joint venture, merger, or other combination of all or a substantial portion of the recorded music businesses of Warner Music Group with all or a substantial portion of the recorded music businesses of any Major.

(xix) "Records" shall mean all physical forms of recording and reproduction by which sound may be recorded now known or which may hereafter become known, manufactured or sold primarily for home use, jukebox use, or use on or in means of transportation, including magnetic recording tape, film, electronic video recordings and any other physical medium or device for the production of artistic performances manufactured or sold primarily for home use, jukebox use or use on or in means of transportation, whether embodying: (A) sound alone; or (B) sound synchronized with visual images, *e.g.,* "sight and sound" devices, but only so long as such forms of recording and reproduction contain performances of works by recording artists.

(xx) "Services" shall mean the PP&S Services and all other services to be provided by Company under this Exhibit.

(xxi) "Territory" shall mean, collectively, (a) the United States, its territories and possessions, including Puerto Rico, and Armed Forces Post Exchanges serviced from distribution points in the US, and (b) Canada.

(xxii) "WEA Facility" shall mean any Facility at which Company provides Services to WEA hereunder.

(b) Other Definitional and Interpretative Provisions.

(i) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Exhibit shall refer to this Exhibit as a whole and not to any particular provision of this Exhibit, and Paragraph and Schedule references are to this Exhibit unless otherwise specified.

(ii) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(iii) Unless the context requires otherwise, other grammatical forms of defined words or expressions used herein have corresponding meanings.

14. **

(a) **

(b) **

(c) In addition to the foregoing, Company shall be responsible for all incremental cost of expediting late shipments. This Paragraph 14 shall not limit WEA's other rights against Company for breach hereof, but any amounts paid by Company pursuant to this Paragraph 14 shall reduce any amounts otherwise payable by Company with respect to such breach.

15. **[INTENTIONALLY OMITTED]**

List of Attached Schedules

Schedule A: Service Level Requirements
Schedule B: WEA’s Code of Conduct for Third-Party Service Providers
Schedule C: Insurance Coverage
Schedule D: Fees
Schedule E: Approved Facilities

Schedule A

Service Level Requirements

**

[2 pages]

Schedule B

WEA's Code of Conduct For Third-Party Service Providers

1. Company will not (without WEA's written consent) manufacture merchandise utilizing any properties the copyright or trademark to which is owned or licensed exclusively by WEA or its wholly owned or controlled Affiliates other than Products in accordance with this Agreement.

2. Company shall not use child labor in the manufacturing, packaging or distribution of Products. The term "child" refers to a person younger than the local legal minimum age for employment or the age for completing compulsory education, but in no case shall any child younger than fifteen (15) years of age (or fourteen (14) years of age where local law allows) be employed in the manufacturing, packaging or distribution of Products.

3. Company shall only employ persons whose presence is voluntary. Company shall not use any forced or involuntary labor, whether prison, bonded, indentured or otherwise.

4. Company shall treat each employee with dignity and respect, and shall not use corporal punishment, threats of violence, or other forms of physical, sexual, psychological or verbal harassment or abuse.

5. Company shall not discriminate in hiring and employment practices, including salary, benefits, advancement, discipline, termination, or retirement on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability.

6. Company recognizes that wages are essential to meeting employees' basic needs. Company shall comply, at a minimum, with all applicable wage and hour laws, including minimum wage, overtime, maximum hours, piece rates and other elements of compensation, and shall provide legally mandated benefits. If local laws do not provide for overtime pay, Company shall pay at least regular wages for overtime work. Except in extraordinary business circumstances, Company shall not require employees to work more than the lesser of (a) forty-eight (48) hours per week and twelve (12) hours overtime or (b) the limits on regular and overtime hours allowed by local law, or, where local law does not limit the hours of work, the regular work week in such country plus twelve (12) hours overtime. In addition, except in extraordinary business circumstances, employees will be entitled to at least one (1) day off in every seven (7)-day period. Company agrees that, where local industry standards are higher than applicable legal requirements, it will meet the higher standards.

7. Company shall provide employees with a safe and healthy workplace in compliance with all applicable laws, ensuring, at a minimum, reasonable access to potable water and sanitary facilities, fire safety, and adequate lighting and ventilation. Company also shall ensure that the same standards of health and safety are applied in any housing it provides for employees. Company shall provide WEA with all information WEA may request about manufacturing, packaging and distribution facilities for the Products.

8. Company shall respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference, in accordance with applicable laws.

9. Company shall comply with all applicable laws, including those pertaining to the manufacture, pricing, sale and distribution of Products.

10. Company shall comply with all applicable environmental laws.

Schedule C

Insurance Coverage

NOTE: The following insurance requirements are intended to provide insurance coverage under this Agreement and each of the other service agreements being entered into between the parties hereto and their Affiliates as of the date hereof. Accordingly, to the extent any such other agreements (or other Exhibits to this Agreement) require insurance coverage thereunder that is duplicative of the insurance coverage provided for below, such insurance coverage need not be duplicated under such other agreements.

Property Insurance. Including Extra Expense and Business Interruption : Company at all times and at its own cost and expense shall insure WEA's property as defined and required in this Agreement under so-called "all risk" policies of insurance, including but not limited to coverage for extended perils, earthquake, windstorm, flood, and collapse; open cargo, war risk cargo and terrorism. Company shall purchase an insurance policy that indemnifies WEA for non-physical damage to source material, if available on a commercially reasonable basis and is warranted by the risk profile of the Company. WEA's property shall consist of and not be limited to source material, finished goods and inventory, returned stock, master recordings, digital files, DVDs, CDs and all printing and packaging material.

Either dedicated policies or portfolio (blanket) coverage forms may provide the "all risk" property insurance, providing that the per occurrence limit of insurance available with respect to the WEA property at any Company location for property damage, business interruption, and extra expense shall not be less than ** per occurrence; and Terrorism for WEA Manufacturing Alsdorf shall be no less ** per occurrence. Further, the limits of insurance applicable to the extended perils and the perils of earthquake, flood and terrorism shall be an annual aggregate. The deductible on said policies shall be the sole responsibility of Company and be of no greater amount than is commercially reasonable for a company of its financial standing. These policies shall be primary to any policy maintained by or on behalf of WEA. WEA may, at any time, review the amount of insurance required hereunder, and may, from time to time, but in no event more than annually, require a lower or higher amount depending on the best available estimate of the aggregate exposure to loss arising from damage to WEA's property under this Agreement.

The open cargo and war risk cargo insurance policies shall provide per shipment limits of indemnity of no less than ** and contain a warehouse coverage endorsement. In the event that the ** limit of insurance is not adequate to fully insure any given shipment under this Agreement, Company shall purchase additional insurance to cover the full replacement cost of the shipment. The deductible on these policies shall be no greater than what is commercially reasonable for an enterprise with Company's financial standing. The deductible shall be the responsibility of Company and this coverage shall be primary to any coverage maintained by WEA.

All policies shall provide for a reimbursement value with respect to WEA's property at replacement cost for new property of like kind and quality, with no deduction for depreciation, and shall include WEA, its partners, officers, employees, and Affiliates as loss payees under the policies as their interest may appear, and shall provide that no act or omission on the part of Company as the title insured shall prejudice a direct claim by the additional insured. All property policies shall include a waiver of subrogation in favor of WEA. Further, Company agrees to secure terms with its insurer that in the event that Company fails to pay premium resulting in a cancellation of coverage that WEA will be given the opportunity to maintain coverage for its insured property under the policy; and Company will reimburse WEA within ten (10) days of notice for the expense incurred.

Public Liability Insurance: Company shall also be required to obtain and maintain comprehensive general liability insurance and a follow-form "umbrella liability" policy, providing insurance against claims for bodily injury, including death, property damage, personal and advertising injury, blanket contractual liability, broad form property damage liability, explosion, collapse and underground hazard, and products and completed operations, for such claims occurring or alleged to have occurred in the course of any operations or activities contemplated by this Agreement, in such amounts as from time to time are carried by prudent owners of comparable operations, but in no event less than **, and covering as additional insureds all the WEA individuals and entities for which and to the extent it is responsible under this Agreement.

Workers' Compensation and Employers' Liability Insurance:

The Workers' Compensation policy shall include the following coverage:

1. Coverage A	Statutory
2. Coverage B	Employers' Liability
Bodily Injury by Accident	** each accident
Bodily Injury by Disease	** policy limit
Bodily Injury by Disease	** each employee

Company shall maintain any other employment related insurance coverage required by any jurisdiction having control over any employees or operations used in connection with this Agreement.

Automobile Liability Insurance: Company shall purchase and maintain automobile liability and follow-form "umbrella liability" insurance for all owned, non-owned and hired vehicles with limits of not less than ** combined single limit for bodily injury and property damage. This insurance coverage must include all automotive and truck equipment used in the performance of the work under this Agreement, and must include the loading and unloading of same.

Environmental Liability Insurance: In the event Company encounters and must perform or engage a contractor to perform work related to the remediation or abatement of "hazardous material" which includes, without limitation, any flammable explosives, radioactive materials, hazardous materials, hazardous waste, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9601, et seq.), the Superfund Amendments and Reauthorization Action of 1986 (Pub. L. No. 99-499, 100 stat. 1613 (1986)), the Hazardous Material Transportation Act, as amended (49 U.S.C. Section 1801, et seq.) and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation (or applicable law in any jurisdiction outside the US), Company, or any contractor performing such work on behalf of Company, shall provide "contractor's pollution liability" insurance, as applicable to the work to be performed, covering claims from third-party injury and property damage as a result of pollution conditions emanating from on-site, under the site, or off the site arising out of its operations and completed operations. Completed operations coverage shall remain in effect for no less than five (5) years after final completion. Minimum liability limits, including excess liability coverage, shall ** each occurrence and ** in the aggregate.

The automobile liability insurance must contain provisions for thirty (30) days prior written notice of cancellation, nonrenewal, material change or reduction of insurance sent by certified mail return receipt requested, and waiver of subrogation in favor of WEA, additional insureds and all other such entities, as may be reasonably requested by WEA.

Provisions Applicable to All Policies of Insurance Required Hereunder : Policies of insurance shall be underwritten by an insurer with an AM Best rating of no less than A- and a financial size class of VII or better (or an equivalent rating from an alternate rating agency), and may be an admitted or non-admitted carrier. Any insurer not meeting these criteria must be approved in writing by WEA's risk management department whose authorization shall not be unreasonably withheld. Satisfactory evidence of insurance shall be provided before the commencement of this Agreement and shall be evidenced at each renewal by a binder and certificate of insurance at least ten (10) days before expiration of coverage and upon request of WEA, on an annual basis or as necessitated by a material change in coverage or legal action. Such certificates of insurance shall include loss payee and additional insured provisions as previously noted in this Exhibit. Company shall forward to WEA a copy of all required policy forms upon request. With respect to property located outside the U.S, any loss payable to WEA shall be adjusted and paid in the currency of the United States of America, subject to the rate of exchange published in The Wall Street Journal on the date of the loss. If Company elects to maintain insurance for property located outside the US, where the policy is denominated in a currency other than the US dollar, such policy limits and deductibles shall at all times be sufficient to meet the US dollar denominated requirements set forth on this Schedule C.

Each of WEA and Company agrees to negotiate in good faith to attempt to resolve any disagreement which in any way affects any insurance required to be carried hereunder. In the event that such good faith negotiation does not result in the resolution of any such disagreement within a fifteen (15) day period, the parties shall retain an arbitrator to make a fair and reasonable determination as to any such disagreement (the " Insurance Arbitrator"). The Insurance Arbitrator shall be a retired executive or attorney with substantial experience in the insurance industry, preferably in the field of manufacturing, shall be independent of each of WEA and Company, and shall endeavor to provide a determination of any dispute among the parties within thirty (30) days of being retained, but in each case, as quickly as possible. The parties shall jointly appoint the Insurance Arbitrator and the identity of the Insurance Arbitrator shall be satisfactory to each of the parties. The parties shall share equally in the cost and expense of retaining the Insurance Arbitrator. If the parties cannot agree upon a person to act as the Insurance Arbitrator within thirty (30) days of the expiry of the fifteen (15) day negotiation period specified in this Paragraph, then the Arbitrator shall be selected by the American Arbitration Association. Any arbitration hereunder shall be conducted in conformance with the rules established by the American Arbitration Association. Any determination made by the Insurance Arbitrator shall be final and binding on each of the parties. For the avoidance of doubt, Company shall at all times including during the pendency of any dispute and until such time as such dispute is resolved be required to continue to procure insurance policies at its sole expense in full force and effect as required in this Agreement and as specified herein.

Schedule D

Fees

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[4 pages]

Schedule E

Approved Facilities

1400 East Lackawanna Avenue
Olyphant, PA 18448

948 Meridian Lake Drive
Aurora, IL 60504

2255 Markham Road
Toronto, Ontario M1B 2W3

5590 Finch Avenue
Toronto, Ontario M1B 1T1

400 Nugget Avenue
Toronto, Ontario M1S 4A4

Exhibit C1

C1 Letter

Letter head of JPMorgan Chase Bank, N.A. addressed to WEA

October __, 2010

Warner-Elektra-Atlantic Corporation
75 Rockefeller Plaza New York,
New York 10019

Attention: •

Ladies and Gentlemen:

We refer to that certain (a) Credit Agreement dated as of May 5, 2006 (as amended, amended and restated, supplemented or modified from time to time, the "Credit Agreement") among Cinram International ULC, Cinram International Inc., Cinram, Inc., IHC Corporation (f/k/a Ivy Hill Corporation) and Cinram (U.S.) Holding's Inc., as borrowers, certain guarantors referred to therein (the "Cinram Entities"), the lenders party thereto from time to time, Credit Suisse Securities (USA) LLC, as syndication agent, and JPMorgan Chase Bank, N.A. as administrative agent (the "Administrative Agent") and (b) U.S./Canada Manufacturing and PP&S Agreement dated as of July 1, 2010 by and between Warner-Elektra-Atlantic Corporation ("WEA"), on the one hand, and Cinram International Inc., Cinram Manufacturing LLC and Cinram Distribution LLC (as amended, amended and restated, supplemented or modified from time to time, the "WEA/Cinram Agreement"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

The undersigned hereby confirms:

1. The Administrative Agent will use reasonable best efforts to provide to WEA copies of any and all written (a) notices of default, (b) notices of events of default, (c) demands for repayment, (d) notices of intention to enforce, (e) notices of acceleration, or (f) waivers, forbearances or other similar documents relating to defaults or events of default (clauses (a) through (f) collectively, "Lender Notices"), in any case relating to the Credit Agreement, contemporaneously with the provision by the Administrative Agent of any such Lender Notices to any of the Cinram Entities pursuant to the Credit Agreement; provided, that WEA acknowledges that no inadvertent failure by Administrative Agent to deliver a Lender Notice pursuant to this paragraph shall give rise to any claim or damages of any kind or nature.

2. The Administrative Agent, on behalf of itself and the other Secured Parties hereby acknowledges receipt of the WEA/Cinram Agreement in the form attached hereto as Schedule 1 and is aware of the provisions contained therein, including, without limitation, section 5(b) thereof.

3. The Administrative Agent, on behalf of itself and the other Secured Parties, confirms that no Secured Party (acting in such capacity) has, or will have, a security interest in any property owned, or in which title is held, by WEA or any of its affiliates (to the extent that no affiliate of WEA is an affiliate of the Cinram Entities) or in any property owned by a third party (to the extent that such third party is not an affiliate of the Cinram Entities) and as to which WEA or any of its affiliates is licensee (without waiver of

any lien of the Administrative Agent on any property owned by, or in which title is held by any Cinram Entity).

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

JPMORGAN CHASE BANK, N.A., in its capacity as Administrative Agent, on behalf of itself and the Secured Parties

By: _____
Name:
Title:

Acknowledged:

CINRAM INTERNATIONAL ULC

By: _____
Name:
Title:

WARNER-ELEKTRA-ATLANTIC CORPORATION

By: _____
Name:
Title:

Exhibit C2

C2 Letter

Letter head of Agent addressed to WEA

_____, 2010

Warner-Elektra-Atlantic Corporation
75 Rockefeller Plaza
New York, New York 10019

Attention: _____

Ladies and Gentlemen:

We refer to that certain (a) Credit Agreement dated as of May 5, 2006 (as amended, amended and restated, supplemented or modified from time to time, the "Credit Agreement") among Cinram International ULC, Cinram International Inc., Cinram, Inc., IHC Corporation (f/k/a Ivy Hill Corporation) and Cinram (U.S.) Holding's Inc., as borrowers, certain guarantors referred to therein (the "Cinram Entities"), the lenders party thereto from time to time, Credit Suisse Securities (USA) LLC, as syndication agent, and JPMorgan Chase Bank, N.A. as administrative agent (the "Administrative Agent") and (b) U.S./Canada Manufacturing and PP&S Agreement dated as of July 1, 2010 by and between Warner-Elektra-Atlantic Corporation ("WEA"), on the one hand, and Cinram International Inc., Cinram Manufacturing LLC and Cinram Distribution LLC (as amended, amended and restated, supplemented or modified from time to time, the "WEA/Cinram Agreement"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

The undersigned hereby confirms:

1. The Administrative Agent will use reasonable best efforts to provide to WEA copies of any and all written (a) notices of default, (b) notices of events of default, (c) demands for repayment, (d) notices of intention to enforce, (e) notices of acceleration, or (f) waivers, forbearances or other similar documents relating to defaults or events of default (clauses (a) through (f) collectively, "Lender Notices"), in any case relating to the Credit Agreement, contemporaneously with the provision by the Administrative Agent of any such Lender Notices to any of the Cinram Entities pursuant to the Credit Agreement; provided, that WEA acknowledges that no inadvertent failure by Administrative Agent to deliver a Lender Notice pursuant to this paragraph shall give rise to any claim or damages of any kind or nature.

2. In the event of any CCAA filing, U.S. bankruptcy filing, ancillary proceeding or other insolvency filing by or in respect of any of the Cinram Entities, or an application for the appointment of a receiver, interim receiver, provisional liquidator, liquidator, by or in respect of any of the Cinram Entities, or the filing of a notice of intention or proposal by or in respect of any of the Cinram Entities (collectively, the "Filing Proceedings"), the Administrative Agent and the Secured Parties shall not support or propose the entry of any order in respect of any Filing Proceedings that would limit WEA's rights under Section 5(b) of the WEA/Cinram Agreement by (a) prohibiting an increase of the Exclusion Percentages (as defined in the WEA/Cinram Agreement) to ** for the then-applicable calendar year and the remainder of the term of the WEA/Cinram Agreement and (b) limiting in any manner the right of WEA to terminate the WEA/Cinram Agreement; it being understood that the foregoing shall not restrict the Agent of any Secured Party in supporting, opposing, voting for or against or proposing a global plan of reorganization for the Cinram Entities or a sale of all or any portion of the assets of the Cinram Entities.

3. The Administrative Agent, on behalf of itself and the other Secured Parties, confirms that no Secured Party (acting in such capacity) has, or will have, a security interest in any property owned, or in which title is held, by WEA or any of its affiliates (to the extent that no affiliate of WEA is an affiliate of the Cinram Entities) or in any property owned by a third party (to the extent that such third party is not an affiliate of the Cinram Entities) and as to which WEA or any of its affiliates is licensee (without waiver of any lien of the Administrative Agent on any property owned by, or in which title is held by any Cinram Entity).

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

JPMORGAN CHASE BANK, N.A., in its capacity as Administrative Agent, on behalf of itself and the Secured Parties

By _____
Name:
Title:

Acknowledged:

CINRAM INTERNATIONAL ULC

By _____
Name:
Title:

WARNER-ELEKTRA-ATLANTIC CORPORATION

By _____
Name:
Title:

Exhibit 10.2

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY ASTERISKS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

US/CANADA TRANSITION AGREEMENT

This US/CANADA TRANSITION AGREEMENT (" Agreement"), executed as of July 1, 2010 (the "Execution Date"), is entered into by and between, on one hand, Warner-Elektra-Atlantic Corporation, a New York corporation with its principal place of business at 75 Rockefeller Plaza, New York, NY 10019 ("WEA"), and on the other hand, Cinram International Inc., a Canadian corporation with its principal place of business at 2255 Markham Road, Scarborough, Ontario M1B 2W3, Canada ("Cinram International Inc."), Cinram Manufacturing LLC, a Delaware limited liability company with its principal place of business at 1400 East Lackawanna Avenue, Olyphant, PA 18448 ("Cinram Manufacturing LLC"), and Cinram Distribution LLC, a Delaware limited liability company with its principal place of business at 948 Meridian Lake Drive, Aurora, IL 60504 (" Cinram Distribution LLC") (Cinram International Inc., Cinram Manufacturing LLC, and Cinram Distribution LLC, individually and collectively, " Cinram"). Each capitalized term used in this Agreement but not defined herein has the meaning ascribed to such term in that certain US/Canada Manufacturing and PP&S Agreement entered into on July 1, 2010 between and among the parties to this Agreement (the " US/Canada Manufacturing and PP&S Agreement "), including, without limitation, Exhibit A (M&P Terms) and Exhibit B (PP&S Terms) thereto. Notwithstanding anything herein to the contrary, this Agreement shall have no force or effect (and, other than this introductory paragraph, shall not bind the parties hereto) until the date on which the US/Canada Manufacturing and PP&S Agreement expires or is terminated for any reason (such date of expiration or termination, the " Transition Date"), on which date this Agreement shall automatically, and without the requirement of any notice or action of any kind, become effective and bind the parties hereto.

WHEREAS, Cinram acknowledges that any interruption in WEA's receipt of services under the US/Canada Manufacturing and PP&S Agreement following expiration or termination of such agreement would significantly disrupt the business activities of WEA, its Affiliates, and their respective customers; and

WHEREAS, Cinram wishes to enable WEA to continue to receive the full benefit of such services following any such expiration or termination, for a period of time sufficient to ensure continuity of such services and to enable WEA to transition the performance of such services to alternate service providers.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, WEA and Cinram hereby agree as follows:

1. Transition.

(a) Performance of Manufacturing and Distribution Services . Throughout the Transition Services Period, Cinram shall provide, at WEA's request, those Manufacturing and Distribution Services requested by WEA. Such Manufacturing and Distribution Services: (i) shall be provided on a non-exclusive basis (for purposes of clarity, WEA shall be permitted to use third-party vendors to provide the Manufacturing and Distribution Services for any or all of the total volume of Products); (ii) shall be provided (A) for the first ** (or portion thereof) of the Transition Services Period, at the same fees applicable under the US/Canada Manufacturing and PP&S Agreement as of the Transition Date (provided that Section 12(f) of Exhibit A (M&P Terms) to the US/Canada Manufacturing and PP&S Agreement shall not apply to fees incurred by WEA during such ** (or shorter) period, except to the extent that any

fees payable under the US/Canada Manufacturing and PP&S Agreement had been or should have been adjusted pursuant to such Section 12(f) prior to the Transition Date), and (B) thereafter, at fees mutually agreed upon by the parties; and (iii) shall be provided subject to the Service Level Requirements set forth in the US/Canada Manufacturing and PP&S Agreement as of the Transition Date. Either prior to or as soon as practicable after the Transition Date, Cinram and WEA shall establish a mutually agreeable prospective monthly limit on the volume of units with respect to which WEA may require Cinram to provide Manufacturing and Distribution Services under this Agreement taking into account WEA's forecasts for using Cinram for such services during the Transition Services Period; provided that in no event shall such volume limit be less than ** of the monthly average volume of units for which Cinram provided M&P Services to WEA and its Affiliates during the ** period immediately preceding the Transition Date. Cinram will perform the Manufacturing and Distribution Services with at least the same degree of accuracy, quality, completeness, timeliness, responsiveness, and resource efficiency at which, and pursuant to the same WEA policies, rules and procedures pursuant to which, it was required to provide the same or similar services under the US/Canada Manufacturing and PP&S Agreement. Amounts payable pursuant to this Section 1(a) shall be invoiced and payable in accordance with the terms and conditions of the US/Canada Manufacturing and PP&S Agreement applicable to the services provided.

(b) Transition Services. Throughout the Transition Services Period, Cinram shall cooperate with and take all commercially reasonable actions to assist WEA and its designees in WEA's and its Affiliates' transition to one or more new distributor(s) and/or manufacturer(s), which shall include without limitation: (i) assistance from experienced Cinram personnel with specific knowledge of WEA and the Manufacturing and Distribution Services; and (ii) the provision to WEA and its designees with any information and documentation reasonably requested by WEA to enable the Manufacturing and Distribution Services to be transitioned smoothly to WEA's designees (the foregoing services, collectively, the "Transition Services"). Those reasonable, documented out-of-pocket third-party expenses actually incurred by Cinram directly for Transition Services that are provided: (A) during the initial ** of the Transition Services Period, shall be borne solely by Cinram; (B) between the end of such ** period and the date that is ** after the Transition Date, shall be charged to WEA at Cinram's actual cost therefor; and (C) following such ** period, shall be charged to WEA at Cinram's actual cost therefor plus ** of such cost; provided that with respect to each of foregoing subsections (A), (B) and (C), (I) in no event shall WEA be required to make any such payment prior to Cinram's payment of its own corresponding invoices to such third parties, and (II) any such expenses incurred by Cinram that are identified in Schedule C to Exhibit A (M&P Terms) or Schedule D to Exhibit B (PP&S Terms) to the US/Canada Manufacturing and PP&S Agreement shall instead be charged to WEA at the rates and subject to the terms and conditions set forth in such Schedule to such Exhibit. Amounts payable pursuant to this Section 1(b) shall be invoiced and payable in accordance with the terms and conditions of the US/Canada Manufacturing and PP&S Agreement.

(c) Transfer of WEA Assets. Upon WEA's request, to the extent not previously transferred to WEA, Cinram shall transfer all property of WEA (including without limitation physical finished goods, Inventory, Source Materials, BOMs, DDPs, Products and Components) to up to two (2) locations designated by WEA, in a secure fashion in accordance with industry custom. If WEA requests any additional preparation, packaging or stickering (other than shipping such items in a secure fashion in accordance with industry custom and the performance of the other services required hereunder), pricing for such additional services shall be subject to the mutual agreement of WEA and Cinram. Cinram shall provide no fewer than **, per shipping facility, in order to implement such transfer requests by WEA and shall begin such transfers no later than ** after the applicable transfer request from WEA. At WEA's option, WEA and/or its designated agent(s) shall be permitted at any time during normal business hours to enter any facilities in which any property of WEA is stored (including without limitation physical finished goods, Inventory, BOMs, DDPs, Products and Components), in order to retrieve or otherwise access any

such WEA property. In lieu of the rates, if any, applicable to such transfers as set forth in Schedule C to Exhibit A (M&P Terms) and Schedule D to Exhibit B (PP&S Terms) to the US/Canada Manufacturing and PP&S Agreement: (i) if WEA terminated the US/Canada Manufacturing and PP&S Agreement due to Cinram's breach thereof or the occurrence of a Termination Event, then Cinram shall charge WEA for such transfers an amount equal to Cinram's actual, documented, out-of-pocket third-party expenses incurred for such transfers plus ** of such expenses; or (ii) if the Term of the US/Canada Manufacturing and PP&S Agreement expired for any other reason, then Cinram shall charge WEA for such transfers an amount equal to ** of the rates applicable to such transfers as set forth in Schedule C to Exhibit A (M&P Terms) and Schedule D to Exhibit B (PP&S Terms) to the US/Canada Manufacturing and PP&S Agreement; and if the case of either of foregoing subsections (i) and (ii), WEA shall reimburse Cinram for Cinram's actual costs for any unreturned pallets in respect of such transfers and WEA shall be responsible for all actual, documented, out-of-pocket third-party freight expenses incurred for the transfer of such materials (but in no event shall WEA be required to make any such payment prior to Cinram's payment of its own corresponding invoices to such third parties).

(d) Transition Plan and Transition Manager. Within fifteen (15) business days after the commencement of the Transition Services Period, Cinram will provide WEA with a complete plan for operational turnover that enables a smooth transition of the Manufacturing and Distribution Services to WEA's designee(s) ("Transition Plan"). The Transition Plan will be deemed confidential information of WEA. Cinram shall assign, subject to WEA's prior written approval, a Cinram employee who serves a senior role (*e.g.,* senior manager) in Cinram's organization to manage and oversee the performance of the Manufacturing and Distribution Services and Transition Services throughout the Transition Services Period (" Transition Manager"). WEA shall have the right to require Cinram to replace the Transition Manager if WEA believes that such individual is unsuitable for the position. The Transition Manager will be WEA's primary point of contact in connection with performance of the Manufacturing and Distribution Services and Transition Services hereunder. Cinram shall cause any such Transition Manager to be generally available to WEA during regular business hours in relation to all issues relevant to the performance of the Manufacturing and Distribution Services and Transition Services hereunder.

(e) List of Materials. Within ten (10) days after the commencement of the Transition Services Period, Cinram will provide WEA with a list of all Source Materials and units of Components and Products (as applicable) then in Cinram's or any other member of the Cinram Group's possession or control.

(f) Facilities. In support of WEA's receipt of the Manufacturing and Distribution Services and Transition Services, throughout the Transition Services Period, Cinram shall provide WEA and its designees with reasonable access to those facilities of Cinram and Cinram's subcontractors at which any WEA property is located or at which Transition Services are being or will be provided during the Transition Period.

(g) Retailers. At WEA's request, Cinram will assist WEA as reasonably necessary in notifying retailers to which Products are being or had been distributed under this Agreement or the US/Canada Manufacturing and PP&S Agreement, to send any Product returns to one or more new distributor(s) designated by WEA.

(h) Insurance. Throughout the Transition Services Period, Cinram shall maintain the same types and amounts of insurance coverage that Cinram was required to maintain under the US/Canada Manufacturing and PP&S Agreement, as set forth on Schedule F to Exhibit A (M&P Terms) and Schedule C to Exhibit B (PP&S Terms) to the US/Canada Manufacturing and PP&S Agreement. Upon Cinram's request, Cinram and WEA shall discuss in good faith reducing the limits of liability for loss of WEA property held by Cinram during the Transition Period.

