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As filed with the Securities and Exchange Commission on December 16, 2004

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

WMG ACQUISITION CORP.

(Exact Name of Registrant as Specified in Its Charter)
(SEE TABLE OF ADDITIONAL REGISTRANTS)

Delaware	**7929**	**13-35665869**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

75 Rockefeller Plaza
New York, NY 10019
(212) 275-2000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

David H. Johnson, Esq.
Executive Vice President and
General Counsel
Warner Music Group
75 Rockefeller Plaza
New York, NY 10019
(212) 275-2030

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:
Edward P. Tolley III, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017-3954
(212) 455-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

CALCULATION OF REGISTRATION FEE

Title of Each Class Of Securities to be Registered	**Amount to Be Registered**	**Proposed Maximum Offering Price Per Unit**	**Proposed Maximum Aggregate Offering Price**	**Amount Of Registration Fee**
7 3/8% Senior Subordinated Notes due 2014	$465,000,000	100%(1)	$465,000,000(1)	$54,731(2)
8 1/8% Senior Subordinated Notes due 2014	£100,000,000	100%(1)	£100,000,000(1)	$22,888(2)(3)
Guarantees of 7 3/8% Senior Subordinated Notes due 2014(4)	(5)	(5)	(5)	(5)
Guarantees of 8 1/8% Senior Subordinated Notes due 2014(4)	(5)	(5)	(5)	(5)

(1) Estimated solely for the purpose of calculating the registration fee under Rule 457 of the Securities Act of 1933, as amended.

(2) The registration fee for the securities offered hereby has been calculated under Rule 457(f)(2) of the Securities Act of 1933, as amended.

(3) The amount of the registration fee was calculated based on the noon buying rate on December 15, 2004 of $1.9446=£1.00.

(4) See inside facing page for table of additional registrant guarantors.

(5) Pursuant to Rule 457(n) under the Securities Act of 1933, as amended, no separate fee for the guarantees is payable.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

TABLE OF ADDITIONAL REGISTRANT GUARANTORS

Exact Name of Registrant As Specified In Its Charter	State or other Jurisdiction of Incorporation or Organization	IRS Employer Identification Number	Address, Including ZIP Code, And Telephone Number, Including Area Code, Of Registrant's Principal Executive Offices	Phone Number
A.P. Schmidt Company	Delaware	36-2669470	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Atlantic Recording Corporation	Delaware	13-2597725	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Atlantic/143 L.L.C.	Delaware	13-3975703	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Atlantic/MR II INC.	Delaware	13-3845524	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Atlantic/MR Ventures Inc.	Delaware	13-3684268	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Berna Music, Inc.	California	95-2565721	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Big Beat Records Inc.	Delaware	13-3626173	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Big Tree Recording Corporation	Delaware	13-2945275	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Bute Sound LLC	Delaware	13-4032642	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Cafe Americana Inc.	Delaware	13-3246931	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Chappell & Intersong Music Group (Australia) Limited	Delaware	13-3395886	1 Cassins Avenue, North Sydney, Australia	(61) 2 9779 4099
Chappell And Intersong Music Group (Germany) Inc.	Delaware	13-3246911	Alter Wandrahm 14, D-20457 Hamburg, Germany	(49) 40-30339-101
Chappell Music Company, Inc.	Delaware	13-3325475	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Cota Music, Inc.	New York	13-3523591	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Cotillion Music, Inc.	Delaware	13-2597937	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
CPP/Belwin, Inc.	Delaware	65-0051018	15800 N.W. 48th Avenue, P.O. Box 4340, Miami FL 33014	(305) 620-1500
CRK Music Inc.	Delaware	13-3663052	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
E/A Music, Inc.	Delaware	13-3203221	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Eleksylum Music, Inc.	Delaware	13-3174021	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Elektra Entertainment Group Inc.	Delaware	13-4033729	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Elektra Group Ventures Inc.	Delaware	13-3808252	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000

Elektra/Chameleon Ventures Inc.	Delaware	13-3626113	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
FHK, INC.	Tennessee	62-1548343	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Fiddleback Music Publishing Company, Inc	Delaware	13-2705484	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Foster Frees Music, Inc.	California	95-3297348	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Foz Man Music LLC	Delaware	13-4028790	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Inside Job, Inc.	New York	13-2699020	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Intersong U.S.A., INC.	Delaware	13-3246932	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Jadar Music Corp.	Delaware	13-3246915	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Lava Trademark Holding Company LLC	Delaware	13-4139472	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
LEM America, INC.	Delaware	94-2741964	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
London-Sire Records Inc.	Delaware	13-3954692	75 Rockefeller Plaza, New York, NY 10019	(212) 275-2000
McGuffin Music Inc.	Delaware	13-3663051	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Mixed Bag Music, Inc.	New York	13-3111989	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
NC Hungary Holdings Inc.	Delaware	05-0536079	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
New Chappell Inc.	Delaware	13-3246920	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Nonesuch Records Inc.	Delaware	20-1926784	3300 Warner Boulevard, Burbank CA 91505, United States	(818) 846-9090
NVC International Inc.	Delaware	51-0267089	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Octa Music, Inc.	New York	13-3523592	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Penalty Records L.L.C.	New York	13-3889367	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Pepamar Music Corp.	New York	13-2512410	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Revelation Music Publishing Corporation	New York	13-2705483	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Rhino Entertainment Company	Delaware	13-3647166	3400 West Olive Avenue, Burbank CA 91505	(818) 238-6100

Rick's Music Inc.	Delaware	13-3246929	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Rightsong Music Inc.	Delaware	13-3246926	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Rodra Music, Inc.	California	95-2561531	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Sea Chime Music, Inc.	California	95-3335535	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
SR/MDM Venture Inc.	Delaware	13-3647169	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090
Summy-Birchard, Inc.	Wyoming	36-1026750	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Super Hype Publishing, Inc.	New York	13-2664278	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
T-Boy Music L.L.C.	New York	13-3669372	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
T-Girl Music L.L.C.	New York	13-3669731	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
The Rhythm Method Inc.	Delaware	13-4141258	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Tommy Boy Music, Inc.	New York	13-3070723	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Tommy Valando Publishing Group, Inc.	Delaware	13-2705485	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Tri-Chappell Music Inc.	Delaware	13-3246916	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
TW Music Holdings Inc.	Delaware	20-0769163	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Unichappell Music Inc.	Delaware	13-3246914	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
W.B.M. Music Corp.	Delaware	13-3166007	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Walden Music, Inc.	New York	13-6125056	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Alliance Music Inc.	Delaware	95-4391760	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Brethren Inc.	Delaware	95-4391762	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Bros. Music International Inc.	Delaware	13-2839469	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Bros. Publications U.S. Inc.	New York	13-2670425	15800 N.W. 48th Avenue, P.O. Box 4340, Miami FL 33014	(305) 620-1500
Warner Bros. Records Inc.	Delaware	95-1976532	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090

Warner Custom Music Corp.	California	94-2990925	75 Rockefeller Plaza, New York, NY 10019	(212) 275-2000
Warner Domain Music Inc.	Delaware	13-3845523	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Music Bluesky Holding Inc.	Delaware	13-3829389	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Warner Music Discovery Inc.	Delaware	13-3695120	3400 West Olive Ave., Burbank CA 91505	(818) 238-6200
Warner Music Distribution Inc.	Delaware	13-3713729	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Warner Music Group Inc.	Delaware	13-3565869	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Warner Music Latina Inc.	Delaware	13-3586626	555 Washington Avenue, Fourth Floor, Miami Beach FL 33139	(305) 702-2200
Warner Music SP Inc.	Delaware	13-3802269	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Warner Sojourner Music Inc.	Delaware	62-1530861	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Special Products Inc.	Delaware	13-2788802	3400 West Olive Ave., Burbank CA 91505	(818) 238-6200
WarnerSongs Inc.	Delaware	13-2793164	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Strategic Marketing Inc.	Delaware	01-0569802	3400 West Olive Ave., Burbank CA 91505	(818) 238-6200
Warner-Elektra-Atlantic Corporation	New York	13-6170726	75 Rockefeller Plaza, New York, NY 10019	(212) 275-2000
Warner-Tamerlane Publishing Corp.	California	13-6132127	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner/Chappell Music (Services), Inc.	New Jersey	95-2685983	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner/Chappell Music, Inc.	Delaware	13-3246913	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warprise Music Inc.	Delaware	13-3845521	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WB Gold Music Corp.	Delaware	13-3155100	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WB Music Corp.	California	13-6132128	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WBM/House of Gold Music, Inc.	Delaware	13-3146335	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WBPI Holdings LLC	Delaware	34-2024699	15800 N.W. 48th Avenue, P.O. Box 4340, Miami FL 33014	(305) 620-1500

WBR Management Services Inc.	Delaware	13-3032834	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090
WBR/QRI Venture, Inc.	Delaware	13-3647168	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090
WBR/Ruffnation Ventures, Inc.	Delaware	13-4079805	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090
WBR/Sire Ventures Inc.	Delaware	13-2953720	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090
We Are Musica Inc.	Delaware	13-3713725	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WEA Europe Inc.	Delaware	13-2805638	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
WEA Inc.	Delaware	13-3862485	75 Rockefeller Plaza, New York, NY 10019	(212) 275-2000
WEA International Inc.	Delaware	13-2805420	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
WEA Latina Musica Inc.	Delaware	13-3713731	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WEA Management Services Inc.	Delaware	52-2280908	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Wide Music, Inc.	California	95-3500269	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WEA Rock LLC	Delaware	86-1120258	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
WEA Urban LLC	Delaware	86-1120251	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
WMG Management Services Inc.	Delaware	52-2314190	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
WMG Trademark Holding Company LLC	Delaware	20-0233769	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Subject to Completion, dated December 16, 2004

PRELIMINARY PROSPECTUS

Offers to Exchange

$465,000,000 aggregate principal amount of 7 3/8% Senior Subordinated Notes due 2014, which have been registered under the Securities Act of 1933 for any and all outstanding 7 3/8% Senior Subordinated Notes due 2014

£100,000,000 aggregate principal amount of 8 1/8% Senior Subordinated Notes due 2014, which have been registered under the Securities Act of 1933 for any and all outstanding 8 1/8% Senior Subordinated Notes due 2014

The exchange notes will be fully and unconditionally guaranteed on an unsecured basis by each of our domestic subsidiaries that guarantees the obligations under our senior secured credit facility.

We are conducting the exchange offers in order to provide you with an opportunity to exchange your unregistered outstanding notes for freely tradeable exchange notes that have been registered under the Securities Act.

The Exchange Offers

- We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradeable.
- You may withdraw tenders of outstanding notes at any time prior to the expiration date of the applicable exchange offer.
- The exchange offers expire at 12:00 a.m. midnight, New York City time, on , 2005, unless extended.
- The exchanges of outstanding notes for exchange notes in the exchange offers will not be a taxable event for U.S. federal income tax purposes.
- The terms of the exchange notes to be issued in the exchange offers are substantially identical to the outstanding notes, except that the exchange notes will be freely tradeable.

All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offers, we do not currently anticipate that we will register the outstanding notes under the Securities Act.

You should carefully consider the "Risk Factors" beginning on page 18 of this prospectus before participating in the exchange offers.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the exchange notes to be distributed in the exchange offers or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2004

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We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this prospectus. You must not rely on unauthorized information or representations.

This prospectus does not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who can not legally be offered the securities. The information in this prospectus is current only as of the date on its cover, and may change after that date.

MARKET AND INDUSTRY DATA AND FORECASTS

This prospectus includes industry data and forecasts that we have prepared based, in part, upon industry data and forecasts obtained from industry publications and surveys and internal company surveys. As noted in this prospectus, International Federation of the Phonographic Industry ("IFPI"), Recording Industry Association of America ("RIAA"), Nielsen SoundScan ("SoundScan"), Informa

Media Research, Music & Copyright Report ("Music & Copyright"), National Music Publishers' Association ("NMPA"), The NPD Group, Enders Analysis and the U.S. Department of Commerce, U.S. Census Bureau, Bureau of Labor Statistics were the primary sources for third-party industry data and forecasts. These third-party industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that is important to you. We urge you to read this entire prospectus, including the "Risk Factors" section and the combined financial statements and related notes, before participating in the exchange offers.

We acquired the business of WMG from Time Warner effective March 1, 2004. In this prospectus, the term "Warner Music Group" refers to WMG Acquisition Corp., which does business under that name, and not its subsidiaries. In this prospectus, the terms "we," "our," "ours," "us," "the Company" and "WMG" refer collectively to Warner Music Group and its consolidated or combined subsidiaries, except where otherwise indicated. For periods prior to March 1, 2004, those terms refer to Warner Music Group's consolidated or combined subsidiaries while they were owned and operated by Time Warner Inc., except where otherwise indicated. In 2004, we changed our fiscal year end from November 30 to September 30. Accordingly, the fiscal year ended September 30, 2004 is a ten-month period. In addition, as a result of our acquisition of Warner Music Group from Time Warner, and as described further in our financial statements and the notes thereto included elsewhere in this prospectus, results discussed for the ten months ended September 30, 2004 represent the mathematical addition of our pre-acquisition three-month period ended February 29, 2004 and our post-acquisition seven-month period ended September 30, 2004. Calculations of market share are based on revenues, except as otherwise noted.

Our Company

We are one of the world's major music companies. Our company is composed of two businesses: Recorded Music and Music Publishing. We are a global company, generating over half of our revenues in more than 50 countries outside of the U.S. We generated revenues of $3.437 billion during the twelve months ended September 30, 2004 and $2.548 billion during our ten month fiscal year ended September 30, 2004.

Our Recorded Music business produces revenue through the marketing, sale and licensing of recorded music in physical and digital formats. We have one of the world's largest and most varied recorded music catalogs, including 27 of the top 100 U.S. best-selling albums of all time—more than any other recorded music company. Our roster of over 38,000 artists spans all musical genres and includes Led Zeppelin, The Eagles, Madonna, Metallica and Fleetwood Mac. Our more recent successes include Linkin Park, Simple Plan, Jet, Michelle Branch, Sean Paul and Josh Groban. Our Recorded Music business generated revenues of $2.859 billion during the twelve months ended September 30, 2004 and $2.059 billion during our ten month fiscal year ended September 30, 2004.

Our Music Publishing business owns and acquires rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use. We hold rights in over one million copyrights across a broad range of musical styles from over 65,000 songwriters and composers. Our library includes well-known titles as "Happy Birthday to You" by Mildred and Patty Hill, "Night and Day" by Cole Porter, "When a Man Loves a Woman" by Calvin Lewis and Andrew Wright, "Star Wars Theme" by John Williams and "The Wind Beneath My Wings" by Jeff Silbar and Larry Henley, as well as more recent popular titles such as "Smooth" by Itaal Shur and Rob Thomas, "Crazy in Love" by Eugene Record, Beyoncé Knowles, Richard Harrison and Shawn Carter, "It's Been Awhile" by Staind and "Thank You" by Dido Armstrong and Paul Herman. Our Music Publishing business generated revenues of $601 million during the twelve months ended September 30, 2004 and $505 million during our ten month fiscal year ended September 30, 2004.

Industry Overview

Recorded music and music publishing focus on different products and benefit from different sources of revenues. The following table summarizes the product, the "artist" that is responsible for creating the product and the means by which the product generates revenue:

	Recorded Music	Music Publishing
The Product	• The recording	• The song
The "Artist"	• Recording artist	• Songwriter or composer
How revenues are generated	• When a recording (in physical or digital format) is sold or licensed	• When a recording (in physical or digital format) of the song is sold or licensed • When a song is performed publicly (e.g., radio, television, concert or nightclub) • When a song is synchronized with visual images (e.g., movies and advertisements) • When a song's printed sheet music is sold

The recorded music business is the business of discovering and developing recording artists and promoting, selling and licensing their works. In 2003, the recorded music industry generated $32.0 billion in retail sales worldwide. The global recorded music industry experienced robust growth in the 1990s, mainly due to increases in demand for music and the replacement of LPs and cassettes by CDs. In recent years, the global industry has seen a decline due primarily to the increase in digital piracy. In an effort to curb this decline, the industry launched an intensive campaign in 2003 to limit digital piracy, pursuing legal remedies, employing technological solutions, embarking on educational campaigns and promoting legislation. We believe these anti-piracy efforts are beginning to produce results as evidenced by increased consumer awareness, reduced illegal downloading activity and growth for the eleven months ended November 28, 2004 in U.S. music physical unit sales of approximately 2% compared to the eleven months ended November 30, 2003 as reported by SoundScan. Moreover, the industry has been encouraged by the recent proliferation and early success of legitimate digital music distribution channels, as evidenced by the 120 million digital tracks sold in the U.S. this year through November 28, 2004. See "Industry Overview—Recorded Music."

Music publishing involves the acquisition of rights to, and the subsequent licensing of, musical compositions from songwriters, composers or other rightsholders. Music publishers market their portfolio of musical compositions to users of songs, such as recording artists, advertisers and film producers, and collect the resulting royalties or fees on behalf of the songwriters, composers or other rightsholders. In return for providing these services, music publishers share in the royalties or fees paid for the use of musical compositions. According to the most recent published estimates by Enders Analysis, the worldwide music publishing industry accounted for $3.7 billion in revenues in 2003. See "Industry Overview—Music Publishing."

Competitive Strengths

We believe we benefit from the following competitive strengths:

Industry Leading Recorded Music and Music Publishing Assets. We have been able to consistently attract, develop and retain successful recording artists and songwriters. Our creative approach, our strong relationships with our artists and our marketing capabilities have enabled us to accumulate over

decades a large and varied portfolio of recorded music and music publishing assets that generate stable and recurring cash flows.

Stable, Highly Diversified Revenue Base. Our revenue base is derived primarily from relatively stable and recurring sources such as our music publishing library, our catalog of recorded music and new releases from our existing base of established artists. In any given year, we believe that less than 10% of our total revenues depend on artists without established track records, with each of these artists typically representing less than 1% of our revenues. We have built a large and diverse catalog of recordings and compositions that covers a wide breadth of musical styles including pop, rock, jazz, country, R&B, hip-hop, rap, reggae, Latin, alternative, folk, blues, gospel and other Christian music and are a significant player in each of our major geographic regions.

High Cash Flow Business Model. We generate relatively high levels of cash flow from operations as a result of our highly variable cost structure, our minimal capital requirements and our ability to adjust the timing and amount of much of our spending. Through our recent restructuring effort, we have substantially streamlined our cost structure. In addition, outsourcing arrangements entered into in October 2003 with Cinram International Inc. ("Cinram") have significantly reduced our exposure to fixed costs and are expected to continue to reduce our future capital expenditure requirements. We also typically have contractual flexibility with regard to the timing and amounts of advances payable to existing recording artists and songwriters. Further, we have discretion regarding future investment in new artists and songwriters, which allows us to respond quickly to changing industry conditions.

Well Positioned For Growth in Digital Distribution and Emerging Technologies. For the twelve months ended September 30, 2004, our market share of digital recorded music sales in the U.S. as measured by SoundScan was higher than our overall recorded music market share in the U.S., which we believe reflects the relative strength of our content and in particular our catalog content. In addition, we are highly focused on several new media initiatives: supporting existing and new online services in the U.S. and abroad, working with legitimate P2P providers, influencing the evolution of new mobile phone services and formats and simplifying the clearance of all of our content for digital distribution.

Proven and Committed Management Team. We are led by an experienced senior management team with an average of approximately 20 years of entertainment industry experience. Subsequent to the Acquisition, Edgar Bronfman, Jr. joined the Company as Chairman of the Board and Chief Executive Officer and Lyor Cohen joined as Chairman and CEO of our U.S. Recorded Music business. In 1998, Mr. Bronfman, while President and CEO of The Seagram Company Ltd. ("Seagram"), oversaw the merger of Universal Music Group ("Universal") and PolyGram N.V. ("PolyGram"), and successfully managed the combined business, the world's largest recorded music company. Mr. Cohen was formerly the Chairman and CEO of Universal's Island Def Jam Music Group and has nearly two decades of experience in the music industry. Paul-René Albertini, our Chairman and CEO of Warner Music International, and Les Bider, our Chairman and CEO of Warner/Chappell Music, Inc., are also music industry veterans, each with over 20 years of experience.

Strong Equity Sponsorship. Thomas H. Lee Partners, L.P. and its affiliates ("THL"), Bain Capital and its affiliates ("Bain Capital"), Music Capital and Providence Equity Partners Inc. and its affiliates ("Providence Equity") (collectively, the "Investors") are each leading private equity firms with established track records of successful investments, extensive experience in managing investments in entertainment and media assets and a long history of working successfully together.

Business Strategy

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

Attract, Develop and Retain Established and Emerging Recording Artists and Songwriters. A critical element of our strategy is to continue to find, develop and retain recording artists and songwriters who achieve long-term profitable success. We believe our relative size, the strength of our management team, our ability to respond to industry and consumer trends and challenges, our diverse array of genres, our large catalog of hit releases and our valuable music publishing library will help us continue to successfully build our roster of artists and songwriters.

Maximize the Value of Our Music Assets. Our relationships with our recording artists and songwriters, our recorded music catalog and our music publishing library are our most valuable assets. Our Recorded Music business focuses on marketing our artists and catalog in new ways to retain existing fans of established artists and to generate new demand for our proven hits. Our Music Publishing business seeks to capitalize on the growing demand for the use of musical compositions in media products such as videogames, commercials, other musical works (such as authorized sampling), films, DVDs, mobile phone ring tones and Internet and wireless streaming and downloads by marketing and promoting our libraries to producers of these media in new and innovative ways.

Focus on Continued Management of Our Cost Structure. Immediately following our sale on March 1, 2004, we commenced a broad-based restructuring plan (the "Restructuring Plan.") We intend to continue to maintain a disciplined approach to cost management in our business, and to pursue additional cost savings. The majority of cost savings in the Restructuring Plan are attributable to headcount reductions from the consolidation of operations and the streamlining of corporate and label overhead, most of which were implemented in March and April, 2004. By the end of September 2004, we had implemented approximately $240 million of annualized cost savings, of which approximately $90 million was reflected in our income statement as of September 30, 2004. We expect to complete substantially all of the Restructuring Plan by May 2005 with annualized cost savings of more than $250 million. We project the one-time costs associated with the Restructuring Plan to be between $225 million to $250 million, of which approximately $105 million has been paid through September 30, 2004. This projection is substantially less than the $310 million original estimate. There are still significant risks associated with the Restructuring Plan. See "Risk Factors."

Invest in Accordance with an Improved Asset Allocation Strategy. Our new management has undertaken a rigorous company-wide initiative in conjunction with outside consultants in order to enhance our financial performance through developing a more targeted approach to investments. Implementing the results of this study, we will primarily seek to invest in lines of business, geographic locations and individual projects where we believe we can optimize our return on capital. We will also consider the strategic importance of alternative investments in addition to their financial metrics. We believe that as a result of our management processes, analytic techniques and investment discipline, we are well positioned to efficiently deploy our capital.

Develop and Optimize Our Physical Distribution Channel Strategies. We will continue to develop innovative programs with our physical distribution partners to achieve greater sales volume. The physical distribution channels for records are evolving as new outlets develop, the mix of channels and retailers change, new formats for our content are created and pricing models multiply to meet a wide range of needs. Our Recorded Music business will continue to cooperate with its physical distribution channel partners in order to implement forward-looking strategies for our mutual benefit. We will also invest to meet the needs of our channel partners to create more efficient collaboration, such as direct-to-retail distribution strategies and vendor managed inventory.

Capitalize on Digital Distribution and Emerging Technologies. We believe new technology formats should represent a fast-growing and high-margin channel for the distribution and exploitation of our music. In particular, new and emerging third-party digital distribution outlets are not only reasonably priced, but also offer a superior customer experience to illegal alternatives, as they are easy to use, offer uncorrupted song files and integrate seamlessly with increasingly popular portable music players such as the Apple iPod, the Dell Digital Jukebox and the iRiver iHP. In addition, as networks and phone handsets become more sophisticated, our music is increasingly becoming available through mobile and other wireless service providers as ring tones, ringback tones and audio and music video downloads.

Contain Digital Piracy. We, along with the rest of the industry, are taking multiple measures through technological innovation, litigation, education and the promotion of legislation to combat piracy. New technologies such as spoofing, automated web crawlers and watermarking are geared towards degrading the illegal file-sharing process and tracking the source of pirated music. Furthermore, recent legal actions by our industry, both in and outside the U.S., have been designed to educate consumers and deter illegal downloading. The industry has also been working with educational institutions to implement controls to prohibit students from illegally downloading copyrighted material.

Recent Developments

Return of Capital. We recently returned an additional $350 million of capital (the "Return of Capital") to the Investors as a result of improved operating results, excess liquidity and the implementation of the Restructuring Plan. The Return of Capital was funded out of our excess cash balance and not from the incurrence of additional debt. We obtained an amendment to our credit agreement to provide for the Return of Capital.

Warner Music Group was incorporated under Delaware law on November 20, 2003. Our principal executive offices are located at 75 Rockefeller Plaza, New York, NY 10019. Our telephone number is (212) 275-2000.

Summary of the Terms of Exchange Offers

On April 8, 2004, Warner Music Group completed a private offering of the outstanding notes. References to the "notes" in this prospectus are references to both the outstanding notes and the exchange notes offered hereby. In addition, we sometimes refer in this prospectus to the notes denominated in U.S. dollars as the "dollar notes" and the notes denominated in pounds sterling as the "sterling notes."

General	In connection with the private offering, we entered into a registration rights agreement with the initial purchasers of the outstanding notes in which we and the guarantors agreed, among other things, to deliver this prospectus to you and to use our reasonable best efforts complete the exchange offers for the outstanding notes within 360 days after the date of issuance of the outstanding notes.
	You are entitled to exchange in the exchange offers your outstanding notes for exchange notes, which are identical in all material respects to the outstanding notes except:
	• the exchange notes have been registered under the Securities Act of 1933, as amended, which we refer to as the "Securities Act";
	• the exchange notes are not entitled to certain registration rights which are applicable to the outstanding notes under the registration rights agreement; and
	• certain additional interest rate provisions are no longer applicable.
The Exchange Offers	We are offering to exchange up to:
	• $465,000,000 aggregate principal amount of our $7^{3}/_{8}$% Senior Subordinated Notes due 2014, which have been registered under the Securities Act, for a like aggregate principal amount of the outstanding $7^{3}/_{8}$% Senior Subordinated Notes due 2014; and
	• £100,000,000 aggregate principal amount of $8^{1}/_{8}$% Senior Subordinated Notes due 2014, which have been registered under the Securities Act, for a like aggregate principal amount of the outstanding $8^{1}/_{8}$% Senior Subordinated Notes due 2014.
	You may only exchange outstanding notes in denominations of $5,000 and integral multiples of $1,000 in the case of the outstanding dollar notes and denominations of £5,000 and integral multiples of £1,000 in the case of the outstanding sterling notes.
	Subject to the satisfaction or waiver of specified conditions, we will exchange the exchange notes for all outstanding notes that are validly tendered and not validly withdrawn prior to the expiration of the applicable exchange offer. We will cause the applicable exchange to be effected promptly after the expiration of the applicable exchange offer.

	Upon completion of the applicable exchange offer, there may be no market for the applicable outstanding notes and you may have difficulty selling them.
Resales	Based on interpretations by the staff of the Securities and Exchange Commission, or the "SEC", set forth in no-action letters issued to third parties referred to below, we believe that you may resell or otherwise transfer exchange notes issued in the exchange offers without complying with the registration and prospectus delivery requirements of the Securities Act, if: (1) you are acquiring the exchange notes in the ordinary course of your business. (2) you do not have an arrangement or understanding with any person to participate in a distribution of the exchange notes; (3) you are not an "affiliate" of Warner Music Group within the meaning of Rule 405 under the Securities Act; and (4) you are not engaged in, and do not intend to engage in, a distribution of the exchange notes.
	If you are not acquiring the exchange notes in the ordinary course of your business, or if you are engaging in, intend to engage in, or have any arrangement or understanding with any person to participate in, a distribution of the exchange notes, or if you are an affiliate of Warner Music Group, then: (1) you cannot rely on the position of the staff of the SEC enunciated in Morgan Stanley & Co., Inc. (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* dated July 2, 1993, or similar no-action letters; and (2) in the absence of an exception from the position of the SEC stated in (1) above, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale or other transfer of the exchange notes.
	If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making or other trading activities, you must acknowledge that you will deliver a prospectus, as required by law, in connection with any resale or other transfer of the exchange notes that you receive in either exchange offer. See "Plan of Distribution."
Expiration Dates	Each exchange offer will expire at 12:00 a.m. midnight, New York City time, on •, 2005, unless extended by us. We do not currently intend to extend the expiration date of either exchange offer.
Withdrawal	You may withdraw the tender of your outstanding notes at any time prior to the expiration date of the applicable exchange offer. We will return to you any of your outstanding notes that are not accepted for any reason for exchange, without expense to you, promptly after the expiration or termination of the applicable exchange offer.

Interest on the Exchange Notes and the Outstanding Notes	Each exchange dollar note and each exchange sterling note will bear interest at the applicable rate per annum set forth on the cover page of this prospectus from the most recent date to which interest has been paid on the outstanding dollar notes or outstanding dollar or outstanding sterling notes, as the case may be or, if no interest has been paid on the outstanding dollar notes or outstanding sterling notes, as the case may be, from April 8, 2004. The interest will be payable semi-annually on each April 15 and October 15, beginning October 15, 2004. No interest will be paid on outstanding notes following their acceptance for exchange.
Conditions to the Exchange Offers	Each exchange offer is subject to customary conditions, which we may assert or waive. See "The Exchange Offers—Conditions to the Exchange Offers."
Procedures for Tendering Outstanding Notes	If you wish to participate in any of the exchange offers, you must complete, sign and date the applicable accompanying letter of transmittal, or a facsimile of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, or a facsimile of the letter of transmittal, together with the outstanding notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal. If you hold outstanding dollar notes through The Depository Trust Company, or "DTC", and wish to participate in the exchange offer for the outstanding dollar notes, you must comply with the Automated Tender Offer Program procedures of DTC, and, if you hold outstanding sterling notes through Euroclear Bank S.A./N.V. ("Euroclear") or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and wish to participate in the exchange offer for the outstanding sterling notes, you must comply with the procedures of Euroclear or Clearstream, Luxembourg, as applicable, in each case, by which you will agree to be bound by the letter of transmittal. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:
	(1) you are acquiring the exchange notes in the ordinary course of your business;
	(2) you do not have an arrangement or understanding with any person to participate in a distribution of the exchange notes;
	(3) you are not an "affiliate" of Warner Music Group within the meaning of Rule 405 under the Securities Act; and

	(4) you are not engaged in, and do not intend to engage in, a distribution of the exchange notes.
	If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making or other trading activities, you must represent to us that you will deliver a prospectus, as required by law, in connection with any resale or other transfer of such exchange notes.
	If you are not acquiring the exchange notes in the ordinary course of your business, or if you are engaged in, or intend to engage in, or have an arrangement or understanding with any person to participate in, a distribution of the exchange notes, or if you are an affiliate of Warner Music Group, then you cannot rely on the applicable positions and interpretations of the staff of the SEC and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale or other transfer of the exchange notes.
Special Procedures for Beneficial Owners	If you are a beneficial owner of outstanding notes that are held in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender those outstanding notes in the exchange offers, you should contact such person promptly and instruct such person to tender those outstanding notes on your behalf.
Guaranteed Delivery Procedures	If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal and any other documents required by the letter of transmittal or you cannot comply with the DTC procedures for book-entry transfer or the procedures of Euroclear or Clearstream, Luxembourg, as applicable, prior to the expiration date, then you must tender your outstanding notes according to the guaranteed delivery procedures set forth in this prospectus under "The Exchange Offers—Guaranteed Delivery Procedures."
Effect on Holders of Outstanding Notes	In connection with the sale of the outstanding notes, we entered into a registration rights agreement with the initial purchasers of the outstanding notes that grants the holders of outstanding notes registration rights. By making the exchange offers, we will have fulfilled most of our obligations under the registration rights agreement. Accordingly, we will not be obligated to pay additional interest as described in the registration rights agreement. If you do not tender your outstanding notes in the exchange offers, you will continue to be entitled to all the rights and limitations applicable to the outstanding notes as set forth in the indenture, except we will not have any further obligation to you to provide for the registration of the outstanding notes under the registration rights agreement and we will not be obligated to pay additional interest as described in the registration rights agreement, except in certain limited circumstances. See "Exchange Offers; Registration Rights."

	To the extent that outstanding dollar notes or outstanding sterling notes are tendered and accepted in the exchange offers, the trading market for outstanding dollar notes or outstanding sterling notes, as the case may be, could be adversely affected.
Consequences of Failure to Exchange	All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the applicable outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently anticipate that we will register the outstanding notes under the Securities Act.
Material Income Tax Considerations	The exchange of outstanding notes for exchange notes in the exchange offers will not be a taxable event for United Stated federal income tax purposes. See "Material U.S. Federal Income Tax Consequences."
Use of Proceeds	We will not receive any cash proceeds from the issuance of exchange notes in either exchange offer.
Exchange Agent	Wells Fargo Bank, National Association, whose addresses and telephone numbers are set forth in the section captioned "The Exchange Offers—Exchange Agent" of this prospectus, is the exchange agent for both exchange offers.

Summary of the Terms of the Exchange Notes

In this prospectus, the terms "outstanding dollar notes" and "outstanding sterling notes" refer to the 7 3/8% senior subordinated notes due 2014 denominated in U.S. dollars and the 8 1/8% senior subordinated notes due 2014 denominated in pounds sterling, respectively, each issued in the private offering; the terms "exchange dollar notes" and "exchange sterling notes" refer to the 7 3/8% senior subordinated notes due 2014 denominated in U.S. dollars and the 8 1/8% senior subordinated notes due 2014 denominated in pounds sterling, each as registered under the Securities Act of 1933, as amended (the "Securities Act"), respectively; the term "outstanding notes" refers to the outstanding dollar notes and outstanding sterling notes, and the term "exchange notes" refers to the exchange dollar notes and exchange sterling notes; and the term "notes" refers to both the outstanding notes and the exchange notes. The terms of the exchange notes are identical in all material respects to the terms of the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement. The exchange notes will evidence the same debt as the outstanding notes. The exchange notes will be governed by the same indenture under which the outstanding notes were issued, and the exchange notes and the outstanding notes will constitute a single class and series of notes for all purposes under the indenture. The following summary is not intended to be a complete description of the terms of the notes. For a more detailed description of the notes, see "Description of Notes."

Issuer	Warner Music Group
Notes Offered	$465,000,000 aggregate principal amount of 7 3/8% Senior Subordinated Notes due 2014; and £100,000,000 aggregate principal amount of 8 1/8% Senior Subordinated Notes due 2014.
Maturity	April 15, 2014.
Interest Rate	Dollar notes: 7 3/8% per annum (calculated using a 360-day year). Sterling notes: 8 1/8% per annum (calculated using a 360-day year).
Interest Payment Dates	April 15 and October 15, beginning on October 15, 2004.
Ranking	The outstanding notes are, and the exchange notes will be, our unsecured senior subordinated obligations and:
	• rank junior to our existing and future senior debt, including obligations under our senior secured credit facility;
	• rank equally in right of payment with all of our future senior subordinated debt;
	• be effectively subordinated in right of payment to all of our existing and future secured debt (including obligations under our senior secured credit facility), to the extent of the value of the assets securing such debt, and be structurally subordinated to all obligations of each of our subsidiaries that are not guarantors; and
	• rank senior in right of payment to all of our future subordinated debt.
	Similarly, the subsidiary guarantees with respect to the outstanding notes are, and the subsidiary guarantees with respect to the exchange notes will be, senior subordinated unsecured obligations of the guarantors and:

	• rank junior in right of payment to all of the applicable guarantors' existing and future senior debt, including the applicable guarantor's guarantee under our senior secured credit facility; • rank equally in right of payment with all of the applicable guarantors' future senior subordinated debt; • be effectively subordinated in right of payment to all of the applicable guarantors' existing and future secured debt (including the applicable guarantor's guarantee under our senior secured credit facility), to the extent of the value of the assets securing such debt, and be structurally subordinated to all obligations of any subsidiary of a guarantor if that subsidiary is not a guarantor; and • rank senior in right of payment to all of the applicable guarantors' future subordinated debt.
	As of September 30, 2004, we had $1.194 billion of senior debt outstanding and an additional $250 million available under our revolving credit facility.
Guarantees	Each of our domestic, wholly owned subsidiaries that guarantees the obligations under our senior secured credit facility jointly and severally and unconditionally guarantees the outstanding notes, and will jointly and severally and unconditionally guarantee the exchange notes, on an unsecured, senior subordinated basis.
Optional Redemption	Prior to April 15, 2009, Warner Music Group may redeem some or all of the notes at a price equal to 100% of the principal amount of the notes plus a "make-whole" premium as set forth under "Description of Notes—Optional Redemption." Additionally, Warner Music Group may redeem the notes, in whole or in part, at any time on or after April 15, 2009 at the redemption prices set forth under "Description of Notes—Optional Redemption."
Optional Redemption After Certain Equity Offerings	At any time (which may be more than once) before April 15, 2007, we may choose to redeem up to 35% of each of the dollar notes and the sterling notes with proceeds that we or one of our parent companies raises in one or more equity offerings, so long as: • Warner Music Group pays 107.375% of the face amount of the dollar notes and 108.125% of the face amount of the sterling notes, in each case, plus accrued and unpaid interest; • Warner Music Group redeems the notes within 90 days of completing the equity offering; and

	• at least 65% of the aggregate principal amount of the applicable series of notes issued remains outstanding afterwards.
	See "Description of Notes—Optional Redemption."
Change of Control Offer	Upon the occurrence of a change in control, you will have the right, as holders of the notes, to require Warner Music Group to repurchase some or all of your notes at 101% of their face amount, plus accrued interest. See "Description of Notes—Change of Control."
	Warner Music Group may not be able to pay you the required price for notes you present to it at the time of a change of control, because:
	• Warner Music Group may not have enough funds at that time; or
	• terms of our senior debt may prevent us from paying.
Asset Sale Proceeds	If we or our restricted subsidiaries engage in asset sales, we generally must either invest the net cash proceeds from such sales in our business within a period of time, prepay senior debt or make an offer to purchase a principal amount of the notes equal to the excess net cash proceeds. The purchase price of the notes will be 100% of their principal amount, plus accrued and unpaid interest.
Certain Indenture Provisions	The indenture governing the notes contains covenants limiting our ability and the ability of most or all of our subsidiaries to:
	• incur additional debt or issue certain preferred shares;
	• pay dividends on or make distributions in respect of our capital stock or make other restricted payments;
	• make certain investments;
	• sell certain assets;
	• create liens on certain debt without securing the notes;
	• 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.
	These covenants are subject to a number of important limitations and exceptions. See "Description of Notes."
Absence of Public Market	The exchange notes will generally be freely transferable (subject to certain restrictions discussed in "Exchange Offers; Registration Rights") but will be a new issue of securities for which there will not initially be a market. Accordingly, there can be no assurance as to the development or liquidity of any market for the exchange notes. The initial purchasers in the private offering of the outstanding notes have advised us that they currently intend to make a market for the exchange notes, as permitted by applicable laws and regulations. However, they are not obligated to do so and may discontinue any such market making activities at any time without notice. We do not intend to apply for a listing of the exchange dollar notes on any securities exchange or automated dealer quotation system. Application has been made to list the sterling notes on the Luxembourg Stock Exchange, as noted below.

Listing	Application has been made to list the sterling exchange notes on the Luxembourg Stock Exchange. As noted above, we do not intend to apply for a listing of the exchange dollar notes on any securities exchange or automated dealer quotation system.
Use of Proceeds	We will not receive any cash proceeds from the exchange offers. For a description of the use of proceeds from the private offering of the outstanding notes, see "Use of Proceeds".
Risk Factors	See "Risk Factors" for a description of some of the risks you should consider before deciding to participate in either exchange offer.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OTHER DATA

The following table sets forth our summary historical and pro forma financial and other data as of the dates and for the periods indicated. Our summary balance sheet data as of September 30, 2004 and November 30, 2003 and the statement of operations and other data for each of (i) the seven months ended September 30, 2004, (ii) the three months ended February 29, 2004, (iii) the ten months ended September 30, 2003 and (iv) the years ended November 30, 2003 and 2002 have been derived from our audited financial statements included elsewhere in this prospectus. The balance sheet data as of November 30, 2002 are derived from our audited financial statements that are not included in this prospectus. Our summary historical balance sheet data as of the ten months ended September 30, 2003 and our summary historical financial data as of and for each of the two years ended November 30, 2001 and 2000 have been derived from our unaudited financial statements that are not included in this prospectus.

The comparability of our summary historical financial data has been affected by a number of significant events and transactions. These include the Acquisition (as defined below) in 2004, a related change in our fiscal year to September 30 from November 30, which was enacted in 2004, and the acquisition of Time Warner by AOL in 2001 (the "AOL Time Warner Merger"). Due to the change in our year end, financial information for 2004 is a transition period and reflects a shortened ten-month period ended September 30, 2004. This period is also separated into two pre-acquisition and post-acquisition periods as a result of the change in accounting basis that occurred relating to the Acquisition. For all periods prior to the Acquisition, the music and publishing businesses formerly owned by Time Warner are referred to as "Old WMG" or the "Predecessor." For all periods subsequent to the Acquisition, the business is referred to as the "Company" or the "Successor." In addition, summary historical financial data for 2000 does not reflect the pushdown of a portion of the purchase price relating to the AOL Time Warner Merger that occurred in 2001 to our financial statements.

Our summary unaudited pro forma financial data for the twelve months ended September 30, 2004 give effect, in the manner described under "Pro Forma Consolidated Condensed Financial Statements" and the notes thereto, to (i) the acquisition of the business by Warner Music Group effective as of March 1, 2004 (the "Acquisition") and the borrowings under our senior secured credit facility and bridge loan and an initial capital investment by the Investors (the "Original Financing"), (ii) the use of the proceeds from the issuance of the notes, additional borrowings under the senior secured credit facility and cash on hand to repay or return certain amounts incurred in connection with the Original Financing (the "Refinancing"), and (iii) our CD and DVD manufacturing, packaging and physical distribution agreements (the "Cinram Agreements") with Cinram, as if they all occurred as of October 1, 2003 and (iv) the Return of Capital as if it occurred as of September 30, 2004. The summary pro forma financial data are presented for informational purposes only and are not necessarily indicative of our financial position or results of operations that would have occurred had the transactions been consummated as of the dates indicated. In addition, the summary pro forma combined financial data are not necessarily indicative of our future financial condition or operating results.

You should read the information contained in this table in conjunction with "Pro Forma Consolidated Condensed Financial Statements," "Selected Historical Consolidated Financial and Other Data," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "The Transactions" and our historical financial statements and the accompanying notes thereto included elsewhere in this prospectus.