2. Performance of Services; Subcontracting. Cinram may not subcontract or delegate this Agreement or its rights or obligations under this Agreement to any other member of the Cinram Group or any third party without WEA's prior written consent, which WEA may grant or withhold in its sole discretion, and any such subcontracting or delegation shall not relieve Cinram of its obligations hereunder. If WEA grants such consent with respect to a particular member of the Cinram Group or third party, such Cinram Group member or third party shall be deemed to be an " Approved Subcontractor" for purposes of this Agreement. Each entity set forth in Schedule D (Approved Subcontractors) to Exhibit A (M&P Terms) to the US/Canada Manufacturing and PP&S Agreement shall be deemed to be an Approved Subcontractor for purposes of this Agreement, solely with respect to performance of the specific M&P Services identified in such Schedule D (Approved Subcontractors) for such entity. Cinram shall cause each Approved Subcontractor to abide by the terms and conditions of this Agreement applicable to Cinram (regardless of whether such Approved Subcontractor is expressly covered by such terms and conditions). Cinram shall be fully responsible and liable for the acts and omissions of any Cinram subcontractor, including without limitation all Approved Subcontractors. If any Approved Subcontractor takes any action or omits to take any action that would be deemed to be a breach of this Agreement if such action or omission were or were not taken by Cinram, then: (a) Cinram shall immediately notify WEA thereof; (b) upon notice to Cinram from WEA, Cinram shall immediately cease providing any Materials or other WEA property to such subcontractor and permitting such subcontractor to perform Cinram's obligations hereunder, and such entity shall cease to be an Approved Subcontractor for purposes of this Agreement; and (c) Cinram shall be deemed to be in breach of this Agreement as if such action or omission were or were not taken by Cinram.

3. Warranties, Representations, Covenants and Indemnities.

(a) Cinram warrants, represents and/or covenants, as the case may be, that: (i) Cinram has the right, power and authority to enter into and fully perform this Agreement and to legally bind those entities on behalf of which it is entering into this Agreement; (ii) no agreement of any kind heretofore entered into by Cinram shall interfere in any manner with the complete performance of this Agreement; (iii) subject to WEA's warranties and representations set forth below, any items prepared by or otherwise furnished by Cinram hereunder in connection with Components or Products (and the manufacture, sale, offer for sale, import, and export, and use thereof) and Cinram's performance of Manufacturing and Distribution Services and Transition Services hereunder will not violate any law or infringe upon the rights of any party; and (iv) no Inventory, Products, Components or Source Materials are or shall be subject to any security interest, lien, claim, assignment, transfer, pledge, hypothecation or other encumbrance (excluding any security interests held or otherwise placed by WEA in or on such materials).

(b) Cinram agrees to and does hereby indemnify, save and hold WEA and its Affiliates, and each of their respective officers, directors and employees (collectively, for the purposes of this Section 3(b) only, "WEA") harmless to the maximum extent permitted by law from any and all loss and damage (including court costs and reasonable attorneys' fees as and when incurred) arising out of, connected with or as a result of: (i) any inaccuracy, inconsistency with, failure of, or breach or threatened breach by Cinram, any other member of the Cinram Group, or any Approved Subcontractor or other subcontractor of any of the foregoing, of any warranty, representation, agreement, undertaking or covenant contained in this Agreement; and/or (ii) any and all damages or injuries of any kind or nature whatsoever (including death resulting therefrom) to any persons, whether employees of Cinram or otherwise, and to any property caused by, resulting from, arising out of or occurring in connection with the execution of the work under this Agreement (including as a result of any product liability claims), whether such damages or injuries are or are alleged to be based upon Cinram's active or passive negligence or participation in the wrong or upon any breach of any statutory duty or obligation on the part of Cinram (except to the extent such damages or injuries directly result from any act of WEA's employees located at Cinram's facilities and are not otherwise covered by the property insurance Cinram

is required to maintain hereunder or under the US/Canada Manufacturing and PP&S Agreement, or result from a breach of any warranty, representation, agreement, undertaking or covenant of WEA contained herein). The foregoing indemnity shall be applicable only to such claims as have been reduced to judgment or settled with Cinram's written approval. WEA shall give Cinram prompt notice of any claim to which the foregoing indemnity applies and Cinram shall assume the defense of any such claim through counsel of Cinram's choice and at Cinram's sole expense. WEA shall have the right to participate in such defense through counsel of WEA's choice and at WEA's expense.

(c) WEA warrants, represents and/or covenants, as the case may be, that: (i) WEA has the right, power and authority to enter into and fully perform this Agreement and to legally bind those entities on behalf of which it is entering into this Agreement; (ii) no agreement of any kind heretofore entered into by WEA shall interfere in any manner with the complete performance of this Agreement; and (iii) Material embodied in Products and Components as supplied by WEA shall not violate any law or infringe upon the rights of any third party. As used herein, "Material" shall include all musical compositions, names, biographical materials and likenesses, photographic, video or motion picture images, sound recordings, intellectual properties, packaging and artwork.

(d) WEA agrees to and does hereby indemnify, save and hold Cinram and its Affiliates, and each of their respective officers, directors and employees (collectively, for the purposes of this Section 3(d) only, "Cinram") harmless to the maximum extent permitted by law from any and all loss and damage (including court costs and reasonable attorneys' fees as and when incurred) arising out of, connected with or as a result of: (i) any inaccuracy, inconsistency with, failure of, or breach or threatened breach by WEA of any warranty, representation, agreement, undertaking or covenant contained in this Agreement; and/or (ii) any and all damages or injuries of any kind or nature whatsoever (including death resulting therefrom) to any persons, whether employees of Cinram or otherwise, and to any property caused by, resulting from, arising out of or occurring in connection with any act of WEA's employees located at Cinram's facilities, except to the extent such damages and injuries are covered by the property insurance Cinram is required to maintain hereunder or under the US/Canada Manufacturing and PP&S Agreement; and/or (iii) any products liability claims arising the M&P Services for manufacturing defects directly related to Products not manufactured by Cinram, any Affiliate of Cinram or on behalf of Cinram. The foregoing indemnity shall be applicable only to such claims as have been reduced to judgment or settled with WEA's written approval. Cinram shall give WEA prompt notice of any claim to which the foregoing indemnity applies and WEA shall assume the defense of any such claim through counsel of WEA's choice and at WEA's sole expense. Cinram shall have the right to participate in such defense through counsel of Cinram's choice and at Cinram's expense.

4. Term. The term of this Agreement shall commence on the Transition Date and shall expire upon the expiration of the Transition Services Period (the "Term"). The following sections of this Agreement shall survive any expiration or termination of the Term: Sections 2, 3, 5, 6, 7 (in accordance with its terms), and 9; this Section 4; and any provisions of this Agreement that by their nature are intended to survive expiration or termination of the Term. The mere expiration or termination of the Term shall not affect any obligation that is expressly provided herein to survive the expiration or termination of such Term. Within ** months following expiration or ** months following early termination of the Term, WEA shall, in its sole discretion, remove from the Facilities, or order at WEA's expense the destruction of (and Cinram shall destroy in accordance with WEA's instructions and promptly provide WEA with an officer's certificate that confirms such destruction), all units of Source Materials, Components, and Products governed by this Agreement in Cinram's possession or control.

5. Motion to Assume or Reject. In the event a bankruptcy or insolvency case is commenced by or against Cinram, Cinram shall decide whether to (a) assume or (b) reject, disclaim or resiliate this entire Agreement, and shall either notify WEA of its decision or, to the extent required by law, file a motion to

obtain court approval of its decision, in each case within ** days of the entry of the order for relief in such case, which motion and court order approving same shall be in form and substance reasonably satisfactory to WEA. Cinram shall diligently prosecute any such motion.

6. Equitable Relief. The parties acknowledge and agree that: (a) WEA's rights to exercise and enforce the rights, restrictions, limitations and qualifications imposed in Sections 1, 5, 7 and 9(c) of this Agreement are of a special, unique, extraordinary and intellectual character, giving them a peculiar value the loss of which by WEA (i) cannot be readily estimated, or adequately compensated for, in monetary damages and (ii) would cause WEA substantial and irreparable harm for which it would not have an adequate remedy at law, and (B) WEA accordingly will be entitled to equitable relief against Cinram (including without limitation temporary restraining orders, preliminary and permanent injunctive relief, and specific performance), in addition to all other remedies that WEA may have, to enforce this Agreement and protect its rights hereunder. Except as otherwise provided herein, the rights and remedies of WEA and Cinram provided under this Agreement are cumulative and in addition to any other rights and remedies of the parties at law or equity.

7. Confidentiality.

(a) Each of Cinram and WEA shall, and shall cause its Affiliates, and its and its Affiliates' directors, officers, employees and agents (each, a "Recipient") to, maintain in confidence the material terms of this Agreement, except that WEA may disclose this Agreement on a confidential basis in connection with a potential Recorded Music Major Transaction, to a potential assignee permitted hereunder or to WEA Affiliates as may be necessary in the ordinary course of business (provided, that any such disclosure shall be limited to those persons who agree to be bound by the provisions of this Section 7); and Cinram may disclose this Agreement on a confidential basis to its lenders under the Long-Term Debt or to Cinram Affiliates as may be necessary in the ordinary course of business (provided, that any such disclosure shall be limited to those persons who agree to be bound by the provisions of this Section 7). The restriction in the preceding sentence shall not apply to information that: (i) becomes generally available to the public other than as a result of disclosure by such Recipient contrary to this Agreement; (ii) was available to such Recipient on a non-confidential basis prior to its disclosure to such Recipient; (iii) becomes available to such Recipient on a non-confidential basis from a source other than any other Recipient unless such Recipient knows that such source is bound by a confidentiality agreement or is otherwise prohibited from transmitting the information to such Recipient by a contractual obligation; (iv) is independently developed by such Recipient without reference to confidential information received from any other party; (v) is required to be disclosed by applicable law or legal process, provided that any Recipient disclosing pursuant to this clause (v) shall notify the other party at least five (5) days prior to such disclosure so as to allow such other party an opportunity to protect such information through protective order or otherwise; (vi) is required to be disclosed by any listing agreement with, or the rules or regulations of, any security exchange on which securities of such Recipient or any of its Affiliates are listed or traded; or (vii) is required to be disclosed by a party in order to perform its obligations under the Agreement; provided, that any such disclosure shall be limited to those persons who have a need to know such information and who agree to be bound by the provisions of this Section 7. No party hereto shall make a press release or public announcement concerning this Agreement without the prior written consent of the other party hereto.

(b) Cinram shall, and shall cause its Affiliates, and its and its Affiliates' directors, officers, employees and agents to, maintain in confidence all information that: (i) is in its or their possession by reason of Cinram's performance of Manufacturing and Distribution Services or Transition Services hereunder; and (ii) relates to the Products (including, without limitation, shipment and return volumes, shipping destinations, pricing information and other terms of sale). WEA shall, and shall cause its Affiliates, and its and its' Affiliates' directors, officers, employees and agents to, maintain in confidence

all information that: (x) is in its or their possession by reason of Cinram's performance of Manufacturing and Distribution Services or Transition Services hereunder; and (y) relates to the pricing, methods of manufacture or distribution or other proprietary information of Cinram. The restrictions in the two preceding sentences shall not apply to information that: (A) becomes generally available to the public other than as a result of disclosure by such Recipient contrary to this Agreement; (B) was available to such Recipient on a non-confidential basis prior to its disclosure to such Recipient; (C) becomes available to such Recipient on a non-confidential basis from a source other than any other Recipient unless such Recipient knows that such source is bound by a confidentiality agreement or is otherwise prohibited from transmitting the information to such Recipient by a contractual obligation; (D) is independently developed by such Recipient without reference to confidential information received from any other party; (E) is required to be disclosed by applicable law or legal process, provided that any Recipient disclosing pursuant to this clause (E) shall notify the other party at least five (5) days prior to such disclosure so as to allow such other party an opportunity to protect such information through protective order or otherwise; or (F) is required to be disclosed by any listing agreement with, or the rules or regulations of, any security exchange on which securities of such Recipient or any of its Affiliates are listed or traded. Notwithstanding anything to the contrary above, WEA and its Affiliates shall be permitted to disclose any information on a confidential basis in connection with a potential Recorded Music Major Transaction, to a potential assignee permitted hereunder or to third parties and WEA Affiliates as may be necessary in the ordinary course of business (provided, that any such disclosure shall be limited to those persons who agree to be bound by the provisions of this Section 7).

(c) Promptly following any expiration or termination of the Term, Cinram will, in accordance with WEA's instructions, return to WEA all materials in any medium that comprise, contain, refer to, or relate to any confidential or proprietary information of WEA (including without limitation the information described in the first sentence of Section 7(b) above) and otherwise destroy all copies thereof that remain in Cinram's possession or control. Upon request, Cinram will provide WEA with an officer's certificate that confirms Cinram's compliance with this Section 7(c).

(d) The obligations of WEA and Cinram under Sections 7(a) and 7(b) above shall survive for three (3) years following the expiration or termination of the Term.

8. Force Majeure.

(a) If because of an "act of God", inevitable accident, fire, lockout, strike or other labor dispute, riot or civil commotion, act of public enemy or other cause of a similar nature not reasonably within Cinram's control (a "Force Majeure Event"), Cinram is materially hampered in the performance of its obligations under this Agreement, or its normal business operations are delayed or become impossible or commercially impracticable, then Cinram shall have the option, by giving WEA written notice, to suspend its obligations under this Agreement with respect to any services affected by such Force Majeure Event, effective upon receipt by WEA of such notice, for the duration of any such contingency. Should Cinram suspend its obligations under this Agreement pursuant to this Section 8, such suspension shall not constitute a breach hereunder and Cinram shall not be subject to price rebates under Section 15 of Exhibit A (M&P Terms) or Section 14 of Exhibit B (PP&S Terms) with respect to any occurrences during the pendency of such suspension; provided that Cinram shall reimburse WEA upon demand for any and all incremental out-of-pocket charges that WEA reasonably incurs as a result of transferring its Services under this Section 8(a).

(b) In addition, within twenty-four (24) hours of becoming aware of any circumstance or event which may reasonably be anticipated to cause or constitute a Force Majeure Event, Cinram shall notify WEA of such circumstance or event. For the avoidance of doubt, (i) such notice shall not

constitute an assertion by Cinram of its right to suspend its obligations hereunder and (ii) an Insolvency Event shall not, in itself, be deemed to constitute a Force Majeure Event.

9. Miscellaneous.

(a) Waiver. Any party to this Agreement may: (i) extend the time for the performance of any of the obligations or other acts of the other party hereto; (ii) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered by the other party pursuant hereto; or (iii) waive compliance with any of the agreements or conditions of the other party hereto contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition, of this Agreement. The failure of either hereto party to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

(b) Assignment. Cinram shall not have the right without WEA's prior written consent (which consent may be granted or withheld in the sole discretion of WEA) to assign this Agreement or any of the rights granted to Cinram hereunder, in whole or in part; provided that after the Transition Date, Cinram shall be permitted to assign this Agreement to any member of the Cinram Group (provided that Cinram shall notify WEA in advance of such assignment, and that notwithstanding such assignment, Cinram at all times shall remain directly and fully liable to WEA for the performance of the obligations of Cinram hereunder). WEA shall have the right without Cinram's consent to assign this Agreement, in whole or in part, to any subsidiary, parent company or Affiliate of WEA, or to any third-party acquiring all or substantially all of WEA's assets or equity; provided, however, that, in each case, notwithstanding such assignment, WEA at all times shall remain directly and fully liable to Cinram for the performance of the obligations of WEA hereunder.

(c) Disposition of Assets. Cinram shall provide at least ** prior written notice to WEA of any actual or anticipated closure or discontinuation of use (whether permanent or temporary and whether partial or complete) of any of Cinram's facilities or assets used in providing Manufacturing and Distribution Services (including without limitation Cinram's facilities in Aurora, IL or Olyphant, PA). In the event of any actual or anticipated closure or discontinuation of the use of (whether permanently or temporarily and whether partially or completely) any such facilities or assets, then Cinram shall: (A) pay and be responsible for, and shall reimburse WEA for, all reasonable expenses incurred by or on behalf of WEA arising from any change to one or more new facility(ies); (B) reimburse WEA for increased shipping and related costs and expenses incurred by or on behalf of WEA as a result of such change (and shall provide WEA with any other similar types of reimbursements and other accommodations as were provided to WEA after the closing of Cinram's Simi Valley facility); and (C) ensure that there is no adverse impact on the services (including without limitation the quality, reliability, timeliness, or cost to WEA of services) and/or Cinram's satisfaction of any Service Level Requirements.

(d) Further Assurances. Cinram and WEA each agree to execute and deliver all such other and additional instruments and documents and to do such other acts and things as may be necessary to more fully effectuate this Agreement.

(e) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of, and shall be enforceable by, each of the parties hereto and their respective permitted assigns.

(f) Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by telecopy or by registered or certified mail (postage

prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8(f)):

WEA:

Warner-Elektra-Atlantic Corporation
75 Rockefeller Plaza
New York, New York 10019
Attn: President
Fax: (212) 258-3121

with copies to:

Warner Music Group
75 Rockefeller Plaza
New York, New York 10019
Attention: EVP & General Counsel
Fax: (212) 258-3092

Warner-Elektra-Atlantic Corporation
75 Rockefeller Plaza
New York, New York 10019
Attn: SVP, Business & Legal Affairs
Fax: (212) 275-3341

Cinram:

Cinram International Inc.
2255 Markham Road
Scarborough, Ontario M1B 2W3
Canada
Attn: Steve Brown
Fax: (416) 298-0612

with a copy to:

Office of General Counsel
Cinram
860 Via de la Paz, Suite F4
Pacific Palisades, CA 90272
Attn: Howard Z. Berman, Esq.
Fax: 310 230 9969

(g) Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(h) Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any federal, state, local or foreign statute, law, ordinance, regulation, code, order, other requirement or rule of law or by public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto.

Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

(i) No Agency. WEA and Cinram each shall have the status of an independent contractor and nothing herein contained shall contemplate or constitute WEA as Cinram's agent or employee or Cinram as WEA's agent or employee. This Agreement does not constitute or acknowledge any partnership or joint venture between WEA and Cinram.

(j) No Third-Party Beneficiaries. Except for the provisions of Sections 3(b) and 3(d) above relating to indemnified parties, this Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other party any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

(k) **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS EXECUTED IN AND TO BE PERFORMED ENTIRELY WITHIN THAT STATE. ALL ACTIONS AND PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE HEARD AND DETERMINED IN ANY NEW YORK STATE OR FEDERAL COURT SITTING IN THE CITY OF NEW YORK, AND THE PARTIES HERETO HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING AND IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. EACH PARTY HERETO IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH PARTY AT ITS ADDRESS SPECIFIED IN SECTION 8(f) HEREOF. THE PARTIES HERETO AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION 8(k) SHALL AFFECT THE RIGHT OF EITHER PARTY HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW. THE CONSENTS TO JURISDICTION SET FORTH IN THIS SECTION 8(k) SHALL NOT CONSTITUTE GENERAL CONSENTS TO SERVICE OF PROCESS IN THE STATE OF NEW YORK AND SHALL HAVE NO EFFECT FOR ANY PURPOSE EXCEPT AS PROVIDED IN THIS SECTION 8(k) AND SHALL NOT BE DEEMED TO CONFER RIGHTS ON ANY PARTY OTHER THAN THE PARTIES HERETO.**

(l) **WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY. EACH PARTY HERETO: (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE**

MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8(l).

(m) Consents. Except as specifically provided to the contrary herein, if any consent, approval or authority is required from either party hereto, such consent, approval or authority shall not be unreasonably withheld or delayed.

(n) Limitation of Liability. **

(o) Joint and Several Liability. Cinram International Inc., Cinram Manufacturing LLC, and Cinram Distribution LLC are and shall be jointly and severally liable for all representations, warranties and obligations (including without limitation indemnification obligations) of Cinram under this Agreement.

(p) Entire Agreement; Amendment/Modification; Order of Precedence .

(i) This Agreement, including any Exhibits hereto and any other appendices and attachments hereto or thereto (each of the foregoing hereby incorporated into this Agreement by this reference), contains the entire understanding of the parties hereto relating to the subject matter hereof, and supersedes all prior and contemporaneous oral and written agreements, arrangements, understandings, proposals, and discussions, and any amendments thereto, between the parties to this Agreement relating to the subject matter hereof (for the avoidance of doubt, excluding the US/Canada Manufacturing and PP&S Agreement, the International Manufacturing and PP&S Agreement, and the International Transition Agreement).

(ii) Except as otherwise expressly provided herein, this Agreement may not be modified or amended except in writing executed by WEA and Cinram. In the event of an otherwise irreconcilable conflict between the terms and conditions set forth in the main body of this Agreement and the terms and conditions set forth in any Exhibit hereto, the terms and conditions set forth in the main body of this Agreement shall control.

10. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "International Transition Agreement" shall mean that certain International Transition Agreement executed on July 1, 2010 between and among WEA International Inc., Cinram International Inc., Cinram GmbH and Cinram Operations UK Limited.

(b) "Manufacturing and Distribution Services" shall mean the services, functions and responsibilities described in the US/Canada Manufacturing and PP&S Agreement, including without limitation the M&P Services and PP&S Services (as defined therein).

(c) "Transition Services Period" shall mean the period commencing on the Transition Date and continuing for such duration as requested by WEA, but not to extend beyond nine (9) months following the Transition Date.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the Execution Date.

WARNER-ELEKTRA-ATLANTIC CORPORATION

By: /s/ Paul Robinson

Name: Paul Robinson

Title: Vice President

Date: November 16, 2010

CINRAM INTERNATIONAL INC.

By: /s/ Steve Brown

Name: Steve Brown

Title: CEO

Date: November 16, 2010

CINRAM MANUFACTURING LLC

By: /s/ John H. Bell

Name: John H. Bell

Title: CFO

Date: November 16, 2010

CINRAM DISTRIBUTION LLC

By: /s/ John H. Bell

Name: John H. Bell

Title: CFO

Date: November 16, 2010

Exhibit 10.3

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY ASTERISKS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

INTERNATIONAL MANUFACTURING AND PP&S AGREEMENT

This INTERNATIONAL MANUFACTURING AND PP&S AGREEMENT ("Agreement") is made and entered into effective as of July 1, 2010 (the "Effective Date") by and between, on one hand, WEA International Inc., a Delaware corporation with its principal place of business at 75 Rockefeller Plaza, New York, NY 10019 ("WMI"), and on the other hand, Cinram International Inc., a Canadian corporation with its principal place of business at 2255 Markham Road, Scarborough, Ontario M1B 2W3, Canada (" Cinram International Inc."), Cinram GmbH, a German limited liability company with its principal place of business at Max-Planck-Strasse 1-9, 52477 Alsdorf, Germany (" Cinram GmbH"), and Cinram Operations UK Limited, a UK limited company with its principal place of business located at 2 Central Avenue, Ransomes Europark, Ipswich, Suffolk IP3 9SL U.K. (" Cinram Operations UK Limited") (Cinram International Inc., Cinram GmbH, and Cinram Operations UK Limited, individually and collectively, " Cinram"). Each capitalized term used in this Agreement but not defined herein has the meaning ascribed to such term in the Exhibits hereto.

WHEREAS WMI and Cinram GmbH entered into that certain INTERNATIONAL MANUFACTURING AND PACKAGING AGREEMENT dated as of October 24, 2003 (the "Original Effective Date"), as amended (the "International Manufacturing Agreement"), pursuant to which Cinram GmbH provided certain manufacturing, packaging and related services to WMI in certain countries outside of the United States; and

WHEREAS WMI and Cinram GmbH entered into that certain INTERNATIONAL PICK, PACK AND SHIPPING SERVICES AGREEMENT dated as of Original Effective Date, as amended (the "International PP&S Agreement"), pursuant to which Cinram GmbH provided certain pick, pack, shipping and related services to WMI in certain countries outside of the United States; and

WHEREAS WMI and Cinram desire to supersede the International Manufacturing Agreement and the International PP&S Agreement with a single consolidated agreement that governs the provision of manufacturing, packaging, pick, pack, shipping and related services to WMI in certain countries outside of the United States.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, WMI and Cinram hereby agree as follows:

1. Performance of Services; Subcontracting. Cinram shall perform the Services (as defined in Exhibit A (M&P Terms) and Exhibit B (PP&S Terms) hereto) in accordance with the terms and conditions of this Agreement. Cinram may not subcontract or delegate this Agreement or its rights or obligations under this Agreement to any other member of the Cinram Group or any third party without WMI's prior written consent, which WMI may grant or withhold in its sole discretion, and any such subcontracting or delegation shall not relieve Cinram of its obligations hereunder. If WMI grants such consent with respect to a particular member of the Cinram Group or third party, such Cinram Group member or third party shall be deemed to be an " Approved Subcontractor" for purposes of this Agreement. Cinram shall cause each Approved Subcontractor to abide by the terms and conditions of this Agreement applicable to Cinram (regardless of whether such Approved Subcontractor is expressly covered by such terms and conditions). Cinram shall be fully responsible and liable for the acts and omissions of any Cinram subcontractor, including without limitation all Approved Subcontractors. If any Approved Subcontractor takes any action or omits to take any action that would be deemed to be a breach of this Agreement if such action or omission were or were not taken by Cinram, then:
(a) Cinram shall

immediately notify WMI thereof; (b) upon notice to Cinram from WMI, Cinram shall immediately cease providing any Materials or other WMI property to such subcontractor and permitting such subcontractor to perform Cinram's obligations hereunder, and such entity shall cease to be an Approved Subcontractor for purposes of this Agreement; and (c) Cinram shall be deemed to be in breach of this Agreement as if such action or omission were or were not taken by Cinram.

2. Warranties, Representations, Covenants and Indemnities.

(a) Cinram (i) warrants, represents and/or covenants, as the case may be, that: (A) Cinram has the right, power and authority to enter into and fully perform this Agreement and to legally bind those entities on behalf of which it is entering into this Agreement; (B) no agreement of any kind heretofore entered into by Cinram shall interfere in any manner with the complete performance of this Agreement; (C) subject to WMI's warranties and representations set forth below, any items prepared by or otherwise furnished by Cinram in connection with Components or Products (and the manufacture, sale, offer for sale, import, and export, and use thereof) and Cinram's performance of Services hereunder will not violate any law or infringe upon the rights of any party; (D) Cinram has all necessary rights in and to the Vision Tools (as defined in Exhibit A (M&P Terms)) to grant WMI the rights granted hereunder, and the Vision Tools will not violate any law or infringe upon the rights of any party; and (E) the Vision Tools shall be free from viruses, worms, Trojan horses, and other harmful code and components; and (ii) on its own behalf and on behalf of each of the other members of the Cinram Group, represents, warrants and/or covenants, as the case may be, that: (A) in the event of any CCAA, Chapter 11, ancillary proceedings or other insolvency filing by or in respect of Cinram or any other member of the Cinram Group, or an application for the appointment of a receiver, interim receiver, provisional liquidator, liquidator, by or in respect of Cinram or any other member of the Cinram Group, or a notice of intention or proposal is filed by or in respect of Cinram or any other member of the Cinram Group (collectively a "Filing," and all such proceedings therein, a "Filing Proceeding"), it and they shall not support or propose and shall oppose any order in any Filing Proceeding that has the effect of limiting WMI's rights under Section 3(b) of this Agreement (or any subsequent amendment thereto) that the Permitted Exclusion Percentages be ** for the then-current calendar year and the remainder of the Term, or that limits WMI's right to terminate the Term and/or WEA's right to terminate the term of the US/Canada Manufacturing and PP&S Agreement; (B) the Long-Term Debt (as defined in Section 5(b)(vi) below) is the only outstanding debt obligation (excluding capitalized lease obligations, trade payables, accrued but unpaid royalties, purchase money security interests and non-speculative hedging obligations all of which are incurred in the ordinary course of business) of the Cinram Group that is in excess of ** (individually or in the aggregate) and neither Cinram nor any member of the Cinram Group shall incur any other such indebtedness other than a refinancing of the Long-Term Debt; (C) no Inventory, Products, Components or Source Materials are or shall be subject to any security interest, lien, claim, assignment, transfer, pledge, hypothecation or other encumbrance (excluding any security interests held or otherwise placed by WEA in or on such materials); (D) neither Cinram nor any member of the Cinram Group shall incur or suffer to exist any security interest, lien, assignment, transfer, pledge, hypothecation or other encumbrance on any of its assets that is in excess of ** in the aggregate other than encumbrances incurred in the ordinary course for capitalized lease obligations and purchase money security interests and any security granted to the holders of the Long-Term Debt; and (E) Cinram shall provide prior written notice to WEA of its intent to effect a Permitted Conversion no less than ten (10) days prior to mailing the proxy circular to unitholders of the Fund, such written notice to include the draft of the proxy circular.

(b) Cinram agrees to and does hereby indemnify, save and hold WMI and its Affiliates, and each of their respective officers, directors and employees (collectively, for the purposes of this Section 2(b) only, "WMI") harmless to the maximum extent permitted by law from any and all loss and damage (including court costs and reasonable attorneys' fees as and when incurred) arising out of, connected with or as a result of: (i) any inaccuracy, inconsistency with, failure of, or breach or threatened

breach by Cinram, any other member of the Cinram Group, or any Approved Subcontractor or other subcontractor of any of the foregoing, of any warranty, representation, agreement, undertaking or covenant contained in this Agreement; (ii) the occurrence of any Termination Event (as defined below); and/or (iii) any and all damages or injuries of any kind or nature whatsoever (including death resulting therefrom) to any persons, whether employees of Cinram or otherwise, and to any property caused by, resulting from, arising out of or occurring in connection with the execution of the work under this Agreement (including as a result of any product liability claims), whether such damages or injuries are or are alleged to be based upon Cinram's active or passive negligence or participation in the wrong or upon any breach of any statutory duty or obligation on the part of Cinram (except to the extent such damages or injuries directly result from any act of WMI's employees located at Cinram's facilities and are not otherwise covered by the property insurance Cinram is required to maintain hereunder as set forth on Schedule G to Exhibit A (M&P Terms) hereto or Schedule D to Exhibit B (PP&S Terms) hereto, or result from a breach of any warranty, representation, agreement, undertaking or covenant of WMI contained herein). The foregoing indemnity shall be applicable only to such claims as have been reduced to judgment or settled with Cinram's written approval. WMI shall give Cinram prompt notice of any claim to which the foregoing indemnity applies and Cinram shall assume the defense of any such claim through counsel of Cinram's choice and at Cinram's sole expense; provided, however, that the relevant law on Civil Procedure provides for this procedure. WMI shall have the right to participate in such defense through counsel of WMI's choice and at WMI's expense; provided, however, that the relevant law on Civil Procedure provides for this procedure.

(c) WMI warrants, represents and/or covenants, as the case may be, that: (i) WMI has the right, power and authority to enter into and fully perform this Agreement and to legally bind those entities on behalf of which it is entering into this Agreement; (ii) no agreement of any kind heretofore entered into by WMI shall interfere in any manner with the complete performance of this Agreement; and (iii) Material embodied in Products and Components as supplied by WMI shall not violate any law or infringe upon the rights of any third party. As used herein, "Material" shall include all musical compositions, names, biographical materials and likenesses, photographic, video or motion picture images, sound recordings, intellectual properties, packaging and artwork.

(d) WMI agrees to and does hereby indemnify, save and hold Cinram and its Affiliates, and each of their respective officers, directors and employees (collectively, for the purposes of this Section 2(d) only, "Cinram") harmless to the maximum extent permitted by law from any and all loss and damage (including court costs and reasonable attorneys' fees as and when incurred) arising out of, connected with or as a result of: (i) any inaccuracy, inconsistency with, failure of, or breach or threatened breach by WMI of any warranty, representation, agreement, undertaking or covenant contained in this Agreement; and/or (ii) any and all damages or injuries of any kind or nature whatsoever (including death resulting therefrom) to any persons, whether employees of Cinram or otherwise, and to any property caused by, resulting from, arising out of or occurring in connection with any act of WMI's employees located at Cinram's facilities, except to the extent such damages and injuries are covered by the property insurance Cinram is required to maintain hereunder as set forth on Schedule G to Exhibit A (M&P Terms) hereto or Schedule D to Exhibit B (PP&S Terms) hereto; and/or (iii) any products liability claims arising under Exhibit A (M&P Terms) hereto for manufacturing defects directly related to Products not manufactured by Cinram, any Affiliate of Cinram or on behalf of Cinram. The foregoing indemnity shall be applicable only to such claims as have been reduced to judgment or settled with WMI's written approval. Cinram shall give WMI prompt notice of any claim to which the foregoing indemnity applies and WMI shall assume the defense of any such claim through counsel of WMI's choice and at WMI's sole expense; provided, however, that the relevant law on Civil Procedure provides for this procedure. Cinram shall have the right to participate in such defense through counsel of Cinram's choice and at Cinram's expense; provided, however, that the relevant law on Civil Procedure provides for this procedure.

3. Term; Breach, Cure and Termination; Post-Term Procedures.

(a) Term. The initial term of this Agreement shall commence on the Effective Date and expire on January 31, 2014, subject to earlier termination in accordance with the other terms and conditions of this Agreement (the "Initial Term"). WMI shall have the option to renew the term of this Agreement for up to two (2) additional one (1)-year periods (each, a "Renewal Term") by providing written notice to Cinram at least ninety (90) days prior to the end of the Initial Term or first Renewal Term, as applicable (the Initial Term and any Renewal Term(s), collectively, the "Term").

(b) Termination Events. Following any Termination Event (as defined below) or any other material breach of this Agreement by Cinram, irrespective of whether any notice has been provided to WMI and even where WMI did not discover that such Termination Event or breach occurred until after a filing of bankruptcy or a similar proceeding by a particular member of the Cinram Group: (i) the Permitted Exclusion Percentages set forth in Exhibit A (M&P Terms) and Exhibit B (PP&S Terms) hereto shall automatically (and without the requirement of any notice or action of any kind) be amended to **, which amended Permitted Exclusion Percentages shall apply for the then-current calendar year and the remainder of the Term; and (ii) WMI may by written notice to Cinram at any time (as long as such notice is provided to Cinram no later than six (6) months after Cinram notifies WMI in writing of such Termination Event or breach) terminate the Term in whole or in part. Cinram shall provide WMI with written notice immediately upon, and in any event no later than two (2) business days after, it knows or becomes aware of (or should have known or become aware of) the occurrence of any Termination Event, and failure to provide such notice to WMI shall itself be deemed to be a Termination Event. Each Termination Event shall be deemed to be a material breach of this Agreement that is incapable of cure, and any material breach of this Agreement that is not a Termination Event shall (except as otherwise provided in this Agreement) be subject to a cure period of forty-five (45) days following written notice to Cinram of such breach. Each of the following shall be deemed to be a "Termination Event" for purposes of this Agreement:

(i) Willful and Malicious Breaches. Any willful and malicious breach by Cinram of any material provision of this Agreement.

(ii) Failures With Respect to M&P Services. With respect to Exhibit A (M&P Terms), each of the following:

(A) over any ten (10) day period, Cinram failing to meet any Service Level Requirement that is identified on Schedule A to Exhibit A (M&P Terms) by a "+" for at least ** of Products and/or Components Ordered;

(B) over any one (1)-month period, Cinram failing to meet any Service Level Requirement that is identified on Schedule A to Exhibit A (M&P Terms) by a "+" for at least ** of Products and/or Components Ordered;

(C) over any three (3)-month period, Cinram failing to meet any Service Level Requirement that is identified on Schedule A to Exhibit A (M&P Terms) by a "+" for at least ** of Products and/or Components Ordered;

(D) over any six (6)-month period, Cinram failing to meet any Service Level Requirement that is identified on Schedule A to Exhibit A (M&P Terms) by a "+" for at least ** of Products and/or Components Ordered;

(E) over any twelve (12)-month period, Cinram failing to meet any Platinum Release Date with respect to more than ** of Products or Components Ordered ** or more times in the aggregate; and/or

(F) over any six (6)-month period, Cinram failing to meet any Key Release Date with respect to more than ** of Products or Components Ordered ** or more times in the aggregate.

(iii) Failures With Respect to PP&S Services. With respect to Exhibit B (PP&S Terms), each of the following:

(A) over any ten (10) day period, Cinram failing to meet the Service Level Requirements for at least ** Units of Products Ordered;

(B) over any one (1)-month period, Cinram failing to meet any Service Level Requirement that is identified on Schedule A to Exhibit B (PP&S Terms) hereto by a "†" for at least ** Units of Products Ordered;

(C) over any three (3)-month period, Cinram failing to meet any Service Level Requirement that is identified on Schedule A to Exhibit B (PP&S Terms) hereto by a "†" for at least ** Units of Products Ordered;

(D) over any six (6)-month period, Cinram failing to meet any Service Level Requirement that is identified on Schedule A to Exhibit B (PP&S Terms) hereto by a "†" for at least ** Units of Products Ordered;

(E) over any twelve (12)-month period, Cinram failing to meet any Platinum Release Date with respect to more than ** of Products Ordered ** or more times in the aggregate; and/or

(F) over any six (6)-month period, Cinram failing to meet any Key Release Date with respect to more than ** of Products Ordered ** or more times in the aggregate.

(iv) Defaults. Any "Default" or "Event of Default" by any member of the Cinram Group under the Existing Credit Agreement or any other debt agreements to which it is a party or to which it may become a party; provided, however, that any default with respect to obligations (A) incurred in the ordinary course of business, (B) not in respect of borrowed money and (C) aggregating not in excess of ** at any one time outstanding, shall not constitute a Default or Event of Default for purposes of this Section 3(b) (iv) as long as any such default does not result in any cross default in any debt agreement for borrowed money such that that particular debt is also in default.

(v) Misrepresentation. Any member of the Cinram Group commits any (A) material misrepresentation related to its public disclosure obligations and/or with respect to the Existing Credit Agreement or any other material debt agreements that was not corrected within twenty-four (24) hours of making such misrepresentation via a means reasonably designed to provide broad, non-exclusionary distribution to the public (*e.g.,* a press release, Form 8-K, or so-called "material change report"), or (B) fraud.

(vi) **

(vii) **

(viii) Change in Normal Course Conduct of Business. Cinram or any Affiliate of Cinram that provides Optical Disc manufacturing, packaging or distribution services ceases or threatens to cease conducting business in the normal course.

(ix) Destruction of Assets. A portion of any assets used in providing any services hereunder are damaged, lost, or destroyed, which has a material adverse impact on Cinram's ability to perform its services hereunder.

(x) Change of Control. Any Change of Control (provided that WMI's termination of the Term based solely on this Section 3(b)(x) shall require written notice to Cinram no later than nine (9) months following the later to occur of (A) such Change of Control or (B) written notice to WMI from a member of the Cinram Group that a Change of Control has occurred).

(xi) Insolvency Event. Any Insolvency Event.

(xii) Recorded Music Major Transaction. Any Recorded Music Major Transaction (provided that WMI's termination of the Term based solely on this Section 3(b)(xii) shall require six (6) months' prior written notice to Cinram).

(xiii) Breach of certain representations, warranties and covenants. Cinram or any member of the Cinram Group shall default in the observance or performance of any representation, warranty, agreement, covenant or condition contained in Section 2(a)(ii) above; provided that notwithstanding anything to the contrary in Section 3(b) above, Section 2(a)(ii)(B) and 2(a)(ii)(D) are subject to a cure period of thirty (30) days following such breach and Section 2(a)(ii)(C) and 2(a)(ii)(E) is subject to a cure period of five (5) days following such breach.

(c) Liabilities Prior to Termination. Any termination of the Term under this Section 3 will not relieve Cinram of liability for breaches hereof arising prior to such termination nor shall it relieve WMI from any liability to pay for Services rendered prior to such termination.

(d) Post-Term Procedures.

(i) Upon the expiration or termination of the Term, Cinram shall immediately cause the cessation of all Services hereunder and shall have no further rights or obligations with respect to Products hereunder except as provided herein, and the International Transition Agreement (as defined below) shall thereafter apply; provided, however, that upon WMI's request, Cinram shall fill any then-currently outstanding orders for units of Components and Products pursuant to the terms of this Agreement and the Exhibits hereto. Within ten (10) business days following the expiration or termination of the Term, Cinram shall provide WMI with a list of all Source Materials and units of Components and Products (as applicable) in Cinram's possession or control on such date. The mere expiration or termination of the Term shall not affect any obligations of WMI to pay for Services rendered by Cinram under this Agreement prior to such expiration or termination or any

other obligation that is expressly provided herein to survive the expiration or termination of such Term.

(ii) The following sections of this Agreement shall survive any expiration or termination of the Term: Sections 1, 2, 4, 5, 6 (in accordance with its terms), 7(c), and 8; this Section 3; and any provisions of this Agreement that by their nature are intended to survive expiration or termination of the Term.

(e) Cross-Termination. Notwithstanding anything to the contrary in this Agreement or any other agreement between WMI or its Affiliates and Cinram or any other member of the Cinram Group, and irrespective of whether otherwise expressly provided herein or in such other agreement(s), any right for WMI to terminate the Term and/or for WEA to terminate the term of the US/Canada Manufacturing and PP&S Agreement, in whole or in part, shall automatically be deemed to include the right for WMI or WEA (as applicable) to terminate the term of the other such agreement, in whole or in part, upon written notice to Cinram.

4. Motion to Assume or Reject. In the event a bankruptcy or insolvency case is commenced by or against Cinram, Cinram shall decide whether to (a) assume or (b) reject, disclaim or resiliate this entire Agreement, and shall either notify WMI of its decision or, to the extent required by law, file a motion to obtain court approval of its decision, in each case within forty-five (45) days of the entry of the order for relief in such case, which motion and court order approving same shall be in form and substance reasonably satisfactory to WMI. Cinram shall diligently prosecute any such motion.

5. Remedies.

(a) If WMI purports to terminate the Term under Section 3 hereof, then each party hereto shall have the right to seek any remedy or other relief available under applicable law (except as limited by the terms of this Agreement), and each party hereto shall have the right to assert any defenses available under applicable law; provided, however, that under no circumstances shall any party from whom WMI obtains services in substitution for any or all Services to be provided hereunder have any liability whatsoever to Cinram arising out of or related to any actual or purported termination of the Term by WMI, even if in violation of this Agreement, and Cinram shall take no action against any such party in connection with the provision of such services by such party to WMI.

(b) Without limiting Section 5(a) above, the parties acknowledge and agree that: (i) WMI's rights to exercise and enforce the rights, restrictions, limitations and qualifications imposed in Sections 1, 4, and 6 of this Agreement and Exhibit A (M&P Terms) and Exhibit B (PP&S Terms) to this Agreement are of a special, unique, extraordinary and intellectual character, giving them a peculiar value the loss of which by WMI (A) cannot be readily estimated, or adequately compensated for, in monetary damages and (B) would cause WMI substantial and irreparable harm for which it would not have an adequate remedy at law, and (ii) WMI accordingly will be entitled to equitable relief against Cinram (including without limitation temporary restraining orders, preliminary and permanent injunctive relief, and specific performance), in addition to all other remedies that WMI may have, to enforce the terms and conditions of such Sections of and Exhibits to this Agreement and protect its rights hereunder. Except as otherwise provided herein, the rights and remedies of WMI and Cinram provided under this Agreement are cumulative and in addition to any other rights and remedies of the parties at law or equity.

6. Confidentiality.

(a) Each of Cinram and WMI shall, and shall cause its Affiliates, and its and its Affiliates' directors, officers, employees and agents (each, a "Recipient") to, maintain in confidence the material

terms of this Agreement, except that (i) WMI may disclose this Agreement on a confidential basis in connection with a potential Recorded Music Major Transaction, to a potential assignee permitted hereunder or to Affiliates of WMI as may be necessary in the ordinary course of business, and (ii) Cinram may disclose this Agreement on a confidential basis to its lenders under the Long-Term Debt or to Affiliates of Cinram as may be necessary in the ordinary course of business (provided, that in each case any such disclosure shall be limited to those persons who agree to be bound by the provisions of this Section 6). The restriction in the preceding sentence shall not apply to information that: (A) becomes generally available to the public other than as a result of disclosure by such Recipient contrary to this Agreement; (B) was available to such Recipient on a non-confidential basis prior to its disclosure to such Recipient; (C) becomes available to such Recipient on a non-confidential basis from a source other than any other Recipient unless such Recipient knows that such source is bound by a confidentiality agreement or is otherwise prohibited from transmitting the information to such Recipient by a contractual obligation; (D) is independently developed by such Recipient without reference to confidential information received from any other party; (E) is required to be disclosed by applicable law or legal process, provided that any Recipient disclosing pursuant to this clause (E) shall notify the other party at least five (5) days prior to such disclosure so as to allow such other party an opportunity to protect such information through protective order or otherwise; (F) is required to be disclosed by any listing agreement with, or the rules or regulations of, any security exchange on which securities of such Recipient or any of its Affiliates are listed or traded; or (G) is required to be disclosed by a party in order to perform its obligations under the Agreement; provided, that any such disclosure shall be limited to those persons who have a need to know such information and who agree to be bound by the provisions of this Section 6. No party hereto shall make a press release or public announcement concerning this Agreement without the prior written consent of the other party hereto.

(b) Cinram shall, and shall cause its Affiliates, and its and its Affiliates' directors, officers, employees and agents to, maintain in confidence all information that: (i) is in its or their possession by reason of Cinram's performance of Services hereunder; and (ii) relates to the Products (including, without limitation, shipment and return volumes, shipping destinations, pricing information and other terms of sale). WMI shall, and shall cause its Affiliates, and its and its' Affiliates' directors, officers, employees and agents to, maintain in confidence all information that: (x) is in its or their possession by reason of Cinram's performance of Services hereunder; and (y) relates to the pricing, methods of manufacture or distribution or other proprietary information of Cinram. The restrictions in the two preceding sentences shall not apply to information that: (A) becomes generally available to the public other than as a result of disclosure by such Recipient contrary to this Agreement; (B) was available to such Recipient on a non-confidential basis prior to its disclosure to such Recipient; (C) becomes available to such Recipient on a non-confidential basis from a source other than any other Recipient unless such Recipient knows that such source is bound by a confidentiality agreement or is otherwise prohibited from transmitting the information to such Recipient by a contractual obligation; (D) is independently developed by such Recipient without reference to confidential information received from any other party; (E) is required to be disclosed by applicable law or legal process, provided that any Recipient disclosing pursuant to this clause (E) shall notify the other party at least five (5) days prior to such disclosure so as to allow such other party an opportunity to protect such information through protective order or otherwise; or (F) is required to be disclosed by any listing agreement with, or the rules or regulations of, any security exchange on which securities of such Recipient or any of its Affiliates are listed or traded. Notwithstanding anything to the contrary above, WMI and its Affiliates shall be permitted to disclose any information on a confidential basis in connection with a potential Recorded Music Major Transaction, to a potential assignee permitted hereunder or to third parties and WMI Affiliates as may be necessary in the ordinary course of business (provided, that any such disclosure shall be limited to those persons who agree to be bound by the provisions of this Section 6).

(c) The obligations of WMI and Cinram under Sections 6(a) and 6(b) above shall survive for three (3) years following the expiration or termination of the Term.

7. Force Majeure.

(a) If because of an "act of God", inevitable accident, fire, lockout, strike or other labor dispute, riot or civil commotion, act of public enemy or other cause of a similar nature not reasonably within Cinram's control (a "Force Majeure Event"), Cinram is materially hampered in the performance of its obligations under this Agreement or its normal business operations are delayed or become impossible or commercially impracticable, then Cinram shall have the option, by giving WMI written notice, to suspend its obligations under this Agreement solely with respect to those M&P Services, PP&S Services and/or any other Services, in each case, that are affected by such Force Majeure Event, effective upon receipt by WMI of such notice, for the duration of any such contingency. Should Cinram suspend its obligations under this Agreement pursuant to this Section 7(a) with respect to any M&P Services, PP&S Services and/or any other Services, such suspension shall not constitute a breach hereunder and Cinram shall not be subject to price rebates under Section 15 of Exhibit A (M&P Terms) with respect to any occurrences during the pendency of any such suspension of M&P Services, or price rebates under Section 14 of Exhibit B (PP&S Terms) with respect to any occurrences during the pendency of any such suspension of PP&S Services. Immediately upon Cinram's assertion of its right to suspend its obligations with respect to M&P Services, PP&S Services and/or any other Services under this Agreement, WMI shall have the right to manufacture, package, and/or distribute, as the case may be, Products itself or through third parties during the pendency of such suspension (for purposes of clarity, WMI shall be permitted to use third-party vendors to provide M&P Services, PP&S Services and/or any other Services to the extent affected by such Force Majeure Event for any or all of the total volume of Products hereunder during the pendency of the Force Majeure Event). Further, should Cinram suspend its obligations under this Agreement, and in addition to any other rights of WMI hereunder, WMI shall, on and from the date which is twelve (12) months after the occurrence of (which may be earlier than Cinram's assertion of suspension under) a Force Majeure Event, have the right, in its sole discretion, to (i) terminate the Term in whole or in part by notice in writing to Cinram, or (ii) require Cinram to implement its Disaster Recovery Plan with respect to the services that are affected by such Force Majeure Event; in each case, unless prior to the date of such termination or requirement, Cinram has by notice in writing to WMI ended the suspension of Cinram's obligations under this Agreement. For the avoidance of doubt, should WMI exercise its right of termination under this Section 7(a), no cure period shall be associated with Cinram's failure to perform its obligations hereunder. No liability or obligation of Cinram under any provision hereof, other than those affected by a Force Majeure Event, shall be in any way limited or forgiven as a result of any Force Majeure Event. For the avoidance of doubt, no Termination Event shall, in itself, be deemed to constitute a Force Majeure Event.

(b) In addition, within twenty-four (24) hours of becoming aware of any circumstance or event which may reasonably be anticipated to cause or constitute a Force Majeure Event, Cinram shall notify WMI of such circumstance or event. For the avoidance of doubt, such notice shall not constitute an assertion by Cinram of its right to suspend its obligations hereunder.

(c) If for any reason, Cinram is unable to provide any Services hereunder in connection with any Order(s) for a period exceeding twenty-four (24) hours and such inability is reasonably likely to result in Cinram being unable to meet the Service Level Requirements set forth herein, WMI shall have the right to immediately contract with a third party to provide all or any portion of such services for such period of time as may be reasonably necessary for WMI to obtain the services required to fulfill any such Order(s). Once WMI is reasonably satisfied that Cinram is again able to provide the required Services, WMI shall return the contracted Services to Cinram as soon as it is reasonably able to do so; provided, however, that the return of such Services to Cinram shall be subject to any reasonable commitment WMI has made to

the applicable third party that such Services would remain with such third party for a period of time. Cinram shall reimburse WMI upon demand for any and all incremental out-of-pocket charges that WMI reasonably incurs as a result of transferring its Services under this Section 7(c).

8. Miscellaneous.

(a) Waiver. Any party to this Agreement may: (i) extend the time for the performance of any of the obligations or other acts of the other party hereto; (ii) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered by the other party pursuant hereto; or (iii) waive compliance with any of the agreements or conditions of the other party hereto contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition, of this Agreement. The failure of either hereto party to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

(b) Assignment. Cinram shall not have the right without WMI's prior written consent (which consent may be granted or withheld in the sole discretion of WMI) to assign this Agreement or any of the rights granted to Cinram hereunder, in whole or in part; provided, however, that Cinram shall be permitted to assign this Agreement to any wholly owned subsidiary of Cinram International Inc. (provided, further, that Cinram has given WMI prior written notice of such assignment, and that notwithstanding such assignment, Cinram at all times shall remain directly and fully responsible and liable to WMI for the performance of all Services and for all of its representations, warranties and obligations, including without limitation indemnification obligations, hereunder). WMI shall have the right without Cinram's consent to assign this Agreement, in whole or in part, to any subsidiary, parent company or Affiliate of WMI, or to any third-party acquiring all or substantially all of WMI's assets or equity; provided, however, that, in each case, notwithstanding such assignment, WMI at all times shall remain directly and fully liable to Cinram for the performance of the obligations of WMI hereunder.

(c) No Solicitation. During the Term and for a period of ** thereafter, neither Cinram nor any of Cinram's Affiliates may offer employment to any Employee or offer manufacturing, packaging, distribution, pick, pack and ship or similar services to any Distributed Label without the prior written approval of WMI. For purposes of this Section 8(c), "Employee" shall mean any United States employee at the director or department head level or above of WMI (or its Affiliates); and "Distributed Label" shall mean any company whose products are then, or have within the past six (6) months been, distributed by WMI (or its Affiliates) (*e.g.*, under a "P & D" agreement or pick, pack and ship arrangement, etc.).

(d) Further Assurances. Cinram and WMI each agree to execute and deliver all such other and additional instruments and documents and to do such other acts and things as may be necessary to more fully effectuate this Agreement.

(e) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of, and shall be enforceable by, each of the parties hereto and their respective permitted assigns.

(f) Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by telecopy or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8(f)):

WMI:

WEA International Inc
c/o WEA
75 Rockefeller Plaza
New York, New York 10019
Attn: President
Fax: (212) 258-3121

with copies to:

Warner Music Group
75 Rockefeller Plaza
New York, New York 10019
Attention: EVP & General Counsel
Fax: (212) 258-3092

Warner-Elektra-Atlantic Corporation
75 Rockefeller Plaza
New York, New York 10019
Attn: SVP, Business & Legal Affairs
Fax: (212) 275-3341

Warner Music Group
The Warner Building
28 Kensington Church Street
London W8 4EP
Attn: Chris Ancliff, General Counsel, International

Cinram:

Cinram International Inc.
2255 Markham Road
Scarborough, Ontario M1B 2W3
Canada
Attn: Steve Brown
Fax: (416) 298-0612

with a copy to:

Office of General Counsel
Cinram
860 Via de la Paz, Suite F4
Pacific Palisades, CA 90272
Attn: Howard Z. Berman, Esq.
Fax: 310-230-9969

(g) Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(h) Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any federal, state, local or foreign statute, law, ordinance, regulation, code, order, other requirement or rule of law or by public policy, all other terms and provisions of this

Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

(i) No Agency. WMI and Cinram each shall have the status of an independent contractor and nothing herein contained shall contemplate or constitute WMI as Cinram's agent or employee or Cinram as WMI's agent or employee. This Agreement does not constitute or acknowledge any partnership or joint venture between WMI and Cinram.

(j) No Third-Party Beneficiaries. Except for the provisions of Sections 2(b) and 2(d) above relating to indemnified parties, this Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other party any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

(k) **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS EXECUTED IN AND TO BE PERFORMED ENTIRELY WITHIN THAT STATE. EXCEPT AS PROVIDED IN SECTION 12(g) OF OR SCHEDULE G TO EXHIBIT A (M&P TERMS) HERETO OR IN SCHEDULE D TO EXHIBIT B (PP&S TERMS) HERETO, ALL ACTIONS AND PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE HEARD AND DETERMINED IN ANY NEW YORK STATE OR FEDERAL COURT SITTING IN THE CITY OF NEW YORK, AND THE PARTIES HERETO HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING AND IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. EACH PARTY HERETO IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH PARTY AT ITS ADDRESS SPECIFIED IN SECTION 8(f) HEREOF. THE PARTIES HERETO AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION 8(k) SHALL AFFECT THE RIGHT OF EITHER PARTY HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW. THE CONSENTS TO JURISDICTION SET FORTH IN THIS SECTION 8(k) SHALL NOT CONSTITUTE GENERAL CONSENTS TO SERVICE OF PROCESS IN THE STATE OF NEW YORK AND SHALL HAVE NO EFFECT FOR ANY PURPOSE EXCEPT AS PROVIDED IN THIS SECTION 8(k) AND SHALL NOT BE DEEMED TO CONFER RIGHTS ON ANY PARTY OTHER THAN THE PARTIES HERETO.**

(l) **WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY. EACH PARTY HERETO: (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD**

NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8(l).

(m) Consents. Except as specifically provided to the contrary herein, if any consent, approval or authority is required from either party hereto, such consent, approval or authority shall not be unreasonably withheld or delayed.

(n) Limitation of Liability. **

(o) Vinyl. For the avoidance of doubt, Products in vinyl format are excluded from this Agreement, provided, however, that Cinram will perform PP&S Services for Products in vinyl format as requested by WMI.

(p) Joint and Several Liability. Cinram International Inc., Cinram GmbH, and Cinram Operations UK Limited are and shall be jointly and severally liable for all representations, warranties and obligations (including without limitation indemnification obligations) of Cinram under this Agreement.

(q) Entire Agreement; Amendment/Modification; Order of Precedence .

(i) This Agreement, including Exhibit A (M&P Terms) and Exhibit B (PP&S Terms) hereto, all Schedules to such Exhibits, and any other appendices and attachments hereto or thereto (each of the foregoing hereby incorporated into this Agreement by this reference), contains the entire understanding of the parties hereto relating to the subject matter hereof, and supersedes all prior and contemporaneous oral and written agreements, arrangements, understandings, proposals, and discussions, and any amendments thereto, between the parties to this Agreement relating to the subject matter hereof (including without limitation the International Manufacturing Agreement, the International PP&S Agreement, and the International Administrative Services Agreement). WMI and Cinram acknowledge that in addition to this Agreement, the parties hereto and/or certain of their Affiliates have entered into the US/Canada Manufacturing and PP&S Agreement, the US/Canada Transition Agreement, and the International Transition Agreement simultaneously with the execution of this Agreement.

(ii) The International Manufacturing Agreement, the International PP&S Agreement, and the International Administrative Services Agreement are hereby terminated as of the Effective Date and shall no longer bind the parties to such agreements or the parties to this Agreement, except as otherwise expressly set forth therein or herein. Without limitation, (A) Sections 5(d), 7(b), 9, 10(f) and 16 of the US Manufacturing Agreement and Sections 6(d), 8(b), 10, 11(f) and 15 of the US PP&S Agreement shall survive the termination of such agreements, and (B) Section 8 (Post-Term Procedures) of the International Manufacturing Agreement and Section 9 (Post-Term Procedures) of the International PP&S Agreement shall not survive the termination of such agreements and shall no longer bind the parties to such agreements or the parties to this Agreement. As of the Effective Date, any Confidential Information exchanged between the parties pursuant to the International Manufacturing Agreement or the International PP&S Agreement shall be governed solely by Section 5 of this Agreement (as if such Section 5 were in effect at the time such Confidential Information was exchanged), and not by the surviving provisions of such terminated agreements.

(iii) Except as otherwise expressly provided herein, this Agreement may not be modified or amended except in writing executed by WMI and Cinram. In the event of an otherwise irreconcilable conflict between the terms and conditions set forth in the main body of this Agreement and the terms and conditions set forth in any Exhibit hereto, the terms and conditions set forth in the main body of this Agreement shall control.

9. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Affiliate" shall mean, as to any Person, any other Person that directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control"(including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote ten percent (10%) or more of the capital stock or other ownership interests of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of capital stock or other ownership interests, by contract or otherwise.

(b) "Change of Control" **

(c) "Cinram Group" shall mean Cinram International Inc. and its subsidiaries and Affiliates, and a " member" of the Cinram Group shall mean any such entity, and for the avoidance of doubt, includes the Permitted Holdco if it is the Continuing Corporation following a Permitted Conversion.