	Historical							Pro Forma
	Predecessor						Successor	
	Fiscal Years Ended November 30,				Ten Months Ended September 30, 2003	Three Months Ended February 29, 2004	Seven Months Ended September 30, 2004	Twelve Months Ended September 30, 2004(2)
	2000	2001	2002	2003				
	(unaudited)	(unaudited)	(audited)(1)	(audited)(1)	(unaudited)	(audited)(1)	(audited)(1)	(unaudited)
	(in millions)							
Statement of Operations Data:								
Revenues	$ 3,461	$ 3,226	$ 3,290	$ 3,376	$ 2,487	$ 779	$ 1,769	$ 3,436
Cost of revenues	(1,960)	(1,731)	(1,873)	(1,940)	(1,449)	(415)	(944)	(1,843)
Selling, general and administrative expenses	(1,297)	(1,402)	(1,282)	(1,286)	(995)	(319)	(677)	(1,291)
Impairment of goodwill and other intangible assets	—	—	(1,500)	(1,019)	—	—	—	(1,019)
Depreciation and amortization	(282)	(868)	(249)	(328)	(272)	(72)	(140)	(245)
Operating income (loss)	(36)	(766)	(1,542)	(1,158)	(197)	(11)	18	(929)
Interest expense, net	(13)	(34)	(23)	(5)	(5)	(2)	(80)	(135)
Income (loss) before cumulative effect of accounting change	(408)	(910)	(1,230)	(1,353)	(239)	(32)	(104)	(848)
Net income (loss)	$ (408)	$ (910)	$ (6,026)	$ (1,353)	$ (239)	$ (32)	$ (104)	$ (848)
Segment Data:								
Revenues:								
Recorded Music	$ 2,929	$ 2,701	$ 2,752	$ 2,839	$ 2,039	$ 630	$ 1,429	N/A
Music Publishing	554	547	563	563	467	157	348	N/A
Intersegment eliminations	(22)	(22)	(25)	(26)	(19)	(8)	(8)	N/A
Total revenues	$ 3,461	$ 3,226	$ 3,290	$ 3,376	$ 2,487	$ 779	$ 1,769	$ 3,436
Operating income (loss):								
Recorded Music	$ (22)	$ (733)	$ (1,206)	$ (1,130)	$ (181)	$ (9)	$ 24	N/A
Music Publishing	47	23	(273)	23	19	17	53	N/A
Corporate expenses	(61)	(56)	(63)	(51)	(35)	(19)	(59)	N/A
Total operating income (loss)	$ (36)	$ (766)	$ (1,542)	$ (1,158)	$ (197)	$ (11)	$ 18	$ (929)
OIBDA(3):								
Recorded Music	$ 214	$ 73	$ 173	$ 116	$ 8	$ 38	$ 120	N/A
Music Publishing	91	81	88	107	88	38	87	N/A
Corporate expenses	(59)	(52)	(54)	(34)	(21)	(15)	(49)	N/A
Total OIBDA(3)	$ 246	$ 102	$ 207	$ 189	$ 75	$ 61	$ 158	$ 335
Cash Flow Data:								
Cash flows provided by (used in):								
Operating activities	$ 75	$ (122)	$ (13)	$ 278	$ 257	$ 321	$ 86	N/A
Investing activities	(153)	(175)	(365)	(65)	(73)	14	(2,663)	N/A
Financing activities	61	227	385	(121)	(151)	(10)	2,661	N/A
Capital expenditures	(64)	(91)	(88)	(51)	(30)	(3)	(15)	N/A
Other Financial Data:								
Deficiency in earnings over fixed charges(4)	$ (365)	$ (1,066)	$ (1,570)	$ (1,317)	$ (268)	$ (15)	$ (74)	(1,161)
Balance Sheet Data (at period end):								
Cash and equivalents	$ 106	$ 34	$ 41	$ 144	$ 80	$ 471	$ 555	$ 213
Total assets	6,791	17,642	5,679	4,484	5,255	4,560	5,090	4,748
Total debt (including current portion of long-term debt)	102	115	101	120	115	132	1,840	1,840
Shareholder's equity	5,228	14,588	3,001	1,587	2,635	1,691	978	636

(1) Audited, except for Other Financial Data.

(2) See "Pro Forma Consolidated Condensed Financial Statements."

(3) We evaluate segment and consolidated performance based on several factors, of which the primary 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 (which we refer to as "OIBDA"). See "Use of OIBDA" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" elsewhere herein. Note that OIBDA is different from Adjusted EBITDA as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition and Liquidity—Covenant Compliance", which is presented on a consolidated and combined basis therein as a covenant compliance measure. The following is a reconciliation of operating income, which is a GAAP measure of our operating results, to OIBDA.

	Historical							Pro Forma
	Predecessor						Successor	
	Fiscal Years Ended November 30,				Ten Months Ended September 30, 2003	Three Months Ended February 29, 2004	Seven Months Ended September 30, 2004	Twelve Months Ended September 30, 2004(2)
	2000	2001	2002	2003				
	(unaudited)	(unaudited)	(audited)(1)	(audited)(1)	(unaudited)	(audited)(1)	(audited)(1)	(unaudited)
	(in millions)							
Operating income (loss)	$ (36)	$ (766)	$ (1,542)	$ (1,158)	$ (197)	$ (11)	$ 18	$ (929)
Depreciation and amortization expense	282	868	249	328	272	72	140	245
Impairment of goodwill and other intangible assets	—	—	1,500	1,019	—	—	—	1,019
OIBDA	$ 246	$ 102	$ 207	$ 189	$ 75	$ 61	$ 158	$ 335

(4) For purposes of calculating the earnings to fixed charges, earnings represent income (loss) before income taxes plus fixed charges. Fixed charges consist of interest expense and one-third of rental expense under operating leases (the portion that has been deemed by management to be representative of the interest factor). In periods where earnings were insufficient to cover fixed charges, the deficiency of earnings over fixed charges has been disclosed. Pretax earnings for 2002 and 2003 have been reduced by a $1.5 billion and $1.0 billion, respectively, non-cash charge to reduce the carrying value of our goodwill and other intangible assets. Accordingly, because this charge was non-cash, it is not indicative of our ability to cover our fixed charges with pretax earnings. Excluding the non-cash impairment charge for 2002 and 2003 on a historical basis, and the twelve months ended September 30, 2004 on a pro forma basis, would result in a deficiency of earnings over fixed charges of $70 million in 2002, $298 million in 2003 and $142 for the twelve months ended September 30, 2004. In addition, deficiency of earnings over fixed charges in each period includes significant non-cash amortization expenses on intangible assets of $178 million, $104 million, $56 million, $201 million, $242 million, $182 million, $821 million and $240 million in each of the pro forma twelve months ended September 30, 2004, the seven months ended September 30, 2004, the three months ended February 29, 2004, the ten months ended September 30, 2003 and fiscal 2003, 2002, 2001 and 2000, respectively.

RISK FACTORS

You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before participating in the exchange offers. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, you may lose all or part of your original investment.

Risks Related to the Exchange Offers

If you choose not to exchange your outstanding notes in the exchange offers, the transfer restrictions currently applicable to your outstanding notes will remain in force and the market price of your outstanding notes could decline.

If you do not exchange your outstanding notes for exchange notes in the applicable exchange offer, then you will continue to be subject to the transfer restrictions on the applicable outstanding notes as set forth in the offering memorandum distributed in connection with the private offering of the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act. You should refer to "Prospectus Summary—Summary of the Terms of the Exchange Offers" and "The Exchange Offers" for information about how to tender your outstanding notes.

The tender of outstanding notes under the exchange offers will reduce the principal amount of the outstanding notes outstanding, which may have an adverse effect upon and increase the volatility of, the market price of the outstanding notes due to reduction in liquidity.

As a result of the exchange offers, increased costs associated with corporate governance compliance may significantly affect our results of operations.

The Sarbanes-Oxley Act of 2002 will require changes in some of our corporate governance and securities disclosure and compliance practices, and will require a review of our internal control procedures. We expect these developments to increase our legal compliance and financial reporting costs. These developments could also make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur higher costs to obtain coverage. In addition, they could make it more difficult for us to attract and retain qualified members of our board of directors, or qualified executive officers. We are presently evaluating and monitoring regulatory developments and cannot estimate the timing or magnitude or additional costs we may incur as a result.

Our internal controls over financial reporting may not be adequate and our independent auditors may not be able to certify as to their adequacy, which could have a significant and adverse effect on our business and reputation.

We are evaluating our internal controls over financial reporting in order to allow management to report on, and our independent auditors to attest to, our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 and rules and regulations of the Securities and Exchange Commission thereunder, which we refer to as Section 404. We are currently operating with an acting chief financial officer while we conduct a search to fill the position on a permanent basis. We do not currently have a permanent chief financial officer to oversee this process or to ensure that the internal controls are or will be sufficient. We are currently performing the system and process evaluation and testing required (and any necessary remediation) in an effort to comply with

management certification and auditor attestation requirements of Section 404. In the course of our ongoing evaluation, we have identified areas of our internal controls requiring improvement, and plan to design enhanced processes and controls to address these and any other issues that might be identified through this review. As a result, we expect to incur additional expenses and diversion of management's time. We cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations and may not have a permanent chief financial officer to ensure that the process is effective or that the internal controls are or will be sufficient. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent auditors may not be able to certify as to the adequacy of our internal control over financial reporting and we may be subject to sanctions or investigation by regulatory authorities, such as the Securities and Exchange Commission. As a result, there could be an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, we may be required to incur costs in improving our internal control system and the hiring of additional personnel. Any such action could adversely affect our results.

Our outside auditors have identified weaknesses in our internal controls that could affect our ability to ensure timely and reliable financial reports.

In addition to our evaluation of internal controls under Section 404 of the Sarbanes-Oxley Act and any areas requiring improvement that we identify as part of that process, in connection with our most recent audit, our outside auditors identified a number of significant deficiencies that together constitute material weaknesses in our internal controls. A material weakness, as defined by the PCAOB, is a significant deficiency that by itself, or in combination with other significant deficiencies, results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

During the transition from a subsidiary of a multinational company to a stand alone entity, our outside auditors advised the audit committee of our board of directors and our management that numerous entity level controls were limited or not in place, including the need for additional skilled accounting and SEC experienced personnel to enhance the accounting department both domestically and internationally, the need to develop a tax group, the need to establish our own internal audit department, the need to considerably enhance our documentation of our systems and controls, and the need to develop and implement a formal code of conduct. In addition, our outside auditors noted that our domestic operations currently use different royalty systems, which has created certain complexities in reconciling royalty expense and payables. While we recognize that additional staff is needed to cope with current requirements in royalty processing until a new system can be developed, we may not be able to hire and train additional staff. Finally, our auditors noted that our overall controls at our print business are significantly deficient.

We have already taken a number of actions to begin to address the items identified including:

- conducting an ongoing search for a permanent chief financial officer;
- recently establishing an audit committee;
- outsourcing our internal audit functions;
- hiring external resources to lead our Section 404 evaluation efforts;
- hiring outside consultants to assist in the review of our current code of conduct and to assist in the implementation of a new code of conduct;
- hiring additional outside resources to assist our internal personnel with royalties accounting and SEC reporting;

- hiring a director of taxation and other tax department members; and

- entering into a joint venture with Universal Music Group, Exigen Group and Lightspeed Venture Partners to build a new uniform royalty system for all U.S. operations.

While we have begun to take actions to address the items identified, additional measures will be necessary and these measures along with other measures we expect to take to improve our internal controls may not be sufficient to address the issues identified by our outside auditors or ensure that our internal controls are sufficient. As a result of the presence of these material weaknesses, we believe there is risk that we may not be in compliance with Section 404 in a timely manner and that we might be unable to provide reliable and timely financial reports. An inability to provide reliable and timely financial reports could have a material adverse effect on our business and prospects.

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.

Illegal downloading of music from the Internet, 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 DVD-Audio, DualDisc and downloadable digital files are thought to represent potential new avenues for growth, no significant new legitimate audio format has yet emerged to take the place of the CD. The value of worldwide sales fell as the music industry witnessed a decline of 4.9% from 1999 to 2000, 5.7% from 2000 to 2001, 6.7% from 2001 to 2002 and 7.6% from 2002 to 2003. Although we believe that the recorded music industry should continue to improve as evidenced by the year-over-year growth in U.S. music physical unit sales year-to-date through November 2004 and the improved first-half performance in physical music unit sales globally in 2004, the industry may relapse into a period of decline as witnessed from 1999 to 2003 and we cannot assure you as to the timing or the extent of any improvement in the industry or that the evidence of improvement in 2004 based upon U.S. sales through November 2004 and global sales in the first half of 2004 will continue. 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, primarily from the sale of music in CD and other recorded music formats.

There may be downward pressure on our pricing and our profit margins.

There are a variety of factors which could cause us to reduce our prices and erode our profit margins. They are, among others, increased price competition among record companies resulting from the Universal and Sony BMG recorded music duopoly, price competition from the sale of motion pictures in DVD-Video format and videogames, the ever greater price negotiating leverage of mass merchandisers and big box retailers, 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 the adoption by record companies of initially lower-margin formats such as DualDisc and DVD-Audio. See "Risk Factors—We may be materially and adversely affected by the formation of Sony BMG Music Entertainment."

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 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 under terms that are economically attractive to us. Our competitive position is dependent on our continuing ability to attract and develop talent 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 and songwriters 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 general economic and retail environment of the countries in which we operate, 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 create unauthorized copies of our recordings in the form of, for example, CDs and MP3 files. A substantial portion of our revenue comes from the sale of audio products that are potentially subject to unauthorized consumer copying and widespread dissemination on the Internet without an economic return to us. We are working to control this problem through litigation, by lobbying governments for new, stronger copyright protection laws and more stringent enforcement of current laws and by establishing legitimate new media business models. We cannot give any assurances that such measures will be effective. For instance, the Inducing Infringement of Copyrights Act of 2004 introduced in the Senate on June 22, 2004 will not be enacted in 2004. 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, such as in the recent file-sharing cases in the U.S. and Canada, Metro-Goldwyn-Mayer Studios, Inc. *et al* vs. Grokster Ltd. *et al*, and BMG Canada Inc. *et al* vs. John Doe *et al*, respectively), 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 entertainment-related products or services, our results of operations, financial position and prospects may suffer. However, in December 2004 the U.S. Supreme Court agreed to review the decision of the U.S. Court of Appeals for the 9th Circuit Circuit in the Grokster case. The issue to be decided by the Supreme Court is the liability of file sharing software developers and vendors for the copyright infringement that takes place on their services. Both the district court and the Ninth Circuit had found that Grokster and Streamcast could not be found contributorily and vicariously liable for the copyright infringement committed by the users of their services.

Organized industrial piracy may lead to decreased sales.

The global organized commercial pirate trade is a significant threat to the music industry. Worldwide, industrial pirated music (which encompasses unauthorized physical copies manufactured for

sale but does not include Internet downloads or home CD burning) is estimated to have generated over $4.5 billion in revenues in 2003, according to IFPI. IFPI estimates that 1.7 billion pirated units were manufactured in 2003. According to IFPI estimates, approximately 35% of all music CDs sold worldwide in 2003 were pirated. Unauthorized copies and piracy 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.

Our Restructuring Plan may not be successful and may adversely affect our business.

The scope of our Restructuring Plan is broad and significant and may cause losses to our business that we cannot predict. At the time of the consummation of the offering of our outstanding notes, we had identified up to $277 million of annualized cost savings to be achieved within 18 months and had identified approximately $310 million of associated restructuring charges. Although we now expect to achieve annualized cost savings of more than $250 million by May, 2005 and expect the actual charges to be between $225 million and $250 million, we cannot assure you that:

- we will actually achieve all such identified savings;
- we will implement all measures needed to achieve such savings;
- the costs to implement our Restructuring Plan will not exceed our identified costs due to, among other things, higher than expected costs related to staff reductions or consolidation of our operations; and
- any identified savings will be achieved in a timely fashion.

Following our restructuring, we believe we can generate more profitable revenue, but there can be no guarantees that this will occur. The primary challenge we face in realizing the cost savings in our Restructuring Plan is avoiding increased costs required to support our ongoing operations. Specifically, a variety of factors could cause us not to achieve the benefits of the restructuring, or could result in harm to our business, including, among others, the following:

- higher than expected retention costs for employees that will be retained;
- delays in the anticipated timing of activities related to our Restructuring Plan;
- increased operating costs or other unexpected costs associated with supporting the business and meeting financial objectives such as revenue growth;
- loss of revenues and market share due to, among other things, a diminished ability to attract and hire desirable talent;
- unexpected loss of artists or key employees; and
- loss of revenues and market share due to, among other things, a lack of sufficient resources to promote records and albums, and a lack of sufficient resources to attract new artists.

If we fail to successfully implement the remainder of the Restructuring Plan, including our cost-saving measures, our results of operations and financial position may suffer. In addition, we cannot predict the extent to which our Restructuring Plan may adversely affect our business.

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

Our business is highly dependent upon intellectual property, a field that has encountered increasing 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.

The recorded music industry is under investigation by Eliot Spitzer, the Attorney General for the State of New York, regarding its practices in promoting its records to radio stations.

On September 7, 2004 and November 22, 2004, Eliot Spitzer, the Attorney General of the State of New York, served Warner Music Group with requests for information in the form of subpoenas duces tecum in connection with an industry-wide investigation of the relationship between music companies and radio stations, including the use of independent promoters. In response to the Attorney General's subpoenas, we have commenced the production of documents. The investigation is pursuant to New York Executive Law §63(12) and New York General Business Law §349, both of which are consumer fraud statutes. It is too soon to predict the outcome of this investigation but it has the potential to result in changes in the manner in which the recorded music industry promotes its records or financial penalties, which could 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, 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 timing of the release of 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.

Our operating results fluctuate on a seasonal and quarterly basis, and, in the event we do not generate sufficient net sales in our first fiscal quarter, we may not be able to meet our debt service and other obligations, including those under the notes.

Our business is seasonal. For the twelve months ended September 30, 2004, we derived approximately 83% of our revenues from our Recorded Music business. In the recorded music business, purchases are heavily weighted towards the last three months of the calendar year which represents our first quarter under our new September 30 fiscal year. Historically, we have realized greater than 35% of recorded music net sales worldwide during the last three months of the calendar year, making those three months (i.e., our new first fiscal quarter) material to our full-year performance. We realized 35% of recorded music calendar year net sales during the last three months of 2003. This sales seasonality affects our operating cash flow from quarter to quarter. We cannot assure you that our recorded music net sales for the last three months of any calendar year will continue to be sufficient to meet our obligations or that they will be higher than such net sales for our other quarters. In the event we do not derive sufficient recorded music net sales in such last three months, we may not be able to meet our debt service under the notes and our other obligations.

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 artists or songwriters or to match the prices or the quality of products and services, offered by our competitors. 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 adversely affected by technological developments that facilitate the piracy of music, such as Internet peer-to-peer file-sharing and CD-R activity; by its inability to enforce our intellectual property rights in digital environments; and by its failure to develop a successful business model applicable to a digital online environment. It 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;
- 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.

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 to, among other things, continue to maximize the value of our music assets, significantly reduce costs to maximize flexibility and adjust to new realities of the market, continue to act to contain digital piracy and 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. The results of the 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 the 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 certain key personnel.

Our success and the success of our business units depend, in part, upon the continuing contributions of our executive officers and other key operating personnel. In addition, our future success will depend on, among other factors, our ability to attract and retain a qualified permanent chief financial officer and other qualified operating personnel, many of whom maintain our relationships with key artists. The loss of the services of any of our key employees or the failure to attract other qualified personnel could have a material adverse effect on our business or our business prospects. See "Management."

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 the Internet and wireless as a sales distribution channel and believe that the development of legitimate channels for digital music distribution holds promise for us in the future. However, legitimate channels for digital distribution are a recent development and we cannot predict their impact on our business. Any legitimate digital distribution channel that does develop may result in lower or less profitable sales for us than comparable physical sales. In addition, if piracy continues unabated and legitimate digital distribution channels fail to gain consumer acceptance, our results of operations could be harmed.

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, 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 industry negotiations contemplated by the U.S. Copyright Act 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. The German IFPI group has filed a petition with the Arbitration Board of the German Patent and Trademark Office for the reduction of the current royalty rate for licensing compact discs from 9.01% of the Published Price for Dealers (PPD) to 5.57%. If the German IFPI group succeeds or other record companies or recorded music industry groups take similar positions in other countries and succeed, this could result in a significant loss of revenues for our Music Publishing business.

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.

In addition, to the extent that we incur expenses that are not denominated in the same currency as the related revenues, exchange rate fluctuations could cause our expenses to increase as a percentage of net sales affecting our profitability and cash flows. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk Management."

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 California to repeal Subsection (b) and then withdrawn. Legislation was introduced in New York to create a statute similar to Section 2855, which did not advance. There is no assurance that New York, California or any other state will not reintroduce or introduce similar legislation in the future. 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 licenses or assignments of rights in their copyrighted works. This right does not apply to works that are "works made for hire". Since the effective date of U.S. copyrightability for sound recordings (February 15, 1972), virtually all of our agreements with recording artists provide that such recording artists render

services under an employment-for-hire relationship. A termination right exists under the U.S. Copyright Act for musical compositions that are not "works made for hire". If any of our commercially available recordings were determined not to be "works made for hire", then the recording artists (or their heirs) could have the right to terminate the rights they granted to us, generally during a five-year period starting at the end of 35 years from the date of 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 either at the end of 56 years from the date of copyright or on January 1, 1978, whichever is later). A termination of rights could have an adverse effect on our Recorded Music business. From time to time, authors (or their heirs) can terminate our rights in such 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. 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 artists or songwriters from our rosters. 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 creditworthiness or that they will meet our strategic objectives or otherwise be successful. Failure to effectively manage any of these transactions could result in material increases in costs or reductions in expected revenues, or both.

We are controlled by entities that may have conflicts of interest with us or you in the future.

The Investors control virtually all of our capital stock on a fully diluted basis. As a result, the Investors have the ability to control our policies and operations including the appointment of management and the entering into of mergers, acquisitions, sales of assets, divestitures and other extraordinary transactions. For example, the Investors could cause us to make acquisitions that increase the amount of indebtedness that is secured or senior to the notes or sell revenue-generating assets, impairing our ability to make payments under the notes. Additionally, the Investors are 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 Investors 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 Investors continue to own a significant amount of the equity of our parent, WMG Holdings Corp., or Holdings, even if such amount is less than 50%, they will continue to be able to strongly influence or effectively control our decisions. In addition, under certain circumstances, Time Warner, through its ownership of the warrants (as described below in "The Transactions—Warrants"), may also become a significant shareholder, which could impede our ability to pursue mergers and acquisitions, joint ventures and other arrangements.

Our reliance on one company for the manufacturing, packaging and physical distribution of our products in North America and Europe could have an adverse impact on our ability to meet our manufacturing, packaging and physical distribution requirements.

Cinram is currently our exclusive supplier of manufacturing, packaging and physical distribution services in North America and most of Europe. Accordingly, 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, we would have difficulty satisfying our commitments to our wholesale and retail customers, which could have an adverse impact on our revenues. Even though our agreements with Cinram give us a right to terminate based upon failure to meet mandated service levels, and there are several capable substitute suppliers, it might be difficult 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 itself have an adverse impact on our revenues. In addition, our agreements with Cinram begin to expire in the next two years, beginning in 2006. If we are unable to negotiate renewals of these agreements we would have to switch to substitute suppliers. Further, pricing negotiated with Cinram in future agreements may be more or less favorable than the existing agreements.

We may be materially and adversely affected by the separation of our business from Time Warner.

As a result of the Acquisition, we are an independent entity. We cannot assure you that our continued steps toward separation from Time Warner will progress smoothly, which could materially and adversely impact our results. We currently rely on contractual arrangements which require Time Warner and its affiliates to provide critical transitional services and shared arrangements to us such as tax, treasury, benefits and information technology. After the expiration of these contracts, we may not be able to replace these services and arrangements in a timely manner or on terms and conditions, including service levels and cost, as favorable as those we have received from Time Warner.

We may be materially and adversely affected by the formation of Sony BMG Music Entertainment.

In August 2004 Sony Music Entertainment ("Sony") and Bertelsmann Music Group ("BMG") merged their recorded music businesses to form Sony BMG Music Entertainment ("Sony BMG"). As a result, the recorded music market now consists of four major players (Universal, Sony BMG, EMI Recorded Music ("EMI") and us) rather than five (Universal, Sony, BMG, EMI and us). Prior to the formation of Sony BMG there was one disproportionately large major, Universal, with approximately 25% market share, and four other majors relatively equal in size with market shares ranging between 11% and 14%. Now there are two majors with 25% to 30% market shares, Universal and Sony BMG, and two significantly smaller majors, EMI and us. There is a threat that the change in the competitive landscape caused by the new Universal and Sony BMG duopoly could drive up the costs of artist signings and the costs of marketing and promoting records to our detriment.

Risks Related to the Notes

Our substantial leverage 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 the notes.

We are highly leveraged. As of September 30, 2004, our total indebtedness was $1.84 billion, including the notes. We have an additional $250 million available for borrowing under the revolving portion of our senior secured credit facilities. See "Capitalization" for additional information.

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

- making it more difficult for us to make payments on the notes;
- 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 our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;

- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit facility, will be at variable rates of interest;

- limiting our ability 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 senior secured credit facility and the indenture relating to the notes. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, 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 cannot assure you that we will 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, including the notes.

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 to sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes. 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. Our senior secured credit facility and the indenture governing the notes restrict our ability to dispose of assets and use the proceeds from the disposition. 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.

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

Our senior secured credit agreement and the indenture governing the notes contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;

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

- make certain investments;

- sell certain assets;

- create liens on certain indebtedness without securing the notes;

- 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.

In addition, under the senior secured credit agreement, we are required to satisfy and maintain specified financial ratios and other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those ratios and tests. A breach of any of these covenants could result in a default under the senior secured credit agreement. Upon the occurrence of an event of default under the senior secured credit agreement, the lenders could elect to declare all amounts outstanding under the senior secured credit agreement to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under the senior secured credit agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under the senior secured credit agreement. If the lenders under the senior secured credit agreement accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay the senior secured credit agreement, as well as our unsecured indebtedness, including the notes. On December 6, 2004, we amended our senior credit facility to make certain changes. See "Description of Other Indebtedness" for a description of these changes.

Your right to receive payments on each issue of notes is effectively junior to those lenders who have a security interest in our assets.

Our obligations under the notes and our guarantors' obligations under their guarantees of the notes are unsecured, but our obligations under our senior secured credit facility and each guarantor's obligations under their respective guarantees of the senior secured credit facility are secured by a security interest in substantially all of our domestic tangible and intangible assets, including the stock of all of our wholly owned U.S. subsidiaries, and the assets and a portion of the stock of certain of our non-U.S. subsidiaries. If we are declared bankrupt or insolvent, or if we default under our senior secured credit facility, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the lenders could foreclose on the pledged assets to the exclusion of holders of the notes, even if an event of default exists under the indentures under which the notes are issued at such time. Furthermore, if the lenders foreclose and sell the pledged equity interests in any subsidiary guarantor under the notes, then that guarantor will be released from its guarantee of the notes automatically and immediately upon such sale. In any such event, because the notes are not be secured by any of our assets or the equity interests in subsidiary guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, that they might be insufficient to satisfy your claims fully. See "Description of Other Indebtedness."

As of September 30, 2004, we had $1.194 billion of senior secured indebtedness (all of which would have been indebtedness under our senior secured credit facility and which would not have included availability of $250 million under the revolving portion of senior secured credit facility). The indenture governing the notes permits the incurrence of substantial additional indebtedness by us and our restricted subsidiaries in the future, including senior secured indebtedness.

Claims of noteholders will be structurally subordinate to claims of creditors of all of our non-U.S. subsidiaries and some of our U.S. subsidiaries because they do not guarantee the notes.

The notes are not guaranteed by any of our non-U.S. subsidiaries, our less-than-wholly-owned U.S. subsidiaries or certain other U.S. subsidiaries. Accordingly, claims of holders of the notes are structurally subordinate to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. Without limiting the generality of the foregoing, claims of holders of the notes are also structurally subordinate to claims of the lenders under our senior secured credit facility to the extent of the guarantees by non-U.S. subsidiaries of the senior secured credit facility. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise to us or a guarantor of the notes.

We also have joint ventures and subsidiaries in which we own less than 100% of the equity so that, in addition to the structurally senior claims of creditors of those entities, the equity interests of our joint venture partners or other shareholders in any dividend or other distribution made by these entities would need to be satisfied on a proportionate basis with us. These joint ventures and less-than-wholly owned subsidiaries may also be subject to restrictions on their ability to distribute cash to us in their financing or other agreements, and, as a result, we may not be able to access their cash flow to service our debt obligations, including in respect of the notes.

Your right to receive payments on the notes is junior to the rights of the lenders under our senior secured credit facility and all of our other senior debt and any of our future senior indebtedness.

The notes are general unsecured obligations that are junior in right of payment to all of our existing and future senior indebtedness. As of September 30, 2004, we had approximately $1.194 billion of senior indebtedness and, as of the date hereof, no amounts outstanding under our revolving credit facility. An additional $250 million is available to be drawn under our revolving credit facility.

We may not pay principal, premium, if any, interest or other amounts on account of the notes in the event of a payment default or certain other defaults in respect of certain of our senior indebtedness, including debt under the senior secured credit facility, unless the senior indebtedness has been paid in full or the default has been cured or waived. In addition, in the event of certain other defaults with respect to the senior indebtedness, we may not be permitted to pay any amount on account of the notes for a designated period of time.

Because of the subordination provisions in the notes, in the event of our bankruptcy, liquidation or dissolution of us, our assets will not be available to pay obligations under the senior subordinated notes until we have made all payments in cash on our senior indebtedness. We cannot assure you that sufficient assets will remain after all these payments have been made to make any payments on the notes, including payments of principal or interest when due.

You may not be able to effect service of process or enforce judgments obtained against us or the subsidiary guarantors outside the U.S.

We and the subsidiary guarantors are corporate entities organized under the laws of the U.S. None of our international subsidiaries will be guarantors of the notes. A substantial portion of both our and our subsidiary guarantors' assets are located in the U.S. and, as a result, it may not be possible for investors to effect service of process or enforce judgments obtained against us or the subsidiary guarantors outside the U.S. In addition, substantially all of our directors and executive officers reside in the U.S. and all or some portion of their assets are located in the U.S. and, as a result, it may not be possible for investors to effect service of process or enforce judgments obtained against our directors and executive officers outside the U.S.

If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness, including a default under the senior secured credit agreement that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in our senior secured credit facility and our indenture), we could be in default under the terms of the agreements governing such indebtedness, including our senior secured credit facility and the indenture. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our senior secured credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our senior secured credit facility to avoid being in default. If we breach our covenants under our senior secured credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we

would be in default under our senior secured credit facility, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all outstanding notes at 101% of their principal amount plus accrued and unpaid interest. The source of funds for any such purchase of the notes will be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the notes upon a change of control because we may not have sufficient financial resources to purchase all of the notes that are tendered upon a change of control. Further, we will be contractually restricted under the terms of our senior secured credit facility from repurchasing all of the notes tendered by holders upon a change of control. Accordingly, we may not be able to satisfy our obligations to purchase the notes unless we are able to refinance or obtain waivers under our senior secured credit facility. Our failure to repurchase the notes upon a change of control would cause a default under the indentures and a cross-default under the senior secured credit facility. The senior secured credit agreement also provides that a change of control will be a default that permits lenders to accelerate the maturity of borrowings thereunder. Any of our future debt agreements may contain similar provisions.

You may face foreign exchange risks or tax consequences as a result of investing in the sterling notes.

A portion of the notes will be denominated and payable in pounds sterling. If you are a U.S. investor, an investment in the sterling notes entails foreign exchange-related risks due to, among other factors, possible significant changes in the value of the pound sterling relative to the U.S. dollar due to economic, political and other factors over which we have no control. Depreciation of the pound sterling against the U.S. dollar could cause a decrease in the effective yield of the sterling notes below their stated coupon rates and could result in a loss to you on a U.S. dollar basis. The investment in the sterling notes by U.S. investors may also have important tax consequences. See "Material U.S. Federal Income Tax Consequences."

Conversion of the pound sterling to the euro may affect your investment in the notes.

Although the U.K. government exercised its opt-out from the European Economic and Monetary Union and did not adopt the euro to replace the pound sterling, it has indicated that in the future it may adopt the euro as the currency of the U.K. Investors in the sterling notes are advised that if the euro is adopted in the U.K., the euro will replace pounds sterling as the legal tender in the U.K. and will result in the effective redenomination of the sterling notes into euros. There can be no assurance that the euro, if adopted by the U.K., will maintain its value relative to other currencies. If the euro is adopted in the U.K and if the value of the euro were to decline relative to other currencies, the value of the sterling notes (as redenominated into euros) would necessarily decline relative to such currencies.

Federal and state fraudulent transfer laws may permit a court to void the notes and the guarantees, and, if that occurs, you may not receive any payments on the notes.

The issuance of the notes and the guarantees may be subject to review under federal and state fraudulent transfer and conveyance statutes. While the relevant laws may vary from state to state, under such laws the payment of consideration will be a fraudulent conveyance if (1) Warner Music Group paid the consideration with the intent of hindering, delaying or defrauding creditors or (2) Warner Music Group or any of the guarantors, as applicable, received less than reasonably

equivalent value or fair consideration in return for issuing either the notes or a guarantee, and, in the case of (2) only, one of the following is also true:

- Warner Music Group or any of the guarantors was insolvent or rendered insolvent by reason of the incurrence of the indebtedness; or
- payment of the consideration left Warner Music Group or any of the guarantors with an unreasonably small amount of capital to carry on the business; or
- Warner Music Group or any of the guarantors intended to, or believed that it would, incur debts beyond its ability to pay as they mature.

If a court were to find that the issuance of the notes or a guarantee was a fraudulent conveyance, the court could void the payment obligations under the notes or such guarantee or further subordinate the notes or such guarantee to presently existing and future indebtedness of Warner Music Group or such guarantor, or require the holders of the notes to repay any amounts received with respect to the notes or such guarantee. In the event of a finding that a fraudulent conveyance occurred, you may not receive any repayment on the notes. Further, the voidance of the notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of such debt.

Your ability to transfer the exchange notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the exchange notes.

The exchange notes are a new issue of securities for which there is no established public market. Although application has been made to list the exchange sterling notes on the Luxembourg Stock Exchange, we do not intend to apply for listing of the exchange dollar notes on a securities exchange. There is no guarantee that the notes will be approved for listing on the Luxembourg Stock Exchange. The initial purchasers have advised us that they intend to make a market in the exchange notes, as permitted by applicable laws and regulations; however, the initial purchasers are not obligated to make a market, and they may discontinue their market-making activities at any time without notice. Therefore, we cannot assure you that an active market for the exchange notes will develop or, if developed, that it will continue. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the exchange notes. We cannot assure you that the market, if any, for the exchange notes will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which you may sell your exchange notes. In addition, subsequent to their initial issuance, the exchange notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this prospectus, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs, savings 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. 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. Important factors that could cause actual results to differ materially from our expectations ("cautionary statements") are disclosed under "Risk Factors" and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus. As stated elsewhere in this prospectus, 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 the notes;
- 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 and Internet peer-to-peer file-sharing;
- the significant threat posed to our business and the music industry by organized industrial piracy;
- our ability to achieve the benefits of the Restructuring Plan in a timely fashion;
- the impact of the Restructuring Plan on our business (including our ability to generate revenues and attract desirable talent);
- 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;
- the seasonal and cyclical nature of recorded music sales;
- 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;
- the ability to maintain product pricing in a competitive environment;

- 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 possible unexpected loss of artists and key employees and our market share as a result of the Restructuring Plan;
- the impact of legitimate music distribution on the Internet or the introduction of other new music distribution formats;
- the impact of rate regulations on our Music Publishing business;
- 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 could impair our ability to retain the services of key artists;
- 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;
- legal or other developments related to pending litigation or the industry-wide investigation of the relationship between music companies and radio stations by the Attorney General of the State of New York;
- 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;
- the possibility that our owners' interests will conflict with ours or yours;
- our ability to act as a stand-alone company;
- increased costs and diversion of resources associated with complying with the internal control reporting or other requirements of Sarbanes-Oxley;
- weaknesses in our internal controls that could affect our ability to ensure timely and reliable financial reports;
- the effects associated with the formation of Sony BMG Music Entertainment;
- failure to attract and retain key personnel, including a permanent chief financial officer; and
- the other factors set forth under "Risk Factors."

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 prospectus and are expressly qualified in their entirety by the cautionary statements included in this prospectus. We undertake no obligation 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.

USE OF PROCEEDS

The exchange offers are intended to satisfy our obligations under the registration rights agreement that we entered into in connection with the private offering of the outstanding notes. We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offers. As consideration for issuing the exchange notes as contemplated in this prospectus, we will receive in exchange a like principal amount of outstanding notes, the terms of which are identical in all material respects to the exchange notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement. The outstanding notes that are surrendered in exchange for the exchange notes will be retired and cancelled and cannot be reissued. As a result, the issuance of the exchange notes will not result in any increase or decrease in our capitalization.

CAPITALIZATION

The following table sets forth our cash and equivalents and capitalization as of September 30, 2004 on (i) an actual basis and (ii) pro forma for the Return of Capital as if it all had occurred as of September 30, 2004. The information should be read in conjunction with "The Transactions," "Pro Forma Combined Condensed Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical combined financial statements and accompanying notes thereto appearing elsewhere in this prospectus.

	As of September 30, 2004	
	Actual	Pro Forma for Return of Capital
	(in millions)	
Cash and equivalents	$ 555	$ 213
Debt:		
Revolving credit facility(1)	—	—
Term loan	1,194	1,194
Outstanding senior subordinated notes(2)	646	646
Total debt	$ 1,840	$ 1,840
Total shareholder's equity	978	636
Total capitalization	$ 2,818	$ 2,476

(1) We currently have total availability of $250 million under our revolving portion of our senior credit facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Other Indebtedness—Senior Secured Credit Facility."

(2) Includes the U.S. dollar equivalent of the outstanding sterling notes.

THE TRANSACTIONS

The following is, among other things, a summary of the Acquisition and the material terms of the purchase agreement, dated as of November 24, 2003, as amended on March 1, 2004, between Time Warner and Warner Music Group. The following summary is qualified in its entirety by reference to the purchase agreement.

In addition to the purchase agreement, at the closing of the Acquisition, the parties entered into agreements governing certain relationships between and among the parties after the closing of the Acquisition. These agreements include a stockholders agreement, a seller services agreement, a purchaser services agreement, and a management agreement. See "Certain Relationships and Related Party Transactions" for descriptions of these agreements.

The Acquisition

On March 1, 2004, Warner Music Group, a company indirectly owned by the Investors, acquired substantially all of our business. The initial purchase price for the Acquisition was $2.595 billion (subject to customary post-closing adjustments), consisting of $2.560 billion in cash and $35 million in non-cash consideration in the form of warrants issued to Time Warner.

On November 15, 2004, we and Time Warner made certain Section 338(h)(10) elections under the Internal Revenue Code, which, for tax purposes, increased the cost basis of our assets and will allow us to deduct the associated annual depreciation and amortization expenses.

The Financing and the Refinancing

We financed the Acquisition, related fees and expenses and a portion of our identified restructuring costs through our Original Financing of (i) $1.15 billion of borrowings under the term loan portion of our senior secured credit facility, which, in addition to the term loan facility, includes a $250 million revolving credit facility, (ii) borrowings under a $500 million senior subordinated bridge loan facility and (iii) a $1.25 billion aggregate initial capital investment by the Investors. See "Description of Other Indebtedness."

For the Refinancing we applied the proceeds from the offering of the outstanding notes, an additional $50 million of borrowings under the term loan portion of our senior secured credit facility plus available cash on hand, to (i) repay all amounts outstanding under our senior subordinated bridge loan facility plus accrued and unpaid interest, (ii) return a portion of the initial capital investment by the Investors and (iii) pay fees and expenses (the Refinancing, together with the Original Financing and the Acquisition, the "Transactions").

The following table sets forth the sources and uses of funds as if the Refinancing had occurred on March 1, 2004 simultaneously with the Acquisition and the Original Financing:

Sources		Uses	
(in millions)		(in millions)	
Revolving credit facility(1)	$ —	Purchase price(2)	$ 2,606
Term loan	1,200	Purchase price adjustments(4)	(72)
Senior subordinated notes(3)	650	Interest to Time Warner(5)	26
Capital investment by the Investors	1,048	Total cash consideration(2)	2,560
		Fees and expenses(6)	200
		Cash to balance sheet	138
Total sources	$ 2,898	Total uses	$ 2,898

(1) The revolving credit facility provides for borrowings of up to $250 million.

(2) Excludes warrants issued to Time Warner valued at approximately $35 million. Total consideration includes purchase price adjustments and interest to Time Warner.

(3) Includes the U.S. dollar equivalent of the sterling notes.

(4) Approximately $67 million of the purchase price adjustments for the Acquisition relates primarily to cash that Time Warner swept from our balance sheet since December 1, 2003 (the day at which the Investors began receiving the economic benefit of our business), net of the existing cash balance as of November 30, 2003. Approximately $5 million was an adjustment for negotiations in the tax structuring process between signing and closing of the Acquisition. Pursuant to the terms of the purchase agreement between the Investors and Time Warner, the purchase consideration is subject to certain adjustments, generally based on changes in the financial position of Old WMG between the date the purchase agreement was signed and the date the transaction closed. The parties currently are in discussions over the terms of final settlement. Such changes are not expected to be material; however, the purchase price has been reduced by approximately $24 million on a preliminary basis to reflect a reimbursement by Time Warner to the Investors of a portion of the purchase consideration already agreed upon by the parties.

(5) In exchange for an arrangement in which the economic benefit of our business accrued to the Investors as of December 1, 2003, we agreed to pay interest to Time Warner on the cash purchase price between December 1, 2003 and the closing of the Acquisition.

(6) This amount includes commitment, placement, financial advisory and other transaction fees as well as legal, accounting and other professional fees.

Warrants

A portion of the consideration paid to Time Warner by Warner Music Group was in the form of warrants in WMG Parent Corp. ("Parent") and Holdings that were issued to Time Warner.

One of the warrants gives Time Warner the right to purchase approximately 19.9% of Class L common stock of Parent, 19.9% of Class A stock of Parent, without giving effect to immaterial issuances of Class A common stock of Parent to certain employees subsequent to the issuance of the warrants, and 19.9% of the preferred securities of Holdings held by the Investors calculated as of September 30, 2004 and taking into account the exercise of the warrant (the "MMT Warrants"). Time Warner may exercise its rights under the MMT Warrants (i) upon the sale to certain music companies of all or substantially all of the recorded music business or music publishing business conducted by us or the acquisition by certain music companies of 35% of the outstanding shares of Parent or Holdings;

(ii) the acquisition of all or substantially all of the recorded music business or music publishing business of certain music companies; or (iii) a merger with or the formation of a joint venture or other combination of all or substantially all of Parent or Holdings' recorded music business or music publishing business with that of certain music companies. If a definitive agreement for such a transaction is not executed by March 1, 2007, the MMT Warrants will expire. Additionally, the MMT Warrants will expire if the Three Year Warrants (defined herein) are exercised in whole or in part.

There are additional warrants (the "Three Year Warrants") that give Time Warner the right to purchase approximately 15% of Class L common stock of Parent, 15% of Class A common stock of Parent, without giving effect to immaterial issuances of Class A common stock of Parent to certain employees subsequent to the issuance of the warrants, and 19.9% of the preferred securities of Holdings held by the Investors calculated as of September 30, 2004 and taking into account the exercise of the Three Year Warrants. Time Warner may exercise its rights under the Three Year Warrants at any time after the closing of the Acquisition until the earliest of: (i) March 1, 2007; (ii) the consummation of any public equity offering that results in all of the common and preferred securities of Parent or Holdings outstanding immediately after such public offering being publicly traded; (iii) the sale for cash and/or securities of a class that is publicly traded to a third-party of a majority of the then-outstanding common and preferred securities of Parent or Holdings; and (iv) the exercise of the MMT Warrants.