(d) "Existing Credit Agreement" shall mean that certain Credit Agreement dated as of May 5, 2006, as it may be amended from time to time, among Cinram International ULC, Cinram International Inc., Cinram, Inc., Ivy Hill Corporation and Cinram (U.S.) Holding's, Inc., as borrowers, certain guarantors referred to therein, various lenders, Credit Suisse Securities (USA) LLC, as syndication agent, and JP Morgan Chase Bank, N.A., as administrative agent.

(e) "Fund" shall mean Cinram International Income Fund.

(f) "Insolvency Event" shall mean any of the foregoing: (i) the auditors of Cinram or any other member of the Cinram Group issue a qualified opinion questioning such Cinram Group member's ability to continue operating as a going concern; (ii) indebtedness of Cinram or any other member of the Cinram Group, with an aggregate principal amount in excess of ** dollars (**), is either not paid when due (at maturity, redemption or otherwise) or is declared due prior to its stated maturity date; (iii) Cinram or any other member of the Cinram Group is unable, admits in writing its inability or fails generally to pay its debts as they become due; or Cinram or any other member of the Cinram Group is wound up, dissolved or liquidated either by act of law or otherwise; (iv) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (A) liquidation, reorganization or other relief in respect of Cinram or any other member of the Cinram Group or its debts or assets, and such proceeding or petition shall continue undismissed for a period of sixty (60) or more days or an order or decree approving or ordering any such liquidation, reorganization or other relief shall be entered, or (B) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Cinram or any other member of the Cinram Group and an order or decree approving or ordering such appointment shall be entered; (v) Cinram or any other member of the Cinram Group commits an act of bankruptcy under the Bankruptcy and Insolvency Act (Canada) (the "BIA"); (vi) one or more creditors file an application for a bankruptcy order against Cinram or any other member of the Cinram Group or files an assignment in bankruptcy under the BIA; (vii) Cinram or any other member of the Cinram Group files a proposal or a notice of intention to make a proposal under the BIA or commences proceedings under the Companies' Creditors Arrangement Act (Canada) (the "CCAA") or otherwise seeks to make an arrangement, adjustment, composition, liquidation, dissolution or similar relief under the BIA, CCAA, CBCA or otherwise; or an application, motion or petition is made against Cinram or any other member of the Cinram Group seeking such relief, other than a Permitted Corporate Arrangement; (viii) any trustee in bankruptcy, interim receiver, receiver, receiver and manager, provisional liquidator, liquidator, or person with similar powers, is appointed in respect of Cinram or any other member of the Cinram Group or its assets; or an application, motion or petition is made by or against Cinram or any other member of the Cinram Group seeking such relief; (ix) Cinram or any other member of the Cinram Group files a voluntary petition in bankruptcy or receivership of any petition or answer seeking, consenting to, or acquiescing in, or the entry of any court order providing for, reorganization, arrangement, adjustment, composition, liquidation, dissolution or similar relief, other than in connection with a Permitted Corporate Arrangement; (x) any creditor enforces, delivers notice of enforcement or becomes entitled to enforce against any significant part of the assets of Cinram or any other member of the Cinram Group; or any writ, warrant of attachment, execution or similar process is issued or levied against all or any significant part of the assets of Cinram or any other member of the Cinram Group; (xi) the failure of Cinram or any other member of the Cinram Group or its bankruptcy estate to move for assumption or rejection of this Agreement within five (5) days after an order for relief has been entered under Title 11 of the United States Code with respect to a petition filed by or against such Cinram Group member; or (xii) the voluntary or involuntary creation (through some action or inaction on Cinram's or any other member of the Cinram Group's part or behalf) of a security interest, lien, assignment, transfer, pledge or hypothecation of any Products or Inventory owned by WMI, or any of the proceeds thereof that is not removed within five (5) business days after Cinram knows or should have known the existence of such security interest, lien, assignment, transfer, pledge or hypothecation. Notwithstanding the foregoing, an Insolvency Event in connection with a particular member of the

Cinram Group that meets each and all of the conditions in subparagraph 9(b)(x)(A) to (D) above shall not be considered a Termination Event (as defined above) by such member of the Cinram Group.

(g) "International Administrative Services Agreement " shall mean that certain International Administrative Services Agreement between WMI and Cinram GmbH dated as of the Original Effective Date.

(h) "International Transition Agreement" shall mean that certain International Transition Agreement entered into of even date herewith between and among WMI, Cinram International Inc., Cinram GmbH, and Cinram Operations UK Limited.

(i) "Major" shall mean any one of the following companies: Sony Music Entertainment Inc., EMI Group Ltd. or Universal Music Group (or their successors).

(j) "Permitted Conversion" shall mean a conversion transaction effected solely to convert the Fund from an income trust structure to a corporate structure as a result of the "SIFT Rules," where the following conditions are met: (i) the unitholders of the Fund exchange all of their units of the Fund for common shares of Cinram International Inc. or a Permitted Holdco (the public entity being referred to as the "Continuing Corporation"), (ii) the Continuing Corporation will be the entity through which the public investors in the Fund will hold their equity interest in the Cinram Group, (iii) the public ownership of the Continuing Corporation following the conversion is in all material respects the same as the public ownership of the Fund immediately prior to the commencement of the conversion transaction, (iv) there is no change in the assets, debts or liabilities of Cinram International Inc. and its subsidiaries and Affiliates controlled by Cinram International Inc. as of the date hereof as a result of, or in connection with, the conversion transaction other than non-material and incidental expenses required to effect the conversion transaction, (v) there is no additional security interest, lien, claim, assignment, transfer, pledge, hypothecation or other encumbrance on the assets of any member of the Cinram Group as a result of or in connection with the conversion transaction, excluding for greater certainty, any transfer of assets and assumption of liabilities of the Fund, the Trust, the Partnership and Cinram International ULC to and by a Permitted Holdco respectively on a wind-up or dissolution of the Fund, the Trust, the Partnership and Cinram International ULC pursuant to a Permitted Conversion, (vi) all material consents to the conversion transaction have been obtained by the Cinram Group, (vii) the conversion transaction does not and will not conflict with, or result in any violation or breach of, or default (with or without notice or lapse of time or both) under, or give rise to a right of, or result in, termination, cancellation or acceleration of any obligation or to a loss of benefit under, or result in the creation of any security interest, lien, claim, pledge, hypothecation or other encumbrance in or upon any the properties or assets of any member of the Cinram Group, or give rise to any increased, additional, accelerated or guaranteed rights or entitlements under (including any right of a holder of a security of any member of the Cinram Group to require any member of the Cinram Group to acquire such security), any material loan or credit agreement, bond, debenture, note, mortgage, indenture, guarantee, lease or other contract, commitment, agreement, instrument, arrangement, understanding, obligation, undertaking or license, whether oral or written to which any member of the Cinram Group is a party or bound by or any of their respective properties or assets are bound by or subject to or otherwise under which any member of the Cinram group has rights or benefits, (viii) the conversion transaction does not otherwise result in a Change of Control, (ix) the conversion transaction is effected in compliance with all applicable laws, and (x) if a Permitted Holdco is the Continuing Corporation, such Permitted Holdco has provided a written guarantee to WMI in form and substance satisfactory to WMI acting reasonably of the obligations of the Core Companies under the WMI Agreements on or before the exchange of units for shares of the Permitted Holdco pursuant to the Permitted Conversion.

(k) "Permitted Corporate Arrangement" means a corporate arrangement under the Canada Business Corporations Act (" CBCA") (i) for the sole purpose of a Permitted Conversion, or (ii) where each of the following conditions are met: (A) each of the Core Companies is solvent (as construed under any of the CCAA or BIA) immediately prior to the filing of the corporate arrangement, (B) none of the conditions in paragraphs 9(b)(x)(A) through 9(b)(x)(D) of this Agreement exist, (C) none of the Core Companies are relieved, stayed, prohibited or impaired from the performance of any or all of its obligations under this Agreement, and no order is sought or obtained staying, limiting, prohibiting or impairing WMI from exercising or relying on any of its rights or remedies under this Agreement, (D) there is no exchange or issuance of securities, other than a debt for equity swap, which may include a reasonable consent or similar fee paid to the debt holders by way of issuance of securities, (E) except in the circumstances described in subsection (iii) of this Section 9(k) to the contrary, there is no Change in Control as defined in this Agreement, (F) there is no transfer of all or substantially all of the property of any of the Core Companies assets, (G) there is no liquidation or dissolution of any of the Core Companies, (H) the extension of any debt under the corporate arrangement is not less than 18 months, and (I) prior to any proceedings being brought, instituted or filed in connection with such corporate arrangement, the written consent and approval of at least 67% in dollar amount of the creditors affected by the proposed corporate arrangement shall have been obtained.

(iii) On one single occurrence during the Term, Sections 9(b)(i) (insofar as it applies to an "arrangement") and 9(b)(ii) of this Agreement shall not apply if a Person or group of Persons (for purposes of this definition, a " Group") (as the term "group" is used in Rule 13d-5 of the United States Securities Exchange Act of 1934) (the "Exempt Party") becomes the beneficial owner, directly or indirectly, of thirty percent (30%) or more of the aggregate voting power or aggregate equity value represented by the issued and outstanding Ownership Interests of Cinram or any member of the Cinram Group pursuant to (1) a debt for equity swap in connection with a Permitted Corporate Arrangement, (2) an issuance in connection with a Permitted Corporate Arrangement of instruments convertible into or exchangeable for such Ownership Interests, or (3) an issuance of Ownership Interests the proceeds of which are used to repurchase Ownership Interests or instruments convertible into or exchangeable for Ownership Interests issued in connection with a Permitted Corporate Arrangement, in each case provided that all of the following conditions are met:

(A) during the Term, the Exempt Party does not, and is not entitled, directly or indirectly (through a voting trust or similar agreement or otherwise), to appoint more than 30% of the board of directors (or equivalent) of Cinram or any member of the Cinram Group, or otherwise controls the business of such entities; and

(B) during the Term, the Exempt Party is not directly or indirectly a competitor of WMI; and

(C) during the Term, the Exempt Party does not, directly or indirectly, have an Ownership Interest in a competitor of WMI, other than an Ownership Interest in, a publicly listed competitor of WMI in the aggregate amount of less than five percent (5%) of the aggregate voting power or aggregate equity value represented by the issued and outstanding Ownership Interests of such competitor.

Thereafter, Sections 9(b)(i) and 9(b)(ii) of this Agreement shall apply to any other Persons or Group without regard to this exception.

(l) "Permitted Holdco" shall mean a corporation (i) incorporated in Canada for purposes of effecting the conversion of the Fund to a corporate structure; (ii) that prior to the exchange of its shares for units of the Fund, conducted no business, held no assets and had no liabilities other than non-material

assets and liabilities incidental to the Permitted Conversion; (iii) that following the Permitted Conversion (including the wind-up or dissolution of the Fund, the Trust, the Partnership and Cinram International ULC) will hold no other material assets other than the shares of Cinram International Inc.; and (iv) that will as part of the Permitted Conversion receive all of the assets of the Fund, the Trust, the Partnership and Cinram International ULC and assume all of the liabilities of the Fund, the Trust, the Partnership and Cinram International ULC.

(m) "Person" shall mean an individual, partnership, corporation (including, without limitation, a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

(n) "US/Canada Manufacturing and PP&S Agreement " shall mean that certain US/Canada Manufacturing and PP&S Agreement entered into of even date herewith between and among WEA, Cinram International Inc., Cinram Manufacturing LLC and Cinram Distribution LLC.

(o) "US/Canada Transition Agreement" shall mean that certain US/Canada Transition Agreement entered into of even date herewith between and among WEA, Cinram International Inc., Cinram Manufacturing LLC and Cinram Distribution LLC.

(p) "WEA" shall mean Warner-Elektra-Atlantic Corporation, a New York corporation with its principal place of business at 75 Rockefeller Plaza, New York, NY 10019.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

WEA INTERNATIONAL INC.

By: /s/ Paul Robinson

Name: Paul Robinson

Title: Vice President

Date: November 16, 2010

CINRAM INTERNATIONAL INC.

By: /s/ Steve Brown

Name: Steve Brown

Title: CEO

Date: November 16, 2010

CINRAM GMBH

By: /s/ John H. Bell

Name: John H. Bell

Title:

Date: November 16, 2010

CINRAM OPERATIONS UK LIMITED

By: /s/ John H. Bell

Name: John H. Bell

Title:

Date: November 16, 2010

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

WEA INTERNATIONAL INC.

By: _____

Name: _____

Title: _____

Date: _____

CINRAM INTERNATIONAL INC.

By: _____

Name: _____

Title: _____

Date: _____

CINRAM GMBH

By: /s/ Louis Gasperut

Name: Louis Gasperut

Title: EVP MD Europe

Date: November 16, 2010

CINRAM OPERATIONS UK LIMITED

By: /s/ J.R. Brooks

Name: James R. Brooks

Title: Director

Date: November 16, 2010

Exhibit A

M&P Terms

References to "Company" when used in this Exhibit shall be deemed to refer to Cinram (as defined in this Agreement). Capitalized terms used in this Exhibit but not defined where they appear in the text are defined in Paragraph 14 below.

1. Appointment.

(a)

(i) WMI hereby appoints Company to render, and Company shall render, M&P Services for one hundred percent (100%) of Products (subject to the Permitted Exclusion and the other terms and conditions of this Agreement), in accordance with the terms hereof. Additionally, Company shall have non-exclusive rights (exercisable in WMI's discretion) to render and shall, at the request of WMI, render M&P Services for Products for WMI and WMI's Affiliates located outside the Territory.

(ii) Notwithstanding anything to the contrary contained in Paragraph 1(a)(i) above, from and after the effective date of a Recorded Music Major Transaction (the "RMMT Effective Date"), the appointment of Company under this Exhibit shall instead be to render, and Company shall render, M&P Services for at least the Specified Percentage (and, at WMI's election, more than the Specified Percentage) of Products in accordance with the terms hereof (subject to the Permitted Exclusion and the other terms and conditions of this Agreement). WMI shall use commercially reasonable efforts to provide that the Combined Entity's ordering of units of Products and Components under this Exhibit (*i.e.,* mix of New Releases and Catalog Titles and special packaging orders) following the RMMT Effective Date remains generally consistent with WMI's ordering of units of Products and Components under this Exhibit prior to the RMMT Effective Date. The " Specified Percentage" equals the fraction, expressed as a percentage: (A) the numerator of which shall be one hundred percent (100%) of the number of units of Products manufactured and packaged for sale in the Territory by Company for WMI under this Exhibit and (prior to the Effective Date) under the International Manufacturing Agreement (and/or by WMI on its own behalf, if applicable) during the twelve (12) complete calendar months immediately preceding the RMMT Effective Date (the "WMI Output"); and (B) the denominator of which shall be the WMI Output plus one hundred percent (100%) of the number of units of Records, in any Optical Disc format, manufactured and packaged for sale in the Territory by or for the recorded music business of the applicable Major during the same twelve (12) month period.

(iii) Notwithstanding Paragraphs 1(a)(i) and 1(a)(ii) of this Exhibit, in relation to Excluded Products WMI shall be entitled to appoint a third-party manufacturer and packager. WMI shall include Company in the tender process.

(b) Reservation of Rights. WMI hereby reserves all rights in and to Products not otherwise expressly granted to Company in this Exhibit.

(c) Reports. Company shall prepare for WMI the production, shipments and inventory reports in the same format and details as were received by WMI or its Affiliates as of the Effective Date and shall supply WMI and its Affiliates with such reports on at least a monthly basis during the Term. If Company provides more detailed reports to any other party during the Term, Company shall, at WMI's request, provide such more detailed reports to WMI under this Exhibit as of the date that Company commences providing such more detailed reports to such other party but subject to the same terms and conditions under which such reports are provided to such other party (e.g., any additional fees or amounts charged to such party for such more detailed reports). Nothing in such reports shall impart any competitively-sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services or any personal data possessed by Company.

2. Title. As set forth in this Exhibit, Company shall sell to WMI, and WMI shall purchase from Company, Components and Products from time to time pursuant to the terms hereof. Title to units of Components and Products manufactured or packaged by Company pursuant to this Exhibit shall pass to WMI upon the first to occur of the completion of the manufacture or packaging thereof or the time that such goods are identified to the contract as contemplated in UCC Section 2-501. Further, Company acknowledges and agrees that title to units of Products and Components that are received by Company under this Exhibit for distribution shall remain in WMI (or WMI's Affiliates, as applicable) at all times. Company acknowledges that Products (including all intellectual property contained therein and relating thereto) are protected under copyright laws and that WMI is the rightful owner or license holder of all such copyrights. Company acknowledges that any removal of any such materials from Company's approved facilities without WMI's written approval, and any distribution of any such materials in the Territory without WMI's written approval, is an infringement of WMI's copyright. Company shall bear the risk of loss for units of Products in Company's possession, under Company's control or in transit from Company or its designees to any Facility; provided, however, that WMI shall bear the risk of loss for any units of Products in transit for which WMI is responsible for paying the shipping. Notwithstanding, and in addition to, the foregoing, solely to protect WMI in the circumstance that it is ever determined by a court of competent jurisdiction that units of Components and/or Products are owned by Company contrary to the express terms of this Exhibit and intention of the parties, Company hereby grants and shall be deemed to have granted to WMI on the Effective Date a security interest in all such present and future Components and Products, and all products and proceeds (including, without limitation, insurance proceeds but excluding amounts payable to Company for M&P Services provided hereunder) of the foregoing, and any additions, improvements and accessions to, and all books and records describing or used in connection with any of the foregoing, to secure all debts, liabilities and obligations of Company to WMI, whether now existing or arising hereafter (including without limitation as a result of Company's breach of this Agreement or any other agreement with WMI, including as a result of the rejection of this Agreement or any other agreement with WMI in a bankruptcy or similar proceeding) and whether liquidated or contingent. The security interest shall attach on the earlier of when such Components or Products are (a) acquired by the Company, (b) manufactured by the Company, or (c) identified to the contract as contemplated in UCC Section 2-501. Company agrees to take such steps as WMI may reasonably request in connection with the perfection of such security interest or otherwise to protect the rights of WMI with respect thereto, at WMI's expense. WMI shall have all rights, powers and privileges of a secured party under the UCC.

3. Services.

(a) Level of Services. Company shall not allocate its facilities, plant capacity or personnel to fulfillment of orders of any other party in a manner which is more favorable than its allocation of such facilities, plant capacity and personnel to the fulfillment of Orders under this Exhibit. In addition, the Services:

(i) shall be rendered on a so-called "label blind" basis;

(ii) shall be rendered in at least the same general manner, subject to at least the same general standards and in at least the same general quality as provided by Company to all other parties whose Records are manufactured and/or packaged by Company in the Territory, but if any such services are not part of the standard Services otherwise provided to WMI under this Exhibit and the provision of such services is at a higher cost to Company, then if WMI requests such services, such services shall be provided to WMI under this Exhibit, but subject to the same terms and conditions provided to such other party. This Paragraph 3(a)(ii) shall not require that Company provide any new services to WMI if the cost of providing such services would be unreasonably burdensome to Company; provided, however, that nothing in this sentence shall limit Company's obligations set forth in Paragraph 6 of this Exhibit;

(iii) shall be rendered in at least the same manner, subject to at least the same standards and in at least the same quality as was provided to WMI's Affiliates for the products of WMI's Affiliates immediately prior to the Original Effective Date;

(iv) shall be rendered in accordance with "first-class" standards that meet the highest quality available in the industry;

(v) shall be rendered in accordance with, or exceed, each of the service level requirements set forth on Schedule A hereto (the requirements set forth on Schedule A hereto being the "Service Level Requirements"); and

(vi) shall, to the extent rendered for the production of Products in CD or DVD format, be rendered in accordance with the technical specifications set forth on Schedule B hereto (the requirements set forth on Schedule B hereto being the "Technical Specifications").

(b) Copy Protection and Digital Rights Management. WMI may from time to time require the integration of copy protection and digital rights management technology into certain Products. Company shall use its commercially reasonable efforts to ensure that it is equipped to provide such technology and shall obtain necessary licenses from the supplier therefor. WMI shall, unless otherwise agreed, be responsible for the copy protection or digital rights management technology license fees and the cost of any packaging adaptation necessary to provide notification of the use of such technology as may be required by the applicable law in the country of sale, and (except as otherwise expressly set forth in this Paragraph 3(b)) all other costs relating to copy protection and digital rights management shall be borne by Company. Company shall report units manufactured and technologies used to WMI on a monthly basis to facilitate the administration of the copy protection and digital rights management license fees. Company shall assist WMI in assessing and testing new copy protection and digital rights management technologies, and on forty-five (45) days' notice will make provision for new copy protection and digital rights management technologies to be implemented, but only so long as such new technologies are available to Company for use. To the extent that the actual, documented, out-of-pocket, non-overhead cost to Company for the assessment, testing and implementation of such new copy protection and digital rights management technologies exceeds eighty-five thousand Euros (€85,000) in the aggregate in respect of any Contract Year, then WMI shall reimburse Company for any such excess (but solely to the extent that WMI requested that Company assess, test or implement such new technology). To the extent that any other parties serviced by Company actually utilize any such new copy

protection and digital rights management technology, WMI's obligation to reimburse Company for any such excess shall be reduced pro rata based on the total number of Company's customers utilizing the new copy protection and digital rights management technology. If WMI has already reimbursed Company pursuant to the preceding sentence and subsequently is entitled to a pro rata reduction as provided herein, Company shall refund such amount within thirty (30) days of the date such other party begins utilizing such new copy protection and digital rights management technology. Implementation of copy protection or digital rights management technology shall not be considered a factor that shall impact capacity or production time downstream of the mastering process. WMI and Company further agree that pursuant to Article 6.4 Directive 2001/29/EC on the Harmonisation of Certain Aspects of Copyright and related Rights in the Information Society, each will accommodate statutory privileges relating to use regardless of the use of any such copy protection technology or digital rights management technology.

(c) Fees. The Packaging Services shall be furnished at the prices set forth on Schedule C hereto and as set forth in this Paragraph 3(c), as they may be modified from time to time by operation of Paragraphs 12 and 15 of this Exhibit (the " Printing and Packaging Fees"), and the Manufacturing Services shall be furnished at the prices set forth on Schedule C hereto and as set forth in this Paragraph 3(c), as may be modified from time to time by operation of Paragraphs 12 and 15 of this Exhibit (the "Manufacturing Fees" and, together with the Printing and Packaging Fees, the "Fees"). Unless otherwise indicated, all amounts set forth in this Exhibit including the Schedules hereto are denominated in Euros. Throughout the Term, with respect to Packaging Services or Manufacturing Services for which there is no price on Schedule C hereto, Company shall provide such Services to WMI on a non-exclusive basis only, at competitive market rates otherwise available to WMI. Notwithstanding the foregoing sentence, Company shall not be required to provide any such services unless WMI (either itself or through any of its Affiliates) provided such services on its own behalf prior to the Original Effective Date or if Company then-currently provides such services to any party.

(d) Subcontracting. Each entity set forth in Schedule E (Approved Subcontractors) hereto shall be deemed to be an Approved Subcontractor under this Exhibit, solely with respect to performance of the specific M&P Services identified in Schedule E (Approved Subcontractors) for such entity. Orders hereunder shall not be subcontracted to a greater degree than any other orders. Without limiting any other provision of this Agreement, WMI may from time to time designate organizations as prohibited subcontractors under this Agreement if WMI reasonably believes such organizations would not be likely to be able to adhere to the provisions of this Agreement.

(e) Compliance with Law; Code of Conduct. Company shall comply (i) with all laws and regulations in connection with Company's undertakings under this Exhibit, except where the failure to do so individually or in the aggregate is immaterial; and (ii) subject to relevant local laws including privacy laws, with the code of conduct attached as Schedule F hereto.

(f) Delivery of Source Materials. WMI or its Affiliates shall, at WMI's sole expense, deliver to Company (or to such suppliers as Company may designate) all Source Materials. WMI shall retain title to all Source Materials supplied to Company or its designees, including all digital files derived from such Source Materials. Company shall have no rights in such Source Materials, and will return all such Source Materials to WMI promptly upon request; provided, however, that transfer of DDP (disc description protocol) files previously provided to WMI shall be subject to payment of a mutually agreed upon price. Company shall maintain systems at no charge to WMI so as to be able to receive Source Materials, metadata and digital proofs in digital form and online.

(i) All products ordered by WMI or its Affiliates and manufactured and finished by Company shall be delivered at Company's expense to Company's central warehouse located in Alsdorf, Germany, or to the extent such Facility is

re-located pursuant to the terms and conditions of this Agreement, then to such relocated Facility.

(g) Ordering. It shall be WMI's responsibility to determine its production requirements and to order Units of Products. All Orders for Units of Products shall be evidenced by a written purchase order and may be placed by WMI or any of its Affiliates or any third-party licensees. Orders must include all information necessary to properly identify the Products to be manufactured and packaged, including artist, title, catalog number, full UPC/EAN and quantity. Company shall use the entire UPC or EAN codes to identify all Products.

(i) Prior to manufacture, an Order must be Workable. Company shall deliver Units of Products to WMI's designated locations within the applicable time periods set forth on Schedule A hereto. All of the time periods set forth on Schedule A hereto are referred to as the applicable Turnaround Times for the manufacture of Units of Products in each configuration, respectively, and are measured from the time the Order is Workable.

(ii) At the times that WMI submits Orders, to the extent that an Order is for multiple selections, WMI shall have the right to determine the priority in which the Orders should be filled (that is, it shall have the right to determine and designate which part of the Order is to be delivered within the shorter of the applicable Turnaround Times and which part of the Order is to be delivered within the longer of the applicable Turnaround Times).

(iii) For each item (*i.e.,* a particular Product) in an Order, there shall be an allowable fulfillment deviation as set forth below:

Order Size in Units	Deviation for Catalog Titles	Deviation for New Releases
0-10,000	**	**
10,001-50,000	**	**
50,001-300,000	**	**
300,001 and up	**	**

Orders filled within such deviation shall be deemed to be satisfied, and WMI shall pay Company on the actual number of units delivered at the rate(s) charged by Company pursuant to the original Order to which such deviation relates.

(h) Quarterly Meetings. At least once every calendar quarter, WMI may meet with Company's Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) to assess Company's performance under this Exhibit and its ongoing ability to perform its obligations under this Exhibit.

(i) Shipping Costs. Company shall bear the cost and expense of shipping of any and all units of Products, Components or other materials manufactured under this Exhibit from the point of manufacture to Company's central Facility located in Alsdorf, Germany or to the extent such Facility is re-located pursuant to the terms and conditions of this Agreement, then to such relocated Facility. Company shall also be solely responsible for the cost and expense of any shipping between any of Company's Facilities, so long as such movement is at the direction of Company in its own discretion. Except as otherwise specifically provided herein, WMI shall be responsible for the cost and expense of all other shipments under this Exhibit. To the extent that any shipping costs under this Exhibit are to be

borne by WMI but are actually paid by Company, WMI shall only be required to pay Company's actual, documented, out-of-pocket costs charged by such shipping agent for the shipment of units of Products and/or other materials under this Exhibit and, such costs shall be reimbursed to Company by WMI within ten (10) business days following Company's rendition of such invoice to WMI (but in no event shall WMI be required to make any such payment of such invoice prior to Company's payment of such invoice to such shipping agent). If WMI is responsible for shipping expenses, should WMI so elect, WMI shall have the right to: (i) select the shipping agent(s) utilized by Company for shipping of units of Products and/or other materials under this Exhibit (and, in doing so, assume the risk of loss for such units of Products in transit); or (ii) in lieu of selecting such shipping agent(s), require that Company submit to WMI any proposed shipping agent(s) which Company wishes to utilize under this Exhibit for WMI's prior written approval. If, in a particular instance, WMI is not responsible for shipping expenses or WMI does not exercise its rights pursuant to the preceding sentence, Company shall utilize the same shipping agent(s) utilized by Company for the shipping of a majority of the other products shipped by or on behalf of Company.

(j) No Unauthorized Manufacture. Company acknowledges that WMI may suffer substantial damages as a result of the unauthorized manufacture of Components or Products. Therefore, Company agrees that: (i) Company shall produce only those quantities of units of Components and Products as are specified in a written Order issued by WMI and subject to the terms set forth in this Agreement; (ii) Company shall deliver the units of Components and Products specified in each Order only to the recipient and location designated by WMI in such order; and (iii) upon WMI's request from time to time, Company shall deliver to WMI separate written confirmation of each manufacturing run made of each Product and Component pursuant to each Order, including the date of the manufacturing run and the number of units produced during the run.

(k) Intentionally Omitted.

(l) **

(m) Business Continuity; Facilities.

(i) **

(ii) Upon WMI's request, senior Company employees shall meet with a team designated by WMI to discuss ongoing business continuity issues and, if deemed applicable by WMI, an efficient transition to one or more new manufacturers and/or distributors. At WMI's option, WMI and/or its designated agent(s) shall be permitted at any time during normal business hours to enter any facilities in which any property of WMI (including without limitation Inventory, BOMs, DDPs, Products, or Components) resides, in order to retrieve or otherwise access any such WMI property.

(iii) Company shall provide at least ** prior written notice to WMI of any actual or anticipated closure or discontinuation of use (whether permanent or temporary and whether partial or complete) of any of Company's facilities used in providing M&P Services (including without limitation Company's facilities in Alsdorf, Germany).

(iv) Company shall provide advance written notice to WMI of all decisions regarding the sale, transfer, disposition, or any other change with respect to Company's material property, facilities and/or assets used in providing the M&P Services.