Representations and Warranties; Indemnification

The purchase agreement contains customary representations and warranties of Time Warner and of Warner Music Group, including representations and warranties of Time Warner regarding organization, authorization, non-contravention, governmental consents, capital stock of the companies, subsidiaries, financial statements, absence of certain changes, no undisclosed material liabilities, material contracts, compliance with laws and court orders, litigation, title to real property, sufficiency of the acquired assets, intellectual property rights, licenses and permits, tax matters, employee plans, environmental compliance and brokers. Warner Music Group's right to obtain indemnification from Time Warner, and the right of Time Warner to obtain indemnification from Warner Music Group, for any breach of these respective representations and warranties is generally limited to an aggregate amount of losses in excess of approximately $26 million, subject to a cap equal to approximately $260 million.

Other Provisions

No-Solicit; No-Hire

Subject to certain exceptions, for two years after March 1, 2004, Time Warner and its affiliates may not solicit or employ any employee who was employed in our businesses immediately before the closing.

Employee Matters and Pension

For one year after March 1, 2004, we will provide our employees with base salary, bonus and other cash-based compensation opportunities based on targets we establish and severance benefits that are no less favorable than provided to our employees immediately prior to the acquisition. In addition, we have agreed to be responsible for funding of pension benefit obligations of up to $25 million subsequent to the date of the purchase agreement for current and former employees of the business under non-U.S.-based defined benefit pension plans maintained by Time Warner or any of its subsidiaries. We have also otherwise agreed to be responsible for any employment-related liabilities attributable to current and former employees of the business under Time Warner benefit plans other than any U.S. defined benefit pension plan, U.S. retiree medical plan, non-qualified deferred

compensation plan or severance plan covering individuals who were not employees of the business as of November 24, 2003.

Use of Names and Logos

Warner Music Group has agreed to license from two subsidiaries of Time Warner, on a royalty free basis pursuant to trademark license agreements, certain trademarks and service marks used in the business. The terms of the licenses, subject to provisions providing for termination for cause, is in perpetuity with respect to the marks WARNER, WARNER MUSIC, and a "W" logo and fifteen years with respect WARNER BROS. RECORDS, WARNER BROS. PUBLICATIONS, and WB & Shield designs.

The Investors

THL, Bain Capital and Providence Equity are three of the world's preeminent private equity investment firms. With in excess of $35 billion under management in the aggregate, THL, Bain Capital and Providence Equity have considerable investment experience and a long history of working and investing together. These firms, in particular, have a deep knowledge of the global media and entertainment industry with recent investments in media, entertainment, publishing and cable television.

In addition, Edgar Bronfman, Jr., an investor through Music Capital and our Chairman of the Board and Chief Executive Officer, has significant and directly relevant management experience in the music industry. From 1994 to 2000, Mr. Bronfman served as President and CEO of Seagram. During his tenure as CEO of Seagram, he consummated $85 billion in transactions, transformed the company into one of the world's leading media and communications companies and supervised the creation of the world's largest music company in 1998 through the merger of Universal and PolyGram.

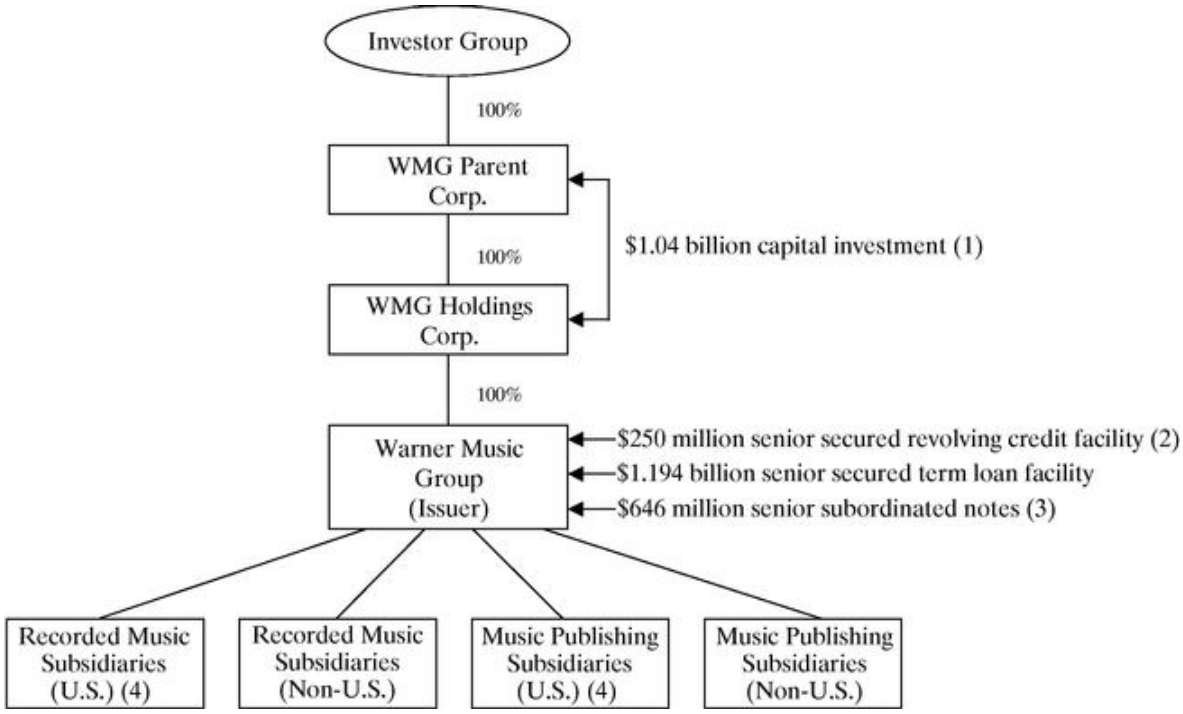
THL is a leading private equity firm founded in 1974 that currently manages several private equity funds with aggregate capital commitments of approximately $14 billion. THL has invested in more than 80 businesses and is currently investing from Thomas H. Lee Equity Fund V, an equity fund with over $6.1 billion of committed capital. Recent media-related investments include ProSiebenSAT.1 Media, the largest private television network in Germany, Houghton Mifflin Company, a leading educational publisher, American Media and TransWestern Publishing. THL has more than 20 investment professionals based in Boston.

Bain Capital is a leading global private investment firm that manages several pools of capital including private equity, venture capital, high-yield assets, mezzanine capital and public equity with over $16 billion in assets under management. Since its inception in 1984, the firm has raised seven private equity funds and made private equity investments and add-on acquisitions in over 250 companies around the world, in a variety of sectors, including media and entertainment. Recent media-related investments include ProSiebenSAT.1 Media, Houghton Mifflin Company and Artisan Entertainment. Bain Capital has more than 160 investment professionals, with its headquarters in Boston and additional offices in New York, London and Munich.

Providence Equity is one of the world's leading private investment firms specializing in equity investments in media and communications companies. The principals of Providence Equity manage funds with over $5 billion in equity commitments, including Providence Equity Partners IV, a $2.8 billion private equity fund, and have invested in more than 70 companies operating in over 20 countries since the firm's inception in 1991. Current and previous areas of investment include cable television content and distribution, wireless and wireline telephony, publishing, radio and television broadcasting and other media and communications sectors. Recent media investments include Kabel Deutschland (Germany's largest cable operator), Mountain States Cable, Casema, F&W Publications and ProSiebenSAT.1 Media.

Ownership and Corporate Structure

The chart below summarizes our ownership and corporate structure as of September 30, 2004.



(1) The $1.04 billion of capital investment includes $200 million of preferred equity securities of WMG Holdings Corp. ("Holdings") held by the Investors. After giving effect to the Return of Capital, the capital investment of the Investors is $698 million.

(2) We currently have no borrowings outstanding under the $250 million revolving portion of our senior secured credit facility.

(3) Includes the U.S. dollar equivalent of the sterling notes.

(4) Only wholly owned domestic subsidiaries that guarantee the senior secured credit facility guarantee the notes. Such guarantees are on a senior subordinated basis.

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS

The following unaudited pro forma consolidated condensed balance sheet as of September 30, 2004 gives effect to the Return of Capital as if it had occurred as of that date. All financial effects resulting from the Acquisition and the Original Financing, the Cinram Agreements and the Refinancing are already reflected in the Company's historical balance sheet as of September 30, 2004, and accordingly, no pro forma adjustments to the balance sheet are necessary.

The following unaudited pro forma consolidated condensed statement of operations for the twelve months ended September 30, 2004 gives effect to (i) the Acquisition and the Original Financing, (ii) the Cinram Agreements and (iii) the Refinancing as if they occurred as of October 1, 2003. Because we presented a shortened ten-month, transition period in the historical financial statements relating to our change in fiscal year that was enacted in 2004, the unaudited pro forma consolidated condensed statement of operations has been further adjusted to present a full consecutive twelve-month period ended September 30, 2004 in order to provide more meaningful information to the users of our financial information.

The pro forma consolidated condensed financial statements have been derived from, and should be read in conjunction with, our historical audited financial statements, including the notes thereto, included elsewhere herein. The pro forma consolidated condensed financial statements are presented for informational purposes only and are not necessarily indicative of our financial position or results of operations that would have occurred had the events been consummated as of the dates indicated. In addition, the pro forma consolidated condensed financial statements are not necessarily indicative of our future financial condition or operating results.

The Acquisition and the Original Financing

Pro forma adjustments for the Acquisition and the Original Financing reflect our purchase effective on March 1, 2004 for an aggregate purchase price of $2.649 billion, including $78 million of direct acquisition costs (excluding financing fees) and a $24 million reduction in the purchase price subsequently agreed to between the Investors and Time Warner that has yet to be settled. The consideration exchanged consisted of $2.560 billion of cash and $35 million of non-cash consideration in the form of warrants that give Time Warner the right to purchase common stock of Parent under certain conditions. The terms of the warrants are described elsewhere herein.

The cash portion of the Acquisition, including $78 million of direct acquisition costs, was financed by a $1.250 billion initial capital investment by the Investors and aggregate borrowings of $1.388 billion under the term loan portion of our senior secured credit facility and under our former senior subordinated bridge loan facility. We incurred $262 million of additional indebtedness under the term loan portion of the senior secured credit facility to pay certain financing-related fees, as well as to fund future working capital requirements that included a portion of the anticipated costs to restructure the business.

Restructuring Plan

We have conducted a detailed assessment of our existing cost structure. As a result of this assessment, we have identified substantial cost-reduction opportunities in our business, the majority of which are associated with headcount reductions from the consolidation of operations and the streamlining of corporate and label overhead. By the end of September 2004, we had implemented approximately $240 million of annualized cost savings, of which approximately $90 million has been reflected in our statement of operations through September 30, 2004. We expect to complete substantially all of our restructuring efforts by May 2005 with annualized cost savings of more than $250 million. We project the one-time costs associated with our restructuring to be $225 million to $250 million, of which approximately $105 million has been paid through September 30, 2004. Because

there are still significant risks associated with the Restructuring Plan, we have not given pro forma effect to any cost savings or incremental one-time costs that have not already been reflected in our historical financial statements. See "Risk Factors."

Purchase Price Allocation

The Acquisition was accounted for under the purchase method of accounting for business combinations. Accordingly, the estimated cost to acquire such assets was allocated to our underlying net assets in proportion to their respective fair values. Most of the valuations and other studies which provide the basis for such an allocation have been completed; however, we are still waiting for certain information in order to finalize the purchase price allocation, including a final settlement of terms with Time Warner. As more fully described in the notes to the pro forma condensed financial statements, a preliminary allocation of the excess of cost over the book value of net tangible assets has been made to identifiable intangible assets in the amounts of $1.216 billion to recorded music catalog, $808 million to music publishing copyrights, $978 million to goodwill and $110 million to trademarks.

The Cinram Agreements

Prior to the end of October 2003, we purchased manufacturing, packaging and physical distribution services from affiliates of Time Warner that were under the common control of Time Warner and our management. Pricing for such services was not negotiated on an arm's-length basis and did not reflect market rates. At the end of October 2003, Time Warner sold its CD and DVD manufacturing, packaging and physical distribution operations to Cinram. As part of the sale, we and Time Warner entered into long-term arrangements with Cinram under which Cinram provides manufacturing, packaging and physical distribution services for our products in the U.S. and Europe. Accordingly, the pro forma consolidated condensed statement of operations has been adjusted to reflect the more favorable market-based rates negotiated on an arm's-length basis under the Cinram Agreements for the October 2003 period in which the Cinram Agreements were not in effect.

The Refinancing

Pro forma adjustments for the Refinancing reflect the interest-related effects relating to the issuance of approximately $650 million principal amount of the notes, an additional $50 million of borrowings under the term loan portion of our senior secured credit facility plus available cash on hand to (i) repay all $500 million in borrowings under the senior subordinated bridge loan facility and (ii) return a portion of the initial capital investment by the Investors in the amount of $202 million.

The Return of Capital

We returned an additional $350 million of capital to Investors as a result of improved operating results, excess liquidity and the implementation of our restructuring program. The Return of Capital was accomplished in two steps. On September 30, 2004, we returned $8 million, and on October 14, 2004, we returned $342 million. The Return of Capital was funded out of our excess cash balance and not from the incurrence of additional debt. We obtained an amendment to our credit agreement to provide for the Return of Capital. Pro forma adjustments for the Return of Capital only reflect the October payment of $342 million as the September payment was already reflected in our historical consolidated balance sheet.

Interest Rate Sensitivity

As of September 30, 2004, we had $894 million of funded variable-rate indebtedness, net of the effect of $300 million notional amount of interest-rate swaps that effectively convert a portion of our variable-rate indebtedness to fixed-rate indebtedness. As such, we are sensitive to changes in interest rates. For each 0.125% increase or decrease in interest rates, our interest expense and net loss each would increase or decrease, respectively, by approximately $1 million.

WARNER MUSIC GROUP

PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET
As of September 30, 2004

	Historical(1)	Pro Forma Adjustment for Return of Capital(2)	Pro Forma
		(in millions, unaudited)	
Assets			
Current assets:			
Cash and equivalents	$ 555	$ (342)	$ 213
Accounts receivable	571	—	571
Inventories	65	—	65
Royalty advances expected to be recouped within one year	223	—	223
Deferred tax assets	38	—	38
Other current assets	86	—	86
Total current assets	1,538	(342)	1,196
Royalty advances expected to be recouped after one year	223	—	223
Investments	8	—	8
Property, plant and equipment	189	—	189
Goodwill	978	—	978
Intangible assets subject to amortization	1,937	—	1,937
Intangible assets not subject to amortization	100	—	100
Other assets	117	—	117
Total assets	$ 5,090	$ (342)	$ 4,748
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable	$ 226	$ —	$ 226
Accrued royalties	1,003	—	1,003
Taxes and other withholdings	10	—	10
Current portion of long-term debt	12	—	12
Other current liabilities	432	—	432
Total current liabilities	1,683	—	1,683
Long-term debt	1,828	—	1,828
Deferred tax liabilities	265	—	265
Other noncurrent liabilities	333	—	333
Due to WMG Parent Corp.	3	—	3
Total liabilities	4,112	—	4,112
Shareholder's equity	978	(342)	636
Total liabilities and shareholder's equity	$ 5,090	$ (342)	$ 4,748

(1) Reflects our historical consolidated financial position as of September 30, 2004.

(2) Reflects a decrease in equity of $342 million and a corresponding decrease in cash and equivalents related to the payment of the Return of Capital to the Investors. Of the total $350 million return of capital, $8 million was paid in September 2004 (and already reflected in our historical consolidated balance sheet) and the balance of $342 million was paid in October 2004.

WARNER MUSIC GROUP

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS
For The Twelve Months Ended September 30, 2004

	Historical Combined Ten Months Ended September 30, 2004(3)	Historical Two Months Ended November 30, 2003(4)	Subtotal Historical Twelve Months Ended September 30, 2004	Pro Forma Adjustments				Pro Forma
				Excluded Net Assets(5)	The Acquisition and the Original Financing(6)	The Cinram Agreements(7)	The Refinancing(8)	
	(in millions, unaudited)							
Revenues	$ 2,548	$ 889	$ 3,437	$ (1)	$ —	$ —	$ —	$ 3,436
Costs and expenses:								
Costs of revenues(a)	(1,359)	(491)	(1,850)	2	—	5	—	(1,843)
Selling, general and administrative expenses(a)	(996)	(291)	(1,287)	—	(4)	—	—	(1,291)
Impairment of goodwill and other intangible assets	—	(1,019)	(1,019)	—		—	—	(1,019)
Amortization of intangible assets	(160)	(41)	(201)	—	23	—	—	(178)
Restructuring costs	(26)	(8)	(34)	—	—	—	—	(34)
Total costs and expenses	(2,541)	(1,850)	(4,391)	2	19	5	—	(4,365)
Operating income (loss)	7	(961)	(954)	1	19	5	—	(929)
Interest expense, net	(82)	—	(82)	(5)	(40)	—	(8)	(135)
Net investment-related losses	—	(9)	(9)	—	—	—	—	(9)
Equity in the losses of equity—method investees, net	(4)	(9)	(13)	(1)	—	—	—	(14)
Deal-related transaction and other costs	—	(63)	(63)	—	—	—	—	(63)
Loss on repayment of bridge loan	(6)	—	(6)	—	—	—	6	—
Other expense, net	(4)	(7)	(11)	—	—	—	—	(11)
Income (loss) before income taxes	(89)	(1,049)	(1,138)	(5)	(21)	5	(2)	(1,161)
Income tax benefit (expense)	(47)	(65)	(112)	423	—	—	2	313
Net income (loss)	$ (136)	$ (1,114)	$ (1,250)	$ 418	$ (21)	$ 5	$ —	$ (848)
(a)Includes depreciation expense of:	$ (52)	$ (15)	$ (67)	$ —	$ —	$ —	$ —	$ (67)

NOTES TO THE PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS

(3) Reflects our historical operating results for the combined ten-month transition period ended September 30, 2004, as follows:

	Successor	Predecessor	Combined
	Seven-Month Period Ended September 30, 2004	Three-Month Period Ended February 29, 2004	Ten-Month Period Ended September 30, 2004
Revenues	$ 1,769	$ 779	$ 2,548
Costs and expenses:			
Costs of revenues(a)	(944)	(415)	(1,359)
Selling, general and administrative expenses(a)	(677)	(319)	(996)
Impairment of goodwill and other intangible assets	—	—	—
Amortization of intangible assets	(104)	(56)	(160)
Restructuring costs	(26)	—	(26)
Total costs and expenses	(1,751)	(790)	(2,541)
Operating income (loss)	18	(11)	7
Interest expense, net	(80)	(2)	(82)
Net investment-related losses	—	—	—
Equity in the losses of equity-method investees, net	(2)	(2)	(4)
Deal-related transaction and other costs	—	—	—
Loss on repayment of bridge loan	(6)	—	(6)
Other expense, net	(4)	—	(4)
Income (loss) before income taxes	(74)	(15)	(89)
Income tax benefit (expense)	(30)	(17)	(47)
Net income (loss)	$ (104)	$ (32)	$ (136)
(a) Includes depreciation expense of:	$ (36)	$ (16)	$ (52)

(4) Reflects our historical operating results for the pre-acquisition, two-month period ended November 30, 2003.

(5) Reflects pro forma adjustments to exclude the historical, pre-acquisition operating results relating to assets and liabilities that were not acquired or assumed by us in the Acquisition. Such adjustments consist of (i) the elimination of $15 million of interest income on cash and equivalents that were not acquired, (ii) the elimination of $10 million of interest expense on debt, capital lease and intercompany obligations that were not assumed, (iii) the elimination of $1 million of net income on equity-method investees that were not acquired, (iv) the elimination of $1 million of revenues and $2 million of distribution costs relating to the sale of our physical distribution

operations to Cinram, and (v) the elimination of $423 million of tax expense relating to the write-off of a deferred tax asset for net operating losses that was only available to us while we remained a member of the Time Warner consolidated tax return.

No tax benefit has been provided on the aggregate pro forma decrease in pretax income due to the uncertainty of realization of the Company's U.S.-based deferred tax assets.

(6) Pro forma adjustments to record the Acquisition and the Original Financing for the twelve months ended September 30, 2004 reflect:

- an increase in interest expense of $40 million for the five-month period ended February 29, 2004 consisting of (i) a $19 million increase relating to $1.15 billion of borrowings under the term loan portion of our senior secured credit facility used to fund a portion of the cash purchase price and other transaction costs at a variable interest rate of 3.90% per annum based on three-month LIBOR rates for the five-month period ended February 29, 2004 plus a margin of 2.75%, (ii) a $16 million increase relating to $500 million of borrowings under our senior subordinated bridge loan facility used to fund a portion of the cash purchase price at an interest rate of 7.5% per annum and (iii) a $5 million increase relating to the amortization of $78 million of financing-related fees using a weighted-average life of 7 years paid in connection with the senior secured credit facility and senior subordinated bridge loan facility;

- an increase in selling, general and administrative expenses of $4 million for the five-month, pre-acquisition period ended February 29, 2004 relating to the $10 million annual management advisory fees paid to the Investors under the management services agreement described elsewhere herein;

- a net decrease in amortization expense of intangible assets in the amount of $23 million for the five-month, pre-acquisition period ended February 29, 2004 consisting of (i) the elimination of $97 million of historical amortization expense which more than offset (ii) an increase in amortization expense of $74 million relating to the new values allocated on a preliminary basis

to our finite-lived identifiable intangible assets. The pro forma adjustment for new amortization expense was calculated as follows:

Intangible Assets Acquired	Allocated Value	Weighted-Average Useful Life	Annual Amortization Expense	Pro Forma Adjustments For the Five-Month, Pre-Acquisition Period Ended February 29, 2004
	(millions)	(years)	(millions)	(millions)
Finited-Lived Intangible Assets:				
Recorded music catalog	$ 1,216	10	$ 122	$ 51
Music publishing catalog	808	15	54	23
Trademarks	10	15	1	—
Other intangible assets subject to amortization	5	5	1	—
	$ 2,039		$ 178	$ 74
Indefinite-Lived Intangible Assets:				
Trademarks	$ 100	Indefinite	—	—
Goodwill	978	Indefinite	—	—
	$ 1,078		—	—
Total intangible assets	$ 3,117		$ 178	$ 74

No tax benefit has been provided on the aggregate pro forma decrease in pretax income due to the uncertainty of realization of the Company's U.S.-based deferred tax assets.

(7) Reflects pro forma adjustments to decrease cost of revenues in the amount of $5 million for the October 2003 period in which the more favorable, market-based pricing arrangements under the third-party Cinram Agreements for manufacturing, packaging and physical distribution services were not in effect.

No tax provision has been provided on the pro forma increase in pretax income arising from this adjustment. This is because this adjustment, when taken in combination with the other pro forma adjustments described herein, results in an aggregate net decrease in pretax income. Accordingly, no tax benefit has been provided on the aggregate pro forma decrease in pretax income due to the uncertainty of realization of the Company's U.S.-based deferred tax assets.

(8) Pro forma adjustments to record the Refinancing for the twelve months ended September 30, 2004 reflect a net increase in interest expense of $8 million and the elimination of a $6 million loss

incurred on the repayment of the bridge loan. The pro forma adjustment to interest expense is calculated as follows:

Description	Annual Interest Expense(a)	Amount of Interest Expense in Historical Operating Results	Pro Forma Adjustment
• Issuance of $465 million principal amount of U.S. Dollar Notes at a fixed interest rate of 7.375% per annum	$ 34	$ 16	$ 18
• Issuance of £100 million principal amount of Sterling Notes at a fixed interest rate of 8.125% per annum, which has been translated at a U.S. Dollar equivalent rate of $1.80 per British Pound	15	7	8
• Additional $50 million of borrowings under the term loan portion of our senior secured credit facility at a variable interest rate of 4.01% per annum	2	1	1
• Amortization of $34 million of debt issuance costs arising from the issuance of the Notes over a weighted average life of 10 years	3	2	1
	$ 54	$ 26	$ 28
Elimination of pro forma interest expense relating to the repayment of $500 million of borrowings under our senior subordinated bridge facility			(20)
			$ 8

(a) With respect to variable-rate debt, interest expense is based upon underlying three-month LIBOR rates for the twelve months ended September 30, 2004.

No tax benefit has been provided on the aggregate pro forma decrease in U.S.-based pretax income due to the uncertainty of realization of the Company's U.S.-based deferred tax assets. However, tax benefits of $2 million have been provided at a 30% tax rate on the $8 million pro forma decrease in international pretax income relating to the Sterling Notes.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

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

Our selected balance sheet data as of September 30, 2004 and November 30, 2003 and the statement of operations and other data for each of (i) the seven months ended September 30, 2004, (ii) the three months ended February 29, 2004, (iii) the ten months ended September 30, 2003 and (iv) the years ended November 30, 2003 and 2002 have been derived from our audited financial statements included elsewhere in this prospectus. The balance sheet data as of November 30, 2002 are derived from our audited financial statements that are not included in this prospectus. Our summary historical balance sheet data as of the ten months ended September 30, 2003 and our summary historical financial data as of and for each of the two years ended November 30, 2001 and 2000 have been derived from our unaudited financial statements that are not included in this prospectus.

The comparability of our selected historical financial data has been affected by a number of significant events and transactions. These include the Acquisition in 2004, a related change in our fiscal year to September 30 from November 30, which was enacted in 2004, and the AOL Time Warner Merger in 2001. For all periods prior to the Acquisition, the music and publishing businesses formerly owned by Time Warner are referred to as "Old WMG" or the "Predecessor." For all periods subsequent to the Acquisition, the business is referred to as the "Company" or the "Successor." Due to the change in our year end, financial information for 2004 reflects a shortened ten-month period ended September 30, 2004 and is separated into two pre-acquisition and post-acquisition periods as a result of the change in accounting basis that occurred relating to the Acquisition. In addition, summary historical financial data for 2000 does not reflect the pushdown of a portion of the purchase price relating to the AOL Time Warner Merger that occurred in 2001 to our financial statements.

	Predecessor						Successor
	Fiscal Years Ended November 30,				Ten Months Ended September 30, 2003	Three Months Ended February 29, 2004	Seven Months Ended September 30, 2004
	2000	2001	2002	2003			
	(unaudited)	(unaudited)	(audited)(1)	(audited)(1)	(unaudited)	(audited)(1)	(audited)(1)
Statement of Operations Data:							
Revenues	$ 3,461	$ 3,226	$ 3,290	$ 3,376	$ 2,487	$ 779	$ 1,769
Cost of revenues	(1,960)	(1,731)	(1,873)	(1,940)	(1,449)	(415)	(944)
Selling, general and administrative expenses	(1,297)	(1,402)	(1,282)	(1,286)	(995)	(319)	(677)
Impairment of goodwill and other intangible assets	—	—	(1,500)	(1,019)	—	—	—
Depreciation and amortization	(282)	(868)	(249)	(328)	(272)	(72)	(140)
Operating income (loss)	(36)	(766)	(1,542)	(1,158)	(197)	(11)	18
Interest expense, net	(13)	(34)	(23)	(5)	(5)	(2)	(80)
Income (loss) before cumulative effect of accounting change	(408)	(910)	(1,230)	(1,353)	(239)	(32)	(104)
Net income (loss)	$ (408)	$ (910)	$ (6,026)	$ (1,353)	$ (239)	$ (32)	$ (104)

Segment Data:							
Revenues:							
Recorded Music	$ 2,929	$ 2,701	$ 2,752	$ 2,839	$ 2,039	$ 630	$ 1,429
Music Publishing	554	547	563	563	467	157	348
Intersegment eliminations	(22)	(22)	(25)	(26)	(19)	(8)	(8)
Total revenues	$ 3,461	$ 3,226	$ 3,290	$ 3,376	$ 2,487	$ 779	$ 1,769
Operating income (loss):							
Recorded Music	$ (22)	$ (733)	$ (1,206)	$ (1,130)	$ (181)	$ (9)	$ 24
Music Publishing	47	23	(273)	23	19	17	53
Corporate expenses	(61)	(56)	(63)	(51)	(35)	(19)	(59)
Total operating income (loss)	$ (36)	$ (766)	$ (1,542)	$ (1,158)	$ (197)	$ (11)	$ 18
OIBDA (2):							
Recorded Music	$ 214	$ 73	$ 173	$ 116	$ 8	$ 38	$ 120
Music Publishing	91	81	88	107	88	38	87
Corporate expenses	(59)	(52)	(54)	(34)	(21)	(15)	(49)
Total OIBDA (2)	$ 246	$ 102	$ 207	$ 189	$ 75	$ 61	$ 158
Cash Flow Data:							
Cash flows provided by (used in):							
Operating activities	$ 75	$ (122)	$ (13)	$ 278	$ 257	$ 321	$ 86
Investing activities	(153)	(175)	(365)	(65)	(73)	14	(2,663)
Financing activities	61	227	385	(121)	(151)	(10)	2,661
Capital expenditures	(64)	(91)	(88)	(51)	(30)	(3)	(15)
Other Financial Data:							
Deficiency in earnings over fixed charges (3)	$ (365)	$ (1,066)	$ (1,570)	$ (1,317)	$ (268)	$ (15)	$ (74)
Balance Sheet Data (at period end):							
Cash and equivalents	$ 106	$ 34	$ 41	$ 144	$ 80	$ 471	$ 555
Total assets	6,791	17,642	5,679	4,484	5,255	4,560	5,090
Total debt (including current portion of long-term debt)	102	115	101	120	115	132	1,840
Shareholder's equity	5,228	14,588	3,001	1,587	2,635	1,691	978

(1) Audited, except for Other Financial Data.

(2) We evaluate segment performance based on several factors, of which the primary 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 (which we refer to as "OIBDA"). See "Use of OIBDA" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" elsewhere herein. Note that OIBDA is different from Adjusted EBITDA as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition and Liquidity—Covenant Compliance", which is presented on a

consolidated basis therein as a liquidity and debt compliance measure. The following is a reconciliation of operating income, which is a GAAP measure of our operating results, to OIBDA.

	Predecessor						Successor
	Fiscal Years Ended November 30,				Ten Months Ended September 30, 2003	Three Months Ended February 29, 2004	Seven Months Ended September 30, 2004
	2000	2001	2002	2003			
	(unaudited)	(unaudited)	(audited)	(audited)	(unaudited)	(audited)	(audited)
	(in millions)						
Operating income (loss)	$ (36)	$ (766)	$ (1,542)	$ (1,158)	$ (197)	$ (11)	$ 18
Depreciation and amortization expense	282	868	249	328	272	72	140
Impairment of goodwill and other intangible assets	—	—	1,500	1,019	—	—	—
OIBDA	$ 246	$ 102	$ 207	$ 189	$ 75	$ 61	$ 158

(3) For purposes of calculating the earnings to fixed charges, earnings represent income (loss) before income taxes plus fixed charges. Fixed charges consist of interest expense and one-third of rental expense under operating leases (the portion that has been deemed by management to be representative of the interest factor). In periods where earnings were insufficient to cover fixed charges, the deficiency of earnings over fixed charges has been disclosed. Pretax earnings for 2002 and 2003 have been reduced by a $1.5 billion and $1.0 billion, respectively, non-cash charge to reduce the carrying value of our goodwill and other intangible assets. Accordingly, because this charge was non-cash, it is not indicative of our ability to cover our fixed charges with pretax earnings. Excluding the non-cash impairment charge for 2002 and 2003 on a historical basis would result in a deficiency of earnings over fixed charges of $70 million in 2002 and $298 million in 2003. In addition, deficiency of earnings over fixed charges in each period includes significant non-cash amortization expenses on intangible assets of $104 million, $56 million, $201 million, $242 million, $182 million, $821 million and $240 million in each of the seven months ended September 30, 2004, the three months ended February 29, 2004, the ten months ended September 30, 2003 and fiscal 2003, 2002, 2001 and 2000, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our results of operations and financial condition includes periods prior to the consummation of the Transactions. Accordingly, the discussion and analysis of operating results for historical periods prior to 2004 does not reflect the significant impact that the Transactions have had on us, including significantly increased financing costs. You should read the following discussion of our results of operations and financial condition with the "Pro Forma Consolidated Condensed Financial Statements", "Selected Historical Consolidated Financial and Other Data" and the audited historical financial statements included elsewhere in this prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of this registration statement. Actual results may differ materially from those contained in any forward-looking statements.

INTRODUCTION

Management's discussion and analysis of results of operations and financial condition ("MD&A") is provided as a supplement to the audited 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 businesses, 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 ten months ended September 30, 2004 and 2003, and the years ended November 30, 2003 and 2002. This analysis is presented on both a consolidated and segmental basis.

- *Financial condition and liquidity.* This section provides an analysis of our cash flows for the ten months ended September 30, 2004 and 2003, as well as a discussion of our financial condition and liquidity. The discussion of our financial condition and liquidity includes (i) a summary of our outstanding debt and commitments (both firm and contingent) that existed as of September 30, 2004, (ii) our available financial capacity under the revolving credit portion of our senior secured credit facility and (iii) a summary of our key debt compliance measures, consisting of leverage and interest coverage ratios under our senior secured credit facility.

- *Market risk management.* This section discusses how we manage exposure to potential losses arising from adverse changes in interest rates and foreign currency exchange rates.

- *Critical accounting policies.* This section discusses accounting policies considered to be important to our financial condition and results of operations, and which require significant judgment and estimates on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Notes 3 and 4 to our audited financial statements included elsewhere herein.

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 other 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 (loss), net income (loss) and other measures of financial performance reported in accordance with accounting principles generally accepted in the U.S.

Change in Fiscal Year and Basis of Presentation

In 2004, in connection with the Acquisition, the Company changed its fiscal year-end to September 30th from November 30th. As such, financial information for 2004 is presented for the ten-month transition period ended September 30, 2004 and is separated into two pre-acquisition and post-acquisition periods as a result of the change in accounting basis that occurred relating to the Acquisition. That is, we have presented our operating results and cash flows separately for each of the pre-acquisition three-month period ended February 29, 2004 and the post-acquisition seven-month period ended September 30, 2004.

The split presentation mentioned above is required under GAAP in situations when a change in accounting basis occurs. This is because the new accounting basis requires that the historical carrying value of assets acquired and liabilities assumed be adjusted to fair value, which may yield results that are not strictly comparable on a period-to-period basis due to the different, and sometimes higher, cost basis associated with the allocation of the purchase price.

We believe that this split presentation may impede the ability of users of our financial information to understand our operating and cash flow performance. Consequently, in order to enhance an analysis of our operating results and cash flows, we have presented our operating results and cash flows on a combined basis for the full ten-month period ended September 30, 2004. This combined presentation for the ten-month period ended September 30, 2004 simply represents the mathematical addition of the pre-acquisition three-month period ended February 29, 2004 and the post-acquisition seven-month period ended September 30, 2004. It is not intended to represent what our operating results would have been had the Acquisition occurred at the beginning of the period. A reconciliation showing the mathematical combination of our operating results for such periods is included herein.

Though we believe that the combined presentation is most meaningful, it is not in conformity with GAAP. As such, we have supplemented our historical operating results, as appropriate, with pro forma financial information and have further highlighted in our discussions that follow any significant effects from the Acquisition to facilitate an understanding of a comparison of our operating results from period-to-period.

In order to enhance comparability, the combined financial information for the ten-month period ended September 30, 2004 has been supplemented by the presentation of unaudited financial information for the comparative ten-month period ended September 30, 2003. Based on how the Company's closing schedule occurred in 2003, the 2003 period consists of 43 weeks, as compared to 44 weeks contained in the ten-month period ended September 30, 2004.

OVERVIEW

Description of Business

We are one of the world's major music companies with operations in the U.S. and more than 50 countries worldwide. Effective as of March 1, 2004, we were acquired from Time Warner by the Investors for approximately $2.6 billion. During the ten months ended September 30, 2004, we reported revenues of $2.548 billion, operating income of $7 million, OIBDA of $219 million and a net loss of $136 million.

We classify our business interests into two fundamental areas: Recorded Music and Music Publishing. A brief description of those operations is presented below.

Recorded Music Operations

Our Recorded Music business consists of the discovery and development of artists and the related marketing, distribution and licensing of recorded music produced by such artists. In the U.S., our operations are conducted principally through our major record labels—Warner Bros. Records Inc., The Atlantic Records Group, and Word Entertainment. Internationally, our Recorded Music operations are conducted through our Warner Music International division ("WMI") which includes various subsidiaries, affiliates and non-affiliated licensees.

Our Recorded Music operations also include a catalog division named Warner Strategic Marketing ("WSM"). WSM 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/from third parties for various uses, including film and television soundtracks.

Our principal Recorded Music distribution operations include Warner-Elektra-Atlantic Corporation ("WEA Corp."), which primarily markets and sells music products to retailers and wholesale distributors in the U.S.; a 90% interest in Alternative Distribution Alliance, an independent distribution company; various distribution centers and ventures operated internationally; and an 80% interest in Word Entertainment, whose distribution operations specialize in the distribution of music products in the Christian retail marketplace.

Our principal recorded music revenue sources are sales of CDs, digital downloads and other recorded music products and license fees received for the ancillary uses of our recorded music catalog.

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

- artist and repertoire costs—the costs associated with (i) signing and developing artists, (ii) creating master recordings in the studio, (iii) creating artwork for album covers and liner notes and (iv) paying royalties to artists, producers, songwriters, other copyright holders and trade unions;

- manufacturing, packaging and distribution costs—the costs to manufacture and distribute product to wholesale and retail distribution outlets;

- marketing and promotion costs—the costs associated with the promotion of artists and recorded music products, including costs to produce music videos for promotional purposes and artist tour support; and

- administration costs—the costs associated with general overhead and other administrative costs, as well as costs associated with anti-piracy initiatives.

During the ten months ended September 30, 2004, our Recorded Music segment reported revenues of $2.059 billion, OIBDA of $158 million and operating income of $15 million.

Music Publishing Operations

Our Music Publishing operations include Warner/Chappell Music, Inc. and its wholly owned subsidiaries, and certain other music publishing affiliates of the Company. We own or control the rights to more than one million musical compositions, including numerous pop music hits, American standards, folk songs and motion picture and theatrical compositions. Our Music Publishing operations also include Warner Bros. Publications U.S. Inc. ("WBP"), which markets printed versions of our music throughout the world. On December 15, 2004, we entered into a definitive agreement to sell WBP to Alfred Publishing. The sale is expected to close during the first calendar quarter of 2005 and is subject to customary closing conditions. The sale is not expected to have a material effect on our future operating results and financial condition.

Publishing revenues are derived from four main royalty sources:

- *Mechanical:* the licensor receives royalties with respect to compositions embodied in recordings sold in any format or configuration, including singles, albums, CDs, digital downloads and mobile phone ring tones.

- *Performance:* the licensor receives royalties if the composition is performed publicly (e.g., broadcast radio and television, movie theater, concert, nightclub or Internet and wireless streaming).

- *Synchronization:* the licensor receives royalties or fees for the right to use the composition in combination with visual images (e.g., in films, television commercials and programs and videogames).

- *Other:* the licensor receives royalties from other uses such as stage productions and printed sheet music.

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

- 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;

- manufacturing, packaging and distribution costs—the costs to manufacture and distribute sheet music and songbooks to retail distribution outlets and schools; and

- administration costs—the costs associated with general overhead and other administrative costs.

During the ten months ended September 30, 2004, our Music Publishing segment reported revenues of $505 million, OIBDA of $125 million and operating income of $70 million.

Factors Affecting Results of Operations and Financial Condition

Market Factors

Over the past four years, the recorded music industry has been in a state of decline, 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 overall recessionary economic environment, 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 potential new formats for selling recorded music product have been created, including the legal downloading of digital music using the Internet and DVD-Audio formats, significant revenue streams from these new markets have yet to emerge. Accordingly, although we believe that the recorded music industry should continue to improve as evidenced by the year-over-year growth in U.S. music physical unit sales year-to-date through November 2004 and the positive first-half performance in physical music unit sales globally in 2004, the industry may relapse into a period of decline, as witnessed from 1999 to 2003, which would continue to negatively affect operating results. In addition, a declining recorded music industry could continue to have an adverse impact on the music publishing business. This is because our music publishing business generates a significant portion of its revenues from mechanical royalties received from the sale of music in recorded music formats such as the CD.

Due in part to the development of the new channels mentioned above and ongoing anti-piracy initiatives, we believe that the recorded music industry is positioned to improve over the coming years. However, the industry may relapse into a period of decline. In addition, there can be no assurances as to the timing or the extent of any improvement in the industry. Accordingly, we have executed a number of cost saving initiatives over the past few years in an attempt to realign our cost structure with

the changing economics of the industry. These initiatives have included significant headcount reductions, exiting certain leased facilities in an effort to consolidate locations and the sale of our manufacturing, packaging and physical distribution operations.

We have conducted a detailed assessment of our existing cost structure. As a result of this assessment, we have identified substantial cost-reduction opportunities in our business, the majority of which are associated with headcount reductions from the consolidation of operations and the streamlining of corporate and label overhead. By the end of September 2004, we had implemented approximately $240 million of annualized cost savings, of which approximately $90 million has been reflected in our statement of operations through September 30, 2004. We expect to complete substantially all of our restructuring efforts by May 2005 with annualized cost savings of more than $250 million. We project the one-time costs associated with our restructuring to be $225 million to $250 million, of which approximately $105 million has been paid through September 30, 2004. There are still significant risks associated with the Restructuring Plan. See "Risk Factors."

Transactions with Time Warner and its Affiliates

As previously described, prior to March 1, 2004, we were owned and operated by Time Warner. As such, in the normal course of conducting our business, we had various commercial and financing arrangements with Time Warner and its affiliates. In particular, we purchased manufacturing packaging and physical distribution services from affiliates of Time Warner, and Time Warner funded our operating and capital requirements. See Note 19 to our audited financial statements included elsewhere herein for a summary of the principal transactions between us and Time Warner and its affiliates.

Time Warner sold its CD and DVD manufacturing, packaging and physical distribution operations to Cinram at the end of October 2003. Prior to the sale, these operations were under the control of Time Warner and our management. As such, pricing for such services was not negotiated on an arm's-length basis and did not reflect market rates. As part of the sale, Time Warner and we entered into long-term arrangements with Cinram. Under these arrangements, Cinram will provide manufacturing, packaging and physical distribution services for our products in the U.S. and Europe at favorable, market- based rates that were negotiated on an arm's-length basis.

With respect to the financing arrangements with Time Warner, all cash received or paid by us was included in, or funded by, clearing accounts or shared international cash pools within Time Warner's centralized cash management system. Some of those arrangements were interest-bearing and others were not. Accordingly, historical net interest expense is not representative of the amounts incurred by us under our new leveraged capital structure created in connection with the Acquisition.

RESULTS OF OPERATIONS

Ten Months Ended September 30, 2004 Compared to Ten Months Ended September 30, 2003

The following table summarizes our historical results of operations. The financial data for the seven months ended September 30, 2004 and the three months ended February 29, 2004 have been derived from our audited financial statements included elsewhere herein. The financial data for the ten months ended September 30, 2003 are unaudited and are derived from the audited financial statements included elsewhere herein. See "Change in Fiscal Year and Basis of Presentation" presented earlier herein for a discussion of the use of financial information for the combined ten-month period ended September 30, 2004.

	Successor	Predecessor	Combined	Predecessor
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2004	Ten Months Ended September 30, 2003
	(audited)	(audited)	(unaudited)(1)	(unaudited)
	(in millions)			
Revenues	$ 1,769	$ 779	$ 2,548	$ 2,487
Costs and expenses:				
Cost of revenues[1]	(944)	(415)	(1,359)	(1,449)
Selling, general and administrative expenses[1]	(677)	(319)	(996)	(995)
Amortization of intangible assets	(104)	(56)	(160)	(201)
Loss on sale of physical distribution assets	—	—	—	(12)
Restructuring (costs) income, net	(26)	—	(26)	(27)
Total costs and expenses	(1,751)	(790)	(2,541)	(2,684)
Operating income (loss)	18	(11)	7	(197)
Interest expense net	(80)	(2)	(82)	(5)
Net investment-related gains (losses)	—	—	—	(17)
Equity in the losses of equity-method investees, net	(2)	(2)	(4)	(32)
Deal related transaction and other costs	—	—	—	(7)
Loss on repayment of bridge loan	(6)	—	(6)	—
Other expense net	(4)	—	(4)	(10)
Loss before income taxes	(74)	(15)	(89)	(268)
Income tax benefit (expense)	(30)	(17)	(47)	29
Net loss	$ (104)	$ (32)	$ (136)	$ (239)

(1) Includes depreciation expense of: $36 million for the seven months ended September 30, 2004, $16 million for the three months ended February 29, 2004, $52 million for the ten months ended September 30, 2004, and $71 million for the ten months ended September 30, 2003.

Consolidated Pro Forma Results

As previously discussed, the above table presents our historical operating results separately for each of the pre-acquisition, three-month period ended February 29, 2004 and the post-acquisition, seven-month period ended September 30, 2004. As such, it does not reflect all of the significant effects of the Transactions on our operating results for the entire combined ten-month period ended

September 30, 2004. Had the Transactions occurred on December 1, 2003, our pro forma results for the ten months ended September 30, 2004 would have been as follows:

	Pro Forma Ten Months Ended September 30, 2004
Revenue	$ 2,548
OIBDA	217
Depreciation and amortization	(201)
Operating income	16
Interest expense, net	(112)
Net income (loss)	(149)

A discussion of our consolidated historical results follows.

Consolidated Historical Results

Revenues

Our revenues increased to $2.548 billion for the ten months ended September 30, 2004, compared to $2.487 billion for the ten months ended September 30, 2003. The increase was largely driven by a $20 million increase in Recorded Music revenues and a $38 million increase in Music Publishing revenues.

Recorded Music revenues benefited principally from a $110 million favorable impact of foreign currency exchange rates, and an approximate $30 million increase in revenues from digital sales of Recorded Music product. These benefits more than offset a decline in physical worldwide music sales due to the continuing industry-wide impact of piracy and lower sales volume associated with a fewer number of key commercial releases that sold in excess of one million units.

Music Publishing revenues benefited principally from a $33 million favorable impact of foreign currency exchange rates and higher mechanical, performance and synchronization royalties. These benefits more than offset lower revenues from the sale of print-related products.

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

Cost of revenues

Our cost of revenues decreased to $1.359 billion for the ten months ended September 30, 2004, compared to $1.449 billion for the ten months ended September 30, 2003. Expressed as a percentage of revenues, cost of revenues was approximately 53% for the ten months ended September 30, 2004, compared to 58% for the ten months ended September 30, 2003. The decrease in cost of revenues principally related to lower manufacturing costs under the new Cinram agreements that went into effect in October 2003, lower royalty-related costs, and cost savings associated with our restructuring plan that was implemented in 2004 in connection with the Acquisition. These cost reductions were partially offset by the unfavorable impact of foreign currency exchange rates.

Selling, general and administrative expenses

Our selling, general and administrative expenses were $996 million for the ten months ended September 30, 2004, compared to $995 million for the ten months ended September 30, 2003. Expressed as a percentage of revenues, selling, general and administrative expenses were approximately 39% for the ten months ended September 30, 2004, compared with 40% for the ten months ended September 30, 2003. Selling, general and administrative expenses increased as a result of the

unfavorable impact of foreign currency exchange rates, approximately $6 million of management advisory fees paid to the Investors and higher corporate expenses as discussed further below, including higher costs associated with operating as an independent company. These increases were offset by decreases due to lower marketing and divisional overhead costs associated with our cost-savings initiatives.

Restructuring (costs) income, net

We recognized $26 million of restructuring-related costs in the ten months ended September 30, 2004, compared to $27 million of restructuring-related costs in the ten months ended September 30, 2003. The restructuring costs in 2004 principally related to costs associated with the implementation of a cost-savings incentive compensation plan designed to incentivize management to reduce operating costs. The restructuring costs in 2003 principally related to reductions in worldwide headcount, costs to exit certain leased facilities, and costs associated with the restructuring of our U.S. and Canadian distribution operations.

Reconciliation of Consolidated Historical OIBDA to Operating Loss and Net Loss

As previously described, we use OIBDA as our primary measure of financial performance. The following table reconciles OIBDA to operating loss and further provides the components from operating loss to net loss for purposes of the discussion that follows:

	Successor	Predecessor	Combined	Predecessor
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2004	Ten Months Ended September 30, 2003
	(audited)	(audited)	(unaudited)	(unaudited)
OIBDA	$ 158	$ 61	$ 219	$ 75
Depreciation expense	(36)	(16)	(52)	(71)
Amortization expense	(104)	(56)	(160)	(201)
Operating (loss) income	18	(11)	7	(197)
Interest expense, net	(80)	(2)	(82)	(5)
Net investment-related losses	—	—	—	(17)
Equity in the losses of equity-method investees, net	(2)	(2)	(4)	(32)
Deal-related transaction and other costs	—	—	—	(7)
Loss on repayment of bridge loan	(6)	—	(6)	—
Other expense, net	(4)	—	(4)	(10)
Loss before income taxes	(74)	(15)	(89)	(268)
Income tax benefit (expense)	(30)	(17)	(47)	29
Net loss	$ (104)	$ (32)	$ (136)	$ (239)

OIBDA

Our OIBDA increased to $219 million for the ten months ended September 30, 2004, compared to $75 million for the ten months ended September 30, 2003. The increase related to a $150 million increase in Recorded Music OIBDA and a $37 million increase in Music Publishing OIBDA, offset in part by a $43 million increase in Corporate expenses.

Recorded Music OIBDA benefited principally from lower marketing and overhead costs associated with our cost savings initiatives, lower manufacturing costs under the new Cinram agreements that went into effect in October 2003, $1 million favorable impact from foreign currency exchange rates and the

absence of a $12 million loss on the sale of physical distribution assets recognized in 2003. These benefits more than offset the loss of margin contributions related to lower worldwide recorded music sales.

Music Publishing OIBDA benefited principally from lower overhead costs associated with our cost savings initiatives, lower advance write-offs and a $4 million favorable impact from foreign currency exchange rates.

Corporate expenses increased due to higher costs associated with operating as an independent company and a change in the allocation of corporate-related costs. As discussed in Note 19 to the audited financial statements, $47 million of corporate-related costs were allocated in 2003 to Time Warner's former CD and DVD manufacturing and printing operations because such operations were managed by Old WMG. Such operations were sold by Time Warner in October 2003, and accordingly, such costs were no longer allocable. The incrementally higher level of costs was partially offset by lower overhead costs associated with our cost-savings initiatives.

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

Depreciation expense

Our depreciation expense decreased to $52 million for the ten months ended September 30, 2004, compared to $71 million for the ten months ended September 30, 2003. The decrease principally related to lower capital spending requirements and lower depreciation of software development costs.

Amortization expense

Our amortization expense decreased to $160 million for the ten months ended September 30, 2004, compared to $201 million for the ten months ended September 30, 2003. The decrease related to the new basis of accounting recorded in connection with the Acquisition, which resulted in a lower revaluation of the historical cost bases of our identifiable intangible assets.

Operating income (loss)

Our operating income increased to $7 million for the ten months ended September 30, 2004, compared to an operating loss of $197 million for the ten months ended September 30, 2003. The improvement in operating income related to a $144 million increase in OIBDA, a $19 million decrease in depreciation expense, and a $41 million decrease in amortization expense, all as previously described above. See "Business Segment Results" presented hereinafter for a discussion of operating income (loss) by business segment.

Interest expense, net

Our net interest expense increased to $82 million for the ten months ended September 30, 2004, compared to $5 million for the ten months ended September 30, 2003. The increase primarily related to the approximately $1.8 billion of debt issued in 2004 in connection with the capitalization of the Company.

Net investment-related gains (losses)

We did not recognize any investment-related gains (losses) for the ten months ended September 30, 2004. However, for the ten months ended September 30, 2003, we recognized $17 million of net investment-related losses. These losses principally related to reductions in the carrying values of certain equity-method investments.

Equity in the losses of equity-method investees, net

Our equity in the losses of equity-method investees was $4 million for the ten months ended September 30, 2004, compared to $32 million in the ten months ended September 30, 2003. The lower losses partially related to the fact that certain of our former loss-generating investees, such as our former interest in MusicNet, were retained by Time Warner and were not part of the assets acquired.

Deal-related transaction costs

We did not recognize any deal-related transaction costs for the ten months ended September 30, 2004. However, for the ten months ended September 30, 2003, we recognized $7 million of deal-related transaction costs. These costs primarily related to transaction costs associated with the the prior pursuit of other strategic ventures or dispositions of Old WMG's businesses in 2003 by Time Warner that did not occur.

Loss on repayment of bridge loan

We recognized a $6 million loss during the ten months ended September 30, 2004 to write off the carrying value of the unamortized debt issuance costs related to our bridge loan which we repaid in April 2004.

Other expense, net

We recognized other expense, net, of $4 million for the ten months ended September 30, 2004, compared to other expense, net, of $10 million for the ten months ended September 30, 2003. The $4 million of costs in 2004 relate to unfavorable foreign currency exchange rate movements associated with intercompany receivables and payables that are not of a long-term investment nature, and as such, are required to be reported in the statement of operations in accordance with GAAP. The $10 million of costs in 2003 primarily related to losses on foreign currency exchange contracts that were used by Time Warner to hedge exposures to changes in foreign currency exchange rates. As discussed in Note 21 to the audited financial statements included elsewhere herein, we are in the process of evaluating our hedging practices and no significant foreign exchange contracts were entered into in 2004.

Income tax benefit (expense)

We provided income tax expense of $47 million for the ten months ended September 30, 2004, compared to an income tax benefit of $29 million for the ten months ended September 30, 2003. The income tax provisions and benefits are not entirely comparable due to the changes in our tax profile relating to the closing of the Acquisition. In particular, prior to the closing of the Acquisition, we were a member of the Time Warner consolidated tax return and were able to recognize U.S.-based deferred tax benefits on domestic-source net operating losses incurred. However, upon the closing of the Acquisition, our membership in the Time Warner consolidated tax group terminated along with our ability to recognize similar, U.S.-based deferred tax benefits. Accordingly, the income tax expense in 2004 primarily related to the tax provisions on foreign-source income. There was no offsetting income tax benefit on domestic-source losses recognized in 2004 due to the uncertainty of realization of those deferred tax assets.

Net loss

We recognized a net loss of $136 million for the ten months ended September 30, 2004, compared to a net loss of $239 million for the ten months ended September 30, 2003. As described more fully above, the improvement in 2004 principally related to a $204 million increase in operating income (including $60 million of lower depreciation and amortization expense) and $45 million of lower

investment-related losses. These benefits were offset, in part, by $77 million of higher net interest costs and an $76 million higher income tax provision associated with the improvement in pretax losses.

Business Segment Results

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

	Successor	Predecessor	Combined	Predecessor
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2004	Ten Months Ended September 30, 2003
	(audited)	(audited)	(unaudited)	(unaudited)
Recorded Music				
Revenue	$ 1,429	$ 630	$ 2,059	$ 2,039
OIBDA[(1)]	120	38	158	8
Operating income (loss)[(1)]	24	(9)	15	(181)
Music Publishing				
Revenue	348	157	505	467
OIBDA[(1)]	87	38	125	88
Operating income (loss)[(1)]	53	17	70	19
Corporate and Revenue Eliminations				
Revenue eliminations	(8)	(8)	(16)	(19)
OIBDA[(1)]	(49)	(15)	(64)	(21)
Operating income (loss)[(1)]	(59)	(19)	(78)	(35)
Total				
Revenue	1,769	779	2,548	2,487
OIBDA[(1)]	158	61	219	75
Operating income (loss)[(1)]	18	(11)	7	(197)

(1) OIBDA and operating income for the ten months ended September 30, 2004 have each been reduced by $26 million of restructuring costs. Of such amount, $17 million related to Recorded Music, $1 million related to Music Publishing, and $8 million related to Corporate. For the ten months ended September 30, 2003, OIBDA and operating income (loss) have each been reduced by $39 million of losses related to restructuring costs and the loss on the sale of physical distribution assets. Of such amount, $36 related to Recorded Music and $3 million related to Music Publishing.

Recorded Music

Recorded Music revenues increased to $2.059 billion for the ten months ended September 30, 2004, compared to $2.039 billion for the ten months ended September 30, 2003. Revenues benefited principally from a $110 million favorable impact of foreign currency exchange rates and an approximate $30 million increase in revenues from digital sales of recorded music product. These benefits more than offset a decline in physical worldwide music sales due to the continuing industry-wide impact of piracy and lower sales volume associated with a fewer number of key commercial releases that sold in excess of 1 million units.

Recorded Music OIBDA increased to $158 million for the ten months ended September 30, 2004, compared to $8 million for the ten months ended September 30, 2003. The $150 million increase in OIBDA principally related to lower marketing and overhead costs associated with our cost savings initiatives, lower manufacturing costs under the new Cinram agreements that went into effect in October 2003, a $1 million favorable impact from foreign currency exchange rates and the absence of

$12 million loss on the sale of physical distribution assets recognized in 2003. These benefits more than offset the loss of margin contributions related to lower worldwide recorded music sales.

Recorded Music operating income improved to $15 million for the ten months ended September 30, 2004, compared to a loss of $181 million for the ten months ended September 30, 2003. Recorded Music operating loss included the following components:

	Successor	Predecessor	Combined	Predecessor
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2004	Ten Months Ended September 30, 2003
	(audited)	(audited)	(unaudited)	(unaudited)
OIBDA	$ 120	$ 38	$ 158	$ 8
Depreciation and amortization	(96)	(47)	(143)	(189)
Operating income (loss)	$ 24	$ (9)	$ 15	$ (181)

The $196 million improvement in operating loss primarily related to the $150 million improvement in OIBDA discussed above and a $46 million decrease in depreciation and amortization expense. The decrease in depreciation and amortization expense principally related to $29 million of lower amortization resulting from a lower revaluation of the historical cost bases of our identifiable intangible assets in connection with the allocation of purchase price as part of the Acquisition. In addition, depreciation expense declined by $17 million principally relating to lower capital spending requirements and lower depreciation of software development costs.

Music Publishing

Music Publishing revenues increased to $505 million for the ten months ended September 30, 2004, compared to $467 million for the ten months ended September 30, 2003. Revenues benefited principally from a $33 million favorable impact of foreign currency exchange rates, and higher mechanical, performance and synchronization royalties. These benefits more than offset lower revenues from the sale of print-related products.

Music Publishing OIBDA increased to $125 million for the ten months ended September 30, 2004, compared to $88 million for the ten months ended September 30, 2003. The $37 million increase in OIBDA principally related to lower overhead costs associated with our cost-saving initiatives, lower advance write-offs and a $4 million favorable impact from foreign currency exchange rates.

Music Publishing operating income increased to $70 million in the ten months ended September 30, 2004, compared to $19 million in the ten months ended September 30, 2003. Music Publishing operating income includes the following components:

	Successor	Predecessor	Combined	Predecessor
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2004	Ten Months Ended September 30, 2003
	(audited)	(audited)	(unaudited)	(unaudited)
OIBDA	$ 87	$ 38	$ 125	$ 88
Depreciation and amortization	(34)	(21)	(55)	(69)
Operating income	$ 53	$ 17	$ 70	$ 19

The $51 million increase in operating income primarily related to a $14 million decrease in depreciation and amortization expense, and the $37 million increase in OIBDA discussed above. The decrease in depreciation and amortization expense principally related to $12 million of lower

amortization expense resulting from a lower revaluation of the historical cost bases of our identifiable intangible assets in connection with the allocation of purchase price as part of the Acquisition.

Corporate expenses

Corporate expenses before depreciation and amortization expense increased to $64 million for the ten months ended September 30, 2004, compared to $21 million for the ten months ended September 30, 2003. Corporate expenses increased due to higher costs associated with operating as an independent company and a change in the allocation of corporate-related costs. As discussed in Note 19 to the audited financial statements, $47 million of corporate-related costs were allocated in 2003 to Time Warner's former CD and DVD manufacturing and printing operations because such operations were managed by Old WMG. Such operations were sold by Time Warner in October 2003, and accordingly, such costs were no longer allocable. The incrementally higher level of costs was partially offset by lower overhead costs associated with our cost-savings initiatives.

Corporate depreciation and amortization expense was $14 million in each period.

Year Ended November 30, 2003 Compared to Year Ended November 30, 2002

The following table summarizes our historical results of operations for the years ended November 30, 2003 and 2002. The financial data for the above periods have been derived from our financial statements included elsewhere herein.

	Years Ended November 30,	
	2003	2002
	(in millions)	
Revenues	$ 3,376	$ 3,290
Costs and expenses:		
Cost of revenues(1)	(1,940)	(1,873)
Selling, general and administrative expenses(1)	(1,286)	(1,282)
Impairment of goodwill and other intangible assets	(1,019)	(1,500)
Amortization of intangible assets	(242)	(182)
Loss on sale of physical distribution assets	(12)	—
Restructuring (costs) income, net	(35)	5
Total costs and expenses	(4,534)	(4,832)
Operating loss	(1,158)	(1,542)
Interest expense, net	(5)	(23)
Net investment-related gains (losses)	(26)	42
Equity in the losses of equity-method investees, net	(41)	(42)
Deal-related transaction and other costs	(70)	—
Other expense, net	(17)	(5)
Loss before income taxes and cumulative effect of accounting change	(1,317)	(1,570)
Income tax benefit (expense)	(36)	340
Loss before cumulative effect of accounting change	(1,353)	(1,230)
Cumulative effect of accounting change	—	(4,796)
Net loss	$ (1,353)	$ (6,026)

(1) Includes depreciation expense of: $86 million and $67 million for the years ended 2003 and 2002.

Combined Historical Results

Revenues

Our revenues increased to $3.376 billion for the year ended November 30, 2003, compared to $3.290 billion for the year ended November 30, 2002. The increase was driven by an $87 million increase in Recorded Music revenues, whereas our Music Publishing revenues were flat. Recorded Music revenues benefited principally from a $178 million favorable impact of foreign currency exchange rates. This benefit more than offset a decline in worldwide music sales largely due to the industry-wide impact of piracy. Music Publishing revenues also benefited principally from a $62 million favorable impact of foreign currency exchange rates and increases in both performance and synchronization royalties, which offset a decline in revenues relating largely to lower mechanical royalties received from the decline in industry-wide recorded music product sales. See "Business Segment Results" presented hereinafter for a discussion of revenues by business segment.

Cost of revenues

Our cost of revenues increased to $1.940 billion for the year ended November 30, 2003, compared to $1.873 billion for the year ended November 30, 2002. Expressed as a percentage of revenues, cost of revenues were approximately 57% in both years. The increase in cost of revenues related principally to increases in manufacturing and royalty costs.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased marginally to $1.286 billion for the year ended November 30, 2003, compared to $1.282 billion for the year ended November 30, 2002. Expressed as a percentage of revenues, selling, general and administrative expenses were approximately 38% in 2003, compared to 39% in 2002. The marginal increase in selling, general and administrative expenses related principally to increases in distribution costs, which offset lower marketing and overhead costs associated with our cost savings initiatives.

Restructuring (costs) income, net

We recognized $35 million of restructuring-related costs for the year ended November 30, 2003, compared to $5 million of income for the year ended November 30, 2002. The restructuring costs in 2003 principally related to reductions in worldwide headcount, costs to exit certain leased facilities and costs associated with the restructuring of our U.S. and Canadian distribution operations. The income recognized in 2002 related to the reversal of a $12 million restructuring liability recognized in a prior period due primarily to the planned action not ultimately occurring. This amount was partially offset by approximately $7 million of restructuring charges recognized in 2002 relating principally to reductions in worldwide headcount and other restructuring initiatives.

Reconciliation of Combined Historical OIBDA to Operating Loss and Net Loss

As previously described, we use OIBDA as our primary measure of financial performance. The following table reconciles OIBDA to operating loss and further provides the components from operating loss to net loss for purposes of the discussion that follows:

	Years Ended November 30,	
	2003	2002
	(in millions)	
OIBDA	$ 189	$ 207
Depreciation expense	(86)	(67)
Amortization expense	(242)	(182)
Impairment of goodwill and other intangible assets	(1,019)	(1,500)
Operating loss	(1,158)	(1,542)
Interest income (expense), net	(5)	(23)
Net investment-related gains (losses)	(26)	42
Equity in the losses of equity-method investees, net	(41)	(42)
Deal-related transaction and other costs	(70)	—
Other income (expense), net	(17)	(5)
Loss before income taxes and cumulative effect of accounting change	(1,317)	(1,570)
Income tax benefit (expense)	(36)	340
Loss before cumulative effect of accounting change	(1,353)	(1,230)
Cumulative effect of accounting change	—	(4,796)
Net loss	$ (1,353)	$ (6,026)

OIBDA

Our OIBDA decreased to $189 million for the year ended November 30, 2003, compared to $207 million for the year ended November 30, 2002. The decrease related to a $57 million decline in Recorded Music OIBDA, which more than offset a $19 million increase in Music Publishing OIBDA and $20 million of lower corporate expenses. The decline in Recorded Music OIBDA substantially related to $48 million of higher costs recognized in 2003 relating to restructuring initiatives and the one-time loss on the sale of physical distribution assets. The increase in Music Publishing OIBDA principally related to lower advance write-offs, which more than offset $3 million of restructuring charges recognized in 2003. The improvement in corporate expenses principally related to our cost savings initiatives. See "Business Segment Results" presented hereinafter for a discussion of OIBDA by business segment.

Depreciation expense

Our depreciation expense increased to $86 million for the year ended November 30, 2003, compared to $67 million for the year ended November 30, 2002. The increase principally related to an increase in depreciation of leasehold improvements associated with the consolidation of certain office space into a new location and higher depreciation of software development costs.

Amortization expense

Our amortization expense increased to $242 million for the year ended November 30, 2003, compared to $182 million for the year ended November 30, 2002. The increase related to a reduction in the amortization periods for both our recorded music catalog and music publishing copyrights from 20 years to 15 years. This change was implemented at the beginning of 2003 when we determined that

the estimated useful lives of such intangible assets were shorter than originally anticipated due to the industry-wide effects of music piracy.

Impairment of goodwill and other intangible assets

We recognized impairment charges to reduce the carrying value of goodwill and other intangible assets of $1.019 billion for the year ended November 30, 2003 and $1.500 billion for the year ended November 30, 2002. Such amounts primarily reflected declines in the valuation of music-related businesses due largely to the industry-wide effects of piracy.

Operating loss

Our operating loss decreased to $1.158 billion for the year ended November 30, 2003, compared to $1.542 billion for the year ended November 30, 2002. The improvement principally related to a $481 million lower impairment charge recognized in 2003 to reduce the carrying value of our goodwill and other intangible assets. This improvement was partially offset by an $18 million decrease in OIBDA, a $19 million increase in depreciation expense and a $60 million increase in amortization expense, as previously described above. See "Business Segment Results" presented hereinafter for a discussion of operating income (loss) by business segment.

Interest expense, net

Our net interest expense decreased to $5 million for the year ended November 30, 2003, compared to $23 million for the year ended November 30, 2002. The decrease principally related to the repayment of approximately $100 million of third-party debt in early 2003 and a $15 million decline in net interest expense payable to Time Warner in 2003.

Net investment-related gains (losses)

We recognized investment-related losses of $26 million for the year ended November 30, 2003, compared to $42 million of gains for the year ended November 30, 2002. The 2003 losses principally related to reductions in the carrying values of certain equity-method investments. In 2002, we recognized a $60 million gain on the sale of 85% of our equity-method investment in Columbia House, which more than offset $18 million of impairment losses to reduce the carrying values of certain equity-method investments.

Equity in the losses of equity-method investees, net

Our equity in the losses of equity-method investees was $41 million for the year ended November 30, 2003, compared to $42 million for the year ended November 30, 2002. Although the mix of equity-method investees changed from period to period, there was no significant fluctuation in the aggregate amount of equity losses.

Deal-related transaction and other costs

During the year ended November 30, 2003, in connection with the Acquisition and Time Warner's prior pursuit of other strategic ventures or dispositions, including our businesses, that did not occur, we incurred $70 million of costs. These costs consisted of (i) $30 million of transaction costs, primarily relating to legal, accounting and investment-banking fees, (ii) a $15 million loss in connection with the probable pension curtailment for employees covered under Time Warner's U.S. pension plans that ultimately occurred upon the closing of the Acquisition and (iii) a $25 million loss relating to certain executive contractual obligations that were probable to occur and ultimately triggered upon the closing of the Acquisition.

Other expense, net

We recognized other expense, net, of $17 million for the year ended November 30, 2003, compared to expense of $5 million for the year ended November 30, 2002. These amounts primarily related to losses on foreign currency exchange contracts allocated to us by Time Warner in each period. Foreign currency exchange contracts were used by Time Warner and us to hedge the exposure to changes in foreign currency rates. The increased loss in 2003 relates, in part, to the early termination of foreign currency exchange contracts in the fourth quarter of 2003 in anticipation of the closing of the Acquisition.

Income tax benefit (expense)

We provided income tax expense of $36 million for the year ended November 30, 2003, compared to an income tax benefit of $340 million for the year ended November 30, 2002. The increase in income tax expense primarily related to the write-off in 2003 of a $423 million deferred tax asset for net operating losses incurred by us while we were a member of the Time Warner consolidated tax return. These net operating losses were only available to us while we remained within the tax consolidation of Time Warner. Consequently, in anticipation of the closing of the Acquisition, which terminated our membership in the Time Warner consolidated tax group, we wrote off the deferred tax asset in November 2003.

Loss before cumulative effect of accounting change

We recognized a loss before the cumulative affect of an accounting change of $1.353 billion for the year ended November 30, 2003, compared to $1.230 billion for the year ended November 30, 2002. As described more fully above, the higher loss in 2003 principally related to $67 million of higher investment-related losses, $70 million of deal-related transaction and other costs recognized in 2003 and $376 million of higher income tax expense, which more than offset the $384 million improvement in operating loss relating, in part, to the lower impairment charge to reduce the carrying value of goodwill and other intangible assets.

Cumulative effect of accounting change

We recognized a non-cash charge of $4.796 billion for the year ended November 30, 2002 to reduce the carrying value of goodwill in connection with the initial adoption of Financial Accounting Standards Board Statement No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). The amount of the impairment charge primarily reflected the decline in Time Warner stock price since the AOL—Time Warner merger was announced and valued for accounting purposes in January 2000, as well as declines in the valuation of music-related businesses due largely to the negative industry-wide effects of piracy.

Net loss

We recognized a net loss of $1.353 billion for the year ended November 30, 2003, compared to a net loss of $6.026 billion for the year ended November 30, 2002. As described more fully above, the lower loss in 2003 principally related to the absence of a $4.796 billion impairment charge recognized in 2002 and reflected as a cumulative effect of an accounting change in connection with the initial adoption of FAS 142.

Business Segment Results

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

	Years Ended November 30,					
	Revenues		OIBDA (1)		Operating Income (Loss) (1)(2)	
	2003	2002	2003	2002	2003	2002
	(in millions)					
Recorded Music	$ 2,839	$ 2,752	$ 116	$ 173	$ (1,130)	$ (1,206)
Music Publishing	563	563	107	88	23	(273)
Corporate expenses	—	—	(34)	(54)	(51)	(63)
Intersegment elimination	(26)	(25)	—	—	—	—
Total	$ 3,376	$ 3,290	$ 189	$ 207	$ (1,158)	$ (1,542)

(1) OIBDA and operating income (loss) for 2003 have been reduced by $47 million of losses relating to restructuring costs and the loss on the sale of physical distribution assets. Of such amount, $43 million is reflected as a reduction of Recorded Music OIBDA and operating income, $3 million is reflected as a reduction of Music Publishing OIBDA and operating income, and $1 million is reflected as an increase in corporate expenses. For 2002, both Recorded Music and total OIBDA and operating income have been increased by $5 million of restructuring-related income.

(2) Operating income (loss) for 2003 and 2002 have been reduced by significant impairment charges for goodwill and other intangible assets. For 2003, both Recorded Music and total operating income (loss) have been reduced by a $1.019 billion impairment charge. For 2002, a $1.5 billion impairment charge has been reflected as a $1.203 billion reduction in Recorded Music operating income (loss) and a $297 million reduction in Music Publishing operating income (loss).

Recorded Music

Recorded Music revenues increased to $2.839 billion for the year ended November 30, 2003, compared to $2.752 billion for the year ended November 30, 2002. Revenues benefited principally from a $178 million favorable impact of foreign currency exchange rates, which more than offset a decline in worldwide music sales due to the industry-wide impact of piracy.

Recorded Music OIBDA decreased to $116 million for the year ended November 30, 2003, compared to $173 million in 2002. The $57 million decrease in OIBDA was essentially due to the inclusion of $48 million of additional costs in 2003 relating to restructuring initiatives and the loss on the sale of physical distribution assets. Excluding such items, OIBDA would have been $159 million for the year ended November 30, 2003, compared to $168 million for the year ended November 30, 2002. The marginal decline in OIBDA, excluding restructuring costs and the loss on the sale of physical distribution assets was due to the loss of margin on lower worldwide music sales, offset in part by a $29 million favorable impact of foreign currency exchange rates and cost savings relating to our restructuring initiatives.

Recorded Music operating loss improved to $1.130 billion for the year ended November 30, 2003, compared to $1.206 billion for the year ended November 30, 2002. Recorded Music operating loss included the following components:

	Years Ended November 30,	
	2003	2002
	(in millions)	
OIBDA	$ 116	$ 173
Depreciation and amortization	(227)	(176)
Impairment of goodwill and other intangible assets	(1,019)	(1,203)
Operating loss	$ (1,130)	$ (1,206)

The $76 million improvement in operating loss primarily related to a $184 million lower impairment charge to reduce the carrying value of goodwill and intangible assets, offset in part by the $57 million reduction in OIBDA discussed above and a $51 million increase in depreciation and amortization expense. The increase in depreciation and amortization expense principally related to an increase in amortization expense associated with a reduction in the amortization period for recorded music catalog from 20 years to 15 years, which was implemented at the beginning of 2003.

Music Publishing

Music Publishing revenues were flat at $563 million for each of the years ended November 30, 2003 and 2002. Revenues benefited principally from a $62 million favorable impact of foreign currency exchange rates and increases in both performance and synchronization royalties and fees, which offset a decline in revenues relating largely to the sale of the international print operations, a decline in domestic print revenues and lower mechanical royalties received from the sale of recorded music product.

Music Publishing OIBDA increased to $107 million for the year ended November 30, 2003, compared to $88 million for the year ended November 30, 2002. The $19 million increase in OIBDA principally related to lower advance write-offs and a $10 million favorable impact of foreign currency exchange rates, which more than offset $3 million of restructuring charges recognized in 2003 and the loss of margin on lower mechanical royalties received.

Music Publishing operating income decreased to $23 million for the year ended November 30, 2003, compared to a loss of $273 million for the year ended November 30, 2002. Music Publishing operating income includes the following components:

	Years Ended November 30,	
	2003	2002
	(in millions)	
OIBDA	$ 107	$ 88
Depreciation and amortization	(84)	(64)
Impairment of goodwill and other intangible assets	—	(297)
Operating income	$ 23	$ (273)

The $296 million increase in operating income primarily related to a $20 million increase in depreciation and amortization expense, which was more than offset by the $19 million increase in OIBDA discussed above and the absence of a $297 million impairment of goodwill charge recognized in 2002. The increase in depreciation and amortization expense principally related to an increase in

amortization expense associated with a reduction in the amortization period for Music Publishing copyrights from 20 years to 15 years, which was implemented at the beginning of 2003.

Corporate expenses

Corporate expenses before depreciation and amortization expense improved to $34 million for the year ended November 30, 2003, compared to $54 million for the year ended November 30, 2002. The improvement principally related to cost savings associated with the our restructuring initiatives, which more than offset a $1 million restructuring charge recognized in 2003.

Corporate depreciation and amortization expense was $17 million for the year ended November 30, 2003, compared to $9 million for the year ended November 30, 2002. These amounts increased corporate expenses to $51 million in 2003, compared to $63 million in 2002. The increase in depreciation and amortization expense related to higher depreciation charges on leasehold improvements associated with the consolidation of certain office space into a new location.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

At September 30, 2004, we had $1.840 billion of debt, $555 million of cash and equivalents (net debt of $1.285 billion, defined as total debt less cash and equivalents) and $978 million of shareholder's equity. This compares to $120 million of debt, $144 million of cash and equivalents (net cash of $24 million) and $1.587 billion of group equity at November 30, 2003. The increase in net debt from 2003 compared to 2004 primarily reflects the portion of our purchase price paid to Time Warner that was funded by debt. Subsequent to September 30, 2004, we completed the payment of our $350 million return of capital to the Investors. This $350 million return of capital was paid in two installments: an $8 million payment made in September 2004 and reflected in our historical balance sheet and a $342 million payment in October 2004 funded by available cash and equivalents. Accordingly, after giving effect to the October 2004 payment, net debt increased to $1.627 billion and shareholder's equity decreased to $636 million.

Cash Flows

The following table summarizes our historical cash flows. The financial data for the seven months ended September 30, 2004, the three months ended February 29, 2004, and the years ended November 30, 2003 and 2002 have been derived from our audited financial statements included elsewhere herein. The financial data for the ten months ended September 30, 2003 are unaudited and are also derived from the audited financial statements included elsewhere herein. See "Change in Fiscal Year and Basis of Presentation" presented earlier herein for a discussion of the use of financial information for the combined ten-month period ended September 30, 2004.

	Successor	Predecessor	Combined	Predecessor		
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2004	Ten Months Ended September 30, 2003	Year Ended November 30, 2003	Year Ended November 30, 2002
	(audited)	(audited)	(unaudited)	(unaudited)	(audited)	(audited)
	(in millions)					
Cash provided by (used in):						
Operating activities	86	321	407	257	278	(13)
Investing activities	(2,663)	14	(2,649)	(73)	(65)	(365)
Financing activities	2,661	(10)	2,651	(151)	(121)	385

Operating Activities

Ten Months Ended September 30, 2004 Compared to Ten Months Ended September 30, 2003

Cash provided by operations was $407 million for the ten months ended September 30, 2004, compared to cash provided by operations of $257 million for the ten months ended September 30, 2003. The $150 million increase in cash provided by operations resulted from higher business segment OIBDA of $144 million and an aggregate $117 million decrease in working capital requirements and other balance sheet changes. However, those amounts were offset by $51 million of higher interest payments associated with our leveraged capital structure, $7 million of higher tax payments (net) and $53 million of higher restructuring payments incurred in connection with our cost savings initiatives.

Year Ended November 30, 2003 Compared to Year Ended November 30, 2002

Cash provided by operations was $278 million in the year ended November 30, 2003, compared to cash used in operations of $13 million in the year ended November 30, 2002. Cash provided by operations in 2003 benefited from $189 million of business segment OIBDA and a $207 million aggregate decrease in working capital requirements and other balance sheet changes. However, these amounts were offset by $72 million of tax payments (net), $10 million of interest payments and $36 million of payments for restructuring liabilities related to the merger of AOL and Time Warner. The use of cash in 2002 related to $33 million of tax payments (net), $8 million of interest payments, approximately $175 million of merger-related restructuring and other one-time payments and an $11 million aggregate increase in working capital requirements and other balance sheet changes. These uses of cash more than offset the $207 million of OIBDA generated by our business segments.

Investing Activities

Ten Months Ended September 30, 2004 Compared to Ten Months Ended September 30, 2003

Cash used in investing activities was $2.649 billion for the ten months ended September 30, 2004, compared to $73 million for the ten months ended September 30, 2003. The increase in cash used in investing activities primarily related to the cash purchase price of $2.638 billion, including transaction costs, paid in connection with the Acquisition. In addition, capital expenditures for the ten months ended September 30, 2004 were $18 million, compared to the $30 million for the ten months ended September 30, 2003.

Year Ended November 30, 2003 Compared to Year Ended November 30, 2002

Cash used in investing activities was $65 million in the year ended November 30, 2003, compared to $365 million in the year ended November 30, 2002. The $300 million decrease principally related to lower investment spending and lower spending on capital expenditures, offset in part by the receipt of less investment proceeds.

The comparability of the components of investing activities was affected by our sale of 85% of our interest in Columbia House that occurred in the year ended November 30, 2002. As more fully described in Note 8 to the audited financial statements included elsewhere herein, prior to the closing of the Columbia House transaction, we recapitalized certain obligations of Columbia House owed to us. In particular, we made capital contributions to Columbia House of approximately $930 million (which is reflected as an investing activity under investments and acquisitions) and received approximately $700 million back in satisfaction of certain note receivables (which is reflected as an investing activity under investment proceeds). Although we have presented the cash flows associated with the recapitalization of Columbia House on a gross basis in our combined statement of cash flows in accordance with generally accepted accounting principles, we believe that only the $230 million net cash outflow relating to the Columbia House transaction should be considered in order to better understand the changes in cash used in investing activities from 2003 to 2002.

Accordingly, the $300 million decrease in cash used in investing activities principally related to (i) a $350 million decrease in investment spending, largely related to the use of cash in the year ended November 30, 2002 to fund the $230 million Columbia House recapitalization and the $85 million acquisition of Word Entertainment and (ii) a $37 million decrease in capital expenditures. Such amounts were offset, in part, by an $87 million decrease in investment proceeds received. Investment proceeds were $38 million in the year ended November 30, 2003 relating to the sale of our physical distribution assets and $125 million in the year ended November 30, 2002 relating to the sale of 85% of our interest in Columbia House.

Financing Activities

Ten Months Ended September 30, 2004 Compared to Ten Months Ended September 30, 2003

Cash provided from financing activities was $2.651 billion for the ten months ended September 30, 2004, compared to $151 million for the ten months ended September 30, 2003.

Cash flows from financing activities are not comparable from period to period. In 2004, we began operating as an independent company. However, in 2003, we were a wholly owned subsidiary of Time Warner. As such, all of our cash requirements were funded by Time Warner and Time Warner received most of the cash generated by us through a centralized cash management system or the use of shared international cash pooling arrangements. Consequently, except for principal payments on capital leases and certain net borrowings of third-party debt, which were not significant, all financing activities for the historical 2003 period related to the movement of cash between Time Warner and us.

Cash provided by financing activities for 2004 principally reflected activities to fund the purchase price paid in connection with the Acquisition, settle intercompany receivables and payables for the period preceding the Acquisition, and modify our initial capital structure by returning a portion of the initial capital contributed by the Investors. In particular, we borrowed $2.348 billion which was used primarily to (i) fund a portion of the purchase price paid in connection with the Acquisition (including transaction costs), (ii) pay $99 million of financing-related debt issuance costs, (iii) refinance approximately $625 million of our initial, variable-rate borrowings used to fund the Acquisition on a fixed-rate basis and (iv) repay $6 million of borrowings under the term loan portion of our senior secured credit facility. We also received capital contributions of $1.250 billion from the Investors to fund a portion of the purchase price paid in connection with the Acquisition, of which $210 million was subsequently repaid to the Investors through September 30, 2004 as a return of capital. Finally, with respect to the pre-acquisition, three-month period ended February 29, 2004, $114 million of net funding was received by Time Warner and used, in part, to repay $124 million of third-party indebtedness.

Year Ended November 30, 2003 Compared to Year Ended November 30, 2002

Cash used in financing activities was $121 million in 2003, compared to $385 million of cash provided by financing activities in 2002. As previously described, on a historical basis, all of our cash requirements were funded by Time Warner and Time Warner received most of the cash generated by us through a centralized cash management system or the use of shared international cash pools. Accordingly, except for principal payments on capital leases which were not significant and certain borrowings and repayments of third-party debt obligations discussed below, all financing activities related to the movement of cash between Time Warner and us.

During 2003, we repaid $101 million of debt relating to our 1998 acquisition of the 50% interest in Rhino Entertainment that we did not already own at that time. In addition, during 2003, we borrowed $114 million in connection with a recapitalization of certain wholly owned international subsidiaries. There were no borrowings or repayments of debt in 2002.

As described above, our operating, investing and financing requirements were funded by Time Warner and any cash generated by such activities was similarly remitted to Time Warner. In 2003, we paid Time Warner $131 million on a net basis, consisting of dividend payments of $68 million,

payments of certain intercompany balances of $195 million and the receipt of $132 million of capital contributions. In 2002, we received $385 million of net funding from Time Warner, largely to fund our investing needs with respect to Columbia House and Word Entertainment. The $385 million of net funding from Time Warner consisted of $416 million of intercompany funding, which was offset in part by the payment of $31 million of dividends.

Liquidity

Our primary sources of liquidity are the cash flow generated from our operations, availability under our $250 million revolving credit portion of a senior secured credit facility and available cash and equivalents as of September 30, 2004. These sources of liquidity are needed to fund our new debt service requirements, working capital requirements, capital expenditure requirements and the remaining one-time costs associated with the execution of our restructuring plan to generate cost savings.

As of September 30, 2004, our long-term debt consisted of $1.182 billion of borrowings (excluding $12 million of debt that is classified as a current obligation) under the term loan portion of our senior secured credit facility and $646 million of Senior Subordinated Notes. There were no borrowings under the revolving credit portion of our senior secured credit facility as of September 30, 2004. The following is a summary of the principal terms of our indebtedness.

Senior secured credit facility

The senior secured credit facility consists of a $1.194 billion outstanding term loan portion and a $250 million revolving credit portion. The term loan portion of the facility matures in seven years in March 2011. We are required to prepay outstanding term loans, subject to certain exceptions and conditions, with excess cash flow or in the event of certain asset sales and casualty and condemnation events and incurrence of debt. See "Description of Other Indebtedness." We are required to make minimum repayments requirements under the term loan portion of our facility in quarterly principal amounts of $3 million for the first six years and nine months, with a remaining balloon payment in March 2011. See "—Firm Commitments."

The revolving credit portion of the senior secured credit facility matures in six years in February 2010. There are no mandatory reductions in borrowing availability for the revolving credit portion of the facility through its term.

Borrowings under both the term loan and revolving credit portion of the senior secured credit facility bear interest at a rate equal to an applicable margin plus, at our option, either (a) a base rate determined by reference to the higher of (1) the prime rate of Bank of America, N.A. and (2) the federal funds rate plus $^1/_2$ of 1% or (b) a LIBOR rate determined by reference to the costs of funds for deposits in the currency of such borrowing for the interest period relevant to such borrowing adjusted for certain additional costs. The initial applicable margin for borrowings under the revolving credit facility and the term loan facility is 1.75% with respect to base rate borrowings and 2.75% with respect to LIBOR borrowings. The applicable margin for borrowings under the revolving credit facility may be reduced subject to our attaining certain leverage ratios. The applicable margin for borrowings under the term loan facility is not subject to adjustment.

In addition to paying interest on outstanding principal under the senior secured credit facility, we are required to pay a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments. The initial commitment fee rate if 0.50%. The commitment fee rate may be reduced subject to our attaining certain leverage ratios. We also are required to pay customary letter of credit fees, as necessary.

The senior secured credit facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability and the ability of our subsidiaries to sell assets, incur additional indebtedness or issue preferred stock, repay other indebtedness, pay dividends and distributions or repurchase capital stock, create liens on assets, make investments, loans or advances,

make certain acquisitions, engage in mergers or consolidations, engage in certain transactions with affiliates, amend certain material agreements, change the business conducted by Holdings, we and our subsidiaries and enter into agreements that restrict dividends from subsidiaries. In addition, the senior secured credit facility requires us to maintain the following financial covenants: a maximum total leverage ratio, a minimum interest coverage ratio and a maximum capital expenditures limitation.