(n) Transfer of WMI Assets. Upon WMI's request, at any time during the Term, Company shall transfer all property of WMI (including without limitation physical finished goods, Inventory, BOMs, DDPs (to the extent not previously provided), Products and Components) to up to two (2) locations designated by WMI, in a secure fashion in accordance with industry custom. If WMI requests any additional preparation, packaging or stickering (other than shipping such items in a secure fashion in accordance with industry custom and the performance of the other services required hereunder), pricing for such services shall be subject to the mutual agreement of WMI and Company. Company shall provide no fewer than **, in order to implement such transfer requests by WMI and shall begin such transfers no later than ** after the applicable transfer request from WMI. At WMI's option, WMI and/or its designated agent(s) shall be permitted at any time during normal business hours to enter any facilities in which any property of WMI is stored (including without limitation physical finished goods, Inventory, BOMs, DDPs, Products and Components), in order to retrieve or otherwise access any such Products and other WMI property.

4. Company's Financial Obligations. WMI shall not be responsible for payment of any of Company's (or Company's Affiliates') indirect or general overhead charges or the salaries of Company's (or Company's Affiliates') employees or agents. All costs associated with the rendering of Services shall be borne by Company. Such costs to be borne by Company include any patent royalties or other similar royalties or license fees payable in connection with the manufacture of Products and Components, which costs, for the avoidance of doubt, exclude mechanical royalties, record royalties and copy protection and digital rights management (*i.e.,* DRM) technology license fees.

5. Other Obligations.

(a) Storage of Source Materials and Components. Company shall accept and store all Source Materials and units of Components delivered to or otherwise held by Company under this Exhibit at no

charge; provided, however, that with respect to any particular Product, Company shall not be required to store more Source Materials or units of Components than is necessary to satisfy the next ** demand (such determination as to what constitutes ** demand shall be made jointly by WMI and Company based, where possible, upon actual, gross units ordered during the prior ** period and shall be made for all Source Materials and Components no more frequently than semi-annually during the Term. With respect to Source Materials and units of Components so determined to be in excess of a ** demand therefor, Company shall notify WMI of the specific Source Materials and/or units of Components constituting such excess and within ** days following WMI's receipt of such notice, WMI shall (in WMI's sole discretion) either: (i) remove such excess Source Materials and/or units of Components (at WMI's expense); (ii) direct Company to destroy such excess Source Materials and/or units of Components (at WMI's expense) (and if WMI directs such destruction, Company shall destroy such materials in accordance with WMI's instructions and shall promptly provide WMI with an officer's certificate that confirms such destruction); or (iii) direct Company to store such excess: either (x) at a Facility at a cost to WMI of **; or (y) offsite at Company's or Company's Affiliates' leased facility approved in advance, in writing by WMI and the actual, documented, out-of- pocket expense charged by such facility to Company for such storage shall be reimbursed to Company by WMI. Amounts owing under this Paragraph 5(a) shall be invoiced by Company at month end and shall be payable ** from the date of the rendition of such invoice. All Source Materials and all units of Components shall be WMI's property and shall be kept segregated from any other property. Upon receipt of a written request from WMI, Company shall return to WMI, at WMI's cost, any materials supplied by WMI which have not been utilized in the manufacture or packaging of units of Components or Products or otherwise pursuant to this Agreement and which are then in Company's possession or control. The risk of loss, due to any reason, of Source Materials or units of Components in Company's possession or control shall be borne by Company, as further described in this Exhibit; provided, however, that to the extent any such loss was directly caused by a WMI Employee. Company shall not bear the risk of loss, except to the extent such loss is or would have been covered by Company's property insurance as required under this Agreement as set forth on Schedule G hereto. WMI shall own all manufacturing parts (for Components and Products) and all derivatives and/or duplicates thereof fabricated in connection with the production process, including all Components, photographic films and color keys, if any, duplicate audio tapes (analog or digital), glass Masters and running Masters and all digital files derived from any of the foregoing. Company shall not destroy any of the Source Materials, units of Components or elements derived therefrom without prior written authorization from WMI; provided, however, that Company may destroy certain such derived elements (*i.e.,* glass Masters and metal parts) to the extent that such elements are generally destroyed by Company in the ordinary course of production. Company shall also, at Company's cost, maintain, protect and backup any and all Source Materials and derivatives in an organized environment to allow for easy access by both Company and WMI.

(b) Insurance. During the Term, Company shall: (i) comply with all provisions set forth on Schedule G hereto; and (ii) at Company's sole cost and expense, maintain adequate insurance coverage for: (A) all Source Materials and Inventory while such items are in Company's possession, under Company's control or in transit to or from Company or its designees to any Facility; and (B) the other matters set forth on Schedule G hereto. The insurance required under this Paragraph 5(b) is not intended to limit Company's liability as otherwise provided in this Agreement.

(c) Computer Access. In order that WMI and its Affiliates are able to monitor daily shipments, receipt, production and inventory activity in connection with Components and Products, Company shall give WMI access to Company's computer system for the purpose of providing WMI with real-time information stored therein relating to Components and Products at Company's expense (but no access shall be allowed to information relating to any other party's products or any personal data possessed by Company). Such system shall provide WMI with all of the same types of reports and information currently provided by, and as may be available from Company's computer systems in

connection with other products and components manufactured and/or packaged by Company. In connection therewith, Company shall work with WMI to ensure that WMI is provided with at least the same level of reports and information that WMI's own systems provided as of the Original Effective Date. Nothing in such reports or information provided shall impart any competitively-sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services or any personal data possessed by Company. Such access shall be available to WMI **, at all times during the Term. Notwithstanding anything in this Exhibit to the contrary, Company may perform system maintenance and upgrades during which such systems may not be available; provided, however, that such downtime does not exceed **. Throughout the Term, Company shall, at Company's cost, reasonably maintain and enhance its IT services so as to be of a comparable standard to those offered by "first-class" manufacturers and packagers in the Territory.

(d) Inspection. Subject to the provisions set forth below, during the Term and for a period of one (1) year following the expiration or termination of the Term, WMI shall have the right to inspect each WMI Facility and any other facility utilized by Company in connection with Components or Products or the provision of Services hereunder, during regular business hours (utilizing either WMI's own employees, third-party advisers or representatives, insurers, or other experts retained by WMI). WMI may conduct such inspections of each WMI Facility or such other facility up to ** per year; provided, however, that to the extent WMI or any of its Affiliates are required by law or contract to inspect, to provide inspections or to provide information that cannot be reasonably obtained without an inspection for any party that would require inspections to be performed more than ** per year, WMI shall, upon reasonable prior written notice to Company, be permitted to perform any such inspection(s). In addition to the inspections permitted in the preceding sentence, at any time upon receipt of any Security Breach Notice (as defined in Paragraph 5(e) of this Exhibit), WMI shall have the unlimited right upon reasonable notice to inspect the facility which was the location of the event(s) giving rise to the need for such Security Breach Notice. During any such inspection, WMI may conduct physical inventories of units of Components and Products in Company's possession or control. WMI shall not have access to any competitively-sensitive information relating to any other party's products, or any personal data possessed by Company, during the inspections permitted under this Paragraph 5(d).

(e) Security. Company shall maintain security standards that are at least equivalent to those provided by other "first-class" manufacturers and packagers in the Territory, both in the segregated area of the WMI Facilities for property of WMI and throughout the WMI Facilities, and shall at all times employ the utmost care and diligence to prevent loss, damage, theft, disappearance, unauthorized destruction or usage of such property of WMI. Company's security procedures shall be subject to WMI's prior written approval. Company shall maintain such procedures as approved by WMI and as may reasonably be given to Company from time to time throughout the Term. Notwithstanding the foregoing, Company's security measures (which shall include closed-circuit television monitoring, pass-protected access, employee checking and spot searching, etc.) shall be sufficient to ensure that all Source Materials and Inventory and the intellectual property embodied in such Source Materials and Inventory are in no way compromised, stolen, "leaked" to the public (e.g., copying of recordings embodied on Products which may lead to the availability of such recordings to the public via the Internet or similar means) or otherwise made available to any unauthorized parties. Upon discovery of: (i) loss, damage, theft, disappearance, or destruction of Source Materials or Inventory exceeding ** Euros **; or (ii) any unauthorized usage of Inventory, Company shall notify WMI as soon as reasonably possible, and in any event within seventy-two (72) hours following such discovery, and shall include in such notification sufficient detail to allow WMI to investigate such discovery (each, a "Security Breach Notice"). Regardless of Company's compliance with all security measures set forth herein or with procedures approved by WMI, Company shall be liable as provided herein for the loss, damage, theft, disappearance, destruction or unauthorized usage of any property of WMI.

(f) Salvage. At all times and regardless of whether Company or its insurers are required to compensate WMI for loss as required under this Agreement, WMI shall retain the sole right to salvage for damaged Inventory. Company shall not surrender damaged Inventory to insurers or any other party for destruction or disposal without obtaining WMI's prior written consent.

(g) WMI Employees. Company shall throughout the Term, at the request of WMI, provide up to a maximum of ** employees of WMI or its Affiliates (the "WMI Employees") with, at Company's expense: (i) reasonable office accommodations at such Facilities of Company utilized for manufacturing and/or packaging in the Territory as may be specified from time to time by WMI; (ii) individual computers; (iii) copy services and any other similar office services in order to permit them to carry out their functions; (iv) office meal/pantry/refreshment and recreational and similar facilities similar to those provided to Company's employees at such facilities; and (v) all other reasonable support functions as provided to them as of the Original Effective Date. Company shall also provide telephone, Internet and fax access for each WMI Employee, and WMI shall reimburse Company for Company's actual, documented, out-of-pocket costs therefor. Amounts owing under this Paragraph 5(g) shall be invoiced by Company at month end and shall be payable ** days from the date of the rendition of such invoice. WMI shall be responsible for the direction of, and all compensation and related obligations for, the WMI Employees. The WMI Employees shall operate in accordance with WMI's code of conduct and Company's standard code of conduct contained in its employee policy manual at the applicable WMI Facility (which code of conduct shall be subject to WMI's reasonable approval) and all other lawful policies adopted by Company from time to time governing the conduct of all of its employees and contractors. In the performance of their tasks, the WMI Employees shall not have access to any competitively-sensitive information relating to any other party's products or any personal data possessed by Company.

(h) Disaster Recovery Plan. Company shall provide an updated disaster recovery plan (" Disaster Recovery Plan") in respect of manufacture and availability of Products to WMI within one hundred twenty (120) days of the commencement of the Term. The Disaster Recovery Plan shall be approved by WMI and shall include evidence of plans to circumvent disasters in each department and catastrophic failure at the manufacturing plant and contracts with third parties and their capacity guarantees.

6. Technology. Throughout the Term, Company shall reasonably update its manufacturing and packaging lines at the WMI Facilities at Company's cost to keep up with new technology requirements and to maintain at least the same level of technology utilized by other "first-class" manufacturers and packagers of Records in the Territory, including machinery and equipment that is reasonably available to provide automated assembly of packaging, inclusion of inserts and application of stickers, shrink-wrap and security materials. Company shall maintain and update its information and technology capabilities at the WMI Facilities, at Company's cost, to meet reasonable WMI requirements and maintain competitive services for WMI and its customers. Company also agrees to reasonably support WMI in the development of technology initiatives. This shall include the development and testing of CD copy protection technologies.

7. Invoices and Payments.

(a) Rendition of Invoices. Except with respect to shipping charges to be borne by WMI as provided in Paragraph 3(i) of this Exhibit, in the case of WMI Affiliates and licensees for each month of the Term, Company shall prepare and render invoices in Euros to such WMI Affiliates and licensees on the 15 th day of each such month setting forth all Fees owed by WMI hereunder with respect to such Affiliates and licensees. The amount due to Company pursuant to each such invoice shall be due and payable in Euros by the WMI Affiliates and directly by licensees to Company on or before ** following

Company's rendition of such invoices. At WMI's sole election, Company shall prepare and render invoices in Euros to such nominated WMI Affiliates and licensees with respect to each completed and shipped Order of Products setting forth all Fees owed by WMI under this Exhibit with respect to such nominated Affiliates and licenses. The amount due to Company pursuant to each such invoice shall be due and payable in Euros by the WMI Affiliates and directly by licensees to Company on or before ** following Company's rendition of such invoices. If any WMI Affiliate or licensee disputes an amount contained in an invoice but has already paid to Company such amount, the WMI Affiliate or licensees may withhold the disputed amount from amounts otherwise owed to Company hereunder during the pendency of such dispute. The invoices for all units hereunder will follow the same format as current invoices but at a minimum shall contain "per SKU" line item detail with special handling or other miscellaneous charges indicated separately in the form and manner consistent with Company's general form of invoice. Company shall submit all such invoices to WMI electronically pursuant to instructions given by WMI to Company from time to time (and in paper form, to the extent WMI so requests) and throughout the Term Company shall make available to WMI and its Affiliates a system where by all such invoices can be submitted electronically to WMI and its Affiliates. For the avoidance of doubt, WMI Affiliates shall only be liable for any payments hereunder provided that they have received the complete Orders for the relevant finished units of Components and Products reflected in such invoice.

(b) Audits. WMI shall have the right, at WMI's sole expense, to examine (and/or to appoint representatives to examine) Company's (and Company's Affiliates') books and records in order to: (i) verify the correctness of any invoice prepared and rendered by Company in accordance with Paragraph 7(a) of this Exhibit; (ii) establish the applicability of the provisions contained in Paragraph 3 of the main body of the Agreement, Paragraphs 12 and/or 15 of this Exhibit, and/or the occurrence of any Termination Event; or (iii) otherwise establish compliance by Company with its obligations under this Agreement; provided, however, that only independent, third-party auditors (*i.e.,* auditors other than WMI's then-current outside auditor) shall be utilized for the review of Company's books and records. Independent third-party auditors shall have access to all information necessary to perform their duties, however nothing in any report provided to WMI or its Affiliates by any such independent third-party auditors shall impart to WMI or its Affiliates any competitively sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services. If any such audit reveals that WMI and/or WMI's Affiliates have been overcharged, Company shall reimburse WMI in the amount of the overcharge. If any such audit reveals that WMI or WMI's Affiliates have been overcharged by an amount exceeding ** for the audit period, Company shall reimburse WMI in the amount of the overcharge plus all fees paid by WMI to the auditors concerned in connection with such audit and any other actual, documented, out-of-pocket expense incurred by WMI in connection with such audit. Company shall pay interest to WMI on the amount of the overcharge at **. Regardless of the number of audits conducted hereunder revealing the same specific overcharge to WMI, Company shall not be required to repay WMI the amount of any such overcharge more than once. WMI's audit right shall survive the expiration or termination of the Term for two (2) years; provided, however, that to the extent WMI or any of WMI's Affiliates are required by law or contract to audit, to provide audits or to provide information which cannot be reasonably obtained without an audit for any third party subsequent to two (2) years after the expiration or termination of the Term, then WMI's audit rights shall be so extended beyond such date as may be reasonably necessary for WMI to comply with such obligations. Company shall retain all books and records related to the performance of Services hereunder after the expiration or termination of the Term for so long as WMI or its Affiliates may need to perform audits hereunder, but in no event for more than three (3) years after the rendition of the invoice with respect to the Services to which such invoice relates, provided, however, that before Company destroys any books or records, Company shall deliver written notice of such intent to destroy to WMI not more than sixty (60) days, and not less than thirty (30) days,

before the intended date of destruction. WMI shall have fifteen (15) days after receipt of such notice to request copies of the books and records to be destroyed, in which case Company shall make copies of such books and records and deliver the same to WMI (but excluding information related to other customers of Company) at WMI's expense (but at Company's expense if such copies are of electronic files). As used in this Exhibit, "books and records" shall include, without limitation, physical data and data stored in any electronic, magnetic or optical format.

8. **[INTENTIONALLY OMITTED]**

9. **[INTENTIONALLY OMITTED]**

10. **[INTENTIONALLY OMITTED]**

11. **

12. Adjustments.

(a) **[INTENTIONALLY OMITTED]**

(b) **

(i) **

(ii) **

(A) **

(B) **

(C) **

(c) **[INTENTIONALLY OMITTED]**

(d) Permitted Exclusion. Notwithstanding, and in addition to, any other provision of this Agreement:

(i) **

(ii) **

(iii) **

(A) **

(B) **

(C) **

(D) **

(e) **

(f) Each of WMI and Company agrees to negotiate in good faith to attempt to resolve any disagreement which may arise in connection with the implementation or interpretation of the terms and provisions of this Paragraph 12. In the event that such good faith negotiation does not result in the

resolution of any such disagreement within a fifteen (15)-day period, the parties shall retain an arbitrator to make a fair and reasonable determination as to any such disagreement (the "Arbitrator"). The Arbitrator shall be a retired executive or attorney with substantial experience in the field of manufacturing, preferably in the manufacturing of Optical Discs, shall be independent of each of WMI and Company, and shall endeavor to provide a determination of any dispute among the parties within thirty (30) days of being retained, but in each case, as quickly as possible. The parties shall jointly appoint the Arbitrator and the identity of the Arbitrator shall be satisfactory to each of the parties. The parties shall share equally in the cost and expense of retaining the Arbitrator. If the parties cannot agree upon a person to act as the Arbitrator within thirty (30) days of the expiry of the fifteen (15)-day negotiation period specified in this Paragraph 12(g), then the Arbitrator shall be selected by the American Arbitration Association. Any arbitration hereunder shall be conducted in conformance with the rules established by the American Arbitration Association. Any determination made by the Arbitrator shall be final and binding on each of the parties.

13. **[INTENTIONALLY OMITTED]**

14. Definitions.

(a) Certain Terms.

(i) "Catalog Titles" shall mean any Product (or Component thereof) following such Product's "street date."

(ii) "CD Discs" shall mean Optical Discs which are in the CD format.

(iii) "Combined Entity" shall mean the entity or entities formed as a result of any Recorded Music Major Transaction.

(iv) "Components" shall mean the packaging or promotional elements included in the Containers or utilized in connection therewith, including inserts, booklets and inlay cards and stickers.

(v) "Containers" shall mean the containers (e.g., jewel boxes and snapper boxes) into which Records are collated.

(vi) "Contract Year" shall mean each separate, consecutive one (1)-year period of the Term, the first such period to commence on the first day of the Term.

(vii) "Excluded Products" shall mean the following Products: single and maxi single configurations in all formats, and premium configurations in all formats.

(viii) "Facility" shall mean any facility owned and/or leased and controlled by Company or one of Company's Affiliates.

(ix) "Hit Titles" shall mean Catalog Titles designated by WMI as such based upon current or anticipated sales and delivery requirements.

(x) "Inventory" shall mean all inventory of units of Components and finished units of Products stored in any Facility.

(xi) "Key Release" shall mean a New Release of which greater than ** and less than ** units have been Ordered.

(xii) "Key Release Date" shall mean the date by which the Orders for a Key Release are required to be shipped pursuant to Schedule A hereto.

(xiii) "M&P Services" shall mean Manufacturing Services and Packaging Services.

(xiv) "Manufacturing Services" shall mean: (i) selected preproduction services (as detailed on Schedule A); (ii) selection of suppliers; (iii) ordering raw materials (including Components) from various suppliers such as pressing plants, duplicators and printers; (iv) assembly; (v) arranging shipment of Components to various points; (vi) arranging shipment of finished units from point of manufacture to WMI's distributor and to other shipment locations identified by WMI; and (vii) inventory control with respect to the foregoing, all of the foregoing for Optical Discs only.

(xv) "Manufacturing Source Materials" shall mean, collectively, all materials (other than raw materials such as plastic) necessary to manufacture finished units including Masters and Components, whether in physical or electronic form (as determined by WMI).

(xvi) "Master" shall mean any recording embodied in any form from which Records may be derived.

(xvii) "New Release" shall mean any Product (or Component thereof) prior to and including such Product's "street date."

(xviii) "Optical Disc" shall mean any kind of optical disc now known or hereafter devised, including a compact disc in any of its forms and a Digital Versatile Disc in any of its forms and any other high-density optical disc. For the purposes of this definition, a compact disc includes audio CD, CD-ROM, Video CD, CD-I, CD-R, CD-RW, Photo CD, Enhanced CD and CD+G, as each such term is commonly used and understood. For the purposes of this definition, a Digital Versatile Disc includes DVD-Audio, DVD-Video, DVD-ROM, DVD-R, DVD-RW and DVD-RAM, as each such term is commonly used and understood. "Optical Disc" shall not include Blu-Ray or so-called "high definition" Digital Versatile Discs (collectively referred to as "HD-DVDs"); provided, however, that if WMI's total production of units of Products in HD-DVD format for any Contract Year exceeds five percent (5%) of WMI's total production of units of Products in all formats for such Contract Year (including units of Products in HD-DVD format), then thereafter during the Term, on a prospective basis, HD-DVDs shall be deemed to be "Optical Discs" hereunder.

(xix) "Order" shall mean a request made by WMI for the manufacture and/or packaging of units of Products, Components or any other materials under this Exhibit. An "Order" may be for individual Products, Components or other materials, may be for multiple Products, Components or other materials and may specify multiple quantities of the same Product, Component or other materials to be produced for delivery to single and/or multiple locations. An "Order" shall

wherever possible include a "bill of materials" or "BOM" as said term is utilized in the manufacturing industry.

(xx) "Packaging Services" shall mean: (i) selected pre-production services (as detailed on Schedule A); (ii) selection of raw material suppliers; (iii) ordering raw materials from various suppliers; (iv) assembly; (v) arranging shipment of finished units of Components from point of manufacture to shipment locations identified by WMI; and (vi) inventory control with respect to the foregoing, all of the foregoing for Optical Discs only.

(xxi) "Packaging Source Materials" shall mean, collectively, all materials (other than raw materials such as ink and paper) necessary to manufacture Components, whether in physical or electronic form (as determined by WMI).

(xxii) "Platinum Release" shall mean a New Release for which greater than five hundred thousand (500,000) units have been Ordered.

(xxiii) "Platinum Release Date" shall mean the date by which the Orders for a Platinum Release are required to be shipped pursuant to Schedule A hereto.

"Products" shall mean all Records intended for sale in the Territory for which WMI requires M&P Services to be performed during the Term and for which WMI has the unilateral right to control the identity of the party who renders such M&P Services. Following a Recorded Music Major Transaction, "Products" shall mean all Records intended for sale in the Territory for which the Combined Entity requires M&P Services to be performed during the Term in the Territory and for which the Combined Entity has the unilateral right to control the identity of the party who renders such M&P Services. "Products" shall be deemed to include Hybrid CD/DVD configurations or any other new physical formats of Optical Discs; provided, however, that charges for any such Product shall be subject to negotiation and shall be at market prices with regular six month reviews. It has been WMI's general custom to use its commercially reasonable efforts to acquire the unilateral right to control the identity of the party who renders M&P Services in connection with Records. WMI shall continue to do so during the Term, in accordance with past practice. To the extent that WMI or WMI's Affiliates request M&P Services hereunder for Records intended for sale outside the Territory pursuant to Paragraph 1(a)(i) of this Exhibit, such Records shall also constitute "Products" hereunder. In every instance, "Products" shall not include the "Excluded Products". Records sold through so-called "kiosks" shall not constitute "Products" hereunder; provided that WMI shall not utilize a third party to manufacture so-called "kiosk" records unless Company does not match the price offered by a third party within 10 days after Company's receipt of written notice from WMI of the offer from a third party.

(xxiv)

(xxv) "Recorded Music Major Transaction" shall mean a joint venture, merger, or other combination of all or a substantial portion of the recorded music businesses of Warner Music Group with all or a substantial portion of the recorded music businesses of any Major.

(xxvi) "Records" shall mean all physical forms of recording and reproduction by which sound may be recorded now known or which may hereafter become known, manufactured or sold primarily for home use, jukebox use, or use on or in means of transportation, including magnetic recording tape, film, electronic video recordings and any other physical medium or device for the production of artistic performances manufactured or sold primarily for home use, jukebox use or use

on or in means of transportation, whether embodying: (i) sound alone; or (ii) sound synchronized with visual images, e.g., "sight and sound" devices, but only so long as such forms of recording and reproduction contain performances of works by recording artists.

(xxvii) "Services" shall mean the M&P Services and all other services to be provided by Company under this Exhibit.

(xxviii) "Source Materials" shall mean Manufacturing Source Materials and Packaging Source Materials.

(xxix) "Territory" shall mean wholly-owned WMI Affiliate companies located in Austria, Belgium, Denmark, Eire, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

(xxx) "Turnaround Times" shall mean the elapsed time between receipt of an order for a workable product and the time of receipted delivery of all the finished units of the complete order by the delivery point designated by WMI.

(xxxi) "Unit" shall mean a finished product in a form that is delivered to end consumers, carries a unique identifier code (UPC/EAN/promo no.) and is warehoused as a Stock Keeping Unit (SKU).

(xxxii) "WMI Facility" shall mean any Facility at which Company provides or has provided Services to WMI hereunder.

(xxxiii) "WMME" shall mean Warner Music Manufacturing Europe GmbH.

(xxxiv) "Workable" shall mean: (i) for orders of Manufacturing Services, an Order for which all of the items to be furnished by WMI (such as Source Materials and similar materials) reasonably necessary to complete manufacturing of finished units of Products have been received by Company in reasonably sufficient quantities; and (ii) for orders of Packaging Services, an Order for which all of the items to be furnished by WMI (such as Source Materials and similar materials) reasonably necessary to complete manufacturing of Components have been received by Company in reasonably sufficient quantities.

(b) Other Definitional and Interpretative Provisions.

(i) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Exhibit shall refer to this Exhibit as a whole and not to any particular provision of this Exhibit, and Paragraph and Schedule references are to this Exhibit unless otherwise specified.

(ii) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(iii) Unless the context requires otherwise, other grammatical forms of defined words or expressions used herein have corresponding meanings.

15. **

(a) **

(b) **

(c) In addition to the foregoing, Company shall be responsible for all incremental out-of-pocket costs of expediting late shipments. This Paragraph 15 shall not limit WMI's other rights against Company for breach hereof, but any amounts paid by Company pursuant to this Paragraph 15 shall reduce any amounts otherwise payable by Company with respect to such breach.

16. **[INTENTIONALLY OMITTED]**

List of Attached Schedules

Schedule A:	Service Level Requirements
Schedule B:	Technical Specifications
Schedule C:	Printing, Packaging and Manufacturing Charges
Schedule E:	Approved Charges
Schedule F:	Code of Conduct for Manufacturers
Schedule G:	Insurance Coverage

Schedule A

Service Level Requirements

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[10 pages]

Schedule B

Technical Specifications

**

Schedule C

Printing, Packaging and Manufacturing Charges

**

[14 pages]

Schedule E

Approved Subcontractors

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Schedule F

Code Of Conduct For Manufacturers

At Warner Music International, we are committed to:

- a standard of excellence in every aspect of our business and in every corner of the world;
- ethical and responsible conduct in all of our operations;
- respect for the rights of all individuals; and
- respect for the environment.

We expect these same commitments to be shared by all manufacturers of Warner Music's products and merchandise. *At a minimum*, we require that all manufacturers of WMI products and merchandise meet the following standards:

Child Labor	Manufacturers will not use child labor. The Term "child" refers to a person younger than 15 (or 14. where local law allows) or, if higher, the local legal minimum age for employment or the age for completing compulsory education. Manufacturers employing young persons who do not fall within the definition of "children" will also comply with any laws and regulations applicable to such persons.
Involuntary Labor	Manufacturers will not use any forced or involuntary labor, whether prison, bonded, indentured or otherwise.
Coercion and Harassment	Manufacturers will treat each employee with dignity and respect, and will not use corporal punishment, threats of violence or other forms of physical, sexual, psychological or verbal harassment or abuse.
Nondiscrimination	Manufacturers will not discriminate in hiring and employment practices, including salary, benefits, advancement, discipline, termination or retirement, on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability.
Association	Manufacturers will respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference.
Health and Safety	Manufacturers will provide employees with a safe and healthy workplace in compliance with all applicable laws and regulations, ensuring at a minimum reasonable access to potable water and sanitary facilities; fire safety; and adequate lighting and ventilation. Manufacturers will also ensure that the same standard of health and safety are applied in any housing that they provide for employees.

Compensation	We expect manufacturers to recognize that wages are essential to meeting employees' basic needs. Manufacturers will, at a minimum, comply with all applicable wage and hour laws and regulations, including those relating to a minimum wages, overtime, maximum hours, piece rates and other elements of compensation, and provide legally mandated benefits. Except in extraordinary business circumstances, manufacturers will not require employees to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by local law or, where local law does not limit the hours of work, the regular work week plus 12 hours overtime. In addition, except in extraordinary business circumstances, employees will be entitled to at least one day off in every seven-day period. Manufacturers will compensate employees for overtime hours at such premium rate as is legally required or, if there is no legally prescribed premium rate, at a rate at least equal to the regular hourly compensation rate. Where local industry standards are higher than applicable legal requirements, we expect manufacturers to meet the higher standards.
Protection of the Environment	Manufacturers will comply with all applicable environmental laws and regulations
Other Laws	Manufacturers will comply with all applicable laws and regulations, including those pertaining to the manufacture, pricing, sale and distribution of merchandise. All references to "applicable laws and regulations" in this Code of Conduct include local and national codes, rules and regulations as well as applicable treaties and voluntary industry standards.
Subcontracting	Manufacturers will not use subcontractors for the manufacture of Warner Music products and merchandise or components thereof without Warner Music International's express written consent, and only after the subcontractor has entered into a written commitment with Warner Music International to comply with this Code of Conduct.
Monitoring and Compliance	Manufacturers will authorize Warner Music International and its designated agents (including third parties) to engage in monitoring activities to confirm compliance with this Code of Conduct, including unannounced on-site inspections of manufacturing facilities and employer provided housing; reviews of books and records relating to employment matters; and private interviews with employees. Manufacturers will maintain on site all documentation that may be needed to demonstrate compliance with this Code of Conduct.

Publication	Manufacturers will take appropriate steps to ensure that the provisions of this Code of Conduct are communicated to employees, including the prominent posting of a copy of this Code of Conduct, in the local language and in a place readily accessible to employees, at all times.

Schedule G

Insurance Coverage

NOTE: The following insurance requirements are intended to provide insurance coverage under this Agreement and each of the other service agreements being entered into between the parties hereto and their Affiliates as of the date hereof. Accordingly, to the extent any such other agreements (or other Exhibits to this Agreement) require insurance coverage thereunder that is duplicative of the insurance coverage provided for below, such insurance coverage need not be duplicated under such other agreements.

Property Insurance, Including Extra Expense and Business Interruption : Company at all times and at its own cost and expense shall insure WMI's property as defined and required in this Agreement under so-called "all risk" policies of insurance, including but not limited to coverage for extended perils, earthquake, windstorm, flood, and collapse; open cargo, war risk cargo and terrorism. Company shall purchase an insurance policy that indemnifies WMI for non-physical damage to source material, if available on a commercially reasonable basis and is warranted by the risk profile of the Company. WMI's property shall consist of and not be limited to source material, finished goods and inventory, returned stock, master recordings, digital files, DVDs, CDs and all printing and packaging material.

Either dedicated policies or portfolio (blanket) coverage forms may provide the "all risk" property insurance, providing that the per occurrence limit of insurance available with respect to the WMI property at any Company location for property damage, business interruption; and extra expense shall not be less than ** per occurrence; and Terrorism for WMI Manufacturing Alsdorf shall be no less than ** per occurrence. Further, the limits of insurance applicable to the extended perils and the perils of earthquake, flood and terrorism shall be an annual aggregate. The deductible on said policies shall be the sole responsibility of Company and be of no greater amount than is commercially reasonable for a company of its financial standing. These policies shall be primary to any policy maintained by or on behalf of WMI. WMI may, at any time, review the amount of insurance required hereunder, and may, from time to time, but in no event more than annually, require a lower or higher amount depending on the best available estimate of the aggregate exposure to loss arising from damage to WMI's property under this Agreement.

The open cargo and war risk cargo insurance policies shall provide per shipment limits of indemnity of no less than ** and contain a warehouse coverage endorsement. In the event that the ** limit of insurance is not adequate to fully insure any given shipment under this Agreement, Company shall purchase additional insurance to cover the full replacement cost of the shipment. The deductible on these policies shall be no greater than what is commercially reasonable for an enterprise with Company's financial standing. The deductible shall be the responsibility of Company and this coverage shall be primary to any coverage maintained by WMI.

All policies shall provide for a reimbursement value with respect to WMI's property at replacement cost for new property of like kind and quality, with no deduction for depreciation, and shall include WMI, its partners, officers, employees, and Affiliates as loss payees under the policies as their interest may appear, and shall provide that no act or omission on the part of Company as the title insured shall prejudice a direct claim by the additional insured. All property policies shall include a waiver of subrogation in favor of WMI. Further, Company agrees to secure terms with its insurer that in the event that Company fails to pay premium resulting in a cancellation of coverage that WMI will be given the opportunity to maintain coverage for its insured property under the policy; and Company will reimburse WMI ** of notice for the expense incurred.

Public Liability Insurance: Company shall also be required to obtain and maintain comprehensive general liability insurance and a follow-form "umbrella liability" policy, providing insurance against claims for bodily injury, including death, property damage, personal and advertising injury, blanket contractual liability, broad form property damage liability, explosion, collapse and underground hazard, and products and completed operations, for such claims occurring or alleged to have occurred in the course of any operations or activities contemplated by this Agreement, in such amounts as from time to time are carried by prudent owners of comparable operations, but in no event less **, and covering as additional insureds all the WMI individuals and entities for which and to the extent it is responsible under this Agreement.

Workers' Compensation and Employers' Liability Insurance:

The Workers' Compensation policy shall include the following coverage:

1. Coverage A	Statutory
2. Coverage B	Employers' Liability
Bodily Injury by Accident	** each accident
Bodily Injury by Disease	** policy limit
Bodily Injury by Disease	** each employee

Company shall maintain any other employment related insurance coverage required by any jurisdiction having control over any employees or operations used in connection with this Agreement.

Automobile Liability Insurance: Company shall purchase and maintain automobile liability and follow-form "umbrella liability" insurance for all owned, non-owned and hired vehicles with limits of not less than ** combined single limit for bodily injury and property damage. This insurance coverage must include all automotive and truck equipment used in the performance of the work under this Agreement, and must include the loading and unloading of same.

Environmental Liability Insurance: In the event Company encounters and must perform or engage a contractor to perform work related to the remediation or abatement of "hazardous material" which includes, without limitation, any flammable explosives, radioactive materials, hazardous materials, hazardous waste, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9601, et seq.), the Superfund Amendments and Reauthorization Action of 1986 (Pub. L. No. 99-499, 100 stat. 1613 (1986)), the Hazardous Material Transportation Act, as amended (49 U.S.C. Section 1801, et seq.) and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation (or applicable law in any jurisdiction outside the US), Company, or any contractor performing such work on behalf of Company, shall provide "contractor's pollution liability" insurance, as applicable to the work to be performed, covering claims from third-party injury and property damage as a result of pollution conditions emanating from on-site, under the site, or off the site arising out of its operations and completed operations. Completed operations coverage shall remain in effect for no less than **. Minimum liability limits, including excess liability coverage, shall be **.

The automobile liability insurance must contain provisions for thirty (30) days prior written notice of cancellation, nonrenewal, material change or reduction of insurance sent by certified mail return receipt requested, and waiver of subrogation in favor of WMI, additional insureds and all other such entities, as may be reasonably requested by WMI.

Provisions Applicable to All Policies of Insurance Required Hereunder : Policies of insurance shall be underwritten by an insurer with an AM Best rating of no less than A- and a financial size class of VII or better (or an equivalent rating from an alternate rating agency), and may be an admitted or non-admitted carrier. Any insurer not meeting these criteria must be approved in writing by WMI's risk management department whose authorization shall not be unreasonably withheld. Satisfactory evidence of insurance shall be provided before the commencement of this Agreement and shall be evidenced at each renewal by a binder and certificate of insurance at least ten (10) days before expiration of coverage and upon request of WMI, on an annual basis or as necessitated by a material change in coverage or legal action. Such certificates of insurance shall include loss payee and additional insured provisions as previously noted in this Schedule. Company shall forward to WMI a copy of all required policy forms upon request. With respect to property located outside the U.S, any loss payable to WMI shall be adjusted and paid in the currency of the United States of America, subject to the rate of exchange published in The Wall Street Journal on the date of the loss. If Company elects to maintain insurance for property located outside the US, where the policy is denominated in a currency other than the US dollar, such policy limits and deductibles shall at all times be sufficient to meet the US dollar denominated requirements set forth on this Schedule G.

Each of WMI and Company agrees to negotiate in good faith to attempt to resolve any disagreement which in any way affects any insurance required to be carried hereunder. In the event that such good faith negotiation does not result in the resolution of any such disagreement within a fifteen (15) day period, the parties shall retain an arbitrator to make a fair and reasonable determination as to any such disagreement (the " Insurance Arbitrator"). The Insurance Arbitrator shall be a retired executive or attorney with substantial experience in the insurance industry, preferably in the field of manufacturing, shall be independent of each of WMI and Company, and shall endeavor to provide a determination of any dispute among the parties within thirty (30) days of being retained, but in each case, as quickly as possible. The parties shall jointly appoint the Insurance Arbitrator and the identity of the Insurance Arbitrator shall be satisfactory to each of the parties. The parties shall share equally in the cost and expense of retaining the Insurance Arbitrator. If the parties cannot agree upon a person to act as the Insurance Arbitrator within thirty (30) days of the expiry of the fifteen (15) day negotiation period specified in this Paragraph, then the Arbitrator shall be selected by the American Arbitration Association. Any arbitration hereunder shall be conducted in conformance with the rules established by the American Arbitration Association. Any determination made by the Insurance Arbitrator shall be final and binding on each of the parties. For the avoidance of doubt, Company shall at all times including during the pendency of any dispute and until such time as such dispute is resolved be required to continue to procure insurance policies at its sole expense in full force and effect as required in this Agreement and as specified herein.

Exhibit B

PP&S Terms

References to "Company" when used in this Exhibit shall be deemed to refer to Cinram (as defined in the Agreement). Capitalized terms used in this Exhibit but not defined where they appear in the text are defined in Paragraph 13 below.

1. Appointment.

(a)

(i) WMI hereby appoints Company to render, and Company shall render, PP&S Services for one hundred percent (100%) of Products for direct shipment to retail customers in the Exclusive Territory (subject to the Permitted Exclusion and the other terms and conditions of this Agreement), in accordance with the terms hereof. (Notwithstanding the foregoing, and for the avoidance of doubt, the PP&S Services shall not include any direct-to-consumer services, including without limitation any direct-to-consumer distribution, returns processing, inventory control, warehousing, or shipping services.) Additionally, Company shall have non-exclusive rights (exercisable in WMI's discretion) to render and shall, at the request of WMI, render PP&S Services for Records intended for sale or other disposition in the Non-Exclusive Territory in accordance with the terms hereof.

(ii) Notwithstanding anything to the contrary contained in Paragraph 1(a)(i) above, from and after the effective date of a Recorded Music Major Transaction (the "RMMT Effective Date"), the appointment of Company under this Exhibit shall instead be to render, and Company shall render, PP&S Services for at least the Specified Percentage (and, at WMI's election, more than the Specified Percentage) of Products in the Exclusive Territory in accordance with the terms hereof (subject to the Permitted Exclusion and the other terms and conditions of this Agreement). WMI shall, use commercially reasonable efforts to provide that the combined entity's use of PP&S Services under this Exhibit (*i.e.,* mix of New Releases and Catalog Titles) following the RMMT Effective Date remains generally consistent with WMI's use of PP&S Services under this Exhibit prior to the RMMT Effective Date. The "Specified Percentage" equals the fraction, expressed as a percentage: (A) the numerator of which shall be one hundred percent (100%) of the number of Units of Products picked, packed and shipped for sale in the Exclusive Territory by Company for WMI under this Exhibit and (prior to the Effective Date) under the International PP&S Agreement (and/or by WMI on its own behalf, if applicable) during the twelve (12) complete calendar months immediately preceding the RMMT Effective Date (the " WMI Output"); and (B) the denominator of which shall be the WMI Output plus one hundred percent (100%) of the number of Units of Records in physical formats picked, packed and shipped for sale in the Exclusive Territory by or for the recorded music business of the applicable Major during the same twelve (12)-month period.

(iii) WMI and its Affiliates shall be solely responsible for: (A) all sales solicitation of Products; (B) processing of all orders of Units of Products by customers; (C) invoicing and collection of customer accounts; and (D) the processing and issuance of credits to customers.

(b) Reservation of Rights. WMI hereby reserves all rights in and to Products not otherwise expressly granted to Company in this Exhibit.

(c) Reports. Company shall prepare for WMI and its Affiliates the shipments, returns and inventory reports in the same format and details as were received by WMI or its Affiliates as of the Effective Date and shall supply WMI and its Affiliates with such reports on at least a monthly basis during the Term. If Company provides more detailed reports to any other party during the Term, Company shall, at WMI's or its Affiliates' request, provide such more detailed reports to WMI and its Affiliates under this Exhibit as of the date that Company commences providing such more detailed reports to such other party but subject to the same terms and conditions under which such reports are provided to such other party (*e.g.,* any additional fees or amounts charged to such party for such more detailed reports). Monthly and quarterly shipments and return reports shall include at least the following information: selection number, artist name, selection title, product configuration, gross units shipped, units actually returned, net units and Fees. Nothing in such reports shall impart any competitively-sensitive information about Company, Company s Affiliates or any third parties for which Company renders any services or any personal data possessed by Company.

(d) Facilities. Company shall utilize "first-class" facilities either directly or, subject to WMI's prior approval, by subcontract, for the prompt, timely, and satisfactory performance of the PP&S Services committed under this Exhibit. All distribution center locations used by Company in connection with Products shall be subject to WMI's prior approval (which approval shall not be unreasonably withheld). WMI hereby acknowledges that those distribution facilities listed on Schedule G hereto currently constitute "first-class" facilities and shall be deemed approved by WMI for Company's use under this Exhibit in connection with Products.

(e) Company's Undertakings.

(i) Company shall render Services for WMI to all locations throughout the Territory for all orders for Products as designated by WMI. The Services: (A) shall be rendered on a so-called "label blind" basis; (B) shall be rendered in at least the same general manner, subject to at least the same general standards and in at least the same general quality as provided by Company to all other parties whose products are distributed by Company in the Territory, but if any such services are not part of the standard Services otherwise provided to WMI under this Exhibit and the provision of such services is at a higher cost to Company, then if WMI requests such services, such services shall be provided to WMI under this Exhibit, but subject to the same terms and conditions provided to such other party (this clause (B) shall not require Company to provide any new services to WMI if the cost of providing such services would be unreasonably burdensome to Company; provided, however, that nothing contained in this clause (B) shall limit Company's obligations set forth in Paragraph 7 of this Exhibit); (C) shall be rendered in at least the same manner, subject to at least the same standards and in at least the same quality as was provided to WMI's Affiliates at the Alsdorf Facility for the products of WMI's Affiliates immediately prior to the Original Effective Date; (D) shall be rendered in accordance with "first-class" standards that meet the highest quality available in the industry; and (E) shall be rendered

in accordance with, or exceed, each of the service level requirements set forth on Schedule A hereto (the requirements set forth on Schedule A hereto being the "Service Level Requirements").

(ii) Company shall ship each Product without alteration in the same configuration and format designated by WMI.

(iii) Company shall accept the return of all Units of Products previously distributed by or on behalf of WMI in the Territory prior to the Original Effective Date.

(f) Business Continuity; Facilities.

(i) Upon WMI's request, senior Company employees shall meet with a team designated by WMI to discuss ongoing business continuity issues and, if deemed applicable by WMI, an efficient transition to one or more new manufacturers and/or distributors. At WMI's option, WMI and/or its designated agent(s) shall be permitted at any time during normal business hours to enter any facilities in which any property of WMI (including without limitation, Products, or Components) reside, in order to retrieve or otherwise access any such WMI property.

(ii) Company shall provide at least ** prior written notice to WMI of any actual or anticipated closure or discontinuation of use (whether permanent or temporary and whether partial or complete) of any of Company's facilities used in providing PP&S Services (including without limitation the Alsdorf Facility).

(iii) Company shall provide advance written notice to WMI of all decisions regarding the sale, transfer, disposition, or any other change with respect to Company's material property, facilities and/or assets used in providing the PP&S Services.

(g) Compliance with Law; Code of Conduct. Company shall comply (i) with all laws and regulations in connection with Company's undertakings under this Agreement, except where the failure to do so individually or in the aggregate is immaterial; and (ii) subject to relevant local laws including privacy laws, with the code of conduct attached as Schedule B hereto.

(h) Quarterly Meetings. At least once every calendar quarter, WMI may meet with Company's Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) to assess Company's performance under this Agreement and its ongoing ability to perform its obligations under this Agreement.

(i) Shipping. If WMI is responsible for shipping expenses, should WMI so elect, WMI shall have the right to: (i) select the shipping agent(s) utilized by Company for shipping of Units of Products and/or other materials under this Exhibit (and, in doing so, assume the risk of loss for such units of Products in transit); or (ii) in lieu of selecting such shipping agent(s), require that Company submit to WMI any proposed shipping agent(s) which Company wishes to utilize under this Exhibit for WMI's prior written approval. If, in a particular instance, WMI is not responsible for shipping expenses or WMI does not exercise its rights pursuant to the preceding sentence, Company shall utilize the same shipping agent(s) utilized by Company for the shipping of a majority of the other products shipped by or on behalf of Company.

(j) Additional Services. At WMI's reasonable request, Company shall provide WMI with assembly, packing and shipping services for "point of sale," promotional and merchandising materials to be utilized in connection with Products. Such services shall be provided by Company to WMI on a non-exclusive basis only (and only to the extent that WMI so requests any such services) and, to the extent so requested, shall be provided to WMI at competitive market rates otherwise available to WMI. Notwithstanding this Paragraph 1(j), Company shall only be required to provide such services if either WMI (either itself or through any of its Affiliates) provided such services on its own behalf prior to the commencement of the Term or if Company then-currently provides such services to any party (in which case, if WMI requests such services and Company is not contractually prohibited from providing such services to WMI, they shall be provided to WMI on the same terms and conditions as are provided to such other party). If Company provides any Services to WEA under Exhibit B (PP&S Terms) to the US/Canada Manufacturing and PP&S Agreement, then Company shall provide such Services to WMI under this Exhibit but only to the extent that it is reasonably feasible for Company to do so.

(k) Location of Company's Distribution Facility. Any change of location of WMI's current distribution facility located in Alsdorf, Germany (the "Alsdorf Facility") shall require the prior written approval of WMI (such approval not to be unreasonably withheld); provided, however, that it shall be deemed reasonable for WMI to withhold such approval if Company wishes to relocate such facility outside the Exclusive Territory or if such relocation would result in increased costs or expenses for WMI, including any shipping expenses. Company shall be entirely responsible for any incremental costs arising from the primary distribution costs of Product from the manufacturing facility (which was adjacent to the distribution facility as of the commencement of the Term) to any new approved distribution facility and any costs associated with the re-location of that business and notwithstanding WMI's approval for any such relocation, Company shall continue to be solely responsible for all shipping expenses for Units of Products from point of manufacture to such distribution center as provided under Paragraph 3(i) of Exhibit A (M&P terms) to this Agreement.

(l) Enhanced Services. Company shall work with WMI to provide cost-effective solutions to the increasing demands of WMI's business. These currently include shelf ready product, consolidation of direct distribution to other territories, distribution services inclusive of certain generic charges such as copyright and/or royalty, local language packing slips and enhancement of customer requested data.

(m) Permitted Exclusion. Notwithstanding anything in this Agreement to the contrary:

(i) **

(ii) **

(iii) **

(A) **

(B) **

(C) **

(n) **

2. Title. Title to Units of Products under this Exhibit (including all copyrights and trademarks contained therein) shall remain in WMI or WMI's Affiliates, as applicable. Company acknowledges that Products (including all intellectual property contained therein and relating thereto) are protected under copyright laws and that WMI is the rightful owner or license holder of all such copyrights. Company acknowledges that any removal of any such materials from Company's approved facilities without WMI's written approval, and any distribution of any such materials in the Territory without WMI's written approval, is an infringement of WMI's copyright. Company shall bear the risk of loss for Units of Products in Company's possession, under Company's control or in transit during any shipping of Products between Facilities (to the extent that Company is responsible for paying such shipping expenses). Notwithstanding, and in addition to, the foregoing, solely to protect WMI in the circumstance that it is ever determined by a court of competent jurisdiction that Units of Products are owned by Company contrary to the express terms of this Exhibit and intention of the parties, Company hereby grants and shall be deemed to have granted to WMI on the Effective Date a security interest in all such present and future Products, and all products and proceeds (including, without limitation, insurance proceeds but excluding amounts payable to Company for PP&S Services provided hereunder) of the foregoing, and any additions, improvements and accessions to, and all books and records describing or used in connection with any of the foregoing, to secure all debts, liabilities and obligations of Company to WMI, whether

now existing or arising hereafter (including without limitation as a result of Company's breach of this Agreement or any other agreement with WMI, including as a result of the rejection of this Agreement or any other agreement with WMI in a bankruptcy or similar proceeding) and whether liquidated or contingent. The security interest shall attach on the earlier of when such Products are (a) acquired by the Company or (b) identified to the contract as contemplated in UCC Section 2-501. Company agrees to take such steps as WMI may reasonably request in connection with the perfection of such security interest or otherwise to protect the rights of WMI with respect thereto, at WMI's expense. WMI shall have all rights, powers and privileges of a secured party under the UCC.

3. Ordering Products. WMI and its Affiliates shall cause the manufacture of and delivery to Company of such stocks of Products as shall be determined by WMI in WMI's sole discretion.

4. Company's Financial Obligations. WMI shall not be responsible for payment of any of Company's (or Company's Affiliates') indirect or general overhead charges or the salaries of Company's (or Company's Affiliates') employees or agents. All costs associated with the rendering of Services shall be borne by Company. All charges for all packaging materials (including boxes and filler materials) are at the cost of Company. All actual, out-of-pocket, non-overhead freight charges incurred by or on behalf of Company for shipping of Units of Products from Company's distribution warehouse facilities to WMI's customers or otherwise at WMI's request shall be borne by WMI. To the extent that any shipping costs under this Exhibit are to be borne by WMI, WMI shall only be required to pay Company's actual, documented, out-of-pocket costs charged by such shipping company for the shipment of Units of Products and/or other materials under this Exhibit and such costs shall be reimbursed to Company within ten (10) business days following Company's rendition of such invoice to WMI (but in no event shall WMI be required to make any such payment prior to Company's payment of such invoice to such shipping agent). Company shall be solely responsible for all costs or expenses related to the shipping of Units of Products between Facilities to the extent that such movements were made at Company's own request or direction.

5. Terms of Sale of Products. WMI shall determine all terms of sale for Products.

6. Other Obligations.

(a) Storage. Company shall accept and store all Units of Products delivered to or otherwise held by Company under this Exhibit in accordance with the provisions of Schedule C hereto. Products shall be kept segregated from all of Company's other products or merchandise. The risk of loss, due to any reason, of Units of Products in Company's possession or control shall be borne by Company, as further described herein; provided, however, that to the extent any such loss was directly caused by a WMI Employee, Company shall not bear the risk of loss except to the extent such loss is or would have been covered by Company's property insurance required under this Agreement and as set forth on Schedule D hereto.

(b) Insurance. During the Term, Company shall: (i) comply with all provisions set forth on Schedule D hereto; and (ii) at Company's sole cost and expense, maintain adequate insurance coverage for: (A) all Products while such Products are in Company's possession, under Company's control or in transit to or from Company or its designees to any Facility; and (B) the other matters set forth on Schedule D hereto. The insurance required under this Agreement is not intended to limit Company's liability as otherwise provided in this Agreement.

(c) Computer Access. In order that WMI and its Affiliates are able to monitor daily shipments, receipt, production and inventory activity of Products, Company shall give WMI access to Company's computer system for the purpose of providing WMI with real-time information stored therein

relating to Products at Company's expense (but no access shall be allowed to information relating to any other party's products or any personal data possessed by Company). Such system shall provide WMI with all of the same types of reports and information currently provided by, and as may be available from, Company's computer systems in connection with other products distributed by Company. In connection therewith, Company shall work with WMI to ensure that WMI is provided with at least the same level of reports and information that WMI's own systems provided as of the Original Effective Date. Nothing in such reports or information provided shall impart any competitively-sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services or any personal data possessed by Company. Such access shall be available to WMI **, at all times during the Term. Notwithstanding anything in this Exhibit to the contrary, Company may perform system maintenance and upgrades during which such systems may not be available; provided, however, that such downtime does not exceed **. Throughout the Term, Company shall, at Company's cost, reasonably maintain and enhance its IT services so as to be of a comparable standard to those offered by "first-class" distributors in the Territory.

(d) Inspection. Subject to the provisions set forth below, during the Term and for a period of one (1) year following the expiration or termination of the Term, WMI shall have the right to inspect each WMI Facility and any other facility utilized by Company in connection with Products, or the provision of Services under this Exhibit, during regular business hours (utilizing either WMI's own employees, third-party advisers or representatives, insurers, or other experts retained by WMI). WMI may conduct such inspections of each Facility or such other facility up to **; provided, however, that to the extent WMI or any of its Affiliates are required by law or contract to inspect, to provide inspections, or to provide information that cannot reasonably be obtained without an inspection for any party that would require inspections to be performed more than **, WMI shall, upon reasonable prior written notice to Company; be permitted to perform any such inspection(s). In addition to the inspections permitted in the preceding sentence, at any time upon receipt of any Security Breach Notice (as defined in Paragraph 6(e) below), WMI shall have the unlimited right upon reasonable notice to inspect any facility which was the location of the event(s) giving rise to the need for such Security Breach Notice. During any such inspection, WMI may conduct physical inventories of Units of Products in Company's possession or under Company's control. WMI shall not have access to any competitively-sensitive information relating to any other party's products or any personal data possessed by Company during the inspections permitted under this Paragraph 6(d).

(e) Security. Company shall maintain security standards that are at least equivalent to those provided by other "first-class" distributors, both in the segregated area of the WMI Facilities for Products and throughout the WMI Facilities, and shall at all times employ the utmost care and diligence to prevent loss, damage, theft, disappearance, unauthorized destruction or usage of Products. Company's security procedures shall be subject to WMI's prior written approval. Company shall maintain such procedures as approved by WMI and as may reasonably be given to Company from time to time throughout the Term. Notwithstanding the foregoing, Company's security measures (which shall include closed-circuit television monitoring, pass-protected access, employee checking and spot searching, etc.) shall be sufficient to ensure that Products and the intellectual property embodied in such Products are in no way compromised, stolen, "leaked" to the public (e.g., copying of recordings embodied on Products which may lead to the availability of such recordings to the public via the Internet or similar means) or otherwise made available to any unauthorized parties. Upon discovery of: (i) loss, damage, theft, disappearance, or destruction of Products exceeding ** Euros **; or (ii) any unauthorized usage of Products, Company shall notify WMI as soon as reasonably possible, and in any event within seventy-two (72) hours following such discovery, and shall include in such notification sufficient detail to allow WMI to investigate such incident (each, a "Security Breach Notice"). Regardless of Company's compliance with all security measures set forth herein or with procedures approved by WMI, Company

shall be liable as provided herein for the loss, damage, theft, disappearance, destruction or unauthorized usage of any Products.

(f) Salvage. At all times and regardless of whether Company or its insurers are required to compensate WMI for loss as required under this Agreement, WMI shall retain the sole right to salvage for damaged Products. Company shall not surrender damaged Products to insurers or any other party for destruction or disposal without obtaining WMI's prior written consent.

(g) WMI Employees. Company shall throughout the Term, at the request of WMI, provide up to a maximum of ** employees of WMI or its Affiliates (the "WMI Employees") who are responsible for stock control with, at Company's expense: (i) reasonable office accommodations at such Facilities utilized for distribution and/or warehousing as may be specified from time to time by WMI; (ii) individual computers; (iii) copy services and any other similar office services in order to permit them to carry out their functions; (iv) office meal/pantry/refreshment and recreational and similar facilities similar to those provided to Company's employees at such facilities; and (v) all other reasonable support functions as provided to them as of the Original Effective Date. Company shall also provide telephone, Internet and fax access for each WMI Employee, and WMI shall reimburse Company for Company's actual, documented, out-of-pocket costs therefore. Amounts owing under this Paragraph 6(g) shall be invoiced by Company at month end and shall be payable ** days from the date of the rendition of such invoice. WMI shall be responsible for the direction of, and all compensation and related obligations for WMI Employees. WMI shall retain the right of direction of the employees, and such employees shall not be integrated into the Company's business. The WMI Employees shall operate in accordance with WMI's code of conduct and Company's standard code of conduct contained in its employee policy manual at the applicable WMI Facility (which code of conduct shall be subject to WMI's reasonable approval) and all other lawful policies adopted by Company from time to time governing the conduct of all of its employees and contractors. In the performance of their tasks, the WMI Employees shall not have access to any competitively-sensitive information relating to any other party's products or any personal data possessed by Company.

(h) Disaster Recovery Plan. Company shall provide an updated disaster recovery plan (" Disaster Recovery Plan") in respect of picking, packing and shipping of Products to WMI within one hundred twenty (120) days of the commencement of the Term. The Disaster Recovery Plan shall be approved by WMI and shall include evidence of plans to circumvent disasters in each department and catastrophic failure at the distribution facilities and contracts with third parties and their capacity guarantees.

7. Technology. Company shall reasonably update the WMI Facilities at Company's cost to keep up with new technology requirements, including investing in technology, systems, equipment and processes to automate distribution processes, packaging and assembly to provide at least the same level of quality and service provided by other "first-class" distributors of Records in the Territory. In the event that any investment in a fundamental new technology (*e.g.,* the conversion to automated systems) results in a decrease in Company's net costs (*i.e.,* taking into account the cost of Company's said investment in implementing such new technology) by more than **, the Fees shall be adjusted so that the net cost benefit is shared equally between WMI and Company. Company shall maintain and update its information and technology capabilities at the WMI Facilities, at Company's reasonable cost, to meet reasonable WMI requirements and maintain competitive services for WMI and its customers.

8. Invoices and Payments.

(a) Rendition of Invoices. Except with respect to shipping charges to be borne by WMI as provided in Paragraph 3(i) of this Exhibit, in the case of WMI Affiliates and licensees for each month of

the Term, Company shall prepare and render invoices in Euros to such WMI Affiliates and licensees on the 15th day of each such month setting forth all Fees owed by WMI under this Exhibit with respect to such Affiliates and licensees. The amount due to Company pursuant to each such invoice shall be due and payable in Euros by the WMI Affiliates and directly by licensees to Company on or before ** following Company's rendition of such invoices. At WMI's sole election, Company shall prepare and render invoices in Euros to such nominated WMI Affiliates and licensees with respect to each completed and shipped Order of Products setting forth all Fees owed by WMI under this Exhibit with respect to such nominated Affiliates and licenses. The amount due to Company pursuant to each such invoice shall be due and payable in Euros by the WMI Affiliates and directly by licensees to Company on or before ** following Company's rendition of such invoices. If any WMI Affiliate or licensee disputes an amount contained in an invoice but has already paid to Company such amount, the WMI Affiliate or licensees may withhold the disputed amount from amounts otherwise owed to Company under this Exhibit during the pendency of such dispute. The invoices for all units under this Exhibit will follow the same format as current invoices but at a minimum shall contain "per SITU" line item detail with special handling or other miscellaneous charges indicated separately in the form and manner consistent with Company's general form of invoice. Company shall submit all such invoices to WMI electronically pursuant to instructions given by WMI to Company from time to time (and in paper form, to the extent WMI so requests) and throughout the Term Company shall make available to WMI and its Affiliates a system where by all such invoices can be submitted electronically to WMI and its Affiliates.