Senior Subordinated Notes

We have outstanding two tranches of Senior Subordinated Notes due 2014: $465 million principal amount of U.S. dollar-denominated notes and £100 million principal amount of Sterling-denominated notes. The notes mature on April 15, 2014.

The notes bear interest at a fixed rate of $7^{3}/_{8}$% per annum on the $465 million dollar notes and $8^{1}/_{8}$% per annum on the £100 million sterling notes.

The indenture governing the notes limit 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.

Covenant Compliance

Our borrowing arrangements, including the senior secured credit facility and notes, contain certain financial covenants which are tied to ratios based on Adjusted EBITDA, which is defined under the indenture governing the notes as "EBITDA." Adjusted EBITDA (as defined in the indenture) differs from the term "EBITDA" as it is commonly used. In addition to adjusting net income to exclude interest expense, income taxes, and depreciation and amortization, Adjusted EBITDA (as defined in indenture) also adjusts net income by excluding items or expenses not typically excluded in the calculation of "EBITDA" such as, among other items, (1) any reasonable expenses or charges related to any issuance of securities, investments permitted, permitted acquisitions, recapitalizations, asset sales permitted or indebtedness permitted to be incurred; (2) the amount of any restructuring charges or reserves, subject to certain limitations; (3) any non-cash charges (including any impairment charges); (4) any gain or loss resulting from hedging currency exchange risks, (5) the amount of management, monitoring, consulting and advisory fees paid to the Investors, and (6) any net after-tax income or loss from discontinued operations.

Adjusted EBITDA is presented herein because it is a material component of the covenants contained within the aforementioned credit agreements. Non-compliance with those covenants could result in the requirement to immediately repay all amounts outstanding under those agreements which could have a material adverse effect on our results of operations, financial position and cash flow. Adjusted EBITDA does not represent net income or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters that we may consider not to be indicative of our ongoing operations. In particular, the definition of Adjusted EBITDA in the indenture allow us to add back certain non-cash, extraordinary, unusual or non-recurring charges that are deducted in calculating net income. However, these are expenses that may recur, vary greatly and are difficult to predict.

Adjusted pro forma EBITDA as presented below is not a measure of the performance of our business and should not be used by investors as an indicator of performance for any future period. Further, our debt instruments require that it be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year.

The key and most restrictive covenants relate to ratios of Adjusted EBITDA to fixed charges (Fixed Charges Coverage Ratio) and net indebtedness to Adjusted EBITDA (Net Indebtedness to EBITDA ratio), all as defined in the indenture governing the notes. The fixed charges coverage and Net Indebtedness to EBITDA ratios are computed based on our pro forma results for the most recently ended four fiscal quarters. More specifically, the senior credit facility's covenants require:

- Fixed Charge Coverage Ratio of 2.0 to 1.0, except that we may incur certain debt and make certain restricted payments without regard to the ratio, and
- Net Indebtedness to Adjusted EBITDA ratio of 3.75 to 1.0.

The following is a reconciliation of net income (loss), which is a GAAP measure of our operating results, to Adjusted EBITDA as defined, and the calculation of our fixed charge coverage and Net Indebtedness to Adjusted EBITDA ratios under our indenture for the most recently ended four fiscal quarters ended September 30, 2004. The terms and related calculations are defined in the indenture, which is included as Exhibit 4.1 of our registration statement of which this prospectus forms a part (in millions, except ratios).

	PRO FORMA
	Twelve Months Ended September 30, 2004
Net income (loss)	$ (1,250)
Interest expense, net	82
Income tax expense	112
Depreciation and amortization expense	268
Management fees(a)	6
Impairment of goodwill and intangible assets(b)	1,019
Restructuring costs(c)	34
Net investment-related losses(d)	9
Equity in the losses of equity-method investees, net(e)	13
Deal-related transaction and other costs(f)	63
Loss on repayment of bridge loan(g)	6
Hedging and other foreign currency (gains) losses(h)	10
Non-cash compensation expense(i)	1
Cinram Agreement(j)	5
Adjusted EBITDA	378
Cost savings from Acquisition-related restructuring(k)	143
Adjusted pro forma EBITDA	$ 521
Fixed charges(l)	107
Net Indebtedness	1,285
Fixed charge coverage ratio(m)	4.87x
Net Indebtedness to Adjusted pro forma EBITDA ratio(n)	2.47x

(a) Reflects management fees paid to the Investors for management advisory services.

(b) During the fourth quarter of 2003, in connection with Time Warner's agreement to sell us, we recorded a $1.019 billion impairment charge. The charge was necessary to reduce the carrying value of our intangible assets to fair value, based on the consideration to be exchanged in the transaction.

(c) Reflects costs associated with our Restructuring Plan and pre-acquisition restructurings.

(d) Principally reflects the reduction of the carrying value of certain investments in November 2003, including our interest in Telstar.

(e) Represents our share of the net income of investments in companies accounted for using the equity method.

(f) In connection with our sale, we incurred approximately $63 million of costs, as follows: Transaction costs, primarily legal, accounting and investment banking fees—$23 million; loss on executive contractual obligations—$25 million; and loss on pension curtailment—$15 million.

(g) Reflects loss incurred on the repayment of the bridge loan.

(h) Includes foreign currency hedging losses allocated to us by Time Warner under Time Warner's foreign currency risk management program in the amount of $7 million during the five-month period ended February 29, 2004 and certain foreign currency transaction losses arising from intercompany transactions that are not of a long-term investment nature.

(i) Reflects costs of stock-based compensation accounted for under FAS 123 and representative costs of services provided by employees of the Investor Group who have filled in management roles on an interim basis.

(j) Reflects adjustments to decrease cost of revenues in the amount of $5 million for the October 2003 period in which the more favorable, market-based pricing arrangements under the third-party Cinram Agreements for manufacturing, packaging and physical distribution services were not in effect.

(k) Reflects reduction in operating expenses from restructurings already implemented for which the cost savings have not been fully reflected in our Statement of Operations.

(l) Fixed charges is defined in the indenture as consolidated interest expense excluding certain noncash interest expense. Pro forma effect has been given to the fixed charge for the (i) the Acquisition and the Original Financing and (ii) the Refinancing as if they had occurred as of October 1, 2003.

(m) In order to be in compliance with our debt covenants, the Fixed Charge coverage ratio needs to exceed a 2.0x ratio.

(n) In order to be in compliance with our debt covenants, the Net Indebtedness to Adjusted pro forma EBITDA ratio needs to be lower than a 3.75x ratio.

Summary

Management believes that future funds generated from our operations and available borrowing capacity will be sufficient to fund our debt service requirements, working capital requirements, capital expenditure requirements and the remaining one-time costs associated with the execution of a restructuring plan to generate cost savings for the foreseeable future. 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.

Contractual and Other Obligations

Firm Commitments

The following table summarizes the Company's aggregate contractual obligations at September 30, 2004, and the estimated timing and effect that such obligations are expected to have on the Company's liquidity and cash flow in future periods. We expect to fund the firm commitments with operating cash flow generated in the normal course of business and availability under the $250 million revolving credit portion of the senior secured credit facility.

Firm Commitments and Outstanding Debt	2005	2006-2008	2009 and thereafter	Total
		(in millions)		
Term loan facility	12	36	1,146	1,194
Senior subordinated notes	—	—	646	646
Operating leases	49	131	201	381
Artist, songwriter and co-publisher commitments	68	208	69	345
Minimum funding commitments to investees and other obligations	28	24	13	65
Total firm commitments and outstanding debt	$ 157	$ 399	$ 2,075	$ 2,631

The following is a description of our firmly committed contractual obligations at September 30, 2004:

- Operating lease obligations primarily relate to the minimum lease rental obligations for our real estate and operating equipment in various locations around the world. These obligations have been presented without the benefit of $21 million of sublease income expected to be received under non-cancelable agreements.

- We enter into long-term commitments with artists, songwriters and co-publishers for the future delivery of music product. Aggregate firm commitments to such talent approximated $345 million across hundreds of artists, songwriters, publishers, songs and albums at September 30, 2004. Such commitments, which are unpaid advances across multiple albums and songs, are payable principally over a ten-year period, generally upon delivery of albums from the artists or future musical compositions by songwriters and co-publishers. Because the timing of payment, and even whether payment occurs, is dependent upon the timing of delivery of albums and musical compositions from talent, the timing and amount of payment of these commitments as presented in the above summary can vary significantly.

- We have minimum funding commitments and other related obligations to support the operations of various investments.

MARKET RISK MANAGEMENT

We are exposed to market risk arising from changes in market rates and prices, including movements in foreign currency exchange rates and interest rates.

Foreign Currency Risk

The Company has significant transactional exposure to changes in foreign currency exchange rates relative to the U.S. dollar due to the global scope of our operations. For the ten months ended September 30, 2004, approximately $1.4 billion, or 54%, of our revenues were generated outside of the U.S. The top five revenue-producing international countries are the U.K., Germany, Japan, France and Italy, which use the British pound, euro and Japanese yen as currencies, respectively. See Note 22 to our audited financial statements included elsewhere herein for information on our operations in different geographical areas.

Historically, Time Warner and we used foreign exchange contracts primarily to hedge the risk that unremitted or future royalties and license fees owed to our domestic companies for the sale, or anticipated sale, of U.S.-copyrighted products abroad may be adversely affected by changes in foreign currency exchange rates. However, in connection with the Acquisition, we are in the process of evaluating our hedging practices and alternatives and no significant foreign exchange contracts have been entered into as of September 30, 2004. See Note 21 to our audited financial statements included elsewhere herein for additional information.

Interest Rate Risk

We had $1.840 billion of total debt outstanding as of September 30, 2004, of which $1.194 billion was variable rate debt. As such, we are exposed to changes in interest rates. In order to manage this exposure, and consistent with the requirement under our senior secured credit facility to maintain a fixed-to-floating debt ration of at least 50% of our actual funded debt though at least April 2007, we entered into interest rate swap agreements with a notional face amount of $300 million in 2004. Under these interest rate swap agreements, we agreed to receive floating-rate payments (based on three-month LIBOR rates) in exchange for fixed-rate payments for a fixed term of three years through May 2007.

Based on the amount of our floating-rate debt and our interest rate swap agreements outstanding as of September 30, 2004, each 25 basis point increase or decrease in interest rates would increase or decrease our annual interest expense and cash outlay by approximately $2 million. This potential increase or decrease is based on the simplified assumption that the level of floating-rate debt remains constant with an immediate across the board increase or decrease as of September 30, 2004 with no subsequent change in rates for the remainder of the period. This increase or decrease in rates would partially be mitigated by an increase or decrease in interest income earned on the Company's cash balances, almost all of which are invested in short-term variable interest rate earning assets.

In addition to our $1.194 billion of variable-rate debt, we had approximately $646 million of fixed-rate debt outstanding at September 30, 2004. Based on the level of interest rates prevailing at September 30, 2004, the fair value of this fixed-rate debt was approximately $666 million. Further, based on the amount of our fixed-rate debt and our related $300 million of interest rate swap agreements noted above that were outstanding at September 30, 2004, a 25 basis point increase or decrease in the level of interest rates would increase or decrease the fair value of the fixed-rate debt by approximately $10 million. This potential increase or decrease in based on the simplified assumption that the level of fixed-rate debt remains constant with an immediate across the board increase or decrease in the level of interest rates with no subsequent changes in rates for the remainder of the period.

We monitor our positions with, and the credit quality of, the financial institutions that are party to any of our financial transactions. Credit risk relating to the interest rate swaps is considered low because the swaps are entered into with strong, credit-worthy counterparties, and the credit risk is confined to the net settlement of the interest over the remaining life of the swaps.

CRITICAL ACCOUNTING POLICIES

The SEC's Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" ("FRR 60"), suggests companies provide additional disclosure and commentary on those accounting policies considered most critical. FRR 60 considers an accounting policy to be critical if it is important to our financial condition and results, and requires significant judgment and estimates on the part of management in our application. We believe the following list represents the critical accounting policies of us as contemplated by FRR 60. For a summary of all of our significant accounting policies, see Note 3 and Note 4 to our audited financial statements included elsewhere herein.

Purchase Accounting

We account for our business acquisitions under the purchase method of accounting. The total cost of acquisitions is allocated to the underlying identifiable net assets based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. In addition, reserves have been established on our balance sheet related to acquired liabilities and qualifying restructuring costs based on assumptions made at the time of acquisition. We evaluate these reserves on a regular basis to determine the adequacy or accuracy of the amounts estimated.

Accounting for Goodwill and Other Intangible Assets

As discussed in Note 11 to our audited combined financial statements included elsewhere herein, effective as of December 1, 2001, we adopted FAS 142. FAS 142 which requires that goodwill, including the goodwill included in the carrying value of investments accounted for using the equity method of accounting, and certain other intangible assets deemed to have an indefinite useful life, cease amortization. FAS 142 requires that goodwill and certain intangible assets be assessed for impairment using fair value measurement techniques. Specifically, goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its net book value (or carrying amount), including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The impairment test for other intangible assets consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Determining the fair value of a reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of a reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. To assist in the process of determining goodwill impairment, the Company obtains appraisals from independent valuation firms. In addition to the use of independent valuation firms, the Company performs internal valuation analyses and considers other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows and market comparisons and recent transactions. These approaches use significant estimates and assumptions including projected future cash flows (including timing), discount rate reflecting the risk inherent in future cash flows, perpetual growth rate, determination of appropriate market

comparables and the determination of whether a premium or discount should be applied to comparables.

Upon the adoption of FAS 142 in the first quarter of fiscal 2002, we recorded a non-cash charge of approximately $4.8 billion to reduce the carrying value of goodwill arising from the AOL-Time Warner Merger. Such charge is non-operational in nature and is reflected as a cumulative effect of a change in accounting principle in the accompanying combined statement of operations. The amount of the impairment primarily reflects the decline in Time Warner's stock price subsequent to when the AOL Time Warner Merger was announced and valued for accounting purposes in January 2000, as well as declines in the valuation of music-related businesses since January 2001 due, largely, to the industry-wide effects of piracy.

FAS 142 also required that goodwill deemed to be related to an entity as a whole be assigned to all of Time Warner's reporting units instead of only to the businesses of the company acquired, as was the case under existing practice. As a result, approximately $5.9 billion of goodwill generated in the AOL Time Warner Merger that had been previously allocated to the combined financial statements was reallocated to other segments of Time Warner.

During the fourth quarter of 2002, we performed our annual impairment review for goodwill and other intangible assets and recorded an additional charge of approximately $1.5 billion, which is recorded as a component of operating loss in our combined statement of operations. The charge consisted of a reduction in the carrying value of goodwill by approximately $646 million and a reduction in the carrying value of brands and trademarks by approximately $854 million. The amount of the impairment primarily reflects the decline in the valuation of music-related businesses due, largely, to the industry-wide effects of piracy.

The impairment charges recognized in connection with the initial adoption of FAS 142 and during the fourth quarter were non-cash in nature and did not affect our liquidity.

During the fourth quarter of 2003, in connection with Time Warner's agreement to sell us, we recorded an additional $1.019 billion impairment charge. The charge was necessary to reduce the carrying value of our intangible assets to fair value based on the consideration agreed to be exchanged in the transaction. The impairment charge is classified as a component of operating loss in our combined statement of operations. The charge consisted of a reduction in the carrying value of goodwill by $5 million, brands and trademarks by $766 million, recorded music catalog by $208 million and other intangible assets by $40 million.

The impairment charges recognized prior to 2003 were based on our estimates of fair value at the time the charges were recognized. As such, there were significant judgments made at the time. However, because the 2003 impairment charge was based principally on the difference between the negotiated purchase price of the Company and the historical book value of the net assets acquired, the amount of the charge was readily determinable.

As of September 30, 2004, the Company has recorded goodwill in the amount of $978 million, primarily related to the Acquisition. See Note 5 and Note 11 to our audited financial statements included herein for a further discussion of the Company's goodwill.

Equity Method and Cost Method Investments.

For non-publicly traded investments, management's assessment of fair value is based on valuation methodologies including discounted cash flows, estimates of sales proceeds and external appraisals, as appropriate. The ability to accurately predict future cash flows, especially in developing and unstable markets, may impact the determination of fair value.

In the event a decline in fair value of an investment occurs, management may be required to determine if the decline in market value is other than temporary. Management's assessments as to the nature of a decline in fair value are based on the valuation methodologies discussed above and our ability and intent to hold the investment. We consider our equity method investees to be strategic long-term investments; therefore, we generally complete our assessments with a long-term viewpoint. If the fair value is less than the carrying value and the decline in value is considered to be other than temporary, an appropriate write-down is recorded. Management's assessments of fair value in accordance with these valuation methodologies represent our best estimates as of the time of the impairment review and are consistent with our internal planning. If different fair values were estimated, this could have a material impact on the financial statements.

Revenue and Cost Recognition

Sales Returns and Uncollectible Accounts

In accordance with practice in the recorded music industry and as customary in many territories, certain products (such as compact discs and cassettes) are sold to customers with the right to return unsold items. Revenues from such sales are recognized when the products are shipped based on gross sales less a provision for future estimated returns.

In determining the estimate of product sales that will be returned, management analyzes historical returns, current economic trends and changes in customer demand and acceptance of our products. Based on this information, management reserves a percentage of each dollar of product sales to provide for the estimated customer returns.

Similarly, management evaluates accounts receivables to determine if they will ultimately be collected. In performing this evaluation, significant judgments and estimates are involved, including an analysis of specific risks on a customer-by-customer basis for larger accounts and customers, and a receivables aging analysis that determines the percent that has historically been uncollected by aged category. Based on this information, management provides a reserve for the estimated amounts believed to be uncollectible.

Based on management's analysis of sales returns and uncollectible accounts, reserves totaling $222 million and $291 million have been established at September 30, 2004 and November 30, 2003, respectively. This compares to total gross receivables of $793 million and $1.027 billion at September 30, 2004 and November 30, 2003, respectively.

Gross Versus Net Revenue Classification

In the normal course of business, we act as an intermediary or agent with respect to certain payments received from third parties. For example, we distribute music product on behalf of third-party record labels.

The accounting issue encountered in these arrangements is whether we should report revenue based on the "gross" amount billed to the ultimate customer or on the "net" amount received from the customer after participation and other royalties paid to third parties. To the extent revenues are recorded gross, any participations and royalties paid to third parties are recorded as expenses so that the net amount (gross revenues, less expenses) flows through operating income. Accordingly, the impact on operating income is the same, whether we record the revenue on a gross or net basis. For example, if we distribute a CD to a wholesaler for $15 and pass $10 to the third-party record label, the question is whether we should record gross revenue from the wholesaler of $15 and $10 of expenses, or should we record the net revenues we keep of $5. In either case, the impact on operating income is $5.

Determining whether revenue should be reported gross or net is based on an assessment of whether we are acting as the "principal" in a transaction or acting as an "agent" in the transaction. To

the extent we are acting as a principal in a transaction, we report as revenue the payments received on a gross basis. To the extent we are acting as an agent in a transaction, we report as revenue the payments received less participations and royalties paid to third parties, i.e., on a net basis. The determination of whether we are serving as principal or agent in a transaction is judgmental in nature and based on an evaluation of the terms of an arrangement.

In determining whether we serve as principal or agent in these arrangements, we follow the guidance in EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent" ("EITF 99-19"). Pursuant to such guidance, we serve as the principal in transactions in which it has substantial risks and rewards of ownership. The indicators that we have substantial risks and rewards of ownership are as follows:

- we are the supplier of the products or services to the customer;
- we have general inventory risk for a product before it is sold;
- we have latitude in establishing prices;
- we have the contractual relationship with the ultimate customer;
- we modify and service the product purchased to meet the ultimate customer specifications;
- we have discretion in supplier selection; and
- we have credit risk.

Conversely, pursuant to EITF 99-19, we serve as agent in arrangements where we do not have substantial risks and rewards of ownership. The indicators that we do not have substantial risks and rewards of ownership are as follows:

- the supplier (not the Company) is responsible for providing the product or service to the customer;
- the supplier (not the Company) has latitude in establishing prices;
- the amount we earn is fixed; and
- the supplier (not the Company) has credit risk.

Based on the above criteria and for the more significant transactions that we have evaluated, we record the distribution of product on behalf of third-party record labels on a gross basis, subject to the terms of the contract. However, recorded music compilations distributed by other record companies where we have a right to participate in the profits are recorded on a net basis.

Accounting for Royalty Advances

Another area of judgment affecting reported net income is management's estimate of the recoverability of artist advances and publisher advances. The recoverability of those assets is based on management's forecast of anticipated revenues from the sale of future and existing music and publishing-related products. In determining whether those amounts are recoverable, management evaluates the current and past popularity of the artists or publishers, the initial commercial acceptability of the product, the current and past popularity of the genre of music that the product is designed to appeal to, and other relevant factors. Based on this information, management expenses the portion of such advances that it believes is not recoverable. As of September 30, 2004 and November 30, 2003, we had $446 million and $511 million of advances on our balance sheet that we believe are recoverable, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation issued to employees in accordance with SFAS 148, "Accounting for Stock-Based Compensation Transition and Disclosure" which amends FASB Statement No. 123. This statement provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. The Company adopted the expense recognition provision of SFAS 123 as of March 1, 2004 and will provide stock based compensation expense for grants on and after that date on a modified prospective basis as provided by SFAS 148, and will continue to provide pro forma information for all previous periods in the notes to financial statements to provide results as if SFAS 123 had been adopted in those years. As disclosed in the notes to financial statements, the Company estimated the fair value of options issued at the date of grant using a Black-Scholes option-pricing model, which includes assumptions related to volatility, expected life, dividend yield and risk-free interest rate. The Company also issues restricted stock units. For restricted stock units issued, the accounting charge is measured at the grant date and amortized ratably as non-cash compensation over the vesting term.

Accounting for Income Taxes

As part of the process of preparing its consolidated financial statements, the Company is required to estimate income taxes payable in each of the jurisdictions in which it operates. This process involves estimating the actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Company's consolidated and combined balance sheets. SFAS 109 requires a valuation allowance be established when it is more likely than not that all or a portion of deferred tax assets will not be realized. In circumstances where there is sufficient negative evidence, establishment of a valuation allowance must be considered. The Company believes that cumulative losses in the most recent three-year period represent sufficient negative evidence to consider a valuation allowance under the provisions of SFAS 109. As a result, the Company determined that certain of its deferred tax assets required the establishment of a valuation allowance.

The realization of the remaining deferred tax assets is primarily dependent on forecasted future taxable income. Any reduction in estimated forecasted future taxable income may require that we record additional valuation allowances against our deferred tax assets on which a valuation allowance has not previously been established. The valuation allowance that has been established will be maintained until there is sufficient positive evidence to conclude that it is more likely than not that such assets will be realized. An ongoing pattern of profitability will generally be considered as sufficient positive evidence. Our income tax expense recorded in the future will be reduced to the extent of offsetting decreases in our valuation allowance. The establishment and reversal of valuation allowances could have a significant negative or positive impact on our future earnings.

Tax assessments may arise several years after tax returns have been filed. Predicting the outcome of such tax assessments involves uncertainty; however, we believe that recorded tax liabilities adequately account for our analysis of probable outcomes.

New Accounting Principles

In addition to the critical accounting policies discussed above, we adopted several new accounting policies during the past two years. Other than the changes in accounting for goodwill and other intangible assets under FAS 142 and the adoption of expense recognition for stock options under FAS 123, as previously described, none of these new accounting principles had a material affect on our audited financial statements. See Notes 3 and 4 to our audited financial statements included elsewhere herein for a more complete summary.

Recorded Music

Background

Recorded music companies play an integral role in virtually all aspects of the music value chain, from discovering and developing talent to producing albums and promoting artists and their product. After an artist has entered into a contract with a record label, a master recording of the artist's music is created. The recording is then replicated for sale to consumers primarily in the CD format, and now, in digital formats. The recorded music company in collaboration with its distributor then markets, sells and delivers the product, either directly or through sub-distributors and wholesalers, to thousands of record stores, mass merchants and other retailers throughout the world. Recorded music products are also sold in physical form to Internet physical retailers such as Amazon.com and barnesandnoble.com and in digital form to Internet digital retailers like Apple's iTunes and musicmatch.com.

Recorded music companies generate revenues through the marketing, sale and licensing of their recordings in various physical and digital formats. The major recorded music companies have built significant recorded music catalogs, which are long-lived assets that are exploited year after year.

Year-to-date through November 28, 2004, 36% of all U.S. unit sales were from recordings more than 18-months old, and 25% were from recordings more than 36-months old; this distribution has been largely stable for the past seven years. The sale of catalog material is typically more profitable than that of new releases, given lower development costs and more limited marketing costs.

The recorded music business is the business of discovering and developing recording artists and promoting and selling their works. Recorded music is one of the primary mediums of entertainment for consumers worldwide and in 2003, generated $32.0 billion in retail sales. In 2003, the five largest players were Universal, Sony, EMI, WMG and BMG, which accounted for approximately 75% of worldwide recorded music sales in 2003. In addition, there are many mid-sized and smaller players in the industry that accounted for the remaining 25%. Universal was the market leader with a 24% global market share in 2003, followed by EMI and Sony, each with a 13% share. WMG ranked fourth with close to 13% of global music sales, followed by BMG with 12%. While market shares change moderately year-to-year, none of these players have gained or lost more than 3% in the last 5 years. In August 2004, Sony and BMG were combined to form Sony BMG.

The top five territories (U.S., Japan, U.K., France and Germany) accounted for 75% of the 2003 recorded music market. The U.S., which is the most significant exporter of music, is also the largest end-market, constituting 37% of total 2003 recorded music sales. In addition the U.S. and Japan are largely local music markets, with 93% and 72% of their 2003 sales consisting of domestic repertoire, respectively. In contrast, the French, U.K. and German markets are made up of a higher percentage of international sales, with domestic repertoire constituting only 60%, 47% and 48% of these markets, respectively.

There has been a major shift in distribution of recorded music from specialty shops towards mass-market and online retailers. Record stores' share of U.S. music sales has declined from 56% in 1993 to 33% in 2003. Over the course of the last decade, mass-market and other stores' share grew from 26% to 53%. Online digital distribution currently represents a small portion of overall sales, but is expected to experience significant growth. In terms of genre, rock remains the most popular style of music, representing 25% of 2003 U.S. unit sales, although genres such as rap and hip-hop and Latin music are becoming increasingly popular.

From 1990 to 1999, the U.S. recorded music industry grew at a CAGR of 7.6%, twice the rate of total entertainment spending. This growth was driven by demand for music, the replacement of LPs and cassettes with CDs, price increases and strong economic growth and was largely paralleled around the

world. The industry began experiencing negative growth rates in 1999, on a global basis, primarily driven by an increase in digital piracy. Other drivers of this decline are the overall recessionary economic environment, 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. Since that time, annual dollar sales in the U.S. are estimated to have declined at a CAGR of 5%, including an estimated decline of 6% in 2003. Similar declines have occurred in international markets, with the extent of declines driven primarily by differing penetration levels of piracy-enabling technologies, such as broadband Internet access and CD-R technology, and economic conditions.

Notwithstanding these factors, we believe that the music industry could improve based on the recent mobilization of the industry as a whole against piracy and the development of legitimate online music distribution channels. In addition, continued recovery of the world economy and improved consumer expenditures can drive growth in the recorded music industry.

Piracy

One of the industry's biggest challenges is combating piracy. Music piracy exists in two primary forms: digital (which includes illegal downloading and CD-R piracy) and industrial:

- *Digital piracy* has grown dramatically in the last 5 years, enabled by the increasing penetration of broadband Internet access and the ubiquity of powerful microprocessors, fast optical drives (particularly with writable media, such as CD-R) and large inexpensive disk storage in personal computers. The combination of these technologies has allowed consumers to easily, flawlessly and almost instantaneously make high-quality copies of music using a home computer by "ripping" or converting musical content from CDs into digital files, stored on local disks. These digital files can then be distributed for free over the Internet through anonymous peer-to-peer file sharing networks such as KaZaA, Morpheus and Limewire ("illegal downloading"). Alternatively, these files can be burned onto multiple CDs for physical distribution ("CD-R piracy").

- *Industrial piracy* (also called counterfeiting or physical piracy) involves mass-production of illegal CDs and cassettes in factories. This form of piracy is largely concentrated in developing regions, and has existed for more than a decade. The sale of legitimate recorded music in these developing territories is limited by the dominance of pirated products, which are sold at substantially lower prices than legitimate products. IFPI states that industrial counterfeit CDs totaled 1.7 billion units in 2003. IFPI also believes that industrial piracy is most prevalent in Brazil, China, Mexico, Paraguay, Pakistan, Russia, Spain, Taiwan, Thailand and Ukraine.

In 2003, the industry launched an intensive campaign to limit piracy that focused on four key initiatives:

- *Technological:* The technological measures against piracy are geared towards degrading the illegal file-sharing process and tracking providers and consumers of pirated music. These measures include spoofing, watermarking, copy protection, the use of automated webcrawlers and access restrictions. In addition, the industry continues to experiment with new technologies such as DualDisc and DVD-Audio that contain more robust encryption protection.

- *Educational:* Led by RIAA and IFPI, the industry has launched an aggressive campaign of consumer education designed to spread awareness of the illegality of various forms of piracy through aggressive print and television advertisements. Recent surveys confirm the increased consumer awareness of the illegality of piracy. In January 2003, 33% of Americans 10 years of age and older were aware that it is illegal to download copyrighted music for free. By

August 2003, that number had risen to 61% and was at a 67% level of awareness as of September 2004.

- *Legal:* In conjunction with its educational efforts, the industry has also begun to take aggressive legal action against file-sharers and is continuing to fight industrial pirates. These actions include civil lawsuits in the U.S. and Europe against individual pirates, arrests of pirates in Japan and raids against file-sharing services in Australia. U.S. lawsuits have largely targeted individuals who share large quantities of illegal music content. RIAA has announced its plans to continue these lawsuits in the U.S. IFPI has brought similar actions in Austria, Canada, Denmark, France, Germany, Italy and the U.K. and has announced that it may pursue similar actions in other countries.

- *Development of online alternatives:* We believe that the development and success of legitimate online music channels will be an important driver of recorded music sales going forward, as digital sales represent both an incremental revenue stream and a potential inhibitor of piracy. The music industry has been encouraged by the recent proliferation and early success of legitimate online music distribution options. We believe that these legitimate online distribution channels offer several advantages to illegal peer-to-peer sites, including greater ease of use, higher quality and more consistent music product, faster downloading, better search capabilities, and seamless integration with portable digital music players. For example, legitimate online operations such as Apple's iTunes, MusicNet, musicmatch and Rhapsody have been launched since the beginning of 2003 and offer a variety of models, including per-track pricing, per-album pricing and monthly subscriptions.

These efforts are incremental to the longstanding push by organizations such as IFPI to curb industrial piracy around the world. In addition to these actions, the music industry is increasingly coordinating with other similarly impacted industries (such as software and filmed entertainment) to combat piracy.

We believe these actions are beginning to have a positive effect. A recent survey conducted by The NPD Group, a market research firm, shows that about one-third of Americans aged 13 or older who had ever downloaded music from a file-sharing service stopped using such file-sharing services over the past year, and an additional 27% reduced their downloading activity.

In addition, recent music sales data have improved over the prior year. For the eleven months ended November 28, 2004, there has been growth in U.S. music physical unit sales of approximately 2% compared to the eleven months ended November 30, 2003 as reported by SoundScan. This positive growth trend is consistent across new releases, catalog and deep catalog.

Music Publishing

Background

Music publishing involves the acquisition of rights to, and licensing of, musical compositions (as opposed to recordings) from songwriters, composers or other rightsholders. Music publishing revenues are derived from four main royalty sources:

- *Mechanical:* The licensor receives royalties with respect to compositions embodied in recordings sold in any format or configuration, including singles, albums, CDs, digital downloads and mobile phone ring tones.

- *Performance:* The licensor receives royalties or fees if the composition is performed publicly (*e.g.*, broadcast radio and television, movie theater, concert, nightclub or Internet and wireless streaming).

- *Synchronization:* The licensor receives royalties or fees for the right to use the composition in combination with visual images (*e.g.*, in films, television commercials and programs and videogames).

- *Other:* The licensor receives royalties from other uses such as stage productions and printed sheet music.

In the U.S., mechanical royalties are collected directly by music publishers from recorded music companies or via The Harry Fox Agency, a non-exclusive licensing agent affiliated with NMPA, while outside the U.S., performing rights organizations and collection societies perform this function. Once mechanical royalties reach the publisher (either directly from record companies or from collection societies), percentages of those royalties are paid to any co-owners of the copyright in the composition and to the writer(s) and composer(s) of the composition. Mechanical royalties are paid at a penny rate of 8.5 cents per song per unit in the U.S. (although recording agreements sometimes contain "controlled composition" provisions pursuant to which artist/songwriters license their rights to their record companies at as little as 75% of this rate) and as a percentage of wholesale price in most other territories. In the U.S., these rates are set pursuant to industry negotiations contemplated by the U.S. Copyright Act and are currently increased at two-year intervals. For example, on January 1, 2004, this rate went from 8 cents per song to 8.5 cents per song. On January 1, 2006, this rate will increase again to 9.1 cents per song. Recordings in excess of 5 minutes attract a higher rate. In international markets, these rates are determined by multi-year collective bargaining agreements.

Throughout the world, performance royalties are typically collected on behalf of publishers and songwriters by performance rights organizations and collection societies. Key performing rights organizations and collection societies include: The American Society of Composers, Authors and Publishers ("ASCAP"), SESAC and Broadcast Music, Inc. ("BMI") in the U.S.; Mechanical-Copyright Protection Society and The Performing Right Society ("MCPS-PRS Alliance") in the U.K.; The German Copyright Society ("GEMA") in Germany and the Japanese Society for Rights of Authors, Composers and Publishers ("JASRAC") in Japan. The societies pay a percentage (which is set in each country) of the performance royalties to the copyright owner(s) or administrators (*i.e.*, the publisher(s)), and a percentage directly to the songwriter(s), of the composition. Thus, the publisher generally retains the performance royalties it receives other than any amounts attributable to co-publishers.

The worldwide music publishing market was estimated in a report published by Enders Analysis in April 2004 to have generated approximately $3.7 billion in revenues in 2003. We estimate that mechanical royalties are approximately 30% of 2002 industry revenues; performance royalties, 33%; synchronization, 13%; and other, 23%. Geographically, North America is the largest market representing approximately 40% of the global publishing market.

The top five music publishers collectively account for over 60% of the market. Based on Enders Analysis estimates, EMI Music Publishing ("EMI Publishing") is the market leading music publisher, with a 18% market share in 2003, followed by WMG (Warner/Chappell) at 14%, BMG at 11%, Universal at 11% and Sony/ATV Music Publishing LLC ("Sony/ATV") at 6%. Independent music publishers, which represent the balance of the market, include Chrysalis, edel, Carlin, Peermusic, Music Sales, Famous, MPL Communications and Windswept, among others, as well as many individual songwriters who publish their own works.

Key trends

The music publishing market has proven to be more resilient than the recorded music market in recent years as performance, synchronization and other revenue streams are largely unaffected by piracy. Trends in music publishing vary by royalty source:

- *Mechanical:* Although the decline in the recorded music market has begun to have an impact on mechanical royalties, this decline has been partly offset by the regular and predictable contractual increases in the mechanical royalty rate in the U.S. (including an increase from 8 cents to 8.5 cents per song in January 2004, and a further increase from 8.5 cents to 9.1 cents per song to occur in January 2006), the increasing efficiency of local collection societies worldwide and the growth of new revenue sources such as mobile phone ring tones and legitimate Internet and wireless downloads.

- *Performance:* According to NMPA, performance royalties have experienced steady growth from 1999 to 2001. We believe this growth has been driven by strong demand for the public performance of music, the increasing efficiency of local collection societies and the growth of new digital channels such as Internet and wireless streaming.

- *Synchronization:* We believe synchronization revenues have experienced strong growth in recent years and will continue to do so, benefiting from the proliferation of media channels, a recovery in advertising, robust videogames sales and growing DVD film sales/rentals.

- *Other:* According to NMPA, print revenues grew by 5.8% from 1999 to 2001, reflecting continued demand for the sale and rental of printed music.

In addition, major publishers have the opportunity to generate significant value by the acquisition of small publishers by extracting cost savings (as acquired libraries can be administered with little or no incremental cost) and by increasing revenues through more aggressive marketing efforts.

BUSINESS

Our Company

We are one of the world's major music companies. Our company is composed of two businesses: Recorded Music and Music Publishing. We believe we are the world's fourth-largest recorded music company (third-largest in the U.S.) and the world's second-largest music publishing company. We are a global company, generating over half of our revenues in more than 50 countries outside of the U.S. We generated revenues of $3.4 billion during the twelve months ended September 30, 2004 and $2.5 billion during our ten month fiscal year ended September 30, 2004.

Our Recorded Music business produces revenue through the marketing, sale and licensing of recorded music in various physical formats (such as CDs, cassettes, LPs and DVDs) and digital formats. We have one of the world's largest and most diverse recorded music catalogs, including 27 of the top 100 U.S. best-selling albums of all time—more than any other recorded music company, including *The Eagles, Their Greatest Hits, 1971-1975* (the best-selling album of all time), *Led Zeppelin IV* and *Rumours* by Fleetwood Mac. We also lead all recorded music companies in albums certified as "Diamond" by RIAA, which are those albums that have sold more than 10 million copies in the U.S., with 30% of the total. Our roster of over 38,000 artists spans all musical genres and includes Led Zeppelin, The Eagles, Madonna, Green Day, Metallica and Fleetwood Mac. Our more recent album successes include artists such as Linkin Park, Simple Plan, Jet, Michelle Branch, Alanis Morissette, Michael Bublé, Josh Groban, Sean Paul and Big & Rich. We operate in the U.S. principally through our major record labels—Warner Bros. Records Inc. and The Atlantic Records Group. Internationally, our Recorded Music business operates through various subsidiaries, affiliates and non-affiliated licensees. Our Recorded Music business generated revenues of $2.859 billion during the twelve months ended September 30, 2004 and $2.059 billion during our ten month fiscal year ended September 30, 2004.

Our Music Publishing business owns and acquires rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use. We publish music across a broad range of musical styles. We hold rights in over one million copyrights from over 65,000 songwriters and composers. Our library includes well-known titles as "Happy Birthday to You" by Mildred and Patty Hill, "Night and Day" by Cole Porter, "Layla" by Eric Clapton and Jim Gordon, "When a Man Loves a Woman" by Calvin Lewis and Andrew Wright, "Winter Wonderland" by Felix Bernard and Dick Smith, "Star Wars Theme" by John Williams, "The Wind Beneath My Wings" by Jeff Silbar and Larry Henley and "Frosty the Snowman" by Steve Nelson and Jack Rollins as well as more recent popular titles such as "Cry Me A River" by Justin Timberlake, Tim Mosley and Scott Storch, "Smooth" by Itaal Shur and Rob Thomas, "Crazy in Love" by Eugene Record, Beyoncé Knowles, Richard Harrison and Shawn Carter, "Hero" by Nickelback's Chad Kroeger, "Burn" by Usher, Brian Michael Cox and Jermaine Dupri, "It's Been Awhile" by Staind, "Pieces of Me" by Ashlee Simpson, Kara DioGuardia and John Shanks and "Thank You" by Dido Armstrong and Paul Herman. Our Music Publishing business generated revenues of $601 million during the twelve months ended September 30, 2004 and $505 million during our ten month fiscal year ended September 30, 2004.

Our Business Strengths

We believe the following competitive strengths will enable us to continue to generate recurring and stable free cash flow through our diverse base of recorded music and music publishing assets:

Industry Leading Recorded Music and Music Publishing Assets. We have been able to consistently attract, develop and retain successful recording artists and songwriters. Our talented local artist and repertoire teams are focused on finding and nurturing future successful recording artists and songwriters, as evidenced by our recent recorded music album and music publishing successes. Our

creative approach, our strong relationships with our artists and our marketing capabilities have enabled us to develop a large and varied portfolio of recorded music and music publishing assets that generate stable and recurring cash flows. We believe these assets demonstrate our historical success in developing talent and will help to attract future talent in order to enable our continued success.

Stable, Highly Diversified Revenue Base. Our revenue base is derived primarily from relatively stable and recurring sources such as our music publishing library, our catalog of recorded music and new releases from our existing base of established artists. In any given year, we believe that less than 10% of our total revenues depend on artists without established track records, with each of these artists typically representing less than 1% of our revenues. We have built a large and diverse catalog of recordings and compositions that covers a wide breadth of musical styles including pop, rock, jazz, country, R&B, hip-hop, rap, reggae, Latin, alternative, folk, blues, gospel and other Christian music and are a significant player in each of our major geographic regions.

High Cash Flow Business Model. We have a highly variable cost structure, with substantial discretionary spending and minimal capital requirements. In October 2003, Time Warner's CD and DVD manufacturing, packaging and physical distribution operations were sold to Cinram, resulting in a significant reduction of our fixed cost base. As part of the sale, we entered into the Cinram Agreements. This outsourcing arrangement significantly reduces our exposure to fixed costs and is expected to reduce our future capital expenditure requirements. We spent an average of $17 million in capital expenditures for the twelve months ended September 30, 2004 and for our twelve month fiscal years ended November 30, 2002 and 2003 (excluding $94 million spent to upgrade information technology systems and consolidate most of our West Coast businesses into a single location). This represented less than 1% of revenues in those years. We are always looking for sensible opportunities to convert fixed costs to variable costs. For example, we recently formed a joint venture with Universal Music Group, Exigen Group and Lightspeed Venture Partners called Royalty Services, L.P. to build and operate systems to process our royalty transactions. Finally, in addition to our variable cost base and relatively low capital requirements, we have contractual flexibility with regard to the timing and amounts of advances paid to existing recording artists and songwriters as well as discretion regarding future investment in new artists and songwriters, which further allows us to respond to changing industry conditions.

Well Positioned For Growth In Digital Distribution And Emerging Technologies. For the eleven months ended November 28, 2004, our market share of digital recorded music sales in the U.S. as measured by SoundScan was higher than our overall recorded music market share in the U.S., which we believe reflects the relative strength of our content and in particular our catalog content. In addition, we are highly focused on several new media initiatives: supporting existing and new online services in the U.S. and abroad, working with legitimate P2P providers, influencing the evolution of new mobile phone services and formats and simplifying the clearance of all of our content for digital distribution.

Proven and Committed Management Team. We are led by an experienced senior management team with an average of approximately 20 years of entertainment industry experience. Edgar Bronfman, Jr. joined the Company as Chairman of the Board and Chief Executive Officer on March 1, 2004. Mr. Bronfman has extensive and directly relevant experience in the music industry. In 1998, Mr. Bronfman, while President and CEO of Seagram, oversaw the merger of Universal and PolyGram and successfully managed the combined business, the world's largest recorded music company. In addition, we have hired Lyor Cohen as the Chairman and CEO of our U.S. Recorded Music operations. Mr. Cohen was formerly the Chairman and CEO of Universal's Island Def Jam Music Group. Mr. Cohen has nearly two decades of experience in the music industry and has previously worked with Mr. Bronfman. Paul-René Albertini, our Chairman and CEO of Warner Music International, and Les Bider, our Chairman and CEO of Warner/Chappell Music, Inc., are also music

industry veterans, each with over 20 years of experience. Our senior management team is very committed to our success. For example, Music Capital Partners, L.P., an investment vehicle controlled by Edgar Bronfman, Jr., owns approximately 13% of our equity. In addition, we expect that our senior management team will own a meaningful share of our equity through service and performance-based equity plans.