(b) Audits. WMI shall have the right, at WMI's sole expense, to examine (and/or to appoint representatives to examine) Company's (and Company's Affiliates') books and records in order to: (i) verify the correctness of any invoice prepared and rendered by Company in accordance with Paragraph 8(a) of this Exhibit; (ii) establish the applicability of the provisions contained in Paragraph 3 of the main body of the Agreement, Paragraph 15 of this Exhibit, and/or the occurrence of any Termination Event; or (iii) otherwise establish compliance by Company with its obligations under this Agreement; provided, however, that only independent, third-party auditors (*i.e.,* auditors other than WMI's then-current outside auditor) shall be utilized for the review of Company's books and records. Independent third-party auditors shall have access to all information necessary to perform their duties, however nothing in any report provided to WMI or its Affiliates by any such independent third-party auditors shall impart to WMI or its Affiliates any competitively-sensitive information about Company, Company's Affiliates or any third parties for which Company renders any services. If any such audit reveals that WMI and/or WMI's Affiliates have been overcharged, Company shall reimburse WMI in the amount of the overcharge. If any such audit reveals that WMI and/or its Affiliates have been overcharged by an amount exceeding ** for the audit period, Company shall reimburse WMI in the amount of the overcharge plus, all fees paid by WMI to the auditors concerned in connection with such audit and any other actual, documented, out-of-pocket expense incurred by WMI in connection with such audit. Company shall pay interest to WMI on the amount of the overcharge at **. Regardless of the number of audits conducted under this Exhibit revealing the same specific overcharge to WMI, Company shall not be required to repay to WMI the amount of any such overcharge more than once. WMI's audit right shall survive the expiration or termination of the Term for two (2) years; provided, however, that to the extent WMI or any of WMI's Affiliates are required by law or contract to audit, to provide audits or to provide information which cannot be reasonably obtained without an audit for any third party subsequent to two (2) years after the expiration or termination of the Term, then WMI's audit rights shall be so extended beyond such date as may be reasonably necessary for WMI to comply with such obligations. Company shall retain all books and records related to the performance of Services under this Exhibit after the expiration or termination of the Term for so long as WMI or its Affiliates may need to perform audits under this Exhibit, but in no event for more than three (3) years after the rendition of the invoice with respect to the Services to which such

invoice relates; provided, however, that before Company destroys any books or records, Company shall deliver written notice of such intent to destroy to WMI not more than sixty (60) days, and not less than thirty (30) days, before the intended date of destruction. WMI shall have fifteen (15) days after receipt of such notice to request copies of the books and records to be destroyed, in which case Company shall make copies of such books and records and deliver the same to WMI (but excluding information related to other customers of Company) at WMI's expense (but at Company's expense if such copies are of electronic files). As used in this Exhibit, "books and records" shall include, without limitation, physical data and data stored in any electronic, magnetic or optical format.

9. **[INTENTIONALLY OMITTED]**

10. **[INTENTIONALLY OMITTED]**

11. **[INTENTIONALLY OMITTED]**

12. **[INTENTIONALLY OMITTED]**

13. Definitions.

(a) Certain Terms.

(i) "Business Days" shall mean Monday through Friday inclusive except for any public holiday which shall fall on any of those days.

(ii) "Combined Entity" shall mean the entity or entities formed as a result of any Recorded Music Major Transaction.

(iii) "Contract Year" shall mean each separate, consecutive one (1)-year period of the Term, the first such period to commence on the first day of the Term.

(iv) "Exclusive Territory" shall mean Germany, Austria, Switzerland, Netherlands, Denmark, Belgium, Finland, Norway, and Sweden.

(v) "Facility" shall mean any facility owned and/or leased and controlled by Company or one of Company's Affiliates.

(vi) "Fees" shall mean the pick, pack and ship fees and the various amounts set forth on Schedule C hereto, in each case, subject to adjustment as provided in this Exhibit.

(vii) "Key Release" shall mean a New Release of which greater ** and less ** have been Ordered.

(viii) "Key Release Date" shall mean the date by which the Orders for a Key Release are required to be shipped pursuant to Schedule A hereto.

(ix) "New Release" shall mean any Product prior to and including such Product's "street date."

(x) "Non-Exclusive Territory" shall mean the territories as set forth on Schedule E hereto.

(xi) "Order" shall mean a request made by WMI for the rendering of any PP&S Services in connection with Units of Products or other materials under this Exhibit. An "Order" may be for individual Products or other materials, may be for multiple Products or other materials and may specify multiple quantities of the same Product or other materials to be delivered to single and/or multiple locations.

(xii) "Platinum Release" shall mean a New Release for which greater than one hundred thousand (100,000) Units have been ordered.

(xiii) "Platinum Release Date" shall mean the date by which the Orders for a Platinum Release are required to be shipped pursuant to Schedule A hereto.

(xiv) "PP&S Services" shall mean services provided by Company to WMI from approved locations which shall include: (i) warehousing and storage; (ii) goods inward services; (iii) order processing, picking and packing activities; (iv) dispatch; (v) transportation and shipping; (vi) returns processing; and (vii) additional activities as requested and approved by WMI to all locations in the Territory as designated by WMI. These services are set out more fully in Schedule F hereto. "PP&S Services" shall also be deemed to include those specialist services currently known as Indent, Down2one and Pre-Packed Order. For the avoidance of doubt, all determinations regarding the handling of Units of Products and other materials under this Exhibit, including the handling of returns, stickering, preparation for shipment (*e.g.,* boxing, etc.) and shipment of Units of Products shall be made solely by WMI.

(xv) "Products" shall mean all Records for which WMI requires PP&S Services to be performed during the Term and for which WMI has the unilateral right to control the identity of the party who renders such PP&S Services. Following a Recorded Music Major Transaction, "Products" shall mean all Records for which the Combined Entity requires PP&S Services to be performed during the Term and for which the Combined Entity has the unilateral right to control the identity of the party who renders such PP&S Services. It has been WMI's general custom to use its commercially reasonable efforts to acquire the unilateral right to control the identity of the party who renders PP&S Services in connection with Records. WMI shall continue to do so during the Term, in accordance with past practice.

(xvi) "Recorded Music Major Transaction" shall mean a joint venture, merger, or other combination of all or a substantial portion of the recorded music businesses of Warner Music Group with all or a substantial portion of the recorded music businesses of any Major.

(xvii) "Records" shall mean all physical forms of recording and reproduction by which sound may be recorded now known or which may hereafter become known, manufactured or sold primarily for home use, jukebox use, or use on or in means of transportation, including magnetic recording tape, film, electronic video recordings and any other physical medium or device for the production of artistic performances manufactured or sold primarily for home use, jukebox use or use on or in means of transportation, whether embodying: (i) sound alone; or (ii) sound synchronized with visual images, *e.g.,* "sight and sound" devices, but

only so long as such forms of recording and reproduction contain performances of works by recording artists.

(xviii) "Services" shall mean the PP&S Services and all other series to be provided by Company under this Exhibit.

(xix) "Territory" shall mean the Exclusive Territory and the Non-Exclusive Territory.

(xx) "Unit" shall mean a finished product in a form that is delivered to end consumers, carries a unique identifier code (UPC/EAN/promo no.) and is warehoused as a Stock Keeping Unit (SKU).

(xxi) "WMI Facility" shall mean any Facility at which Company provides Services to WMI under this Exhibit.

(b) Other Definitional and Interpretative Provisions.

(i) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Exhibit shall refer to this Exhibit as a whole and not to any particular provision of this Exhibit, and Paragraph and Schedule references are to this Exhibit unless otherwise specified.

(ii) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(iii) Unless the context requires otherwise, other grammatical forms of defined words or expressions used herein have corresponding meanings.

14. **

(a) **

(b) **

(c) In addition to the foregoing, Company shall be responsible for all incremental costs of expediting late shipments. This Paragraph 14 shall not limit WMI's other rights against Company for breach hereof; but any amounts paid by Company pursuant to this Paragraph 14 shall reduce any amounts otherwise payable by Company with respect to such breach.

15. **[INTENTIONALLY OMITTED]**

List of Attached Schedules

Schedule A: Service Level Requirements
Schedule B: WMI's Code of Conduct for Third-Party Service Providers
Schedule C: Fee Schedule
Schedule D: Insurance Coverage
Schedule E: Non-Exclusive Territories
Schedule F: PP&S Services
Schedule G: Approved Facilities

Schedule A

Service Level Requirements

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[5 pages]

Schedule B

WMI'S Code of Conduct For Third-Party Service Providers

1. Company will not (without WMI's written consent) manufacture merchandise utilizing any properties the copyright or trademark to which is owned or licensed exclusively by WMI, or its wholly owned or controlled Affiliates other than Products in accordance with this Exhibit.

2. Company shall not use child labor in the manufacturing, packaging or distribution of Products. The term "child" refers to a person younger than the local legal minimum age for employment or the age for completing compulsory education, but in no case shall any child younger than fifteen (15) years of age (or fourteen (14) years of age where local law allows) be employed in the manufacturing, packaging or distribution of Products.

3. Company shall only employ persons whose presence is voluntary. Company shall not use any forced or involuntary labor, whether prison, bonded, indentured or otherwise.

4. Company shall treat each employee with dignity and respect, and shall not use corporal punishment, threats of violence, or other forms of physical, sexual, psychological or verbal harassment or abuse.

5. Company shall not discriminate in hiring and employment practices, including salary, benefits, advancement, discipline, termination, or retirement on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability.

6. Company recognizes that wages are essential to meeting employees' basic needs. Company shall comply, at a minimum, with all applicable wage and hour laws, including minimum wage, overtime, maximum hours, piece rates and other elements of compensation, and shall provide legally mandated benefits. If local laws do not provide for overtime pay, Company shall pay at least regular wages for overtime work. Except in extraordinary business circumstances, Company shall not require employees to work more than the lesser of (a) forty-eight (48) hours per week and twelve (12) hours overtime or (b) the limits on regular and overtime hours allowed by local law, or, where local law does not limit the hours of work, the regular work week in such country plus twelve (12) hours overtime: In addition, except in extraordinary business circumstances, employees will be entitled to at least one (1) day off in every seven (7)-day period. Company agrees that, where local industry standards are higher than applicable legal requirements, it will meet the higher standards.

7. Company shall provide employees with a safe and healthy workplace in compliance with all applicable laws, ensuring, at a minimum, reasonable access to potable water and sanitary facilities, fire safety, and adequate lighting and ventilation. Company also shall ensure that the same standards of health and safety are applied in any housing it provides for employees. Company shall provide WMI with all information WMI may request about manufacturing, packaging and distribution facilities for the Products.

8. Company shall respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference, in accordance with applicable laws.

9. Company shall comply with all applicable laws, including those pertaining to the manufacture, pricing, sale and distribution of Products.

10. Company shall comply with all applicable environmental laws.

Schedule C

Fee Schedule

**

Schedule D

Insurance Coverage

1. Property Insurance, Including Extra Expense and Business Interruption : Company at all times and at its own cost and expense shall insure WMI's property as defined and required in this Agreement under so-called "all risk" policies of insurance, including but not limited to coverage for extended perils, earthquake, windstorm, flood, collapse, open cargo, war risk cargo and terrorism, and non-physical damage to source material. WMI's property shall consist of and not be limited to source material, finished goods and inventory, returned stock, master recordings, digital files, DVDs, CDs and all printing and packaging material.

   Either dedicated policies or portfolio (blanket) coverage forms may provide the "all risk" property insurance, providing that the aggregate per occurrence limit of insurance available with respect to the WMI property at any Company location for property damage, business interruption, and extra expense shall not be less than **. The deductible on said policy shall be the sole responsibility of Company and be of no greater amount than is commercially reasonable for a company of its financial standing. These policies shall be primary to any policy maintained by or on behalf of WMI. WMI may, at any time, review the amount of insurance required hereunder, and may, from time to time, but in no event more than annually, require a lower or higher amount depending on the best available estimate of the aggregate exposure to loss arising from damage to WMI's property under this Agreement.

   The open cargo and war risk cargo insurance policies shall provide per shipment limits of indemnity of no less than ** and contain a warehouse coverage endorsement. In the event that the ** limit of insurance is not adequate to fully insure any given shipment under this Agreement, Company shall purchase additional insurance to cover the full replacement cost of the shipment. The deductible on these policies shall be no greater than what is commercially reasonable for an enterprise with Company's financial standing. The deductible shall be the responsibility of Company and this coverage shall be primary to any coverage maintained by WMI.

   All policies shall provide for a reimbursement value with respect to WMI's property at replacement cost for new property of like kind and quality, with no deduction for depreciation, and shall include WMI, its partners, officers, employees, and Affiliates as loss payees under the policies as their interest may appear, and shall provide that no act or omission on the part of Company as the title insured shall prejudice a direct claim by the additional insured. All property policies shall include a waiver of subrogation in favor of WMI. Further, Company agrees to secure terms with its insurer that in the event that Company fails to pay premium resulting in a cancellation of coverage that WMI will be given the opportunity to maintain coverage for its insured property under the policy; and Company will reimburse WMI within ten (10) days of notice for the expense incurred.

2. Public Liability Insurance: Company shall also be required to obtain and maintain comprehensive general liability insurance and a follow-form "umbrella liability" policy, providing insurance against claims for bodily injury, including death, property damage, personal and advertising injury, blanket contractual liability, broad form property damage liability, explosion, collapse and underground hazard, and products and completed operations, for such claims occurring or alleged to have occurred in the course of any operations or activities contemplated by this Agreement, in such amounts as from time to time are carried by prudent owners of comparable operations, but in no event less than **, and covering as additional insureds all the WMI individuals and entities for which and to the extent it is responsible under this Agreement.

3. Workers' Compensation and Employers' Liability Insurance:

The Workers' Compensation policy shall include the following coverage:

1. Coverage A	Statutory
2. Coverage B	Employers' Liability
Bodily Injury by Accident	** each accident
Bodily Injury by Disease	** policy limit
Bodily Injury by Disease	** each employee

Company shall maintain any other employment related insurance coverage required by any jurisdiction having control over any employees or operations used in connection with this Agreement.

4. Automobile Liability Insurance: Company shall purchase and maintain automobile liability and follow-form "umbrella liability" insurance for all owned, non-owned and hired vehicles with limits of not less than ** combined single limit for bodily injury and property damage. This insurance coverage must include all automotive and truck equipment used in the performance of the work under this Agreement, and must include the loading and unloading of same.

5. Environmental Liability Insurance: In the event Company encounters and must perform or engage a contractor to perform work related to the remediation or abatement of "hazardous material" which includes, without limitation, any flammable explosives, radioactive materials, hazardous materials, hazardous waste, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9601, et seq.), the Superfund Amendments and Reauthorization Action of 1986 (Pub. L. No. 99-499, 100 stat. 1613 (1986)), the Hazardous Material Transportation Act, as amended (49 U.S.C. Section 1801, et seq.) and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation (or applicable law in any jurisdiction outside the U.S.), Company, or any contractor performing such work on behalf of Company, shall provide "contractor's pollution liability" insurance, as applicable to the work to be performed, covering claims from third-party injury and property damage as a result of pollution conditions emanating from on-site, under the site, or off the site arising out of its operations and completed operations. Completed operations coverage shall remain in effect for no less than five (5) years after final completion. Minimum liability limits, including excess liability coverage, shall be **.

The automobile liability insurance must contain provisions for thirty (30) days prior written notice of cancellation, nonrenewal, material change or reduction of insurance sent by certified mail return receipt requested, and waiver of subrogation in favor of WMI, additional insureds and all other such entities, as may be reasonably requested by WMI.

6. Provisions Applicable to All Policies of Insurance Required Hereunder: All policies of insurance shall be underwritten by an insurer with an AM Best rating of no less than A-and a financial size class of VII or better (or an equivalent rating from an alternate rating agency). All insurance companies are to be licensed to issue such insurance in the U.S. and or respective jurisdiction where WMI's property will be located or where operations may be conducted under this Agreement, and the coverage territory for all such policies shall include all such territories. Satisfactory evidence of insurance shall be provided before the commencement of this Agreement and shall be evidenced at each renewal by a binder and certificate of insurance at least ten (10) days before expiration of coverage and upon request of WMI, on an annual basis or as necessitated by a material change in coverage or legal

action. Such certificates of insurance shall include loss payee and additional insured provisions as previously noted in this Schedule. Company shall forward to WMI a copy of all required policy forms upon request. With respect to property located outside the U.S., any loss payable to WMI shall be adjusted and paid in the currency of the United States of America, subject to the rate of exchange published in The Wall Street Journal on the date of the loss. If Company elects to maintain insurance for property located outside the U.S., where the policy is denominated in a currency other than the U.S. dollar, such policy limits and deductibles shall at all times be sufficient to meet the U.S. dollar denominated requirements set forth on this Schedule D.

Each of WMI and Company agrees to negotiate in good faith to attempt to resolve any disagreement which in any way affects any insurance required to be carried hereunder. In the event that such good faith negotiation does not result in the resolution of any such disagreement within a fifteen (15)-day period, the parties shall retain an arbitrator to make a fair and reasonable determination as to any such disagreement (the " Insurance Arbitrator"). The Insurance Arbitrator shall be a retired executive or attorney with substantial experience in the insurance industry, preferably in the field of distribution, shall be independent of each of WMI and Company, and shall endeavor to provide a determination of any dispute among the parties within thirty (30) days of being retained, but in each case, as quickly as possible. The parties shall jointly appoint the Insurance Arbitrator and the identity of the Insurance Arbitrator shall be satisfactory to each of the parties. The parties shall share equally in the cost and expense of retaining the Insurance Arbitrator. If the parties cannot agree upon a person to act as the Insurance Arbitrator within thirty (30) days of the expiry of the fifteen (15)-day negotiation period specified in this Paragraph 6, then the Arbitrator shall be selected by the American Arbitration Association. Any arbitration hereunder shall be conducted in conformance with the rules established by the American Arbitration Association. Any determination made by the Insurance Arbitrator shall be final and binding on each of the parties. For the avoidance of doubt, Company shall at all times including during the pendency of any dispute and until such time as such dispute is resolved be required to continue to procure insurance policies at its sole expense in full force and effect as required in this Agreement and as specified herein.

Schedule E

Non-Exclusive Territories

Argentina
Australia
Brazil
Canada
Chile
China
Colombia
Czech Republic
Eire
France
Greece
Hong Kong
Hungary
Indonesia
Italy
Japan
Korea
Malaysia
Mexico
New Zealand

Philippines
Poland
Portugal
Singapore
Spain

Taiwan
Thailand
UK
Venezuela

Bulgaria
Croatia
Ecuador
Estonia
Ghana
India
Israel
Ivory Coast
Kenya
Latvia
Lithuania
Mauritius
Romania
Saudi Arabia
Lebanon
United Arab Emirates
Slovenia
South Africa
Turkey
West Indies
Zimbabwe
USA (subject to Exhibit B (PP&S Terms) to the US/Canada Manufacturing and PP&S Agreement)

Export Territories

All locations in the Territory designated by WMI

Schedule F

PP&S Services

A. WAREHOUSE MANAGEMENT ACTIVITIES

1. Inbound Logistics Activity

The inbound logistics activity include, but are not limited to, the following services:

- downloading Units of Products from the vehicles;
- storing Units of Products in the warehouse Facilities within the deadlines indicated on Schedule A to this Exhibit;
- checking the quantities of Units of Products entering and their correspondence with the contents of the accompanying documents as well as checking the integrity of parcels;
- raising any necessary or advisable objections to carriers;
- notifying WMI of said objections and of any possible loss of or damage to Units of Products within the deadlines indicated on Schedule A to this Exhibit;
- weighing a ten (10)-unit sample for each new title entering the warehouse Facilities;
- entering the data in the information system within the deadlines indicated on Schedule A to this Exhibit.

2. Custody and Storage Activities

The custody and storage activities among others include, but are not limited to, the following services:

- entering all movements of all Units of Products handling operations performed in the information system;
- the bookkeeping, by way of the information system, of Units of Products stored and handled;
- in addition to the existing monthly reporting, transmitting to WMI a summary statement of all the handling operations performed over a week or, at WMI's request, over one day
- the safe custody of Units of Products with conditions that are appropriate in relation to their characteristics and nature.

3. Order Processing Activities

The order processing activities include, but are not limited to, the following services:

- producing picking lists from customer orders sent by WMI and ensuring the orders are prepared with the modalities and within the deadlines indicated on Schedule A to this Exhibit; Orders to be dealt with according to the dispatch schedule
- picking Units of Products, parceling them and preparing the parcels to be dispatched;
- binding the parcels with tape and bands;
- auto-checking the weight of parcels and scanning;
- performing a manual check of parcels in the minimum percentage indicated on Schedule A to this Exhibit, supplying, at WMI's request, evidence of said check;
- Order confirmation and routing, issuing delivery note/invoice and booking to dispatch pallets;
- entering in the information system the confirmation that the order has been prepared.

4. Dispatch Activities

The dispatch activities include, but are not limited to, the following services:

- preparing, printing and sticking the bar code on the outside of the boxes with the customer's full name and address and any customer-supplied order reference;
- uploading Units of Products on the vehicles ready for leaving;
- preparing and printing a dispatch note for the customer;
- preparing and printing a dispatch note for the whole shipment;
- creating files containing the details of the shipment;
- preparing and printing any other document necessary for the dispatch and joining the same to the parcels to be dispatched;
- notifying WMI by way of the information system of the dispatch of the parcels.

5. Returns Processing Activities

The returns processing activities among others include, but are not limited to, the following services:

- entering the data concerning the returns (including the customer's code, the Product code and the quantity) in the information system in a separate specific file for the bookkeeping of returns in compliance with the indications provided;
- asking WMI for the authorization to accept the returns within the deadlines indicated on Schedule A to this Exhibit;
- organizing and keeping a separate and specific inventory of returns;
- any other activity relating to the re-insertion of returns into the sales cycle or to the scrapping of the same, as per WMI's instructions.

6. New Releases Processing Activities

The new release processing activities include, but are not limited to, ordinary service and the following services:

- delivering Units of Products to customers within the deadline indicated in the delivery plan of the new releases, to be supplied by WMI at least seven (7) Business Days before the planned delivery;
- sending samples of the new releases to the persons and in the quantities specified by WMI;

7. Additional Activities

Additional activities include, but are not limited to, the following services:

- affixing various stickers (e.g., price, promotional notices, local territory government/authority required notifications) on Units of Products;
- shrink-wrapping Units of Products for particular orders
- Blistering
- Assembling with point of sale components (e.g., pre-packed FSDUs);

8. Communication Activities

The communication activities include, but are not limited to, the following service:

- placing appropriate staff of the Company at WMI's service 5 days a week, or 6 days a week from September through December, from 8 a.m. to 6 p.m., to reply to the requests for information from WMI's staff, operations, licensees and partners, also in relation to the status of the orders, returns and shipments.

B. TRANSPORTATION SERVICES

Transportation Activities

The transportation activities include, but are not limited to, the following services:

- Ensuring sufficient carrier vehicles are booked every day to upload parcels for all volumes, destinations and delivery schedules.
- handling parcels with the best possible care in accordance with the graphic instructions on the packages;
- delivering the parcels carriage free at the address reported on the dispatch note under the item "place of destination";
- the verification, by a person in charge of materially transporting Units of Products, that the parcels are in good condition and that they are correctly stowed on the vehicle;
- any and all activity necessary to cause the addressees to affix the date and their legible signature on the dispatch note by way of receipt;
- any and all activity necessary to cause any objections raised by the addressee upon delivery to be noted in the proper space on the dispatch note
- notifying WMI immediately of any parcels, pallets or shipments lost or damaged
- notifying WMI of the failure to deliver Units of Products to the addressee for whatever reason, including the addressee's refusal to accept Units of Products;
- delivering Units of Products to the addressee or returning them to the warehouse, depending on the instructions for the release of unsold Units of Products given by WMI within 15 days of receipt from the communication of the presence of any unsold Units of Products
- replacing Units of Products erroneously delivered at no charge
- delivering missing Units of Products at no charge
- performing payment-on-delivery services;
- delivering bulk shipments F.O.B. to freight forwarders as designated by customer.

C. SPECIALIST SERVICES

Down2one

WMI Affiliates may order less than box quantities (25 Units per box) of a particular title, down to an individual unit. The orders will be placed in one box, which is then shipped to the local distribution center.

Pre Pack Order

Same service as Down2one but the order is pre-packed by Company in customer addressed boxes for onward shipping from the local distribution centre to the retailer. The completed order is shipped from Company to the local distribution centre from where it is shipped to the retailer.

Indent

A service which again accepts orders of one unit or more but the cost is inclusive of mechanicals and royalties.

D. PERFORMANCE METRICS

Company shall monitor performance in respect of all elements listed in Schedule A (Service Level Requirements) to this Exhibit, with both quantitative and qualitative data in respect of each. These reports shall be made available on a weekly basis to WMI within 2 Business Days of the end of each week. Company shall also maintain a log of complaints and errors, action taken, timings and nature of permanent corrective action taken.

WMI and Company will hold regular meetings to review distribution performance, ensure cure and discuss improvements. These meetings shall take place at least once every quarter.

Schedule G

Approved Facilities

Max-Planck-Strasse 1-9
Plant 2
52477 Alsdorf, Germany

Les Grange
27608 Gaillon Cedex
Champenard, France

Poligono Industrial Norte
Carretera N- I , Km = 31,400
28750 San Agustin de Guadalix
Madrid, Spain

Exhibit 10.4

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY ASTERISKS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

INTERNATIONAL TRANSITION AGREEMENT

This INTERNATIONAL TRANSITION AGREEMENT ("Agreement"), executed as of July 1, 2010 (the "Execution Date"), is entered into by and between, on one hand, WEA International Inc., a Delaware corporation with its principal place of business at 75 Rockefeller Plaza, New York, NY 10019 ("WMI"), and on the other hand, Cinram International Inc., a Canadian corporation with its principal place of business at 2255 Markham Road, Scarborough, Ontario M1B 2W3, Canada ("Cinram International Inc."), Cinram GmbH, a German limited liability company with its principal place of business at Max-Planck-Strasse 1-9, 52477 Alsdorf, Germany ("Cinram GmbH"), and Cinram Operations UK Limited, a UK limited company with its principal place of business located at 2 Central Avenue, Ransomes Europark, Ipswich, Suffolk IP3 9SL U.K. ("Cinram Operations UK Limited") (Cinram International Inc., Cinram GmbH, and Cinram Operations UK Limited, individually and collectively, " Cinram"). Each capitalized term used in this Agreement but not defined herein has the meaning ascribed to such term in that certain International Manufacturing and PP&S Agreement entered into on July 1, 2010 between and among the parties to this Agreement (the "International Manufacturing and PP&S Agreement "), including, without limitation, Exhibit A (M&P Terms) and Exhibit B (PP&S Terms) thereto. Notwithstanding anything herein to the contrary, this Agreement shall have no force or effect (and, other than this introductory paragraph, shall not bind the parties hereto) until the date on which the International Manufacturing and PP&S Agreement expires or is terminated for any reason (such date of expiration or termination, the " Transition Date"), on which date this Agreement shall automatically, and without the requirement of any notice or action of any kind, become effective and bind the parties hereto.

WHEREAS, Cinram acknowledges that any interruption in WMI's receipt of services under the International Manufacturing and PP&S Agreement following expiration or termination of such agreement would significantly disrupt the business activities of WMI, its Affiliates, and their respective customers; and

WHEREAS, Cinram wishes to enable WMI to continue to receive the full benefit of such services following any such expiration or termination, for a period of time sufficient to ensure continuity of such services and to enable WMI to transition the performance of such services to alternate service providers.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, WMI and Cinram hereby agree as follows:

1. Transition.

(a) Performance of Manufacturing and Distribution Services . Throughout the Transition Services Period, Cinram shall provide, at WMI's request, those Manufacturing and Distribution Services requested by WMI. Such Manufacturing and Distribution Services: (i) shall be provided on a non-exclusive basis (for purposes of clarity, WMI shall be permitted to use third-party vendors to provide the Manufacturing and Distribution Services for any or all of the total volume of Products); (ii) shall be provided (A) for the first ** (or portion thereof) of the Transition Services Period, at the same fees applicable under the International Manufacturing and PP&S Agreement as of the Transition Date (provided that Section 12(e) of Exhibit A (M&P Terms) to the International Manufacturing and PP&S Agreement shall not apply to fees incurred by WMI during such ** (or shorter) period, except to the extent that any fees payable under the International Manufacturing and PP&S Agreement had been or should have been adjusted pursuant to such Section 12(e) prior to the Transition Date), and (B) thereafter,

at fees mutually agreed upon by the parties; and (iii) shall be provided subject to the Service Level Requirements set forth in the International Manufacturing and PP&S Agreement as of the Transition Date. Either prior to or as soon as practicable after the Transition Date, Cinram and WMI shall establish a mutually agreeable prospective monthly limit on the volume of units with respect to which WMI may require Cinram to provide Manufacturing and Distribution Services under this Agreement taking into account WMI's forecasts for using Cinram for such services during the Transition Services Period; provided that in no event shall such volume limit be less than ** of the monthly average volume of units for which Cinram provided M&P Services to WMI and its Affiliates during the ** period immediately preceding the Transition Date. Cinram will perform the Manufacturing and Distribution Services with at least the same degree of accuracy, quality, completeness, timeliness, responsiveness, and resource efficiency at which, and pursuant to the same WMI policies, rules and procedures pursuant to which, it was required to provide the same or similar services under the International Manufacturing and PP&S Agreement. Amounts payable pursuant to this Section 1(a) shall be invoiced and payable in accordance with the terms and conditions of the International Manufacturing and PP&S Agreement applicable to the services provided.