Strong Equity Sponsorship. THL, Bain Capital, and Providence Equity are each leading private equity firms with established track records of successful investments, extensive experience in managing investments in entertainment and media assets and a long history of working successfully together. These equity sponsors currently manage entertainment and media companies including Houghton Mifflin Company, ProSiebenSAT.1 Media, American Media and Mountain States Cable. The addition of Edgar Bronfman, Jr., through Music Capital, brings substantial and directly relevant management experience in the music industry.

Our Strategy

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

Attract, Develop and Retain Established and Emerging Recording Artists and Songwriters. A critical element of our strategy is to find, develop and retain recording artists and songwriters who achieve long-term success. Our local artist and repertoire teams seek to sign talented recording artists with strong potential, whose new releases will generate a meaningful level of sales and increase the enduring value of our catalog by continuing to generate sales on an ongoing basis, with little additional marketing expenditure. We also work to identify promising songwriters who will write musical compositions that will augment the lasting value and stability of our music publishing library. We believe our relative size, the strength of our management team, our ability to respond to industry and consumer trends and challenges, our diverse array of genres, our large catalog of hit releases and our valuable music publishing library will help us continue to successfully build our roster of artists and songwriters.

Maximize the Value of our Music Assets. Our relationships with our recording artists and songwriters, our recorded music catalog and our music publishing library are our most valuable assets. We intend to continue to exploit the value of these assets through a variety of distribution channels to generate significant cash flow.

- Our Recorded Music business focuses on marketing our artists and catalog in new ways to retain existing fans of established artists and to generate new demand for our proven hits. For example, in 2004, we released a number of successful repurposed catalog compilations, including *Ray!: Original Motion Picture Soundtrack, Van Halen's Best of Both Worlds and Best of Keith Sweat: Make You Sweat*. In addition, the growing number of legitimate digital distribution outlets allows us to generate incremental catalog sales. From the launch of Apple's iTunes Music Store in April 2003 through November 28, 2004, catalog sales have represented 61% of our top 200 digital track sales sold on iTunes versus 41% of our physical sales over the same period.

- Our Music Publishing business seeks to capitalize on the growing demand for the use of musical compositions in media products such as videogames, commercials, other musical works (such as authorized sampling), films, DVDs, mobile phone ring tones and Internet and wireless streaming and downloads by marketing and promoting our libraries to producers of these media in new and innovative ways.

We intend to enhance the value of our assets by continuing to attract and develop new artists and songwriters with staying power and market potential. Additionally, we intend to continually evaluate our artist and songwriter roster to ensure we remain focused on developing only the most promising and profitable talent.

Focus on Continued Management of Our Cost Structure. We intend to continue to maintain a disciplined approach to cost management in our business, and to pursue additional cost savings. The majority of cost savings in our Restructuring Plan are associated with headcount reductions from the consolidation of operations and the streamlining of corporate and label overhead, most of which were implemented in March and April, 2004. By the end of September 2004, we had implemented approximately $240 million of annualized cost savings. We expect to complete substantially all of our restructuring efforts by May 2005 with annualized cost savings of more than $250 million. We project the one-time costs associated with our restructuring to be between $225 million to $250 million, substantially less than the $310 million original estimate. There are still significant risks associated with the Restructuring Plan. See "Risk Factors."

Invest in Accordance with an Improved Asset Allocation Strategy. Our new management has undertaken a rigorous company-wide initiative in conjunction with outside consultants in order to enhance our financial performance through developing a more targeted approach to investments. Implementing the results of this study, we will primarily seek to invest in lines of business, geographic locations and individual projects where we believe we can optimize our return on capital. We will also consider the strategic importance of alternative investments in addition to their financial metrics. We believe that as a result of our management processes, analytic techniques and investment discipline, we are well positioned to efficiently deploy our capital.

Develop and Optimize Our Physical Distribution Channel Strategies. We will continue to develop innovative programs with our physical distribution partners to achieve greater sales volume. The physical distribution channels for records are evolving as new outlets develop, the mix of channels and retailers change, new formats for our content are created and pricing models multiply to meet a wide range of needs. Our Recorded Music business will continue to cooperate with its physical distribution channel partners in order to implement forward-looking strategies for our mutual benefit. We will also invest to meet the needs of our channel partners to create more efficient collaboration, such as direct-to-retail distribution strategies and vendor managed inventory.

Capitalize on Digital Distribution and Emerging Technologies. Digital formats should represent a new and exciting avenue for the distribution and exploitation of our recorded music and music publishing assets. We believe that the development of legitimate Internet and wireless channels for the purchase of music holds significant promise and opportunity for the industry. In particular, new and emerging third-party digital distribution outlets are not only reasonably priced, but also offer a superior customer experience relative to illegal alternatives, as they are easy to use, offer uncorrupted song files and integrate seamlessly with increasingly popular portable music players such as the Apple iPod, the Dell Digital Jukebox and the iRiver iHP. In addition, we believe digital distribution will stimulate incremental catalog sales given the ability to offer enhanced presentation and searchability of our catalog. In addition, as networks and phone handsets become more sophisticated, our music is increasingly becoming available on mobile phone platforms through wireless service providers via ring tones, ringback tones and music video downloads. In 2003, sales of ring tones in the U.S. exceeded that of CD singles. We believe the wireless market offers a more secure environment than does the Internet, with built-in digital rights management features operating inside privately controlled networks, and thereby reduces our exposure to piracy.

Contain Digital Piracy. Containing piracy is a major focus of the music industry and we, along with the rest of the industry, are taking multiple measures through technological innovation, litigation, education and the promotion of legislation to combat piracy. We believe new technologies such as spoofing, automated web crawlers and watermarking are geared towards degrading the illegal file-sharing process and tracking the source of pirated music and offer a means to reduce piracy. Furthermore, recent legal actions by our industry, both in and outside the U.S., have been designed to educate consumers and deter illegal downloads. The industry has also been working with educational

institutions to implement controls to prohibit students from illegally downloading copyrighted material. We believe that consumer awareness of the illegality of piracy has increased as a result of these initiatives. We believe these actions, in addition to the expansive growth of legitimate online music offerings, will help to limit the revenues lost to digital piracy.

Company History

Our history dates back to 1929, when Jack Warner, president of Warner Bros. Pictures, Inc., founded Music Publishers Holding Company ("MPHC") to acquire music copyrights as a means of providing inexpensive music for films. MPHC was constructed through the acquisition of M. Witmark & Sons, Remick Music Corp., Harms, Inc. and Advanced Music Corporation. Along with these companies came the beginning of our valuable library of publishing assets, including the works of Cole Porter, Richard Rodgers and Lorenz Hart. Collectively, these assets, as well as numerous others were acquired over the last 75 years, including Chappell & Intersong Music Group acquired in 1987.

Encouraged by the success of MPHC, Warner Bros. extended its presence in the music industry with the founding of Warner Bros. Records in 1958 as a means of distributing movie soundtracks and further exploiting actors' contracts. For 45 years, Warner Bros. Records has pushed the bounds of the industry both creatively and financially with the discovery of artists such as Neil Young, Grateful Dead and the acquisition of Frank Sinatra's Reprise Records in 1963. Today, Warner Bros. Records is home to such artists as Faith Hill, Red Hot Chili Peppers, Linkin Park, Josh Groban and Madonna.

Atlantic Records was launched in 1947 by Ahmet Ertegun and Herb Abramson as a small New York-based label focused on jazz and R&B. Led by Ertegun, Atlantic had early hits by such artists as Ray Charles, John Coltrane and Aretha Franklin, but quickly broadened its reach and found increasing success with artists such as Bobby Darin, Crosby, Stills & Nash, Buffalo Springfield, Sonny and Cher and Led Zeppelin. Elektra Records was founded in 1950 by Jac Holzman as a folk music label. With an eye to emerging music, Elektra Records signed such artists as Joni Mitchell, The Eagles, The Doors and Jackson Browne. The Atlantic Records Group is home to Elektra Records, Atlantic Records and Lava Records and boasts a roster of acclaimed artists such as matchbox twenty, Phil Collins, Jewel, Kid Rock, Tracy Chapman, Metallica and Lil' Kim.

In addition, since 1970, we have operated internationally through WMI. WMI is responsible for the sale and marketing of our U.S. artists abroad as well as the acquisition and development of international artists such as Alejandro Sanz, Maná, MC Solaar and Laura Pausini.

In 2002, WMG acquired Word Entertainment to expand our presence in the Christian music genre. Word Entertainment boasts a deep roster of Christian artists, including Jaci Velasquez and Randy Travis.

Recorded Music

We play an integral role in virtually all aspects of the music value chain from discovering and developing talent, to producing albums and promoting artists and their product. 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 format, and now, in digital formats. In the U.S., WEA Corp. and ADA market, sell and deliver product, either directly or through sub-distributors and wholesalers, to thousands of record stores, mass merchants and other retailers throughout the country. Our recorded music products are also sold in physical form to Internet physical retailers such as Amazon.com and barnesandnoble.com and in digital form to Internet digital retailers like Apple's iTunes and musicmatch.com.

In markets outside the U.S., our recorded music activities are conducted through our WMI division and its various subsidiaries, affiliates and non-affiliated licensees. WMI produces revenues in

more than 50 countries outside the U.S. and 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 domestic record labels have international rights. In certain countries, WMI licenses to unaffiliated third-party record labels the right to distribute its records.

Artists and Repertoire ("A&R")

We have a decades-long history of identifying and contracting with recording artists who become commercially successful. Our ability to select artists who are likely to be successful is a key element of our Recorded Music business strategy. Our ability to select artists spans all music genres and all major geographies and includes artists who achieve national, regional and international success. We believe that this success is directly attributable to our experienced global team of A&R executives, to the longstanding reputation and relationships that we have nurtured in the artistic community and to our effective management of this vital business function.

In the U.S., our major record labels identify potentially successful recording artists, sign them to recording agreements, collaborate with them to develop recordings of their work and market and sell these finished recordings to retail stores and legitimate online channels. Our labels scout and sign talent across all major music genres, including pop, rock, jazz, country, R&B, hip-hop, rap, reggae, Latin, alternative, folk, blues, gospel and other Christian music. WMI markets and sells U.S. and local repertoire from its own network of 39 affiliates and numerous licensees in more than 50 countries. With a roster of over 500 local artists performing in 25 languages, WMI has an ongoing commitment to developing local talent aimed at achieving national, regional, or international success.

We continue to realize significant success in the acquisition of new artists and the development of new content. In 2003, we owned or distributed the top albums in the rock, classical and Christian genres with Linkin Park's *Meteora*, Josh Groban's *Closer* and Mercy Me's *Almost There*. *Meteora* was certified "Triple Platinum" by RIAA and IFPI in both the U.S. and Europe. In addition to these releases, we issued 15 other "Platinum" albums in the U.S. in 2003 and nine more in Europe, across a variety of genres ranging from R&B and hip-hop to rock and country. We also debuted several top-selling artists in 2003 including Sean Paul, Simple Plan, Trapt and Jason Mraz.

A significant number of our recording artists have continued to appeal to audiences long after we cease to release their new recordings. Our catalog includes the U.S. best-selling album of all time, *Eagles, Their Greatest Hits 1971-1975*, which has sold 28 million units to date. We have an efficient process for generating continued sales across our catalog releases, as evidenced by the fact that catalog albums generate approximately 40% of our recorded music sales. Relative to our new releases, we spend comparatively small amounts on marketing for catalog sales.

We maximize the value of our catalog of recorded music through our WSM business unit and through activities of each of our record labels. We use our catalog as a source of material for re-releases, compilations, box sets and special package releases, which provide consumers with incremental exposure to familiar songs and artists. Recent examples include packages such as "*No Thanks!—The 70's Punk Rebellion*," greatest hits collections from artists such as James Taylor, Cher and Hootie and the Blowfish, box sets by ZZ Top and The Talking Heads and DVDs of Led Zeppelin live and the George Harrison tribute, "*The Concert for George*".

Representative Worldwide Recorded Music Artists

Big & Rich	Damien Rice	Green Day	Maná Red	Hot Chili Peppers
Bjork	The Darkness	David Gray	matchbox twenty	R.E.M.
Michelle Branch	Disturbed	Josh Groban	MC Solaar	Alejandro Sanz
Michael Bublé	The Eagles	Jet	Metallica	Seal
Tracy Chapman	Enya	Jewel	Luis Miguel	Simple Plan
Cher	Fabolous	Kid Rock	Alanis Morissette	Staind
Eric Clapton	Faith Hill	Led Zeppelin	Sean Paul	Sugar Ray
Phil Collins	Fleetwood Mac	Linkin Park	Laura Pausini	Uncle Kracker
The Corrs	Goo Goo Dolls	Madonna	P.O.D.	Westernhagen

Artists' Contracts

Our artists' contracts define the commercial relationship between our recording artists and our record labels. We negotiate recording agreements with artists that define our right to use the artists' copyrighted recordings in sales and licenses of our recorded music products worldwide. In accordance with the terms of the contract, the artists receive royalties based on sales and other forms of exploitation of the artists' recorded works. We customarily provide up-front payments to artists called advances, which are recoupable by us from future royalties otherwise payable to artists. We also typically pay costs associated with the recording and production of albums, which are treated in certain countries as advances recoupable from future royalties. Our typical contract for a new artist covers a single initial album and provides us a series of exclusive options to acquire subsequent albums from the artist. Royalty rates are often increased for optional albums. Many of our contracts contain a commitment from the record label to fund video production costs, at least a portion of which is generally an advance recoupable from future royalties.

Our established artists' contracts generally provide for greater advances and higher royalty rates. Typically, established artists' contracts entitle us to fewer albums, and, of those, fewer are optional albums. In contrast to new artists' contracts, which typically give us ownership in the artist's work for the full term of copyright, some established artists' contracts provide us with an exclusive license for some fixed period of time. It is not unusual for us to renegotiate contract terms with a successful artist during a term of an existing agreement, sometimes in return for an increase in the number of albums that the artist is required to deliver.

Marketing and Promotion

WEA Corp. and ADA market and sell our recorded music product in the U.S. Our approach to marketing and promoting our artists and their recordings is comprehensive. Our goal is to maximize the likelihood of success for new releases as well as stimulate the success of previous releases. We seek to maximize the value of each artist and release, and to help our artists develop an image that maximizes appeal to consumers.

We work to raise the profile of our artists, through an integrated marketing approach that covers all aspects of their interactions with music consumers. These activities include helping the artist develop creatively in each release, strategically scheduling album releases and selecting singles for release, creating concepts for videos that are complementary to the artists' work, and coordinating promotion of albums to radio and television outlets. When possible, we seek to add an additional personal component to our promotional efforts by facilitating television and radio coverage or live appearances for our key artists. Our corporate and label websites provide additional marketing venues for our artists.

In further preparation for and subsequent to the release of an album, we coordinate and execute a marketing plan that addresses specific retail strategies to promote the album. Aspects of these promotions include in-store appearances, advertising, displays, and placement in album listening stations. These activities are overseen by our marketing staffs to ensure that maximum visibility is achieved for the artist and the release.

Our approach to the marketing and promotion of recorded music is carefully coordinated to create the greatest sales momentum, while maintaining strict fiscal discipline. We have significant experience in our marketing and promotion departments, which we believe allows us to achieve an optimal balance between our marketing expenditure and the eventual sales of our artists' recordings. We use a budget-based approach to plan marketing and promotions, and we monitor all expenditures related to each release to ensure compliance with the agreed-upon budget. These planning processes are informed by updated reports on an artists' retail sales and radio play, so that a promotion plan can be quickly refined in the event of a commercial success or failure.

Our marketing efforts extend to our catalog albums, though most of the expenditure is directed toward new releases. Our WSM division (which includes Warner Special Products, Warner Television Marketing, Warner Music Group Soundtracks and Rhino Entertainment Company) specializes in marketing our catalog through compilations and reissues of previously released music and video titles, licensing tracks to third parties for various uses and coordinating film and television soundtrack opportunities with third-party film and television producers and studios.

Manufacturing, Packaging and Physical Distribution

On October 24, 2003, Time Warner sold its CD and DVD manufacturing, packaging and physical distribution operations ("TW Manufacturing") to Cinram for approximately $1.1 billion in cash consideration. The transaction included the sale of the following businesses: WEA Manufacturing Inc., Warner Music Manufacturing Europe GmbH, Ivy Hill Corporation, Giant Merchandising and the physical distribution operations of WEA Corp. The sales and marketing operations of WEA Corp. remain a part of our business.

At the time of the sale of TW Manufacturing to Cinram, we entered into long-term manufacturing, packaging and physical distribution arrangements with Cinram for our CDs and DVDs in the U.S. and Europe. We believe that the terms of the Cinram Agreements reflect market rates and are more favorable than our previous arrangements.

Sales

Most of our sales represent purchases by the wholesale or retail distributor. Our return policies are in accordance with wholesale and retailer requirements, applicable laws and regulations, territory- and customer-specific negotiations, and industry practice. We will generally attempt to minimize the return of unsold product.

We generate sales from both our roster of current artists and our catalog of recordings. In addition, we actively repackage and remarket music from our catalog to form new compilations. Most of our sales are generated through the CD format, although we also sell our music through both historical formats, such as cassettes and vinyl albums, and newer emerging digital formats and physical formats, including DVD-Audio and DualDisc.

Our recorded music sales are through a variety of different retail and wholesale outlets including music specialty stores, general entertainment specialty stores, supermarkets, mass merchants and discounters, independent retailers, and other traditional retailers. Although some of our retailers are specialized, many of our customers offer a substantial range of products other than music. We work with our customers to ensure optimal product placement and promotion.

We believe that the Internet will become an increasingly important sales channel. Sales through the Internet include sales of traditional physical formats through both the Internet distribution arms of traditional retailers such as walmart.com or hmv.com and online physical retailers such as Amazon.com and barnesandnoble.com. In addition, there has been a proliferation of legitimate online sites which sell digital music on a per album or per track basis. We currently partner with a broad range of online digital players, such as iTunes, MusicNet, musicmatch and Rhapsody, and are actively seeking to develop and grow this business.

Music Publishing

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 rightsholders, our Music Publishing business garners a share of the revenues generated.

Warner/Chappell is a global music publishing company headquartered in Los Angeles 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. Our best-selling songwriter or song owner and song accounted for less than 2.5% and 1% of our music publishing revenues for the twelve months ended November 30, 2004, respectively. Moreover, our music publishing library includes many standard titles that span multiple music genres and has demonstrated the ability to generate consistent revenues over extended periods of time. For example, over the last ten years, our top ten earning songs, which include such titles as "Happy Birthday to You" and "Winter Wonderland" have generally generated average annual revenues of between $0.5 million and $1.5 million per song. Warner/Chappell also administers the music and soundtracks of several third-party television and film producers and studios, including Lucasfilm, Ltd. and Hallmark Entertainment.

Warner/Chappell also owns Warner Bros. Publications ("WBP"), which prints and distributes a broad selection of sheet music, books and educational materials, orchestrations, folios, personality books, and arrangements from the catalogs of Warner/Chappell and other music publishers. On December 15, 2004, we entered into a definitive agreement to sell WBP to Alfred Publishing. Completion of the transaction is subject to customary closing conditions.

Music Publishing Portfolio

Representative Songwriters

Michelle Branch	Don Henley	Rockwilder
Andreas Carlsson	Michael Jackson	John Shanks
Eric Clapton	Led Zeppelin	Staind
Brian Michael Cox	Madonna	Timbaland
Sheryl Crow	Moby	Van Morrison
Dido	Nickelback	Jorge Villamizar
The Eagles	Pantera	Barry White
Missy Elliott	Cole Porter	Wilco
Fat Joe	The Ramones	John Williams
Green Day	R.E.M.	

Representative Songs

1950s and Prior	1960s	1970s
Happy Birthday to You	People	Behind Closed Doors
Night & Day	I Only Want to be With You	Doors
The Lady is a Tramp	When a Man Loves a Woman	Ain't No Stopping Us Now
Too Marvelous for Words	I Got a Woman	For the Love of Money
Dancing in the Dark	People Get Ready	A Horse With No Name
Winter Wonderland	Love is Blue	Moondance
Ain't She Sweet	Hey Big Spender	Peaceful Easy Feeling
Frosty the Snowman	For What It's Worth	Layla
When I Fall In Love	Sunny	Staying Alive
Misty	The Look of Love	Star Wars Theme
The Party's Over		
On the Street Where You Live		
Blueberry Hill		

1980s	1990s	2000 and After
Eye of the Tiger	Unbelievable	It's Been a While
Slow Hand	Creep	This Is How
The Wind Beneath My Wings	Macarena	You Remind Me
Endless Love	Sunny Came Home	Complicated
Morning Train	Amazed	You Got It Bad
What You Need	This Kiss	Crazy in Love
Beat It	Believe	Cry Me a River
Jump	Smooth	White Flag
We Are the World	Livin' La Vida Loca	Dilemma
		Work It
		Miss You
		Burn
		Pieces of Me

Our Music Publishing revenues are derived from four main sources:

- *Mechanical:* the licensor receives royalties with respect to compositions embodied in recordings sold in any format or configuration, including singles, albums, CDs, digital downloads and mobile phone ring tones.
- *Performance:* the licensor receives royalties when the composition is performed publicly (*e.g.*, broadcast radio and television, movie theater, concert, nightclub or Internet and wireless streaming).
- *Synchronization:* the licensor receives royalties or fees for the right to use the composition in combination with visual images (*e.g.*, in films, television commercials and programs and videogames).
- *Other:* the licensor receives royalties from other uses such as stage productions and printed sheet music.

Music Publishing Royalties

Warner/Chappell, as a copyright owner or administrator of copyrighted musical compositions, is entitled to receive royalties for the exploitation of those musical compositions as identified below.

Often, a copyright owner will transfer "administration rights" to a third party. Administration rights are tantamount to the right to license uses of the composition and collect monies derived therefrom.

Music publishers generally receive royalties pursuant to synchronization, mechanical, public performance and other licenses. Throughout the world, each synchronization license is subject to negotiation with a prospective licensee. By contract, music publishers pay a contractually required percentage of synchronization income to the songwriter(s) (or their heirs) and to any co-publishers. In the U.S., music publishers collect and administer mechanical royalties. Statutory ceilings are established by the U.S. Copyright Act of 1976, as amended, for the royalty rates applicable to musical compositions for sales of recordings embodying those musical compositions. In the U.S., the current maximum statutory mechanical license rate is 8.5 cents per song under 5 minutes of playing time. The statutory rates are sometimes reduced by contract between the licensor and licensee. Music publishers pay a contractually required percentage of mechanical royalty income to the songwriter(s) (or their heirs) and to any co-publishers. In the U.S., public performance royalties are typically administered and collected by performing rights organizations. Those organizations include ASCAP and BMI, which typically pay 50% of the collected performance royalty income to the songwriter(s) and 50% to the music publisher(s). In most countries outside the U.S., collection, administration and allocation of both mechanical and performance income are undertaken and regulated by governmental or quasi-governmental authorities. Those authorities include MCPS-PRS Alliance in the U.K. and GEMA in Germany.

Warner/Chappell acquires copyrights (or portions of copyrights) and administration rights from songwriters or other third-party holders of rights in compositions. Typically, in either case, the grantor of rights retains a right to receive a percentage of revenues collected by Warner/Chappell. As an owner and/or administrator of compositions, we promote the use of those compositions by others. For example, we encourage recording artists to record and include our songs on their albums, offer opportunities to include our compositions in filmed entertainment, advertisements and wireless media, and advocate the use of our compositions in live stage productions. Examples of music uses that generate publishing revenues include:

Mechanical: sale of recorded music in various formats

- Physical recordings (*e.g.*, CDs, cassettes, DVDs, video cassettes)
- Internet and wireless downloads

- Mobile phone ring tones

Performance: performance of the song to the general public

- Broadcast of music on television, radio, cable, satellite
- Live performance at a concert or other venue (*e.g.*, arena concerts, nightclubs)
- Broadcast of music at sporting events, restaurants or bars
- Internet and wireless streaming
- Performance of music in staged theatrical productions

Synchronization: use of the song in combination with visual images

- In films or television programs
- In television commercials
- In videogames

Other:

- Use in toys or novelty items
- Sales of sheet music used by orchestras or individuals

Composers' and Lyricists' Contracts

Warner/Chappell derives its rights through contracts with composers and lyricists (songwriters) or their heirs, and with third-party music publishers. In some instances, those contracts grant either 100% or some lesser percentage of ownership in musical compositions and administration rights. In other instances, those contracts only convey to Warner/Chappell rights to administer and exploit musical compositions for a period of time without retaining an ownership interest. Our contracts grant us exclusive exploitation rights in the territories concerned (excepting any pre-existing arrangements). Many of our contracts grant us rights on a worldwide basis. Contracts cover the entire work product of the writer or composer for the duration of the contract. As a result, Warner/Chappell typically possesses the administration rights for every musical composition created by the writer or composer during the duration of the contract.

While the duration of the contract may vary, many of our contracts grant us ownership and/or administration rights for the duration of copyright. U.S. copyright law permits authors or their estates to terminate an assignment or license of copyright (for the U.S. only) after a set period of time. For U.S. works created before January 1, 1978 that are not "works made for hire", this period is 56 years. For U.S. works created after January 1, 1978 that are not "works made for hire", this period is 35 years. In the U.K., rights transferred by an author of certain works created before June 1, 1957 automatically revert to the author's heirs 25 years after the author's death.

Marketing and Promotion

We actively seek, develop and maintain relationships with songwriters.

We actively market our catalog to end users such as recorded music companies (including our Recorded Music business), filmed entertainment, television and other media companies, advertising and media agencies, event planners and organizers, computer and video game companies and other multimedia producers. We also market our musical compositions for use in live stage productions and merchandising. In addition, we actively seek new and emerging outlets for the exploitation of songs

such as ring tones for cellular phones, new wireless and online uses, digital sheet music and Internet webcasting.

We continually add new musical compositions to our catalog, and seek to acquire rights in songs that will generate substantial revenue over long periods of time.

Competition

In 2003, Recorded Music, our Recorded Music competitors included EMI, Universal, Sony and BMG. In August 2004, Sony and BMG merged their recorded music businesses to form Sony BMG. We also compete with numerous small and mid-sized independent music companies such as Madacy, Matador, Musicrama, Balboa, Koch, Sugar Hill, Beggars Banquet, TVT Records, V2 and edel.

At its core, the recorded music business relies on the exploitation of artistic talent. As such, much of our competitive strength is predicated upon our ability to continually develop and market new artists whose work gains commercial acceptance. We believe we remain in competition for new and emerging talent.

In Music Publishing, we compete with other music publishing companies in the acquisition and exploitation of musical compositions. Our competitors include EMI Publishing, Sony/ATV, Universal, and BMG. We also compete with numerous smaller and mid-sized music companies such as Chrysalis, edel, Carlin America, peermusic, Music Sales, Famous, MPL Communications and Windswept and many individual songwriters who publish their own works.

In recent years, due to the growth in piracy, we have been forced to compete with illegal channels such as unauthorized Internet peer-to-peer file-sharing and downloading and industrial duplication. See "Industry Overview—Piracy". Additionally, we compete, to a lesser extent, with alternative forms of entertainment such as motion pictures on home devices (*e.g.*, VHS and DVD) or at the box office and with videogames for disposable consumer income.

Intellectual Property

Copyright

Our business, like that of other companies involved in music publishing and recorded music, rests on our ability to maintain rights in musical works and recordings through copyright protection. In the U.S., copyright protection for works created as "works made for hire" (e.g., works of employees or specially-commissioned works) after January 1, 1978 lasts for 95 years from first publication or 120 years from creation, whichever expires first. The period of copyright protection for musical compositions and sound recordings that are not "works made for hire" lasts for the life of the author plus 70 years for works created on or after January 1, 1978. U.S. works created prior to January 1, 1978 generally enjoy a total copyright life of 95 years, subject to compliance with certain statutory provisions including notice and renewal. In the U.S., sound recordings created prior to February 15, 1972 are not subject to copyright protection but are protected by common law rights or state statutes, where applicable. Copyright in the European Union has recently been harmonized such that the period of copyright protection for musical compositions in all Member States lasts for the life of the author plus 70 years. In certain European Union countries, such as the U.K., the period of protection for musical compositions was recently extended from 50 years to 70 years, which has restored copyright protection in certain compositions in which our rights lapsed. In the European Union, the term of copyright for sound recordings lasts for 50 years from the date of release.

We are largely dependent on legislation in each territory to protect our rights against unauthorized reproduction, distribution, public performance or rental. In all territories where we operate, our products receive some degree of copyright protection, although the period of protection varies widely. In a number of developing countries, the protection of copyright remains inadequate. The U.S. enacted

the Digital Millennium Copyright Act of 1998, creating a powerful framework for the protection of copyrights covering musical compositions and recordings in the digital world.

The potential growth of new delivery technologies, such as digital broadcasting, the Internet and entertainment-on-demand has focused attention on the need for new legislation that will adequately protect the rights of producers. We actively lobby in favor of industry efforts to increase copyright protection and support the efforts of organizations such as the World Intellectual Property Organization ("WIPO").

In December 1996, two global copyright treaties, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, were signed securing the basic legal framework for the international music industry to trade and invest in online music businesses. The WIPO treaties have been ratified by the requisite number of countries, including the U.S.

The European Union has implemented these treaties through the European Copyright Directive, which was adopted by the EU in 2001. Legislation implementing the Directive in each of the member states is underway. The Directive harmonizes copyright laws across Europe and extends substantial protection for copyrights online. The European Union has also put forward legislation aimed at assuring cross border coordination of the enforcement of laws related to counterfeit goods, including musical recordings.

Trademarks

An important part of our business is our trademarks. Our major trademarks are registered in every country where we believe the protection of these trademarks is important for our business. Our major trademarks include Atlantic, Elektra, Sire, Reprise and Warner/Chappell. We use certain trademarks pursuant to royalty-free license agreements. The duration of the license relating to the WARNER and WARNER MUSIC marks and a "W" logo is perpetual. The duration of the license relating to the WARNER BROS. RECORDS and WARNER BROS. PUBLICATIONS marks and WB & Shield designs is fifteen years. Each of the licenses may be terminated under certain limited circumstances, which include material breaches of the agreement, certain events of insolvency, and certain change of control events if we were to become controlled by a major filmed entertainment company. We actively monitor and protect against activities that might infringe, dilute, or otherwise harm our trademarks.

Combating Piracy

We continue to focus on combating and containing piracy as a top priority. We have continued to take a leadership role in the music industry's war against piracy. For example, in 2003, we championed the industry-wide development of the new DualDisc (CD/DVD) physical format, we partnered with Apple on its security model for its Macintosh and PC launches of iTunes, and we encouraged Microsoft to retool its Digital Rights Management digital media copyright protection technology and include playlist burn limits. In addition, we continue to support the aggressive measures taken by RIAA, IFPI and NMPA, including civil lawsuits, education programs, political lobbying for tougher restrictions on use, and international efforts to preserve music copyrights. See "Industry Overview—Recorded Music—Piracy" for additional detail on these efforts.

Joint Ventures

We have entered into joint venture arrangements pursuant to which we or our various subsidiary companies manufacture, distribute and market (in most cases, domestically and internationally) recordings owned by joint ventures, such as Maverick Recording Company, a joint venture between Warner Bros. Records and Guy Oseary.

Employees

As of November 30, 2004, we employed approximately 4,100 persons worldwide. This represents a decline of approximately 20% from the number of employees at November 30, 2003, largely as a result of our cost and headcount reductions under the Restructuring Plan. Most of the related headcount reductions were completed by April 2004. None of our employees in the U.S. are subject to collective bargaining agreements, although certain employees in our non-domestic companies are covered by national labor agreements. We believe that our relationship with our employees is good.

Properties and Facilities

We own manufacturing, distribution, studio and office facilities and also lease certain facilities in the ordinary course of business. Our executive offices are located at 75 Rockefeller Plaza, New York, NY 10019. In addition, we have a ten-year lease for our headquarters at 75 Rockefeller Plaza, New York, New York 10019. We also have a seventeen year lease for office space in a building located at 3400 W. Olive Avenue, Burbank, California 91505 and an approximately eight year lease for office space at 1290 Avenue of the Americas, New York, New York 10104.

Environmental Matters

Our wholly and partially owned pick, pack and ship facilities throughout the world and our leased printed sheet music manufacturing facility in Florida, which are not a significant part of our business, are subject to laws and regulations and international agreements governing the protection of the environment, natural resources, human health and safety and the use, management and disposal of hazardous substances. In particular, our operations are subject to stringent requirements for packaging content and recycling, air and water emissions, and waste management. We believe that we comply substantially with all applicable environmental requirements. Although the costs of maintaining such compliance have not materially affected us to date, we cannot predict the costs of complying with requirements that may be imposed in the future. In connection with some of our existing facilities, we also have been, and may become again, responsible for the costs of investigating or cleaning up contaminated properties. Such costs or related third-party personal injury or property damage claims could have a material adverse affect on our business, results of operations or financial condition.

Legal Proceedings

On September 7, 2004 and November 22, 2004, Eliot Spitzer, the Attorney General of the State of New York served Warner Music Group, with requests for information in the form of subpoenas duces tecum in connection with an industry-wide investigation of the relationship between music companies and radio stations, including the use of independent promoters. In response to the Attorney General's inquiry, we have commenced the production of documents.

We are involved in litigation arising in the normal course of our business. Management does not believe that any legal proceedings pending against us will have, individually, or in the aggregate, a material adverse effect on our 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 us because of defense costs, diversion of management resources and other factors.

MANAGEMENT

The directors and executive officers of Parent and Warner Music Group as of December 1, 2004 are as follows:

Name	Age	Position
Executive Officers		
Edgar Bronfman, Jr.	49	Chairman of the Board and CEO
Lyor Cohen	45	Chairman and CEO, U.S. Recorded Music
Paul-René Albertini	45	Chairman and CEO, Warner Music International
Les Bider	54	Chairman and CEO, Warner/Chappell Music, Inc.
Michael Ward	41	Acting Chief Financial Officer
David H. Johnson	58	Executive Vice President and General Counsel
Non-Employee Directors		
Len Blavatnik	47	Director
Charles A. Brizius	35	Director
John P. Connaughton	39	Director
Scott L. Jaeckel	34	Director
Seth W. Lawry	39	Director
Thomas H. Lee	60	Director
Ian Loring	38	Director
Jonathan M. Nelson	48	Director
Mark Nunnelly	45	Director
Scott M. Sperling	46	Director

The board of directors of Parent have the right to appoint an additional two independent directors to our board of directors. The following information provides a brief description of the business experience of each director and executive officer.

Edgar Bronfman, Jr. has served as our Chairman of the Board and CEO since March 1, 2004. Before joining Warner Music Group, Mr. Bronfman served as Chairman and CEO of Lexa Partners LLC, a management venture capital group based in New York City. Prior to Lexa Partners, Mr. Bronfman was appointed Executive Vice Chairman of Vivendi Universal in December 2000. He resigned from his position as an officer and executive of Vivendi Universal on March 31, 2002, and resigned as Vice Chairman of Vivendi Universal's Board of Directors on December 2, 2003. Prior to the December 2000 formation of Vivendi Universal, Mr. Bronfman was President and CEO of The Seagram Company Ltd., a post he held since June 1994. During his tenure as the CEO of Seagram, he consummated $85 billion in transactions and transformed the company into one of the world's leading media and communications companies. From 1989 until June 1994, Mr. Bronfman served as President and COO of Seagram. Between 1982 and 1989, he held a series of senior executive positions for The Seagram Company Ltd. in the U.S. and in Europe.

Lyor Cohen has served as the Chairman and CEO of our U.S. Recorded Music operations since March 1, 2004. From 2002 to 2004, Mr. Cohen was the Chairman and CEO of Universal Music Group's Island Def Jam Music Group. Mr. Cohen served as President of Def Jam from 1988 to 2002. Previously, Mr. Cohen served in various capacities at Rush Management, a hip-hop management company, which he founded with partner Russell Simmons. Mr. Cohen is widely credited with expanding Island Def Jam beyond its hip-hop roots to include a wider range of musical genres.

Paul-René Albertini has served as President of Warner Music International since 2002 and currently leads our international operations as Chairman and CEO. From December 2000 until 2002, Mr. Albertini served as President of Warner Music Europe. He joined Warner Music International from Sony Music Entertainment Europe where he held the post of Executive Vice President from 1999. Prior to that he served as President and CEO Sony Music France between 1994 and 1999. In 1991 he became CEO of PolyGram Disques France. In 1983, Mr. Albertini joined PolyGram as International Label Manager before becoming Marketing Director for Barclay Records. He was named Director of Marketing and Promotion for Phonogram in 1989, and was appointed Managing Director Phonogram France.

Les Bider has served as Chairman and CEO of Warner/Chappell Music, Inc. since 1988, and leads our publishing division. Mr. Bider served as CFO of Warner Bros. Music, Warner/Chappell's predecessor entity, from 1981 to 1983. In 1983, he became CFO and COO of Warner/Chappell Music. Mr. Bider holds an M.B.A. from the Wharton School of Business and a B.S. from University of Southern California.

Michael Ward has served as Warner Music Group's acting Chief Financial Officer since June 4, 2004 while we conduct a search to fill the position on a permanent basis. Mr. Ward is employed as a Managing Director with Bain Capital where he serves in their portfolio group, and is not being compensated by us. Mr. Ward joined Bain Capital in 1993. Prior to Bain Capital he was the President and Chief Operating Officer of Digitas, Inc. Prior to Digitas he worked in various positions at Bain Consulting, Inc. and Price Waterhouse. Mr. Ward received his Bachelor of Applied Science in Chemical Engineering and Bachelor of Science in Accounting and Finance from The University of Pennsylvania. He received his M.B.A. from The Amos Tuck School of Business Administration. He is on the Board of Directors of Houghton Mifflin, Inc., El Dorado Marketing, Inc., and the Boston Public Library Foundation.

David H. Johnson has served as Executive Vice President and General Counsel since 1999. Prior to joining Warner Music Group Inc., Mr. Johnson spent nine years as Senior Vice President and General Counsel for Sony Music Entertainment. He also held several posts at CBS and was an associate in the law firm Mayer, Nussbaum, Katz & Baker. Mr. Johnson received a B.A. in political science from Yale University, a J.D. from the University of Pennsylvania Law School and an L.L.M. from New York University School of Law.

Len Blavatnik has served as our director since March 4, 2004. He is Chairman, Founder and principal shareholder of Access Industries, a global private investment firm with a diversified portfolio in energy, minerals and mining, telecommunications, real estate, and financial services. Mr. Blavatnik serves as a Director of TNK-BP, the Siberian-Urals Aluminum Company (SUAL), and B2 Bredband AB and for numerous academic and philanthropic organizations. He received a masters degree in Computer Science from Columbia University and an M.B.A. from Harvard Business School.

Charles A. Brizius has served as our director since March 4, 2004. He is a Managing Director at Thomas H. Lee Partners, L.P. Mr. Brizius worked at Thomas H. Lee Company from 1993 to 1995, rejoining in 1997. From 1991 to 1993, Mr. Brizius worked at Morgan Stanley & Co. Incorporated in the Corporate Finance Department. He is also a director of Houghton Mifflin Company, TransWestern Holdings, L.P., United Industries Corporation and Eye Care Centers of America, Inc. He holds a

B.B.A. in Finance and Accounting from Southern Methodist University and an M.B.A. from Harvard Business School.

John P. Connaughton has served as our director since March 4, 2004. He has been a Managing Director of Bain Capital Partners, LLC since 1997 and a member of the firm since 1989. Prior to joining Bain Capital, Mr. Connaughton was a consultant at Bain & Company, Inc., where he worked in the consumer products and business services industries. He serves as a director of ProSiebenSat.1 Media AG, Stericycle Inc, Shopping.com, the Boston Celtics, Epoch, MC Communications and Loews Cineplex. Mr. Connaughton received a B.S. in commerce from the University of Virginia and a M.B.A. from Harvard Business School, where he was a Baker Scholar.

Scott L. Jaeckel has served as our director since March 4, 2004. He is a Vice President at Thomas H. Lee Partners, L.P. Mr. Jaeckel worked at Thomas H. Lee Company from 1994 to 1996, rejoining in 1998. From 1992 to 1994, Mr. Jaeckel worked at Morgan Stanley & Co. Incorporated in the Corporate Finance Department. He currently serves as a director of Paramax Capital Group and Refco Group Ltd., LLC. He holds a B.A. in Economics and Mathematics from The University of Virginia and an M.B.A. from Harvard Business School.

Seth W. Lawry has served as our director since March 4, 2004. He is a Managing Director at Thomas H. Lee Partners, L.P. He is also a director of ProSiebenSat.1 Media AG and Houghton Mifflin Company. Mr. Lawry worked at Thomas H. Lee Company from 1989 to 1990, rejoining in 1994. From 1987 to 1989 and 1992 to 1994, Mr. Lawry worked at Morgan Stanley & Co. Incorporated in the Mergers & Acquisitions, Corporate Finance and Equity Capital Markets departments. Mr. Lawry holds a B.A. in Economics and German Studies from Williams College and an M.B.A. from Stanford Graduate School of Business.

Thomas H. Lee has served as our director since March 4, 2004. He founded the Thomas H. Lee Company, the predecessor of Thomas H. Lee Partners, L.P., in 1974 and since that time has served as its Chairman and CEO. From 1966 through 1974, Mr. Lee was with First National Bank of Boston where he directed the bank's high technology lending group from 1968 to 1974 and became a Vice President in 1973. Prior to 1966, Mr. Lee was a securities analyst in the institutional research department of L.F. Rothschild in New York. Mr. Lee serves or has served as a director of numerous public and private companies in which THL and its affiliates have invested, including Finlay Enterprises, Inc., The Smith & Wollensky Restaurant Group, Inc., General Nutrition Companies, Metris Companies, Inc., Playtex Products, Inc., Snapple Beverage Corp., Vertis Holdings, Inc., Refco Group Ltd., LLC and Wyndham International, Inc. In addition, Mr. Lee is a Member of the JP Morgan National Advisory Board. Mr. Lee is currently a Trustee of Lincoln Center for the Performing Arts, The Museum of Modern Art, NYU Medical Center, The Rockefeller University, and Whitney Museum of American Art among other civic and charitable organizations. He also serves on the Executive Committee for Harvard University's Committee on University Resources. Mr. Lee is a 1965 graduate of Harvard College.

Ian Loring has served as our director since March 4, 2004. He is a Managing Director of Bain Capital Partners, LLC. Prior to joining Bain Capital in 1996, Mr. Loring was a Vice President at Berkshire Partners where he worked in the specialty manufacturing, technology and retail industries. Previously, Mr. Loring worked in the Corporate Finance department at Drexel Burnham Lambert. He serves as a director of Eschelon Telecom and SMTC Corporation. Mr. Loring received a B.A. from Trinity College and an M.B.A. from Harvard Business School.

Jonathan M. Nelson has served as our director since March 4, 2004. He is the Chief Executive Officer and founder of Providence Equity. Mr. Nelson is a director of Bresnan Broadband Holdings, LLC (also known as Mountain States Cable Television), Western Wireless Corp., Narragansett Capital Inc. and Yankees Entertainment and Sports Network, Inc., and was, during the period of Providence's investment, a director of VoiceStream Wireless Corp. (now Deutsche Telekom A.G.),

MetroNet Communications Corp./AT&T Canada, Inc. (now Allstream), Brooks Fiber Properties, Inc. (now MCI), Wireless One Network (now AT&T Wireless), InfoNet Media, Inc., Powerfone Holdings (now Nextel), and numerous other portfolio companies. Prior to founding Providence Equity Partners in 1991, Mr. Nelson was a founder and Managing Director of Narragansett Capital Inc. where he specialized in broadcasting, publishing and cable television. Mr. Nelson is currently a director of Trinity Repertory Company in Providence, Rhode Island and a Trustee of Brown University. Mr. Nelson received a B.A. from Brown University and an M.B.A. from Harvard Business School.

Mark Nunnelly has served as our director since March 4, 2004. He joined Bain Capital Partners, LLC in 1990 as a Managing Director. Prior to joining Bain Capital, Mr. Nunnelly was a Vice President of Bain & Company, with experience in its domestic, Asian and European strategy practices. Previously, Mr. Nunnelly worked at Procter & Gamble in product management. He serves as a director of Domino's Pizza, DoubleClick, Eschelon Telecom, Houghton Mifflin Company, Advertising Directory Solutions and UGS PLM Solutions. Mr. Nunnelly received an A.B. from Centre College and an M.B.A. from Harvard Business School.

Scott M. Sperling has served as our director since March 4, 2004. He is a Managing Director at Thomas H. Lee Partners, L.P. Mr. Sperling is also President of THLee Putnam Capital, a joint venture with Putnam Investments, one of the largest global investment management firms. Mr. Sperling is currently a director of Houghton Mifflin Company, Fisher Scientific International, Inc., Vertis, Inc., Wyndham International and several private companies. Prior to joining Thomas H. Lee Partners, Mr. Sperling was for over ten years Managing Partner of The Aeneas Group, Inc., the private capital affiliate of Harvard Management Company. Before that, he was a senior consultant with the Boston Consulting Group. He received a B.S. from Purdue University and an M.B.A. from Harvard Business School.

Committees of the Board of Directors of Parent

Parent's board of directors currently has an audit committee, a compensation committee and an executive committee.

Audit Committee of Parent

We expect Parent's audit committee to consist of John Connaughton, Chuck Brizius and Scott Jaeckel. The audit committee's responsibilities will include, among other things, (1) recommending the hiring or termination of independent auditors and approving any non-audit work performed by such auditor, (2) approving the overall scope of the audit, (3) assisting the board in monitoring the integrity of our financial statements, the independent accountant's qualifications and independence, the performance of the independent accountants and our internal audit function and our compliance with legal and regulatory requirements, (4) annually reviewing an independent auditors' report describing the auditing firms' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, (5) discussing the annual audited financial and quarterly statements with management and the independent auditor, (6) discussing earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, (7) discussing policies with respect to risk assessment and risk management, (8) meeting separately, periodically, with management, internal auditors and the independent auditor, (9) reviewing with the independent auditor any audit problems or difficulties and managements response, (10) setting clear hiring policies for employees or former employees of the independent auditors, (11) annually reviewing the adequacy of the audit committee's written charter, (12) reviewing with management any legal matters that may have a material impact on the company and (13) reporting regularly to the full board of directors.

The audit committee is expected to approve and adopt a Code of Ethical Business Conduct and ethics that will cover all employees and executives and financial officers.

Compensation Committee of Parent

We expect Parent's compensation committee to consist of Scott Sperling, Thomas Lee, Seth Lawry, Mark Nunnelly, Jonathan Nelson and Ian Loring. The compensation committee's responsibilities will include, among other things, (1) reviewing key employee compensation policies, plans and programs, (2) reviewing and approving the compensation of our chief executive officer and other executive officers, (3) developing and recommending to the board of directors compensation for board members, (4) reviewing and approving employment contracts and other similar arrangements between us and our executive officers, (5) reviewing and consulting with the chief executive officer on the evaluation of executive performance and other related matters, (6) administration of stock plans and other incentive compensation plans, (7) overseeing compliance with any applicable compensation reporting requirements of the SEC, (8) reviewing and making recommendations to the board of directors regarding long-term incentive compensation or equity compensation plans and (9) retaining consultants to advise the committee on executive compensation practices and policies.

Executive Committee of Parent

We expect Parent's executive committee to consist of Scott Sperling, Edgar Bronfman Jr., Thomas Lee, Seth Lawry, Mark Nunnelly, Jonathan Nelson and Ian Loring. The executive committee's responsibilities will include, among other things, (1) supporting the board of directors in performance of its duties and responsibilities with respect to strategic outcomes, management outcomes, including leadership and compensation, and actions between meetings of the board of directors and (2) reporting regularly to the full board of directors.

Compensation of Directors of Parent

Parent expects to establish directors' compensation practices that will be aligned with creating and sustaining member value. Our directors will be compensated in the manner established by Parent.

Management Equity Plan

Parent's board of directors has adopted executive compensation plans that link compensation with the performance of the Company, including meeting specified cost-savings goals. Parent will continually review the Company's executive compensation programs to ensure that they are competitive.

Long-Term Incentive Plan

Parent's board of directors recently approved the WMG Long-Term Incentive Plan. The plan provides for the granting to employees of incentive stock options. The plan permits such awards to any employee, director or consultant of Parent or any of its affiliates, or any other entity designated by Parent's board of directors in which Parent has an interest, who is selected by Parent's compensation committee to receive an award. Parent's compensation committee is expected to administer the plan. As of September 30, 2004, Parent had not granted any awards under the plan. Options generally will have a 10-year term and the exercise price will equal at least 100% of the fair market value on the date of the grant. The options vest based on years of continued service and other performance criteria.

Executive Compensation

The following table sets forth the salaries and bonuses received by the five executive officers who received the highest salaries for their services to us in the ten month fiscal year ended September 30, 2004.

Summary Compensation Table

Name and Principal Position	Compensation for the Ten Month Fiscal Year Ended September 30, 2004		Long Term Compensation		
	Salary	Bonus(1)	Other Annual Compensation	Restricted Stock Award	Securities Underlying Options (# of shares)
Edgar Bronfman Jr. Chairman of the Board and Chief Executive Officer	$ 1,000,000	—	—	—	—
Paul-René Albertini Chairman and CEO, Warner Music International	$ 1,250,000	—	$ 116,831(2)	—	—
Lyor Cohen Chairman and Chief Officer of U.S. Recorded Music	$ 1,000,000	$ 1,238,839(1)	—	$ 2,098,954	—
Les Bider Chairman and CEO, Warner/Chappell Music, Inc.	$ 1,000,000	—	—	—	262.345679
David H. Johnson Executive Vice President and General Counsel	$ 700,000	—	—	—	—

(1) Lyor Cohen received a signing bonus in connection with his employment with us. Information regarding performance bonuses for the ten month fiscal year ended September 30, 2004 is not available.

(2) Paul René Albertini received £64,583 in other annual compensation during the ten month fiscal year ended September 30, 2004, which was converted into dollars based on a conversion rate of 1.809 dollars to 1 pound sterling.

Stock Option Grants in Parent in the Ten Month Fiscal Year Ended September 30, 2004

Name	Securities Underlying Options (# of shares)	% of Total Options Granted to Employees in the Ten Months Ended September 30	Exercise Price per Share	Expiration Date	Grant Date Fair Value(1)
Les Bider	262.345679	20%	$ 1,000	9/30/14	$ 309,870

(1) The amount represents the estimated fair value of stock options at the date of grant, calculated using the Black-Scholes option pricing model, based upon the following assumptions used in developing the grant valuations: an expected volatility of 49.4%; an expected term life of 5 years; a risk-free rate of return of 3.30%; and a dividend yield of 0%. The actual value of the options, if any, realized will depend on the extent to which the market value of the stock exceeds the exercise price of the option on the date the option is exercised. Consequently, we cannot assure you that the value realized will be at or near the value estimated above.

Employment Agreements

Employment Agreement with Edgar Bronfman, Jr.

Mr. Bronfman is party to an employment agreement with us, which took effect on March 1, 2004, pursuant to which he serves as Warner Music Group's Chairman of the Board and CEO. The employment agreement expires on March 1, 2008 but is automatically extended for successive one-year terms unless either party gives written notice. The employment agreement provides that Mr. Bronfman is paid an annual base salary of at least $1,000,000, subject to discretionary increases from time to time by Warner Music Group's Board of Directors or compensation committee. Mr. Bronfman is also eligible to receive an annual cash bonus, with a target of 300% of his base salary and a maximum of up to 600% of his base salary. Mr. Bronfman is eligible to participate in a special bonus plan that may be implemented by Warner Music Group for senior management based upon costs savings attained in respect of Warner Music Group, its subsidiaries and affiliates.

In the event Warner Music Group terminates his employment agreement for any reason other than for cause or if Mr. Bronfman terminates his employment for good reason, as defined in the agreement, Mr. Bronfman will be entitled to severance benefits equal to: one year of his then-current base salary and target bonus; a pro-rated annual bonus; and continued participation in Warner Music Group's group health and life insurance plans for up to one year after termination.

The employment agreement also contains standard covenants relating to confidentiality and assignment of intellectual property rights and one year post employment non-solicitation and non-competition covenants.

Warner Music Group sold to Mr. Bronfman (for fair market value) 2,884 shares of Class A Common Stock of Parent, which as of September 30, 2004, represents 2.9% of the Class A Common Stock of Parent without taking into account the conversion of Class L Common Stock or warrants into Class A Common Stock pursuant to a restricted stock agreement. The restricted stock agreement provides that one-third of the restricted shares vest based on years of service and the remainder vests based on years of service and performance. The vested restricted stock may also be purchased by Parent upon termination of employment. Such stock is subject to provisions regarding vesting, forfeiture and repurchase contained in that agreement and is also subject to the stockholders agreement described under "Certain Relationships and Related Party Transactions."

APPAC, a minority shareholder group of Vivendi Universal, initiated an inquiry, which under French law is both civil and criminal, into various issues relating to Vivendi, including Vivendi's financial disclosures and the appropriateness of compensation received by the former CEO, Jean-Marie Messier. The inquiry has also been extended to cover compensation received by Mr. Bronfman. While

the scope and targets of this inquiry are not public, the president of APPAC has publicly announced that he is seeking to have Mr. Bronfman repay to Vivendi compensation he received while affiliated with Vivendi. The outcome of such inquiry or of any subsequent proceeding with respect to Mr. Bronfman is uncertain at this time. Mr. Bronfman believes that all compensation paid to him by Vivendi was properly received and that the claims raised by APPAC are without merit.

Employment Agreement with Paul-René Albertini

Warner Music International Services Limited entered into an employment agreement with Paul-René Albertini under which Mr. Albertini serves as Warner Music International's President. He has recently been promoted to Chairman and CEO. On March 1, 2004, Warner Music Group assumed Mr. Albertini's employment agreement.

The employment agreement, as amended on October 21, 2004, provides for a term ending on December 31, 2008. Under the terms of the employment agreement, Mr. Albertini is paid an annual base salary of $1,250,000 for 2004, and $1,500,000 for 2005 through 2008. Mr. Albertini is also eligible to receive an annual cash bonus of at least $1,000,000 with respect to 2004 and 2005, and discretionary bonuses with respect to 2006 through 2008, with the target amount of each such bonus being $2,000,000. Under the agreement, Mr. Albertini is guaranteed as least $10,250,000 in salary and bonus for the years 2003 through 2005.

Warner Music International may terminate Mr. Albertini's employment without notice on or before December 31, 2005, and pay him a lump sum comprised of: the gross salary due for the balance of the term, the bonus payments due for the balance of the term which shall be at least $1,500,000 per year, a payment in lieu of employment benefits he would have received through the remainder of the term of his agreement, and 50% of the sum of his then-current base salary and the previous year's bonus payment. If such termination occurs after December 31, 2005, the payments to Mr. Albertini will be comprised of: the gross salary due for the balance of the term, and a bonus for each year remaining in the term (including the year in which such termination occurs) each in the amount of $2,000,000; provided that the total of such amounts shall not be greater than $7,000,000 or less than $1,750,000.

The employment agreement also contains standard covenants relating to confidentiality, assignment of intellectual property rights, non-competition and non-solicitation.

Employment Agreement with Lyor Cohen

Warner Music Group entered into an employment agreement with Lyor Cohen on January 25, 2004 under which Mr. Cohen serves as Chairman and CEO of U.S. Recorded Music. The employment agreement provides for a four-year term beginning on March 1, 2004, but the term is automatically extended for successive one-year terms unless either party gives written notice to the contrary at least 90 days prior to the expiration of the current term. Under the terms of the employment agreement, Mr. Cohen is paid a salary equal to $1,000,000 for the first year of his employment with Warner Music Group, and thereafter, will be paid an annual base salary of at least $1,500,000, subject to discretionary increases from time to time by Warner Music Group's Board of Directors or compensation committee. Mr. Cohen is also eligible to receive an annual cash bonus, with a target of $2.5 million and a maximum of $5 million. Mr. Cohen is eligible to participate in a special bonus plan that may be implemented by Warner Music Group for senior management based upon costs savings attained in respect of the U.S. Recorded Music business and Warner Music Group. In the event of a change of control of Parent or certain other events and subject to certain conditions, Mr. Cohen will receive a one-time cash bonus of up to $10,000,000 depending on the amount of cash consideration received by the Investors. In the event Warner Music Group terminates the employment agreement for any reason other than cause or if Mr. Cohen terminates his employment for good reason, as defined in the agreement, Mr. Cohen will be entitled to severance benefits equal to: one year of his then-current base

salary and target bonus; a pro-rated annual bonus; and continued participation in Warner Music Group's group health and life insurance plans for up to one year after termination.

The employment agreement also contains standard covenants relating to confidentiality, assignment of intellectual property rights and six month post employment non-solicitation covenants.

Warner Music Group also agreed to pay Mr. Cohen a starting bonus equal to the greater of $1,000,000 or 59% of the fair market value, as of March 1, 2004, of one share of Class A Common Stock of Parent. Warner Music Group granted to Mr. Cohen 2,099 shares of Class A Common Stock of Parent, which as of September 30, 2004, represents 2.1% of the Class A Common Stock of Parent without taking into account the conversion of Class L Common Stock or warrants into Class A Common Stock pursuant to a restricted stock agreement. The restricted stock agreement provides that one-third of the restricted shares vest based on years of service and the remainder vests based on years of service and performance. The vested restricted stock may also be purchased by Parent upon termination of employment. Such stock is also subject to the stockholders agreement described under "Certain Relationships and Related Party Transactions."

Employment Agreement with Les Bider

Warner Music Group Inc. entered into an employment agreement with Les Bider under which Mr. Bider serves as Chairman and CEO of Warner/Chappell Music, Inc. On March 1, 2004, Warner Music Group assumed Mr. Bider's employment agreement.

The employment agreement terminates on December 31, 2005. Under the terms of the employment agreement, Mr. Bider is paid an annual base salary of $1,000,000. Mr. Bider is also eligible to receive a target annual cash bonus of $1,000,000. In addition, Warner Music Group Inc. agreed to provide Mr. Bider with employee benefits comparable to those provided to other senior executives of Warner/Chappell Music, Inc.

The employment agreement also contains standard covenants relating to confidentiality.

Employment Agreement with David H. Johnson

Warner Music Group Inc. entered into an employment agreement with David H. Johnson under which Mr. Johnson serves as Executive Vice President and General Counsel of Warner Music Group Inc. On March 1, 2004, Warner Music Group assumed Mr. Johnson's employment agreement.

The employment agreement terminates on June 29, 2007. Under the terms of the employment agreement, Mr. Johnson is paid an annual base salary of $700,000. Mr. Johnson is also eligible to receive an annual cash bonus equal to the greater of his annual target bonus, as defined in the agreement, or the average of his bonuses for 2002 and 2003.

In the event Warner Music Group Inc. terminates the employment agreement for any reason other than for cause or if Mr. Johnson terminates his employment for good reason, as defined in the agreement, Mr. Johnson will be entitled to severance benefits equal to a lump sum payment of two times his annual base salary and a minimum bonus as defined in the agreement.

The employment agreement also contains standard covenants relating to confidentiality.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Parent owns 100% of the common stock of Holdings, which owns 100% of our capital stock.

The following table sets forth information as of September 30, 2004 with respect to the ownership of the common stock of Parent by:

- each person known to own beneficially more than 5% of the common stock;
- each of our directors;
- each of the executive officers named in the summary compensation table above; and
- all of our executive officers and directors as a group.

In addition, we disclose the ownership of shares of preferred stock of Holdings.

Notwithstanding the beneficial ownership of common stock presented below, a stockholders agreement governs the stockholders' exercise of their voting rights with respect to election of directors and certain other material events. The parties to the stockholders' agreement have agreed to vote their shares to elect the board of directors as set forth therein. See "Certain Relationships and Related Party Transactions—Stockholders Agreement."

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

Except as otherwise indicated in these footnotes, each of the beneficial owners listed has, to our knowledge, sole voting and investment power with respect to the indicated shares of common stock. Unless otherwise indicated, the address for each individual listed below is Warner Music Group, c/o Warner Music Group Inc., 75 Rockefeller Plaza, New York, New York 10019.

	Shares of Common Stock				
Name and address of beneficial owner	Class A	Class L	Percent of Common Stock(1)	Shares of Preferred Stock	Percent of Preferred Stock
Thomas H. Lee Funds(2) c/o Thomas H. Lee Partners, L.P. 75 State Street, Suite 2600 Boston, MA 02109	44,540	4,949	49.4%	10,480	52.4%
Music Capital Partners, L.P.(3) c/o Lexa Partners LLC 390 Park Avenue New York, NY 10022	11,220	1,247	12.4%	2,640	13.2%
Bain Capital Funds(4) c/o Bain Capital, LLC 111 Huntington Avenue Boston, MA 02199	19,040	2,116	21.1%	4,480	22.4%

Providence Equity Partners Inc.(5) 50 Kennedy Plaza 18th Floor Providence, RI 02903	10,200	1,133	11.3%	2,400	12.0%
Edgar Bronfman, Jr.(3)	2,884	—	2.9%	—	—
Len Blavatnik	—	—	—	—	—
Charles A. Brizius(6)	—	—	—	—	—
John P. Connaughton(7)	—	—	—	—	—
Scott L. Jaeckel(6)	—	—	—	—	—
Seth W. Lawry(6)	—	—	—	—	—
Thomas H. Lee(6)	—	—	—	—	—
Ian Loring(7)	—	—	—	—	—
Jonathan N. Nelson(5)	—	—	—	—	—
Mark Nunnelly(7)	—	—	—	—	—
Scott M. Sperling(6)	—	—	—	—	—
Lyor Cohen	2,099	—	2.1%	—	—
Paul-René Albertini	—	—	—	—	—
Les Bider	—	—	—	—	—
Michael Ward(7)	—	—	—	—	—
David H. Johnson	—	—	—	—	—
All directors and executive officers as a group(16) members)	4,983	—	5.0%	—	—
Total	**89,983**	**9,445**	**99.2%**	**20,000**	**100%**

(1) Represents the aggregate ownership of the Class A and Class L Common Stock of Parent.

(2) Includes shares of common stock owned by each of Thomas H. Lee Equity Fund V, L.P., Thomas H. Lee Parallel Fund V, L.P., Thomas H. Lee Equity (Cayman) Fund V, L.P. (collectively, the "THL Funds"), Putnam Investments Holdings, LLC, Putnam Investments Employees' Securities Company I LLC, Putnam Investments Employees' Securities Company II LLC (collectively, the "Putnam Funds"), 1997 Thomas H. Lee Nominee Trust (the "Lee Trust") and Thomas H. Lee Investors Limited Partnership ("Lee Investors"). The shares held by the THL Funds may be deemed to be beneficially owned by THL Equity Advisors V, LLC ("Advisors"), the general partner of each of the THL Funds. Advisors disclaims beneficial ownership of such shares. The Putnam Funds, the Lee Trust and Lee Investors are co-investment entities of the THL Funds and each disclaims beneficial ownership of any shares other than the shares held directly by such entity. Each of the THL Funds, Advisors, Lee Investors and the Lee Trust has an address c/o Thomas H. Lee Partners, L.P., 75 State Street, Suite 2600, Boston, Massachusetts 02109. The Putnam Funds have an address c/o Putnam Investment, Inc., 1 Post Office Square, Boston, Massachusetts 02109.

(3) Edgar Bronfman, Jr., is the managing member of the ultimate general partner of Music Capital Partners, L.P., and as such, may be deemed to have beneficial ownership of shares of common stock held by Music Capital Partners, L.P. Mr. Bronfman disclaims beneficial ownership of such shares except to the extent of his pecuniary interest.

(4) Includes shares of common stock owned by each of Bain Capital VII Coinvestment Fund, LLC, Bain Capital Integral Investors, LLC, and BCIP TCV, LLC (the "Bain Capital Funds"). Each of the Bain Capital Funds is an affiliate of Bain Capital, LLC. Bain Capital LLC disclaims beneficial ownership of such shares. Each of the Bain Capital Funds has an address c/o Bain Capital, LLC, 111 Huntington Avenue, Boston, Massachusetts 02199.

(5) Includes shares of common stock owned by each of Providence Equity Partners IV, L.P. and Providence Equity Operating Partners IV, L.P. (collectively, the "Providence Funds"). Jonathan M. Nelson, Glenn M. Creamer and Paul J. Salem are members and officers of Providence Equity Partners IV L.L.C., which is the general partner of Providence Equity GP IV L.P., which is the general partner of Providence Funds, and thus may be deemed to have beneficial ownership of the shares held by the Providence Funds. Each of Messrs. Nelson, Creamer and Salem expressly disclaims beneficial ownership of such shares except to the extent of their pecuniary interest. The Providence Funds have an address c/o Providence Equity Partners Inc., 50 Kennedy Plaza, Providence, Rhode Island 02903.

(6) Mr. Lee, a director of Warner Music Group and Parent, is President of Thomas H. Lee Partners, L.P. and disclaims any beneficial ownership of any shares beneficially owned by the Thomas H. Lee Funds except to the extent of his pecuniary interest. Messrs. Brizius, Lawry, Sperling, directors of Warner Music Group, are managing directors of Thomas H. Lee Partners, L.P. and disclaim any beneficial ownership of any shares beneficially owned by the Thomas H. Lee Funds except to the extent of their pecuniary interest. Mr. Jaeckel, a director of Warner Music Group, is a Vice President of Thomas H. Lee Partners, L.P. and disclaims any beneficial ownership of any shares beneficially owned by the Thomas H. Lee Funds except to the extent of his pecuniary interest. Messrs. Lee, Brizius, Lawry, Sperling and Jaeckel have an address c/o Thomas H. Lee Partners, L.P., 75 State Street, Suite 2600, Boston, Massachusetts 02109.

(7) Messrs. Connaughton, Loring and Nunnelly, directors of Warner Music Group and Parent, are managing directors of Bain Capital Partners, LLC. Mr. Ward, the acting Chief Financial Officer of Warner Music Group and Parent, is a managing director of Bain Capital Partners, LLC. Each of Messrs. Connaughton, Loring, Nunnelly and Ward disclaim any beneficial ownership of any shares beneficially owned by the Bain Capital Funds except to the extent of their pecuniary interest. Messrs. Connaughton, Loring, Nunnelly and Ward have an address c/o Bain Capital, LLC, 111 Huntington Avenue, Boston, Massachusetts 02199.

Ancillary Agreements to the Stock Purchase Agreement

In addition to the purchase agreement described under "The Transactions," we have entered into the following ancillary agreements in connection with the Acquisition.

Stockholders Agreement

Parent has entered into a stockholders agreement with us, Holdings, the Investors, Time Warner and certain of our executive officers and directors. The stockholders agreement provides that Parent's board of directors consist of thirteen members, with five directors appointed by THL, three directors appointed by Bain Capital, one director appointed by Providence Equity, one director appointed by Music Capital (excluding the Music Capital-related investors, each a "Principal Investor Group"), one director who will at all times be the Chief Executive Officer and who will initially be Edgar Bronfman, Jr., and two independent directors to be chosen unanimously by the vote of Parent's board. The number of directors that an Investor may appoint will be reduced if that Investor's investment in us falls below certain dollar thresholds outlined in the stockholders agreement. In case of such a reduction, the number of our total directors will be accordingly reduced. Each Investor's director designee(s) may only be removed by the Investor that appointed such designee(s). The board of directors has an Executive Committee, an Audit Committee and a Compensation Committee.

The following actions require both (a) the approval of a majority of the entire board of directors and (b) the approval of the largest Principal Investor Group (determined by the Principal Investor Groups' relative investments in us) and one other Principal Investor Group (the "Requisite Stockholder Majority"): (i) effecting a change of control transaction; (ii) incurring indebtedness or guaranteeing or otherwise assuming certain obligations in excess of $100,000,000; (iii) selling, leasing, exchanging or otherwise disposing of assets in excess of $100,000,000; (iv) purchasing, renting, licensing, exchanging or otherwise acquiring assets having a fair market value in excess of $50,000,000; (v) effecting a merger or consolidation where the assets subject to such merger or consolidation have a value in excess of $50,000,000; (vi) registering securities under the Securities Act; and (vii) hiring or removing the Chief Executive Officer. Approval of a majority of the entire board of directors is required for approval or amendment of the annual operating budget.

The stockholders agreement prohibits the parties from transferring any of their stock except for transfers (i) to an affiliate of the stockholder, (ii) after an initial public offering, (x) to partners, members or stockholders of the stockholder, (y) in connection with certain sales under Rule 144 of the Securities Act or (z) to a charitable organization or (iii) made in connection with a public offering. In addition, Music Capital may transfer its stock to ALP Music Partners, L.P., its limited partner, after the occurrence of certain events outlined in the stockholders agreement. The agreement also prohibits the parties from transferring stock to any of our competitors without the approval of our entire board of directors and the Requisite Stockholder Majority.

The Requisite Stockholder Majority has the right to require all other parties to the agreement to sell a certain percentage of their stock to a buyer in a change of control transaction. A member of a Principal Investor Group that is also part of the Requisite Majority may not be a buyer in such a change of control transaction unless the transaction is approved by each of the Investors. The agreement also provides that if any of Parent's stockholders propose to sell its stock in certain private transfers, that stockholder must notify each Investor, the Seller and their transferees (the "First Offer Holders") of the terms of the sale. The First Offer Holders will then have the right to offer to buy the selling stockholder's stock on the terms given in the notice. The selling stockholder will then have the option to accept or reject the First Offer Holders' offer. Depending on whether the First Offer Holders propose to purchase all, or only a portion of, the selling stockholder's stock, the selling stockholder may have the right to offer its stock to a third-party.

The stockholders agreement provides that if one of Parent's stockholders offers to sell any of its stock to a prospective buyer, Parent's other stockholders have the right to sell their shares to that prospective buyer, subject to certain cutbacks, including a pro rata cutback in which the stockholder may only sell a pro rata portion of its shares.

Subject to certain exclusions, if Parent or any of its subsidiaries issue shares of our capital stock or securities convertible into our capital stock, Parent's stockholders will have the right to participate in the offering. In addition, the stockholders agreement gives any member of the Investors the right to require us to register the stock held by such stockholders for sale to the public under the Securities Act, provided that (i) the value of the securities sold to the public by the registering shareholders is at least $20,000,000 and (ii) the registration is approved by a majority of our board of directors and the Requisite Stockholder Majority. In connection with each underwritten public offering, Parent's stockholders will be required to enter into a lockup agreement covering a period of no greater than 90 days (180 days for an initial public offering).

The agreement also provides that if Parent registers shares of Parent's common stock for sale to the public, Parent's stockholders will have the right to have their shares included in the registration statement. Such registrations are subject to a potential underwriter's cutback in the number of shares to be registered if the underwriter determines that marketing factors require a limitation on the number of shares to be underwritten.

Seller Administrative Services Agreement

In connection with the Acquisition, Warner Music Group entered into a seller administrative services agreement with Time Warner whereby Time Warner agreed to provide us with certain administrative services, including (i) accounting services, (ii) tax services, (iii) human resources and benefits services, (iv) information technology services, (v) legal services, (vi) treasury services, (vii) payroll services, (viii) travel services, (ix) real estate management services and (x) messenger services. The obligation for Time Warner to provide these services will generally (with some exceptions) terminate on December 31, 2004. In addition, we may terminate the services, generally upon 30 days' notice to Time Warner. Time Warner may terminate most of the services upon 180 days' notice to us with respect to any service category that Time Warner ceases to provide to its subsidiaries, divisions and business units. Time Warner bills us monthly for the services. The amount paid for these services is generally not fixed, but rather is based on the costs of Time Warner in providing the administrative services, including Time Warner's employee costs and out-of-pocket expenses. In addition, we have agreed to indemnify Time Warner, its affiliates, partners, officers, employees, agents and permitted assigns for losses relating to the services contemplated by the seller administrative services agreement. Time Warner has agreed to indemnify us for losses arising out of its breach of the agreement or Time Warner's gross negligence or willful misconduct.

On July 1, 2004, Warner Music Group amended the seller administrative services agreement so that Time Warner will provide DX Online Services, a web-based solution designed to manage small package shipping, to us. Time Warner's obligation to provide DX Online Services will expire December 31, 2004, subject to an automatic renewal after that date on a monthly basis. After December 31, 2004, either Time Warner or us may terminate by providing 30 days' notice. Generally, we pay $5,500 per month for such services.

Purchaser Administrative Services Agreement

In connection with the Acquisition, Warner Music Group entered into a purchaser administrative services agreement with Time Warner whereby we agreed to provide Time Warner with certain administrative services including (i) financial and accounting advisory services, (ii) information technology services, (iii) real estate services and (iv) distribution services in certain countries outside

the U.S. Our obligation to provide these services generally (with one exception) terminates on December 31, 2004. Time Warner may terminate these services with a notice period ranging from 30 to 120 days. We may terminate most of the services upon 180 days' notice to Time Warner with respect to any service category that we cease to provide to our subsidiaries, divisions and business units. We bill Time Warner monthly for the services. The amount paid for these services is generally not fixed, but rather, is based on our costs in providing the administrative services, including our employee costs and out-of-pocket expenses. In addition, Time Warner has agreed to indemnify us, our affiliates, partners, officers, employees, agents and permitted assigns for losses relating to the services contemplated by the purchaser administrative services agreement. We have agreed to indemnify Time Warner for losses arising out of our breach of the agreement or our gross negligence or willful misconduct.

Management/Monitoring Agreement

We entered into a management agreement with Parent, Holdings and the Investors. Pursuant to this agreement, we paid an aggregate of $75 million to the Investors in consideration for their services in connection with the Acquisition. In consideration for ongoing consulting and management advisory services, the management agreement requires us to pay the Investors an aggregate annual fee of $10 million per year, which is payable quarterly in advance. This annual fee has been prepaid in its entirety through February 2005. In the case of future services provided in connection with any future acquisition, disposition, or financing transactions involving us, Parent or Holdings, the management agreement requires us to pay the Investors an aggregate fee of one percent of the gross transaction value of each such transaction. The agreement also requires us, Parent and Holdings to pay the reasonable expenses of the Investors in connection with, and indemnify them for liabilities arising from, the management agreement, the Acquisition and any related transactions, their equity investment in us, Parent or Holdings, our operations, and the services they provide to us, Parent and Holdings. Subject to certain early termination provisions, the management agreement terminates on December 30, 2014.

Other Arrangements with Investors

Employees of the Investors have from time to time filled management roles on an interim basis while we have been transitioning to a permanent management team. For example, the position of Chief Financial Officer has been filled by an employee of one of the Investors since the beginning of June 2004. Such employees have not received any compensation from us for such services. However, a representative cost for such services in the aggregate amount of $280,000 has been charged to the statement of operations for the seven months ended September 30, 2004 with a corresponding increase in additional paid-in capital.

Cumulative Preferred Stock

Holdings is authorized to issue 150,000 shares of Cumulative Preferred Stock, par value $0.001 per share ("Preferred Stock"), with a liquidation preference of $10,000. 20,000 shares of Preferred Stock, which rank senior to our common stock with respect to the right to receive dividends and to receive distributions upon the liquidation, dissolution and winding up of Holdings, were issued to the Investors in connection with the Acquisition. Pursuant to its certificate of incorporation, Holdings is not permitted to create or issue any class of securities ranking equal or senior to the Preferred Stock without the consent of at least a majority of the holders of the then outstanding Preferred Stock.

Holders of Holdings' Preferred Stock are entitled to receive, when, as and if declared by the board of directors of Holdings, cumulative dividends at the rate of 10% of the liquidation preference per share per year. All dividends are payable in arrears on a quarterly basis. Any dividend that is not paid on a specified dividend payment date with respect to a share of Preferred Stock will accrue dividends at the rate of 10% per year. Unless full cumulative dividends on all outstanding Preferred Stock have

been declared and paid, Holdings may not pay a dividend or make any other distribution (other than certain stock dividends) to securities that rank junior to the Preferred Stock.

The shares of Preferred Stock are not convertible into common stock or any other equity of Holdings. Holders of Preferred Stock have no voting rights. The Preferred Stock is subject to certain restrictions on transferability as set forth in the stockholders agreement.

Return of Capital

We returned an additional $350 million of capital to the Investors as a result of improved operating results, excess liquidity and the implementation of our restructuring program. The Return of Capital was accomplished in two steps. On September 30, 2004, we returned $8 million, and October 14, 2004, we returned $342 million. The Return of Capital has been funded out of our excess cash balance and not from the incurrence of additional debt. We obtained an amendment to our credit agreement to provide for this Return of Capital.

DESCRIPTION OF OTHER INDEBTEDNESS

Senior Secured Credit Facility

Overview

In connection with the Transactions, we entered into a senior secured credit facility with Banc of America Securities LLC, as joint lead arranger and joint book manager, Bank of America, N.A., as administrative agent, Deutsche Bank Securities Inc., as joint lead arranger, joint book manager and co-syndication agent, Lehman Brothers Inc., as co-arranger and co-book manager, Lehman Commercial Paper Inc., as co-syndication agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated as co-arranger, co-book manager and documentation agent.

The senior secured credit facility provides senior secured financing of $1.45 billion, consisting of:

- a $1.2 billion term loan facility; and
- a $250 million revolving credit facility.

Upon the occurrence of certain events, we may request an increase to the existing revolving credit facility in an amount not to exceed $100 million, subject to receipt of commitments by existing revolving lenders or other financial institutions reasonably acceptable to the administrative agent.

We are the borrower for the term loan facility. We are also a borrower under the revolving credit facility, and certain of our non-U.S. subsidiaries may be designated as additional borrowers under the revolving credit facility. A portion of the revolving credit facility up to an aggregate not to exceed the equivalent of $150 million may be made available in euros, pounds sterling and yen. The revolving credit facility includes borrowing capacity available for letters of credit and for borrowings on same-day notice, referred to as the swingline loans.

On December 6, 2004, we amended our senior secured credit facility to make certain changes. In particular, the changes:

- allow Holdings to incur permitted indebtedness that accrues up to $35,000,000 in cash interest in any fiscal year. Prior to the change, any permitted indebtedness incurred by Holdings was required to be pay-in-kind interest for at least the first five years.
- remove the requirement that the maximum leverage ratio for us and our subsidiaries be less than 3.75:1 at the time that Holdings incurs any permitted indebtedness.
- adjust the method of calculating EBITDA when measuring the leverage ratio of Holdings so that it is consistent with the method of calculation used in the indenture for our notes. In order for Holdings to incur permitted indebtedness under the senior secured credit facility, it must show compliance with a leverage ratio test on a pro forma basis for the incurrence of such indebtedness.

Interest Rate and Fees

Borrowings under the senior secured credit facility bear interest at a rate equal to an applicable margin plus, at our option, either (a) a base rate determined by reference to the higher of (1) the prime rate of Bank of America, N.A. and (2) the federal funds rate plus $^1/_2$ of 1% or (b) a LIBOR rate determined by reference to the costs of funds for deposits in the currency of such borrowing for the interest period relevant to such borrowing adjusted for certain additional costs. The current applicable margin for borrowings under the revolving credit facility and the term loan facility is 1.75% with respect to base rate borrowings and 2.75% with respect to LIBOR borrowings. The applicable margin for borrowings under both the revolving credit facility and term loan facility may be reduced subject to our attaining certain leverage ratios.

In addition to paying interest on outstanding principal under the senior secured credit facility, we are required to pay a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments thereunder. The current commitment fee rate is 0.50% per annum. The commitment fee rate may be reduced subject to our attaining certain leverage ratios. We must also pay customary letter of credit fees.

Prepayments

The senior secured credit facility requires us to prepay outstanding term loans, subject to certain exceptions, with:

- 50% (which percentage will be reduced to 25% if our leverage ratio is less than 4.00 to 1.00 and to 0% if our leverage ratio is less than 3.50 to 1.00) of the annual excess cash flow of Holdings and its subsidiaries;
- 100% of the net cash proceeds in excess of $15,000,000 per fiscal year from asset sales and casualty and condemnation events, if we do not reinvest those proceeds in assets to be used in our business or to make certain other permitted investments within 12 months, subject to certain limitations;
- 100% (which percentage will be reduced to 75% if our leverage ratio is less than 3.00 to 1.00) of the net cash proceeds of any incurrence of debt, other than certain debt permitted under the senior secured credit facility; and
- 50% (which percentage will be reduced to 25% if our leverage ratio is less than 3.50 to 1.00) of the net proceeds of issuances of equity of Holdings and its subsidiaries, subject to certain exceptions.

The foregoing mandatory prepayments will be applied to the next four installments of the term loan facility then due and then to the remaining installments of the term loan facility on a pro rata basis.

We may voluntarily repay outstanding loans under the senior secured credit facility at any time without premium or penalty, other than customary "breakage" costs with respect to LIBOR loans.

Amortization

We are required to repay installments on the loans under the term loan facility in quarterly principal amounts of 0.25% of their funded total principal amount for the first six years and nine months, with the remaining amount payable on February 28, 2011.

Principal amounts outstanding under the revolving credit facility are due and payable in full at maturity, on February 28, 2010.

Guarantee and Security

All obligations under the senior secured credit facility are unconditionally guaranteed by Holdings and, subject to certain exceptions, each of our existing and future domestic wholly owned subsidiaries, referred to collectively as U.S. Guarantors. In addition, the borrowings of our foreign subsidiary borrowers under the senior secured credit facility are unconditionally guaranteed by Holdings, us and, subject to certain exceptions, each of our existing and future domestic wholly owned subsidiaries and, to the extent legally permitted (referred to as the foreign guarantees), by certain of our foreign subsidiaries.

All obligations under the senior secured credit facility and the guarantees of those obligations are secured by substantially all the assets of Holdings, us and each U.S. Guarantor, including, but not limited to, the following, and subject to certain exceptions:

- a pledge of 100% of our capital stock, 100% of the capital stock of each U.S. Guarantor and 65% of the capital stock of each of our foreign subsidiaries that are directly owned by us or one of the U.S. Guarantors; and
- a security interest in substantially all tangible and intangible assets of Holdings, us and each U.S. Guarantor.

In addition, the obligations of any foreign subsidiary borrowers under the senior secured credit facility, and the foreign guarantees of such obligations, are, subject to certain exceptions, secured by the following:

- a pledge of the capital stock of each foreign borrower and each foreign guarantor; and
- a lien on substantially all tangible and intangible assets of each foreign borrower and each foreign guarantor.

Certain Covenants and Events of Default

The senior secured credit facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability, and the ability of Holdings and its subsidiaries, to:

- sell assets;
- incur additional indebtedness or issue preferred stock;
- repay other indebtedness (including the notes);
- pay dividends and distributions or repurchase our capital stock;
- create liens on assets;
- make investments, loans or advances;
- make certain acquisitions;
- engage in mergers or consolidations;
- engage in certain transactions with affiliates;
- amend certain material agreements governing our indebtedness, including the notes;
- change the business conducted by Holdings and its subsidiaries (including us); and
- enter into agreements that restrict dividends from subsidiaries.

In addition, the senior secured credit facility requires us to maintain the following financial covenants:

- a maximum total leverage ratio;
- a minimum interest coverage ratio; and
- a maximum capital expenditures limitation.

The senior secured credit facility also contains certain customary affirmative covenants and events of default.

THE EXCHANGE OFFERS

General

Warner Music Group hereby offers to exchange a like principal amount of exchange notes for any or all outstanding notes on the terms and subject to the conditions set forth in this prospectus and accompanying letter of transmittal. We refer to the offers as the "exchange offers." You may tender some or all of your outstanding notes pursuant to the exchange offers.

As of the date of this prospectus, $465,000,000 aggregate principal amount of the outstanding dollar notes is outstanding, and £100,000,000 of the outstanding sterling notes is outstanding. This prospectus, together with the letter of transmittal, is first being sent to all holders of outstanding notes known to us on or about • , 2005. Warner Music Group's obligation to accept outstanding notes for exchange pursuant to the exchange offers is subject to certain conditions set forth under "Conditions to the Exchange Offers" below. Warner Music Group currently expects that each of the conditions will be satisfied and that no waivers will be necessary.

Purpose and Effect of the Exchange Offers

We entered into a registration rights agreement with the initial purchasers of the outstanding notes in which we agreed, under certain circumstances, to file a registration statement relating to an offer to exchange the outstanding notes for exchange notes. We also agreed to use our reasonable best efforts to cause this registration statement to be declared effective and to cause the exchange offers to be consummated within 360 days after the issue date of the outstanding notes. The exchange notes will have terms substantially identical to the terms of the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement. The outstanding notes were issued on April 8, 2004.

Under the circumstances set forth below, we will use our reasonable best efforts to cause the SEC to declare effective a shelf registration statement with respect to the resale of the outstanding notes within the time periods specified in the registration rights agreement and to keep the shelf registration statement effective for two years or such shorter period ending when all outstanding notes or exchange notes covered by the statement have been sold in the manner set forth and as contemplated in the statement or to the extent that the applicable provisions of Rule 144(k) under the Securities Act are amended or revised. These circumstances include:

- if applicable law or interpretations of the staff of the SEC do not permit Warner Music Group and the guarantors to effect these exchange offers;
- if for any other reason the exchange offers are not consummated within 360 days of the issue date of the outstanding notes;
- any initial purchaser or any other holder of the outstanding notes that is not able to participate in the exchange offers due to applicable law so requests at any time prior to the commencement of the exchange offers; or
- if any holder of the outstanding notes notifies us prior to the 15th day following consummation of these exchange offers that it is prohibited by law or SEC policy from participating in the exchange offers or does not receive exchange notes that may be sold without restriction (other than due solely to the status of such holder as an affiliate of Warner Music Group).

If we fail to comply with certain obligations under the registration rights agreement, we will be required to pay additional interest to holders of the outstanding notes and the exchange notes required to be registered on a shelf registration statement. Please read the section "Exchange Offers; Registration Rights" for more details regarding the registration rights agreement.

Each holder of outstanding notes that wishes to exchange their outstanding notes for exchange notes in the exchange offers will be required to make the following written representations:

- any exchange notes to be received by such holder will be acquired in the ordinary course of its business;
- such holder has no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the exchange notes in violation of the provisions of the Securities Act;
- such holder is not an affiliate of the Warner Music Group, as defined by Rule 405 of the Securities Act, or if it is an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable; and
- it is not engaged in, and does not intend to engage in, a distribution of exchange notes.

Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where the broker-dealer acquired the outstanding notes as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. Please see "Plan of Distribution".

Resale of Exchange Notes

Based on interpretations by the staff of the SEC as set forth in no-action letters issued to third parties referred to below, we believe that you may resell or otherwise transfer exchange notes issued in the exchange offers without complying with the registration and prospectus delivery provisions of the Securities Act, if:

- you are acquiring the exchange notes in your ordinary course of business;
- you do not have an arrangement or understanding with any person to participate in a distribution of the exchange notes;
- you are not an affiliate of Warner Music Group as defined by Rule 405 of the Securities Act; and
- you are not engaged in, and do not intend to engage in, a distribution of the exchange notes.