(b) Transition Services. Throughout the Transition Services Period, Cinram shall cooperate with and take all commercially reasonable actions to assist WMI and its designees in WMI's and its Affiliates' transition to one or more new distributor(s) and/or manufacturer(s), which shall include without limitation: (i) assistance from experienced Cinram personnel with specific knowledge of WMI and the Manufacturing and Distribution Services; and (ii) the provision to WMI and its designees with any information and documentation reasonably requested by WMI to enable the Manufacturing and Distribution Services to be transitioned smoothly to WMI's designees (the foregoing services, collectively, the "Transition Services"). Those reasonable, documented out-of-pocket third-party expenses actually incurred by Cinram directly for Transition Services that are provided: (A) during the initial ** of the Transition Services Period, shall be borne solely by Cinram; (B) between the end of such ** period and the date that is ** after the Transition Date, shall be charged to WMI at Cinram's actual cost therefor; and (C) following such ** period, shall be charged to WMI at Cinram's actual cost therefor plus ** of such cost; provided that with respect to each of foregoing subsections (A), (B) and (C), (I) in no event shall WMI be required to make any such payment prior to Cinram's payment of its own corresponding invoices to such third parties, and (II) any such expenses incurred by Cinram that are identified in Schedule C to Exhibit A (M&P Terms) or Schedule C to Exhibit B (PP&S Terms) to the International Manufacturing and PP&S Agreement shall instead be charged to WMI at the rates and subject to the terms and conditions set forth in such Schedule to such Exhibit. Amounts payable pursuant to this Section 1(b) shall be invoiced and payable in accordance with the terms and conditions of the International Manufacturing and PP&S Agreement.

(c) Transfer of WMI Assets. Upon WMI's request, to the extent not previously transferred to WMI, Cinram shall transfer all property of WMI (including without limitation physical finished goods, Inventory, Source Materials, BOMs, DDPs, Products and Components) to up to two (2) locations designated by WMI, in a secure fashion in accordance with industry custom. If WMI requests any additional preparation, packaging or stickering (other than shipping such items in a secure fashion in accordance with industry custom and the performance of the other services required hereunder), pricing for such additional services shall be subject to the mutual agreement of WMI and Cinram. Cinram shall provide no fewer than **, in order to implement such transfer requests by WMI and shall begin such transfers no later than ** after the applicable transfer request from WMI. At WMI's option, WMI and/or its designated agent(s) shall be permitted at any time during normal business hours to enter any facilities in which any property of WMI is stored (including without limitation physical finished goods, Inventory, BOMs, DDPs, Products and Components), in order to retrieve or otherwise access any such WMI property. In lieu of the rates, if any, applicable to such transfers as set forth in Schedule C to Exhibit A (M&P Terms) and Schedule C to Exhibit B (PP&S Terms) to the International Manufacturing and PP&S

Agreement: (i) if WMI terminated the International Manufacturing and PP&S Agreement due to Cinram's breach thereof or the occurrence of a Termination Event, then Cinram shall charge WMI for such transfers an amount equal to Cinram's actual, documented, out-of-pocket third-party expenses incurred for such transfers plus ** of such expenses; or (ii) if the Term of the International Manufacturing and PP&S Agreement expired for any other reason, then Cinram shall charge WMI for such transfers an amount equal to ** of the rates applicable to such transfers as set forth in Schedule C to Exhibit A (M&P Terms) and Schedule C to Exhibit B (PP&S Terms) to the International Manufacturing and PP&S Agreement; and if the case of either of foregoing subsections (i) and (ii), WMI shall reimburse Cinram for Cinram's actual costs for any unreturned pallets in respect of such transfers and WMI shall be responsible for all actual, documented, out-of-pocket third-party freight expenses incurred for the transfer of such materials (but in no event shall WMI be required to make any such payment prior to Cinram's payment of its own corresponding invoices to such third parties).

(d) Transition Plan and Transition Manager. Within fifteen (15) business days after the commencement of the Transition Services Period, Cinram will provide WMI with a complete plan for operational turnover that enables a smooth transition of the Manufacturing and Distribution Services to WMI's designee(s) ("Transition Plan"). The Transition Plan will be deemed confidential information of WMI. Cinram shall assign, subject to WMI's prior written approval, a Cinram employee who serves a senior role (*e.g.,* senior manager) in Cinram's organization to manage and oversee the performance of the Manufacturing and Distribution Services and Transition Services throughout the Transition Services Period (" Transition Manager"). WMI shall have the right to require Cinram to replace the Transition Manager if WMI believes that such individual is unsuitable for the position. The Transition Manager will be WMI's primary point of contact in connection with performance of the Manufacturing and Distribution Services and Transition Services hereunder. Cinram shall cause any such Transition Manager to be generally available to WMI during regular business hours in relation to all issues relevant to the performance of the Manufacturing and Distribution Services and Transition Services hereunder.

(e) List of Materials. Within ten (10) days after the commencement of the Transition Services Period, Cinram will provide WMI with a list of all Source Materials and units of Components and Products (as applicable) then in Cinram's or any other member of the Cinram Group's possession or control.

(f) Facilities. In support of WMI's receipt of the Manufacturing and Distribution Services and Transition Services, throughout the Transition Services Period, Cinram shall provide WMI and its designees with reasonable access to those facilities of Cinram and Cinram's subcontractors at which any WMI property is located or at which Transition Services are being or will be provided during the Transition Period.

(g) Retailers. At WMI's request, Cinram will assist WMI as reasonably necessary in notifying retailers to which Products are being or had been distributed under this Agreement or the International Manufacturing and PP&S Agreement, to send any Product returns to one or more new distributor(s) designated by WMI.

(h) Insurance. Throughout the Transition Services Period, Cinram shall maintain the same types and amounts of insurance coverage that Cinram was required to maintain under the International Manufacturing and PP&S Agreement, as set forth on Schedule G to Exhibit A (M&P Terms) and Schedule D to Exhibit B (PP&S Terms) to the International Manufacturing and PP&S Agreement. Upon Cinram's request, Cinram and WMI shall discuss in good faith reducing the limits of liability for loss of WMI property held by Cinram during the Transition Period.

2. Performance of Services; Subcontracting . Cinram may not subcontract or delegate this

Agreement or its rights or obligations under this Agreement to any other member of the Cinram Group or any third party without WMI's prior written consent, which WMI may grant or withhold in its sole discretion, and any such subcontracting or delegation shall not relieve Cinram of its obligations hereunder. If WMI grants such consent with respect to a particular member of the Cinram Group or third party, such Cinram Group member or third party shall be deemed to be an "Approved Subcontractor" for purposes of this Agreement. Each entity set forth in Schedule E (Approved Subcontractors) to Exhibit A (M&P Terms) to the International Manufacturing and PP&S Agreement shall be deemed to be an Approved Subcontractor for purposes of this Agreement, solely with respect to performance of the specific M&P Services identified in such Schedule E (Approved Subcontractors) for such entity. Cinram shall cause each Approved Subcontractor to abide by the terms and conditions of this Agreement applicable to Cinram (regardless of whether such Approved Subcontractor is expressly covered by such terms and conditions). Cinram shall be fully responsible and liable for the acts and omissions of any Cinram subcontractor, including without limitation all Approved Subcontractors. If any Approved Subcontractor takes any action or omits to take any action that would be deemed to be a breach of this Agreement if such action or omission were or were not taken by Cinram, then: (a) Cinram shall immediately notify WMI thereof; (b) upon notice to Cinram from WMI, Cinram shall immediately cease providing any Materials or other WMI property to such subcontractor and permitting such subcontractor to perform Cinram's obligations hereunder, and such entity shall cease to be an Approved Subcontractor for purposes of this Agreement; and (c) Cinram shall be deemed to be in breach of this Agreement as if such action or omission were or were not taken by Cinram.

3. Warranties, Representations, Covenants and Indemnities.

(a) Cinram warrants, represents and/or covenants, as the case may be, that: (i) Cinram has the right, power and authority to enter into and fully perform this Agreement and to legally bind those entities on behalf of which it is entering into this Agreement; (ii) no agreement of any kind heretofore entered into by Cinram shall interfere in any manner with the complete performance of this Agreement; (iii) subject to WMI's warranties and representations set forth below, any items prepared by or otherwise furnished by Cinram hereunder in connection with Components or Products (and the manufacture, sale, offer for sale, import, and export, and use thereof) and Cinram's performance of Manufacturing and Distribution Services and Transition Services hereunder will not violate any law or infringe upon the rights of any party; and (iv) no Inventory, Products, Components or Source Materials are or shall be subject to any security interest, lien, claim, assignment, transfer, pledge, hypothecation or other encumbrance (excluding any security interests held or otherwise placed by WMI in or on such materials).

(b) Cinram agrees to and does hereby indemnify, save and hold WMI and its Affiliates, and each of their respective officers, directors and employees (collectively, for the purposes of this Section 3(b) only, "WMI") harmless to the maximum extent permitted by law from any and all loss and damage (including court costs and reasonable attorneys' fees as and when incurred) arising out of, connected with or as a result of: (i) any inaccuracy, inconsistency with, failure of, or breach or threatened breach by Cinram, any other member of the Cinram Group, or any Approved Subcontractor or other subcontractor of any of the foregoing, of any warranty, representation, agreement, undertaking or covenant contained in this Agreement; and/or (ii) any and all damages or injuries of any kind or nature whatsoever (including death resulting therefrom) to any persons, whether employees of Cinram or otherwise, and to any property caused by, resulting from, arising out of or occurring in connection with the execution of the work under this Agreement (including as a result of any product liability claims), whether such damages or injuries are or are alleged to be based upon Cinram's active or passive negligence or participation in the wrong or upon any breach of any statutory duty or obligation on the part of Cinram (except to the extent such damages or injuries directly result from any act of WMI's employees located at Cinram's facilities and are not otherwise covered by the property insurance Cinram is required to maintain hereunder or under the International Manufacturing and PP&S Agreement, or result from a

breach of any warranty, representation, agreement, undertaking or covenant of WMI contained herein). The foregoing indemnity shall be applicable only to such claims as have been reduced to judgment or settled with Cinram's written approval. WMI shall give Cinram prompt notice of any claim to which the foregoing indemnity applies and Cinram shall assume the defense of any such claim through counsel of Cinram's choice and at Cinram's sole expense; provided, however, that the relevant law on Civil Procedure provides for this procedure. WMI shall have the right to participate in such defense through counsel of WMI's choice and at WMI's expense; provided, however, that the relevant law on Civil Procedure provides for this procedure.

(c) WMI warrants, represents and/or covenants, as the case may be, that: (i) WMI has the right, power and authority to enter into and fully perform this Agreement and to legally bind those entities on behalf of which it is entering into this Agreement; (ii) no agreement of any kind heretofore entered into by WMI shall interfere in any manner with the complete performance of this Agreement; and (iii) Material embodied in Products and Components as supplied by WMI shall not violate any law or infringe upon the rights of any third party. As used herein, "Material" shall include all musical compositions, names, biographical materials and likenesses, photographic, video or motion picture images, sound recordings, intellectual properties, packaging and artwork.

(d) WMI agrees to and does hereby indemnify, save and hold Cinram and its Affiliates, and each of their respective officers, directors and employees (collectively, for the purposes of this Section 3(d) only, "Cinram") harmless to the maximum extent permitted by law from any and all loss and damage (including court costs and reasonable attorneys' fees as and when incurred) arising out of, connected with or as a result of: (i) any inaccuracy, inconsistency with, failure of, or breach or threatened breach by WMI of any warranty, representation, agreement, undertaking or covenant contained in this Agreement; and/or (ii) any and all damages or injuries of any kind or nature whatsoever (including death resulting therefrom) to any persons, whether employees of Cinram or otherwise, and to any property caused by, resulting from, arising out of or occurring in connection with any act of WMI's employees located at Cinram's facilities, except to the extent such damages and injuries are covered by the property insurance Cinram is required to maintain hereunder or under the International Manufacturing and PP&S Agreement; and/or (iii) any products liability claims arising the M&P Services for manufacturing defects directly related to Products not manufactured by Cinram, any Affiliate of Cinram or on behalf of Cinram. The foregoing indemnity shall be applicable only to such claims as have been reduced to judgment or settled with WMI's written approval. Cinram shall give WMI prompt notice of any claim to which the foregoing indemnity applies and WMI shall assume the defense of any such claim through counsel of WMI's choice and at WMI's sole expense; provided, however, that the relevant law on Civil Procedure provides for this procedure. Cinram shall have the right to participate in such defense through counsel of Cinram's choice and at Cinram's expense; provided, however, that the relevant law on Civil Procedure provides for this procedure.

4. Term. The term of this Agreement shall commence on the Transition Date and shall expire upon the expiration of the Transition Services Period (the "Term"). The following sections of this Agreement shall survive any expiration or termination of the Term: Sections 2, 3, 5, 6, 7 (in accordance with its terms), and 9; this Section 4; and any provisions of this Agreement that by their nature are intended to survive expiration or termination of the Term. The mere expiration or termination of the Term shall not affect any obligation that is expressly provided herein to survive the expiration or termination of such Term. Within ** months following expiration or ** months following early termination of the Term, WMI shall, in its sole discretion, remove from the Facilities, or order at WMI's expense the destruction of (and Cinram shall destroy in accordance with WMI's instructions and promptly provide WMI with an officer's certificate that confirms such destruction), all units of Source Materials, Components, and Products governed by this Agreement in Cinram's possession or control. Any such Source Materials to be returned to WMI shall be at WMI's cost, and the cost of any return of any

Components shall be the subject of negotiation between the parties hereto unless such Components were supplied by WMI, in which case such Components shall be returned without charge.

5. Motion to Assume or Reject. In the event a bankruptcy or insolvency case is commenced by or against Cinram, Cinram shall decide whether to (a) assume or (b) reject, disclaim or resiliate this entire Agreement, and shall either notify WMI of its decision or, to the extent required by law, file a motion to obtain court approval of its decision, in each case within ** days of the entry of the order for relief in such case, which motion and court order approving same shall be in form and substance reasonably satisfactory to WMI. Cinram shall diligently prosecute any such motion.

6. Equitable Relief. The parties acknowledge and agree that: (a) WMI's rights to exercise and enforce the rights, restrictions, limitations and qualifications imposed in Sections 1, 5, 7 and 9(c) of this Agreement are of a special, unique, extraordinary and intellectual character, giving them a peculiar value the loss of which by WMI (i) cannot be readily estimated, or adequately compensated for, in monetary damages and (ii) would cause WMI substantial and irreparable harm for which it would not have an adequate remedy at law, and (B) WMI accordingly will be entitled to equitable relief against Cinram (including without limitation temporary restraining orders, preliminary and permanent injunctive relief, and specific performance), in addition to all other remedies that WMI may have, to enforce this Agreement and protect its rights hereunder. Except as otherwise provided herein, the rights and remedies of WMI and Cinram provided under this Agreement are cumulative and in addition to any other rights and remedies of the parties at law or equity.

7. Confidentiality.

(a) Each of Cinram and WMI shall, and shall cause its Affiliates, and its and its Affiliates' directors, officers, employees and agents (each, a "Recipient") to, maintain in confidence the material terms of this Agreement, except that WMI may disclose this Agreement on a confidential basis in connection with a potential Recorded Music Major Transaction, to a potential assignee permitted hereunder or to WMI Affiliates as may be necessary in the ordinary course of business (provided, that any such disclosure shall be limited to those persons who agree to be bound by the provisions of this Section 7); and Cinram may disclose this Agreement on a confidential basis to its lenders under the Long-Term Debt or to Cinram Affiliates as may be necessary in the ordinary course of business (provided, that any such disclosure shall be limited to those persons who agree to be bound by the provisions of this Section 7). The restriction in the preceding sentence shall not apply to information that: (i) becomes generally available to the public other than as a result of disclosure by such Recipient contrary to this Agreement; (ii) was available to such Recipient on a non-confidential basis prior to its disclosure to such Recipient; (iii) becomes available to such Recipient on a non-confidential basis from a source other than any other Recipient unless such Recipient knows that such source is bound by a confidentiality agreement or is otherwise prohibited from transmitting the information to such Recipient by a contractual obligation; (iv) is independently developed by such Recipient without reference to confidential information received from any other party; (v) is required to be disclosed by applicable law or legal process, provided that any Recipient disclosing pursuant to this clause (v) shall notify the other party at least five (5) days prior to such disclosure so as to allow such other party an opportunity to protect such information through protective order or otherwise; (vi) is required to be disclosed by any listing agreement with, or the rules or regulations of, any security exchange on which securities of such Recipient or any of its Affiliates are listed or traded; or (vii) is required to be disclosed by a party in order to perform its obligations under the Agreement; provided, that any such disclosure shall be limited to those persons who have a need to know such information and who agree to be bound by the provisions of this Section 7. No party hereto shall make a press release or public announcement concerning this Agreement without the prior written consent of the other party hereto.

(b) Cinram shall, and shall cause its Affiliates, and its and its Affiliates' directors, officers, employees and agents to, maintain in confidence all information that: (i) is in its or their possession by reason of Cinram's performance of Manufacturing and Distribution Services or Transition Services hereunder; and (ii) relates to the Products (including, without limitation, shipment and return volumes, shipping destinations, pricing information and other terms of sale). WMI shall, and shall cause its Affiliates, and its and its' Affiliates' directors, officers, employees and agents to, maintain in confidence all information that: (x) is in its or their possession by reason of Cinram's performance of Manufacturing and Distribution Services or Transition Services hereunder; and (y) relates to the pricing, methods of manufacture or distribution or other proprietary information of Cinram. The restrictions in the two preceding sentences shall not apply to information that: (A) becomes generally available to the public other than as a result of disclosure by such Recipient contrary to this Agreement; (B) was available to such Recipient on a non-confidential basis prior to its disclosure to such Recipient; (C) becomes available to such Recipient on a non-confidential basis from a source other than any other Recipient unless such Recipient knows that such source is bound by a confidentiality agreement or is otherwise prohibited from transmitting the information to such Recipient by a contractual obligation; (D) is independently developed by such Recipient without reference to confidential information received from any other party; (E) is required to be disclosed by applicable law or legal process, provided that any Recipient disclosing pursuant to this clause (E) shall notify the other party at least five (5) days prior to such disclosure so as to allow such other party an opportunity to protect such information through protective order or otherwise; or (F) is required to be disclosed by any listing agreement with, or the rules or regulations of, any security exchange on which securities of such Recipient or any of its Affiliates are listed or traded. Notwithstanding anything to the contrary above, WMI and its Affiliates shall be permitted to disclose any information on a confidential basis in connection with a potential Recorded Music Major Transaction, to a potential assignee permitted hereunder or to third parties and WMI Affiliates as may be necessary in the ordinary course of business (provided, that any such disclosure shall be limited to those persons who agree to be bound by the provisions of this Section 7).

(c) Promptly following any expiration or termination of the Term, Cinram will, in accordance with WMI's instructions, return to WMI all materials in any medium that comprise, contain, refer to, or relate to any confidential or proprietary information of WMI (including without limitation the information described in the first sentence of Section 7(b) above) and otherwise destroy all copies thereof that remain in Cinram's possession or control. Upon request, Cinram will provide WMI with an officer's certificate that confirms Cinram's compliance with this Section 7(c).

(d) The obligations of WMI and Cinram under Sections 7(a) and 7(b) above shall survive for three (3) years following the expiration or termination of the Term.

8. Force Majeure.

(a) If because of an "act of God", inevitable accident, fire, lockout, strike or other labor dispute, riot or civil commotion, act of public enemy or other cause of a similar nature not reasonably within Cinram's control (a "Force Majeure Event"), Cinram is materially hampered in the performance of its obligations under this Agreement, or its normal business operations are delayed or become impossible or commercially impracticable, then Cinram shall have the option, by giving WMI written notice, to suspend its obligations under this Agreement with respect to any services affected by such Force Majeure Event, effective upon receipt by WMI of such notice, for the duration of any such contingency. Should Cinram suspend its obligations under this Agreement pursuant to this Section 8, such suspension shall not constitute a breach hereunder and Cinram shall not be subject to price rebates under Section 15 of Exhibit A (M&P Terms) or Section 14 of Exhibit B (PP&S Terms) to the International Manufacturing and PP&S Agreement with respect to any occurrences during the pendency of such suspension; provided

that Cinram shall reimburse WMI upon demand for any and all incremental out-of-pocket charges that WMI reasonably incurs as a result of transferring its Services under this Section 8(a).

(b) In addition, within twenty-four (24) hours of becoming aware of any circumstance or event which may reasonably be anticipated to cause or constitute a Force Majeure Event, Cinram shall notify WMI of such circumstance or event. For the avoidance of doubt, (i) such notice shall not constitute an assertion by Cinram of its right to suspend its obligations hereunder and (ii) an Insolvency Event shall not, in itself, be deemed to constitute a Force Majeure Event.

9. Miscellaneous.

(a) Waiver. Any party to this Agreement may: (i) extend the time for the performance of any of the obligations or other acts of the other party hereto; (ii) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered by the other party pursuant hereto; or (iii) waive compliance with any of the agreements or conditions of the other party hereto contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition, of this Agreement. The failure of either hereto party to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

(b) Assignment. Cinram shall not have the right without WMI's prior written consent (which consent may be granted or withheld in the sole discretion of WMI) to assign this Agreement or any of the rights granted to Cinram hereunder, in whole or in part; provided that after the Transition Date, Cinram shall be permitted to assign this Agreement to any member of the Cinram Group (provided that Cinram shall notify WMI in advance of such assignment, and that notwithstanding such assignment, Cinram at all times shall remain directly and fully liable to WMI for the performance of the obligations of Cinram hereunder). WMI shall have the right without Cinram's consent to assign this Agreement, in whole or in part, to any subsidiary, parent company or Affiliate of WMI, or to any third-party acquiring all or substantially all of WMI's assets or equity; provided, however, that, in each case, notwithstanding such assignment, WMI at all times shall remain directly and fully liable to Cinram for the performance of the obligations of WMI hereunder.

(c) Disposition of Assets. Cinram shall provide at least ** prior written notice to WMI of any actual or anticipated closure or discontinuation of use (whether permanent or temporary and whether partial or complete) of any of Cinram's facilities or assets used in providing Manufacturing and Distribution Services (including without limitation Cinram's facilities in Alsdorf, Germany). In the event of any actual or anticipated closure or discontinuation of the use of (whether permanently or temporarily and whether partially or completely) any such facilities or assets, then Cinram shall: (A) pay and be responsible for, and shall reimburse WMI for, all reasonable expenses incurred by or on behalf of WMI arising from any change to one or more new facility(ies); (B) reimburse WMI for increased shipping and related costs and expenses incurred by or on behalf of WMI as a result of such change (and shall provide WMI with any other similar types of reimbursements and other accommodations as were provided to WMI after the closing of Cinram's Simi Valley facility); and (C) ensure that there is no adverse impact on the services (including without limitation the quality, reliability, timeliness, or cost to WMI of services) and/or Cinram's satisfaction of any Service Level Requirements.

(d) Further Assurances. Cinram and WMI each agree to execute and deliver all such other and additional instruments and documents and to do such other acts and things as may be necessary to more fully effectuate this Agreement.

(e) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of, and shall be enforceable by, each of the parties hereto and their respective permitted assigns.

(f) Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by telecopy or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8(f)):

WMI:

WEA International Inc
c/o WEA
75 Rockefeller Plaza
New York, New York 10019
Attn: President
Fax: (212) 258-3121

with copies to:

Warner Music Group
75 Rockefeller Plaza
New York, New York 10019
Attention: EVP & General Counsel
Fax: (212) 258-3092

Warner-Elektra-Atlantic Corporation
75 Rockefeller Plaza
New York, New York 10019
Attn: SVP, Business & Legal Affairs
Fax: (212) 275-3341

Warner Music Group
The Warner Building
28 Kensington Church Street
London W8 4EP
Attn: Chris Ancliff, General Counsel, International

Cinram:

Cinram International Inc.
2255 Markham Road
Scarborough, Ontario M1B 2W3
Canada
Attn: Steve Brown
Fax: (416) 298-0612

with a copy to:

Office of General Counsel
Cinram

860 Via de la Paz, Suite F4
Pacific Palisades, CA 90272
Attn: Howard Z. Berman, Esq.
Fax: 310-230-9969

(g) Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(h) Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any federal, state, local or foreign statute, law, ordinance, regulation, code, order, other requirement or rule of law or by public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

(i) No Agency. WMI and Cinram each shall have the status of an independent contractor and nothing herein contained shall contemplate or constitute WMI as Cinram's agent or employee or Cinram as WMI's agent or employee. This Agreement does not constitute or acknowledge any partnership or joint venture between WMI and Cinram.

(j) No Third-Party Beneficiaries. Except for the provisions of Sections 3(b) and 3(d) above relating to indemnified parties, this Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other party any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

(k) **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, APPLICABLE TO CONTRACTS EXECUTED IN AND TO BE PERFORMED ENTIRELY WITHIN THAT STATE. ALL ACTIONS AND PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE HEARD AND DETERMINED IN ANY NEW YORK STATE OR FEDERAL COURT SITTING IN THE CITY OF NEW YORK, AND THE PARTIES HERETO HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING AND IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. EACH PARTY HERETO IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH PARTY AT ITS ADDRESS SPECIFIED IN SECTION 8(f) HEREOF. THE PARTIES HERETO AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION 8(k) SHALL AFFECT THE RIGHT OF EITHER PARTY HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW. THE CONSENTS TO JURISDICTION SET FORTH IN THIS SECTION 8(k) SHALL NOT CONSTITUTE GENERAL CONSENTS TO SERVICE OF PROCESS IN THE STATE OF NEW YORK AND SHALL HAVE NO EFFECT FOR ANY PURPOSE EXCEPT AS PROVIDED IN THIS SECTION 8(k) AND**

SHALL NOT BE DEEMED TO CONFER RIGHTS ON ANY PARTY OTHER THAN THE PARTIES HERETO.

(l) **WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY. EACH PARTY HERETO: (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8(l).**

(m) Consents. Except as specifically provided to the contrary herein, if any consent, approval or authority is required from either party hereto, such consent, approval or authority shall not be unreasonably withheld or delayed.

(n) Limitation of Liability. **

(o) Joint and Several Liability. Cinram International Inc., Cinram GmbH, and Cinram Operations UK Limited are and shall be jointly and severally liable for all representations, warranties and obligations (including without limitation indemnification obligations) of Cinram under this Agreement.

(p) Entire Agreement; Amendment/Modification; Order of Precedence .

(i) This Agreement, including any Exhibits hereto and any other appendices and attachments hereto or thereto (each of the foregoing hereby incorporated into this Agreement by this reference), contains the entire understanding of the parties hereto relating to the subject matter hereof, and supersedes all prior and contemporaneous oral and written agreements, arrangements, understandings, proposals, and discussions, and any amendments thereto, between the parties to this Agreement relating to the subject matter hereof (for the avoidance of doubt, excluding the International Manufacturing and PP&S Agreement, the US/Canada Manufacturing and PP&S Agreement, and the US/Canada Transition

Agreement).

(ii) Except as otherwise expressly provided herein, this Agreement may not be modified or amended except in writing executed by WMI and Cinram. In the event of an otherwise irreconcilable conflict between the terms and conditions set forth in the main body of this Agreement and the terms and conditions set forth in any Exhibit hereto, the terms and conditions set forth in the main body of this Agreement shall control.

10. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Manufacturing and Distribution Services" shall mean the services, functions and responsibilities described in the International Manufacturing and PP&S Agreement, including without limitation the M&P Services and PP&S Services (as defined therein).

(b) "Transition Services Period" shall mean the period commencing on the Transition Date and continuing for such duration as requested by WMI, but not to extend beyond nine (9) months following the Transition Date.

(c) "US/Canada Transition Agreement" shall mean that certain US/Canada Transition Agreement executed on July 1, 2010 between and among Warner-Elektra-Atlantic Corporation, Cinram International Inc., Cinram Manufacturing LLC and Cinram Distribution LLC.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the Execution Date.

WEA INTERNATIONAL INC.

By: /s/ Paul Robinson

Name: Paul Robinson

Title: Vice President

Date: November 16, 2010

CINRAM INTERNATIONAL INC.

By: /s/ John H. Bell

Name: John H. Bell

Title: CFO

Date: November 16, 2010

CINRAM GMBH

By: /s/ Steve Brown

Name: Steve Brown

Title:

Date: November 16, 2010

CINRAM OPERATIONS UK LIMITED

By: /s/ Steve Brown

Name: Steve Brown

Title:

Date: November 16, 2010

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the Execution Date.

WEA INTERNATIONAL INC.

By: _____

Name: _____

Title: _____

Date: _____

CINRAM INTERNATIONAL INC.

By: _____

Name: _____

Title: _____

Date: _____

CINRAM GMBH

By: /s/ Louis Gasperut

Name: Louis Gasperut

Title: EVP MD Europe

Date: November 16, 2010

CINRAM OPERATIONS UK LIMITED

By: /s/ J.R. Brooks

Name: James R. Brooks

Title: Director

Date: November 16, 2010

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Edgar Bronfman, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended December 31, 2010 of Warner Music Group Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: February 8, 2011

/s/ EDGAR BRONFMAN, JR.

Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Steven Macri, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended December 31, 2010 of Warner Music Group Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: February 8, 2011

/S/ STEVEN MACRI

Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 32.1

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Warner Music Group Corp. (the "Company") on Form 10-Q for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edgar Bronfman, Jr., Chief Executive Officer of the Company certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 8, 2011

/S/ EDGAR BRONFMAN, JR.
Edgar Bronfman, Jr.
Chief Executive Officer

Exhibit 32.2

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Warner Music Group Corp. (the "Company") on Form 10-Q for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven Macri, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 8, 2011

/S/ STEVEN MACRI

Steven Macri
Chief Financial Officer