If you are an affiliate of Warner Music Group, or are engaging in, or intend to engage in, or have any arrangement or understanding with any person to participate in, a distribution of the exchange notes, or are not acquiring the exchange notes in the ordinary course of your business, then:

- you cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co., Inc.* (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* dated July 2, 1993, or similar no-action letters; and
- in the absence of an exception from the position stated immediately above, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

This prospectus may be used for an offer to resell, for the resale or for other retransfer of exchange notes only as specifically set forth in this prospectus. With regard to broker-dealers, only broker-dealers that acquired the outstanding notes as a result of market-making activities or other trading activities may participate in the exchange offers. Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities must

acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. Please read "Plan of Distribution" for more details regarding the transfer of exchange notes.

Terms of the Exchange Offers

On the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, we will accept for exchange in the exchange offers outstanding notes that are validly tendered and not validly withdrawn prior to the expiration date. Outstanding dollar notes may only be tendered in denominations of $5,000 and integral multiples of $1,000, and outstanding sterling notes may only be tendered in denominations of £5,000 and integral multiples of £1,000. We will issue $5,000 principal amount or an integral multiple of $1,000, in the case of exchange dollar notes, and £5,000 principal amount or an integral multiple of £1,000, in the case of exchange sterling notes, in exchange for a corresponding principal amount of outstanding dollar or sterling notes, respectively, surrendered in the exchange offers.

The form and terms of the exchange notes will be substantially identical to the form and terms of the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement. The exchange notes will evidence the same debt as the outstanding notes. The exchange notes will be issued under and entitled to the benefits of the same indenture under which the outstanding notes were issued, and the exchange notes and the outstanding notes will constitute a single class and series of notes for all purposes under the indenture. For a description of the indenture, please see "Description of the Notes".

The exchange offers are not conditioned upon any minimum aggregate principal amount of outstanding notes being tendered for exchange.

As of the date of this prospectus, $465,000,000 aggregate principal amount of the outstanding dollar notes is outstanding, and £100,000,000 aggregate principal amount of the outstanding sterling notes is outstanding. This prospectus and a letter of transmittal are being sent to all registered holders of outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offers.

We intend to conduct the exchange offers in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the SEC. Outstanding notes that are not tendered for exchange in the exchange offers will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits that such holders have under the indenture relating to such holders' outstanding notes, except for any rights under the registration rights agreement that by their terms terminate upon the consummation of the exchange offers.

We will be deemed to have accepted for exchange properly tendered outstanding notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the exchange notes from us and delivering exchange notes to holders. Subject to the terms of the registration rights agreement, we expressly reserve the right to amend or terminate the exchange offers and to refuse to accept the occurrence of any of the conditions specified below under "—Conditions to the Exchange Offers".

Holders who tender outstanding notes in the exchange offers will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of outstanding notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offers. It is important that you read "—Fees and Expenses" below for more details regarding fees and expenses incurred in the exchange offers.

Expiration Date; Extensions, Amendments

As used in this prospectus, the term "expiration date" means 12:00 a.m. midnight, New York City time, on , 2005. However, if we, in our sole discretion, extend the period of time for which the exchange offers are open, the term "expiration date" will mean the latest time and date to which we shall have extended the expiration of the exchange offers.

To extend the period of time during which the exchange offers are open, we will notify the exchange agent of any extension by oral or written notice, followed by notification to the registered holders of the outstanding notes no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion:

- to delay accepting for exchange any outstanding notes;
- to extend the exchange offers or to terminate the exchange offers and to refuse to accept outstanding notes not previously accepted if any of the conditions set forth below under "—Conditions to the Exchange Offers" have not been satisfied, by giving oral or written notice of such delay, extension or termination to the exchange agent; and
- subject to the terms of the registration rights agreement, to amend the terms of the exchange offers in any manner.

Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice to the registered holders of the outstanding notes. If we amend the exchange offers in a manner that we determine to constitute a material change, we will promptly disclose the amendment in a manner reasonably calculated to inform the holders of outstanding notes of that amendment.

Conditions to the Exchange Offers

Despite any other term of the exchange offers, we will not be required to accept for exchange, or to issue exchange notes in exchange for, any outstanding notes, and we may terminate or amend the exchange offers as provided in this prospectus before accepting any outstanding notes for exchange, if:

- the exchange offers, or the making of any exchange by a holder of outstanding notes, violates any applicable law or interpretation of the staff of the SEC;
- any action or proceeding shall have been instituted or threatened in any court or by any governmental agency that might materially impair our ability to proceed with the exchange offers, and any material adverse development shall have occurred in any existing action or proceeding with respect to us; or
- all governmental approvals shall not have been obtained, which approvals we deem necessary for the consummation of the exchange offers.

In addition, we will not be obligated to accept for exchange the outstanding notes of any holder that has not made to us:

- the representations described under "—Purpose and Effect of the Exchange Offers" and "—Procedures for Tendering Outstanding Dollar Notes" and "—Procedures for Tendering Outstanding Sterling Notes"; and
- any other representations as may be reasonably necessary under applicable SEC rules, regulations, or interpretations to make available to us an appropriate form for registration of the exchange notes under the Securities Act.

We expressly reserve the right at any time or at various times to extend the period of time during which the exchange offers are open. Consequently, we may delay acceptance of any outstanding notes by giving oral or written notice of such extension to their holders. During any such extensions, all outstanding notes previously tendered will remain subject to the exchange offers, and we may accept them for exchange. We will return any outstanding notes that we do not accept for exchange for any reason without expense to their tendering holder as promptly as practicable after the expiration or termination of the exchange offers.

We expressly reserve the right to amend or terminate the exchange offers and to reject for exchange any outstanding notes not previously accepted for exchange upon the occurrence of any of the conditions of the exchange offers specified above. We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the outstanding notes as promptly as practicable. In the case of any extension, such notice will be issued no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

These conditions are for our sole benefit, and we may assert them regardless of the circumstances that may give rise to them or waive them in whole or in part at any or at various times in our sole discretion. If we fail at any time to exercise any of the foregoing rights, this failure will not constitute a waiver of such right. Each such right will be deemed an ongoing right that we may assert at any time or at various times.

Procedures for Tendering Outstanding Dollar Notes

Only a holder of outstanding dollar notes may tender their outstanding dollar notes in the exchange offer. To tender in the exchange offer, a holder must comply with either of the following:

- complete, sign and date the letter of transmittal or a facsimile of the letter of transmittal, have the signature on the letter of transmittal guaranteed if required by the letter of transmittal and mail or deliver such letter of transmittal or facsimile to the exchange agent prior to the expiration date; or

- comply with DTC's Automated Tender Offer Program procedures described below.

In addition, either:

- the exchange agent must receive outstanding notes along with the letter of transmittal; or

- prior to the expiration date, the exchange agent must receive a timely confirmation of book-entry transfer of outstanding dollar notes into the exchange agent's account at DTC according to the procedure for book-entry transfer described below or a properly transmitted agent's message; or

- the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at the address set forth below under "—Exchange Agent" prior to the expiration date.

A tender to us that is not withdrawn prior to the expiration date constitutes an agreement between us and the tendering holder upon the terms and subject to the conditions described in this prospectus and in the letter of transmittal.

The method of delivery of outstanding notes, letter of transmittal and all other required documents to the exchange agent is at the holder's election and risk. Rather than mail these items, we recommend that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure timely delivery to the exchange agent before the expiration date. Holders should not send letters of transmittal or certificates representing outstanding notes to us. Holders may

request that their respective brokers, dealers, commercial banks, trust companies or other nominees effect the above transactions for them.

If you are a beneficial owner whose outstanding dollar notes are held in the name of a broker, dealer, commercial bank, trust company, or other nominee who wishes to participate in the exchange offer, you should promptly contact such party and instruct such person to tender outstanding notes on your behalf.

You must make these arrangements or follow these procedures before completing and executing the letter of transmittal and delivering the outstanding dollar notes.

Signatures on the letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the U.S. or another "eligible guarantor institution" within the meaning of Rule 17A(d)-15 under the Exchange Act unless the outstanding dollar notes surrendered for exchange are tendered:

- by a registered holder of the outstanding dollar notes who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the letter of transmittal; or
- for the account of an eligible guarantor institution.

If the letter of transmittal is signed by a person other than the registered holder of any outstanding dollar notes listed on the outstanding dollar notes, such outstanding dollar notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder's name appears on the outstanding dollar notes and an eligible guarantor institution must guarantee the signature on the bond power.

If the letter of transmittal or any certificates representing outstanding dollar notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, those persons should also indicate when signing and, unless waived by us, they should also submit evidence satisfactory to us of their authority to so act.

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's Automated Tender Offer Program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange, electronically transmit their acceptance of the exchange by causing DTC to transfer the outstanding notes to the exchange agent in accordance with DTC's Automated Tender Offer Program procedures for transfer. DTC will then send an agent's message to the exchange agent. The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, that states that:

- DTC has received an express acknowledgment from a participant in its Automated Tender Offer Program that is tendering outstanding notes that are the subject of the book-entry confirmation;
- the participant has received and agrees to be bound by the terms of the letter of transmittal or, in the case of an agent's message relating to guaranteed delivery, such participant has received and agrees to be bound by the applicable notice of guaranteed delivery; and
- we may enforce that agreement against such participant.

Procedures for Tendering Outstanding Sterling Notes

To tender your outstanding sterling notes in the applicable exchange offer, you must complete, sign and date the letter of transmittal or a facsimile of the letter of transmittal, have the signature(s) on the

letter of transmittal guaranteed if required by the letter of transmittal and mail or deliver such letter of transmittal or facsimile thereof to the exchange agent at the address set forth below under "—Exchange Agent" prior to the expiration date.

In addition, either:

- the exchange agent must receive certificates for outstanding sterling notes along with the applicable letter of transmittal prior to the expiration date;

- the exchange agent must receive a timely confirmation of book-entry transfer of outstanding sterling notes into the exchange agent's account at Euroclear or Clearstream, Luxembourg, as applicable, according to the procedures for book-entry transfer described below or a properly transmitted agent's message prior to the expiration date; or

- you must comply with the guaranteed delivery procedures described below.

Your tender, if not withdrawn prior to the expiration date, constitutes an agreement between us and you upon the terms and subject to the conditions described in this prospectus and in the applicable letter of transmittal.

The method of delivery of outstanding sterling notes, letters of transmittal and all other required documents to the exchange agent is at your election and risk. We recommend that, instead of delivery by mail, you use an overnight or hand delivery service, properly insured. In all cases, you should allow sufficient time to assure timely delivery to the exchange agent before the expiration date. You should not send letters of transmittal or certificates representing outstanding sterling notes to us. You may request that your broker, dealer, commercial bank, trust company or nominee effect the above transactions for you.

If you are a beneficial owner whose outstanding sterling notes are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee and you wish to tender your notes, you should promptly contact the registered holder and instruct the registered holder to tender on your behalf. If you wish to tender the outstanding sterling notes yourself, you must, prior to completing and executing the applicable letter of transmittal and delivering your outstanding sterling notes, either:

- make appropriate arrangements to register ownership of the outstanding sterling notes in your name; or

- obtain a properly completed bond power from the registered holder of outstanding sterling notes.

The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.

Signatures on the applicable letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the U.S. or another "eligible guarantor institution" within the meaning of Rule 17A(d)-15 under the Exchange Act unless the outstanding sterling notes surrendered for exchange are tendered:

- by a registered holder of the outstanding sterling notes who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the applicable letter of transmittal; or

- for the account of an eligible guarantor institution.

If the applicable letter of transmittal is signed by a person other than the registered holder of any outstanding sterling notes listed on the outstanding sterling notes, such outstanding sterling notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by

the registered holder as the registered holder's name appears on the outstanding sterling notes and an eligible guarantor institution must guarantee the signature on the bond power.

If the applicable letter of transmittal or any certificates representing outstanding sterling notes, or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, those persons should also indicate when signing and, unless waived by us, they should also submit evidence satisfactory to us of their authority to so act.

The exchange agent and Euroclear and Clearstream, Luxembourg have confirmed that any registered holder of original securities that is a participant in Euroclear's or Clearstream, Luxembourg's book-entry transfer facility system may tender original securities by book-entry delivery by causing Euroclear or Clearstream, Luxembourg to transfer the original securities into the exchange agent's account at Euroclear or Clearstream, Luxembourg in accordance with Euroclear's or Clearstream, Luxembourg's procedures for such transfer. However, a properly completed and duly executed letter of transmittal in the form accompanying this prospectus or an agent's message, and any other required documents, must nonetheless be transmitted to and received by the exchange agent at the address set forth below under "—Exchange Agent" prior to the expiration date. The term "agent's message" means a message transmitted by Euroclear or Clearstream, Luxembourg, as applicable, received by the exchange agent and forming a part of a book-entry confirmation that states that:

- Euroclear or Clearstream, Luxembourg, as applicable, has received an express acknowledgment from each participant in such book-entry transfer facility's Automated Tender Offer Program that it is tendering outstanding sterling notes that are the subject of the book-entry confirmation;
- the participant has received and agrees to be bound by the terms of the applicable letter of transmittal or, in the case of an agent's message relating to guaranteed delivery, that such participant has received and agrees to be bound by the applicable notice of guaranteed delivery; and
- we may enforce that agreement against the participant.

DTC, Euroclear and Clearstream, Luxembourg are collectively referred to herein as the "book-entry transfer facilities" and, individually as a "book-entry transfer facility."

Book-Entry Delivery Procedures

Promptly after the date of this prospectus, the exchange agent will establish an account with respect to the outstanding dollar notes at DTC and with respect to the outstanding sterling notes at Euroclear and Clearstream, Luxembourg, as applicable, in each case, as book-entry transfer facilities, for purposes of the exchange offers. Any financial institution that is a participant in the book-entry transfer facility's system may make book-entry delivery of the outstanding notes by causing the book-entry transfer facility to transfer those outstanding notes into the exchange agent's account at the facility in accordance with the facility's procedures for such transfer. To be timely, book-entry delivery of outstanding notes requires receipt of a confirmation of a book-entry transfer, a "book-entry confirmation," prior to the expiration date. In addition, although delivery of outstanding notes may be effected through book-entry transfer into the exchange agent's account at the applicable book-entry transfer facility, the applicable letter of transmittal or a manually signed facsimile thereof, together with any required signature guarantees and any other required documents, or an "agent's message," as defined below, in connection with a book-entry transfer, must, in any case, be delivered or transmitted to and received by the exchange agent at its address set forth on the cover page of the applicable letter of transmittal prior to the expiration date to receive exchange notes for tendered outstanding notes, or the guaranteed delivery procedure described below must be complied with. Tender will not be deemed made until such documents are received by the exchange agent. Delivery of documents to the applicable book-entry transfer facility does not constitute delivery to the exchange agent.

Holders of outstanding notes who are unable to deliver confirmation of the book-entry tender of their outstanding notes into the exchange agent's account at the applicable book-entry transfer facility or all other documents required by the applicable letter of transmittal to the exchange agent on or prior to the expiration date must tender their outstanding notes according to the guaranteed delivery procedures described below.

Acceptance of Exchange Notes

In all cases, we will issue exchange notes for outstanding notes that we have accepted for exchange under the exchange offers only after the exchange agent timely receives:

- outstanding notes or a timely book-entry confirmation of such outstanding notes into the exchange agent's account at the applicable book-entry transfer facility; and
- a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

By tendering outstanding notes pursuant to the exchange offers, each holder will represent to us that, among other things:

- the holder is acquiring the exchange notes in the ordinary course of its business;
- the holder does not have an arrangement or understanding with any person to participate in a distribution of the exchange notes;
- the holder is not an affiliate of Warner Music Group within the meaning of Rule 405 under the Securities Act; and
- the holder is not engaged in, and does not intend to engage in, a distribution of the exchange notes.

If the holder is not acquiring the exchange notes in the ordinary course of its business, or if the holder does have an arrangement or understanding with any person to participate in, or is engaging in or intends to engage in, a distribution of the exchange notes, or if the holder is an affiliate of Warner Music Group, then:

- the holder cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co., Inc.* (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* dated July 2, 1993, or similar no-action letters; and
- in the absence of an exception from the position stated immediately above, the holder must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

In addition, each broker-dealer that is to receive exchange notes for its own account in exchange for outstanding notes must represent that such outstanding notes were acquired by that broker-dealer as a result of market-making activities or other trading activities and must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. See "Plan of Distribution".

We will interpret the terms and conditions of the exchange offers, including the letter of transmittal and the instructions to the letter of transmittal, and will resolve all questions as to the validity, form, eligibility, including time of receipt, and acceptance of outstanding notes tendered for exchange. Our determinations in this regard will be final and binding on all parties. We reserve the

absolute right to reject any and all tenders of any particular outstanding notes not properly tendered or to not accept any particular outstanding notes if the acceptance might, in our or our counsel's judgment, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offers as to any particular outstanding notes either before or after the expiration date, including the right to waive the ineligibility of any holder who seeks to tender outstanding notes in the exchange offers.

Unless waived, any defects or irregularities in connection with tenders of outstanding notes for exchange must be cured within such reasonable period of time as we determine. Neither we, nor the exchange agent, nor any other person will be under any duty to give notification of any defect or irregularity with respect to any tender of outstanding notes for exchange, nor will any of them incur any liability for any failure to give notification. Any outstanding notes received by the exchange agent that are not properly tendered and as to which the irregularities have not been cured or waived will be returned by the exchange agent to the tendering holder, without cost to the holder, unless otherwise provided in the letter of transmittal, as soon as practicable after the expiration date.

Guaranteed Delivery Procedures

Holders wishing to tender their outstanding notes but whose outstanding notes are not immediately available or who cannot deliver their outstanding notes, the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC's Automatic Tender Offer Program in the case of the outstanding dollar notes or the applicable procedures of Euroclear or Clearstream, Luxembourg in the case of the outstanding sterling notes prior to the expiration date may still tender if:

- the tender is made through an eligible guarantor institution;
- prior to the expiration date, the exchange agent receives from such eligible guarantor institution either a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail, or hand delivery or a properly transmitted agent's message and notice of guaranteed delivery:
    - setting forth the name and address of the holder, the registered number(s) of such outstanding notes and the principal amount of outstanding notes tendered;
    - stating that the tender is being made thereby;
    - guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal, or facsimile thereof, together with the outstanding notes or a book-entry confirmation, and any other documents required by the letter of transmittal, will be deposited by the eligible guarantor institution with the exchange agent; and
- the exchange agent receives the properly completed and executed letter of transmittal or facsimile thereof, as well as certificate(s) representing all tendered outstanding notes in proper form for transfer or a book-entry confirmation of transfer of the outstanding notes into the exchange agent's account at DTC or Euroclear or Clearstream, Luxembourg, as applicable, and all other documents required by the letter of transmittal within three New York Stock Exchange trading days after the expiration date.

Withdrawal Rights

Except as otherwise provided in this prospectus, holders of outstanding notes may withdraw their tender of outstanding notes at any time prior to 5:00 p.m., New York City time, on the expiration date.

For a withdrawal to be effective:

- the exchange agent must receive a written notice, which may be by telegram, telex, facsimile or letter, of withdrawal at one of the addresses set forth below under "—Exchange Agent";
- in the case of the outstanding dollar notes, holders must comply with the appropriate procedures of DTC's Automated Tender Offer Program system; or
- in the case of the outstanding sterling notes, Euroclear or Clearstream, Luxembourg, as applicable, must receive a tested Telex of SWIFT message relating to the withdrawal that complies with their procedures for withdrawal of tenders.

Any notice of withdrawal must:

- specify the name of the person who tendered the outstanding notes to be withdrawn;
- identify the outstanding notes to be withdrawn, including the principal amount of the outstanding notes; and
- where certificates for outstanding notes have been transmitted, specify the name in which such outstanding notes were registered, if different from that of the withdrawing holder.

If certificates for outstanding notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, the withdrawing holder must also submit:

- the serial numbers of the particular certificates to be withdrawn; and
- a signed notice of withdrawal with signatures guaranteed by an eligible guarantor institution unless such holder is an eligible guarantor institution.

If outstanding notes have been tendered pursuant to the procedures for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at the applicable book-entry transfer facility to be credited with the withdrawn outstanding notes and otherwise comply with the procedures of the facility. We will determine all questions as to the validity, form, and eligibility, including time of receipt, of notices of withdrawal, and our determination will be final and binding on all parties. Any outstanding notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offers. Any outstanding notes that have been tendered for exchange but that are not exchanged for any reason will be returned to their holder, without cost to the holder, or, in the case of book-entry transfer, the outstanding notes will be credited to an account maintained with the applicable book-entry transfer facility as soon as practicable after withdrawal, rejection of tender or termination of the exchange offers. Properly withdrawn outstanding notes may be retendered by following the procedures described under "—Procedures for Tendering Outstanding Dollar Notes" and "—Procedures for Tendering Outstanding Sterling Notes" above at any time on or prior to the expiration date.

Exchange Agent

Wells Fargo Bank, National Association has been appointed as the exchange agent for the exchange offer for the dollar notes. HSBC Bank plc has been appointed as the exchange agent for the exchange offer for the sterling notes. Wells Fargo Bank, National Association and HSBC Bank plc also act as trustees under the indenture governing the outstanding notes, which is the same indenture that will govern the exchange notes. You should direct all executed letters of transmittal and all questions

and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal, and requests for notices of guaranteed delivery to the exchange agents addressed as follows:

By Mail, Overnight Courier or Hand Delivery:	By Facsimile Transmissions: (612) 667-9825 Attn: Jeffrey T. Rose
Wells Fargo Bank Minnesota, National Association Corporate Trust Services MAC N9303-120	Confirm By Telephone: (612) 667-0337
Minneapolis, MN 55479 Attn: Jeffrey T. Rose	For Information: (612) 667-0337
By Mail, Overnight Courier or Hand Delivery:	By Facsimile Transmissions: (44)(0) 0207 0260 8932
HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom	Confirm By Telephone: 44 (20) 7991 3688
Attn: Manager, Bond Paying Agency Corporate Trust and Loan Agency	For Information: 44 (20) 7991 3688

IF YOU DELIVER THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMIT INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, THAT DELIVERY OR THOSE INSTRUCTIONS WILL NOT BE EFFECTIVE.

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail by the exchange agent. We may make additional solicitations by facsimile, telephone or in person by our officers and regular employees and our affiliates.

We have not retained any dealer-manager in connection with the exchange offers and will not make any payment to broker-dealers or others for soliciting acceptances of the exchange offers. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related, reasonable out-of-pocket expenses.

We will pay the estimated cash expenses to be incurred in connection with the exchange offers. The expenses are estimated in the aggregate to be approximately $500,000. They include:

- SEC registration fees;
- fees and expenses of the exchange agent and trustee;
- accounting and legal fees and printing costs; and
- related fees and expenses.

Accounting Treatment

We will record the exchange notes in our accounting records at the same carrying value as the outstanding notes, which is the aggregate principal amount as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes upon

the consummation of the exchange offers. We will capitalize the expenses of the exchange offers as prepaid debt issuance costs and expense them over the remaining life of the notes.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of outstanding notes under the exchange offers. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing outstanding notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of outstanding notes tendered;
- tendered outstanding notes are registered in the name of any person other than the person signing the letter of transmittal; or
- a transfer tax is imposed for any reason other than the exchange of outstanding notes under the exchange offers.

If satisfactory evidence of payment of such taxes is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed to that tendering holder.

Holders who tender their outstanding notes for exchange will not be required to pay any transfer taxes. However, holders who instruct us to register exchange notes in the name of, or request that outstanding notes not tendered or not accepted in the exchange offers be returned to, a person other than the registered tendering holder will be required to pay any applicable transfer tax.

Consequences of Failure to Exchange

Holders of outstanding notes who do not exchange their outstanding notes for exchange notes under the exchange offers will remain subject to the restrictions on transfer of such outstanding notes:

- as set forth in the legend printed on the notes as a consequence of the issuance of the outstanding notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and
- as otherwise set forth in the offering memorandum distributed in connection with the private offering of the outstanding notes.

In general, you may not offer or sell the outstanding notes unless they are registered under the Securities Act or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act. Based on interpretations of the staff of the SEC, exchange notes issued pursuant to the exchange offers may be offered for resale, resold or otherwise transferred by their holders, other than any holder that is an "affiliate" of Warner Music Group within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

- the holder is acquiring the exchange notes in the ordinary course of its business;
- the holder does not have an arrangement or understanding with any person to participate in a distribution of the exchange notes; and
- the holder is not engaged in, and does not intend to engage in, a distribution of the exchange notes.

Any holder who tenders outstanding notes in the exchange offers for the purpose of participating in a distribution of the exchange notes:

- cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co., Inc.* (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* dated July 2, 1993, or similar no-action letters; and

- in the absence of an exception from the position stated immediately above, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

Other

Participating in the exchange offers is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered outstanding notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any outstanding notes that are not tendered in the exchange offers or to file a registration statement to permit resales of any untendered outstanding notes.

DESCRIPTION OF NOTES

You can find the definitions of certain terms used in this description under the subheading "—Certain Definitions." In this description, the term "Warner Music" refers only to Warner Music Group and not to any of its subsidiaries. For purposes of this summary, the term "Notes" refers to both the outstanding notes and the exchange notes; the term "Dollar Notes" refers to both the outstanding dollar $7^3/_8$% Senior Subordinated Notes due 2014 and the exchange dollar $7^3/_8$% Senior Subordinated Notes due 2014; and the term "Sterling Notes" refers to both the outstanding pounds sterling $8^1/_8$% Senior Subordinated Notes due 2014 and the exchange pounds sterling $8^1/_8$% Senior Subordinated Notes due 2014.

Warner Music issued the outstanding notes, and will issue the exchange notes described in this prospectus, under an indenture dated as of April 8, 2004 (the "Indenture") among itself, the Guarantors and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The outstanding dollar notes and the outstanding sterling notes were, and the exchange dollar notes and the exchange sterling notes will be, issued as a separate series, but, except as otherwise provided below, are or will be, as applicable, treated as a single class for all purposes under the Indenture.

The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939. For more information, please review the Indenture, which is filed as an exhibit to the registration statement of which this prospectus is a part. Also, for so long as the Sterling Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange shall so require, copies of the Indenture may be obtained upon request to the agent in Luxembourg.

The following description is a summary of the material provisions of the Indenture; all material information regarding the Notes and the rights of the holders of the Notes is summarized herein. It does not restate this agreement in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the Notes. Certain defined terms used in this description but not defined below under "—Certain Definitions" have the meanings assigned to them in the Indenture. The registered holder of any Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

The form and terms of the exchange notes and the outstanding notes are identical in all material respects, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement.

Brief Description of the Notes and the Guarantees

The Notes:

- are general unsecured obligations of Warner Music;
- are subordinated in right of payment to all existing and future Senior Debt of Warner Music; and
- are *pari passu* in right of payment with any future senior subordinated Indebtedness.

The Guarantees:

- are general unsecured obligations of such Guarantor;
- are subordinated in right of payment to all existing and future Senior Debt of such Guarantor;
- are *pari passu* in right of payment with all existing and future senior subordinated Indebtedness of such Guarantor.

As of September 30, 2004, Warner Music had outstanding total Senior Debt of approximately $1.2 billion, all of which would have been secured. An additional $250.0 million would have been available for revolving borrowings under the Credit Agreement, all of which would be secured if borrowed. As indicated above and as discussed in detail below under the caption "—Subordination," payments on the Notes are subordinated to the payment of Senior Debt. The Indenture permits us to incur additional Senior Debt.

Principal, Maturity and Interest

On April 8, 2004, we issued $46.50 million aggregate principal amount of Dollar Notes and £100.0 million aggregate principal amount of Sterling Notes. The Indenture governing the Notes provides for the issuance of additional Notes having identical terms and conditions to the outstanding notes and the exchange notes (the "Additional Notes"), subject to compliance with the covenants contained in the Indenture. Any Additional Notes will be part of the same issue as the Notes and will vote on all matters with the Notes. The Notes will mature on April 15, 2014.

The Notes are issued in registered form in denominations of $5,000 and integral multiples of $1,000 in the case of the Dollar Notes and in denominations of £5,000 and integral multiples of £1,000 in the case of the exchange sterling notes.

Interest on the Dollar Notes accrues at the rate of $7^{3}/_{8}$% per annum, and interest on the Sterling Notes accrues at the rate of $8^{1}/_{8}$% per annum. Interest on the Notes is payable semi-annually in arrears on April 15 and October 15, commencing on October 15, 2004. Warner Music will make each interest payment to the holders of record of the Notes on the immediately preceding April 1 and October 1.

Interest on the Notes accrues from April 8, 2004, or, if interest has already been paid, from the date it was most recently paid. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

If a holder has given wire transfer instructions to Warner Music, Warner Music, through the paying agent or otherwise, will pay all principal, interest and premium and Additional Interest (as defined under "Exchange Offers; Registration Rights"), if any, on that holder's Notes in accordance with those instructions. All other payments on the Notes will be made at the office or agency of the paying agent and registrar within the City and State of New York, and so long as the Sterling Notes are listed on the Luxembourg Stock Exchange, payment of principal, premium, if any, and interest on the Sterling Notes will be payable, and the Sterling Notes may be exchanged or transferred, at the office of the paying agent in Luxembourg, unless Warner Music elects to make interest payments by check mailed to the holders at their address set forth in the register of holders.

Paying Agent and Registrar for the Notes

Warner Music will maintain one or more paying agents (each, a "paying agent") for the Notes in each of (i) London, (ii) the Borough of Manhattan, City of New York (the "principal paying agent") and (iii) Luxembourg, for so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require. If the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 is implemented, Warner Music will use its best efforts to maintain a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions or any law implementing or complying with, or introduced to conform to, such directive. The initial paying agents will be HSBC Bank plc in London, Wells Fargo Bank, National Association in New York and Dexia Banque Internationale à Luxembourg in Luxembourg.

Warner Music will also maintain one or more registrars (each, a "registrar") with offices in the Borough of Manhattan, City of New York. Warner Music will also maintain a transfer agent in each of London, New York and Luxembourg, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules so require. The initial registrar will be Wells Fargo Bank, National Association in New York. The initial transfer agent will be Wells Fargo Bank, National Association in New York and Dexia Banque Internationale à Luxembourg in Luxembourg. The registrar and the transfer agent in New York and the transfer agent in Luxembourg will maintain a register reflecting ownership of Notes outstanding from time to time and will make payments on and facilitate transfer of Notes on behalf of Warner Music. Each transfer agent shall perform the functions of a transfer agent.

Warner Music may change the paying agents, the registrars or the transfer agents without prior notice to the holders. If, and for so long as, the Notes are listed on the Luxembourg Stock Exchange and its rules so require, Warner Music will publish a notice of any change of paying agent, registrar or transfer agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Warner Music or any of its Subsidiaries may act as a paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange Notes in accordance with the Indenture. The registrar and the Trustee may require a holder to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders will be required to pay all taxes due on transfer. Warner Music is not required to transfer or exchange any Note selected for redemption. Also, Warner Music is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

Subordination

The payment of principal, interest and premium and Additional Interest, if any, on the Notes is subordinated to the prior payment in full of all Senior Debt of Warner Music, including Senior Debt incurred after the Issue Date.

The holders of Senior Debt are entitled to receive payment in full of all Obligations due in respect of Senior Debt (including interest after the commencement of any bankruptcy proceeding at the rate specified in the applicable Senior Debt) before the holders of Notes are entitled to receive any payment with respect to the Notes, in the event of any distribution to creditors of Warner Music:

(1) in a liquidation or dissolution of Warner Music;

(2) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to Warner Music or its property;

(3) in an assignment for the benefit of creditors; or

(4) in any marshaling of Warner Music's assets and liabilities.

Warner Music also may not make any payment in respect of the Notes (except that holders may receive and retain Permitted Junior Securities or from the trust described under "—Legal Defeasance and Covenant Defeasance") if:

(1) a payment default on Designated Senior Debt occurs and is continuing beyond any applicable grace period; or

(2) any other default occurs and is continuing on any series of Designated Senior Debt that permits holders of that series of Designated Senior Debt to accelerate its maturity and the Trustee receives a notice of such default (a "Payment Blockage Notice") from Warner Music or the holders of any Designated Senior Debt.

Payments on the Notes may and will be resumed:

(1) in the case of a payment default, upon the date on which such default is cured or waived; and

(2) in the case of a nonpayment default, upon the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated.

No new Payment Blockage Notice may be delivered unless and until:

(1) 360 days have elapsed since the delivery of the immediately prior Payment Blockage Notice; and

(2) all scheduled payments of principal, interest and premium and Additional Interest, if any, on the Notes that have come due have been paid in full in cash.

No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee will be, or be made, the basis for a subsequent Payment Blockage Notice unless such default has been cured or waived for a period of not less than 90 days.

If the Trustee or any holder of the Notes receives a payment in respect of the Notes (except that holders may receive and retain Permitted Junior Securities or from the trust described under "—Legal Defeasance and Covenant Defeasance") when:

(1) the payment is prohibited by these subordination provisions; and

(2) the Trustee or the holder has actual knowledge that the payment is prohibited,

then, the Trustee or the holder, as the case may be, will hold the payment in trust for the benefit of the holders of Senior Debt. Upon the proper written request of the holders of Senior Debt, the Trustee or the holder, as the case may be, will deliver the amounts in trust to the holders of Senior Debt or their proper Representative.

Warner Music must promptly notify holders of Senior Debt if payment of the Notes is accelerated because of an Event of Default.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation or reorganization of Warner Music, holders of Notes may recover less ratably than creditors of Warner Music who are holders of Senior Debt. See "Risk Factors—Risks Related to the Notes—Your right to receive payments on the notes will be junior to the rights of the lenders under our senior credit facility and all of our other senior debt and any of our future senior debt."

Optional Redemption

At any time prior to April 15, 2007, Warner Music may on one or more occasions redeem (x) in the aggregate up to 35% of the aggregate principal amount of the Dollar Notes issued under the Indenture (calculated after giving effect to any issuance of additional Dollar Notes) and (y) in the aggregate up to 35% of the aggregate principal amount of the Sterling Notes issued under the Indenture (calculated after giving effect to any issuance of additional Sterling Notes), in each case, with the net cash proceeds of one or more Equity Offerings, at a redemption price of 107.375% of the principal amount of the Dollar Notes and 108.125% of the principal amount of the Sterling Notes, in each case, plus accrued and unpaid interest and Additional Interest, if any, to the redemption date; *provided* that:

(1) at least 65% of the aggregate principal amount of the Dollar Notes (calculated after giving effect to any issuance of additional Dollar Notes), in the case of each redemption of Dollar

Notes, and at least 65% of the aggregate principal amount of the Sterling Notes (calculated after giving effect to any issuance of additional Sterling Notes), in the case of each redemption of Sterling Notes must, in each case, remain outstanding immediately after the occurrence of each such redemption (excluding Notes held by Warner Music and its Subsidiaries); and

(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

The Dollar Notes and the Sterling Notes, in each case, may be redeemed, in whole or in part, at any time prior to April 15, 2009, at the option of Warner Music upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Additional Interest, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

On or after April 15, 2009, Warner Music may redeem all or a part of the Dollar Notes and may redeem all or a part of the Sterling Notes, in each case, at its option, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Additional Interest, if any, on the Notes to be redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on April 15 of the years indicated below:

Dollar Notes

Year	Percentage
2009	103.688%
2010	102.458%
2011	101.229%
2012 and thereafter	100.000%

Sterling Notes

Year	Percentage
2009	104.063%
2010	102.708%
2011	101.354%
2012 and thereafter	100.000%

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

Guarantees

The Guarantors jointly and severally guarantee Warner Music's obligations under the Indenture and the Notes on a senior subordinated basis. Each Guarantee is subordinated to any Guarantor Senior Debt on the same basis as the Notes are subordinated to Senior Debt. The obligations of each Guarantor under its Guarantee is limited as necessary to prevent the Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law.

Each Guarantor may consolidate with or merge into or sell its assets to Warner Music or another Guarantor that is a Wholly Owned Restricted Subsidiary of Warner Music without limitation, or with

other Persons upon the terms and conditions set forth in the Indenture. See "Certain Covenants—Merger, Consolidation and Sale of Assets." The Guarantee of a Guarantor will be released in the event that:

(1) (a) the sale, disposition or other transfer (including through merger or consolidation) of all of the Capital Stock (or any sale, disposition or other transfer of Capital Stock following which the applicable Guarantor is no longer a Restricted Subsidiary), or all or substantially all the assets, of the applicable Guarantor if such sale, disposition or other transfer is made in compliance with the applicable provisions of the Indenture,

(b) Warner Music designates any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with the provisions of the Indenture set forth under "—Certain Covenants—Restricted Payments" and the definition of "Unrestricted Subsidiary," or

(c) in the case of any Restricted Subsidiary which after the Issue Date is required to guarantee the Notes pursuant to the covenant described under "—Certain Covenants—Additional Subsidiary Guarantees", the release or discharge of the guarantee by such Restricted Subsidiary of Indebtedness of Warner Music or any Restricted Subsidiary of Warner Music or such Restricted Subsidiary or the repayment of the Indebtedness or Disqualified Stock, in each case, which resulted in the obligation to guarantee the Notes; and

(2) in the case of clause (1)(a) above, such Guarantor is released from its guarantee, if any, of and all pledges and security, if any, granted in connection with, the Credit Agreement and any other Indebtedness of Warner Music or any Restricted Subsidiary.

Mandatory Redemption

Warner Music is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of Notes will have the right to require Warner Music to repurchase all or any part (equal to $5,000 or £5,000 or an integral multiple of $1,000 or £1,000, as applicable) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, Warner Music will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest and Additional Interest, if any, on the Notes repurchased, to the date of purchase. Within 30 days following any Change of Control, Warner Music will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice. Warner Music will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, Warner Music will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such conflict.

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

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an officers' certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by Warner Music.

The paying agent will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Note will be in a principal amount of $5,000 or an integral multiple of $1,000 in the case of the Dollar Notes, and in a principal amount of £5,000 or an integral multiple of £1,000 in the case of the Sterling Notes.

Prior to complying with any of the provisions of this "Change of Control" covenant under the Indenture governing the Notes, but in any event within 90 days following a Change of Control, to the extent required to permit Warner Music to comply with this covenant, Warner Music will either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt. Warner Music will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

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

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

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of Warner Music and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require Warner Music to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Warner Music and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Asset Sales

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

(1) Warner Music (or such Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of;

(2) in the case of Asset Sales involving consideration in excess of $10.0 million, the fair market value is determined by Warner Music's Board of Directors and evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee; and

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

For purposes of clause (2) above, the amount of (i) any liabilities (as shown on Warner Music's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto) of Warner Music or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets and from which Warner Music and all Restricted Subsidiaries have been validly released by all creditors in writing, (ii) any securities received by Warner Music or such Restricted Subsidiary from such transferee that are converted by Warner Music or such Restricted Subsidiary into cash (to the extent of the cash received) within 180 days following the closing of such Asset Sale and (iii) any Designated Noncash Consideration received by Warner Music or any of its Restricted Subsidiaries in such Asset Sale having an aggregate fair market value (as determined in good faith by the Board of Directors of Warner Music), taken together with all other Designated Noncash Consideration received pursuant to this clause (iii) that is at that time outstanding, not to exceed the greater of (x) $75.0 million and (y) 5.0% of Consolidated Tangible Assets at the time of the receipt of such Designated Noncash Consideration (with the fair market value of each item of Designated Noncash Consideration being measured at the time received without giving effect to subsequent changes in value), shall be deemed to be cash for purposes of this paragraph and for no other purpose.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, Warner Music may apply those Net Proceeds at its option:

(1) to permanently reduce Obligations under Senior Debt of Warner Music (and to correspondingly reduce commitments with respect thereto) or Indebtedness that ranks *pari passu* with the Notes (*provided* that if Warner Music shall so reduce Obligations under such Indebtedness, it will equally and ratably reduce Obligations under the Notes by making an offer (in accordance with the procedures set forth below for an Asset Sale Offer (as defined below)) to all holders of Notes to purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, the *pro rata* principal amount of Notes) or Indebtedness of a Restricted Subsidiary, in each case other than Indebtedness owed to Warner Music or an Affiliate of Warner Music;

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

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

When the aggregate amount of Net Proceeds not applied or invested in accordance with the preceding paragraph ("Excess Proceeds") exceeds $20.0 million, Warner Music will make an offer (an "Asset Sale Offer") to all holders of Notes and Indebtedness that ranks *pari passu* with the Notes and contains provisions similar to those set forth in the Indenture with respect to offers to purchase with

the proceeds of sales of assets to purchase, on a *pro rata* basis, the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, to the date of purchase, and will be payable in cash.

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

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

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

Selection and Notice

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

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange (including the Luxembourg Stock Exchange) on which the Notes are listed; or

(2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate.

No Dollar Notes of $5,000 or less, or Sterling Notes of £5,000 or less, can be redeemed in part. If a partial redemption is made with the proceeds of an Equity Offering in accordance with the first paragraph under "—Optional Redemption", the Trustee will select the applicable Notes on a pro rata basis or on as nearly a pro rata basis as is practicable (subject to DTC procedures). Notices of redemption will be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notices of redemption may not be conditional.

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

Certain Covenants

Restricted Payments

Warner Music will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

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

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

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

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

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

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) Warner Music would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock"; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Warner Music and the Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (3), (4), (5), (6), (8), (10), (11), (12), (13), (16) and (17) of the next succeeding paragraph), is less than the sum, without duplication, of

(a) 50% of the Consolidated Net Income of Warner Music for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date, to the end of Warner Music's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, in the case such Consolidated Net Income for such period is a deficit, minus 100% of such deficit), plus

(b) 100% of the aggregate net cash proceeds and the fair market value, as determined in good faith by the Board of Directors of Warner Music, of property and marketable securities received by Warner Music after the Issue Date from the issue or sale of (x) Equity Interests of Warner Music (including Retired Capital Stock (as defined below) but excluding (i) cash proceeds and marketable securities received from Equity Offerings to the extent used to redeem Notes in compliance with the provisions set forth under the first paragraph of the caption "—Optional Redemption", (ii) cash proceeds and marketable securities received from the sale of Equity Interests to members of management, directors or consultants of Warner Music, any direct or indirect parent corporation of Warner Music and the Subsidiaries after the Issue Date to the extent such amounts have been applied to Restricted Payments made in accordance with clause (4) of the next succeeding paragraph and, to the extent actually contributed to Warner Music, Equity Interests of Warner Music's direct or indirect parent corporations, (iii) Designated Preferred Stock and (iv) Disqualified Stock) or (y) debt securities of Warner Music that have been converted into such Equity Interests of Warner Music (other than Refunding Capital Stock (as defined below) or Equity Interests or convertible debt securities of Warner Music sold to a Restricted Subsidiary or Warner Music, as the case may be, and other than Disqualified Stock or Designated Preferred Stock or debt securities that have been converted into Disqualified Stock or Designated Preferred Stock), plus

(c) 100% of the aggregate amount of cash and the fair market value, as determined in good faith by the Board of Directors of Warner Music, of property and marketable securities contributed to the capital of Warner Music after the Issue Date (other than (i) net cash proceeds from Equity Offerings to the extent used to redeem Notes in compliance with the provisions set forth under the first paragraph of the caption "—Optional Redemption", (ii) by a Restricted Subsidiary, (iii) any Excluded Contributions, (iv) any Disqualified Stock, (v) any Designated Preferred Stock and (vi) the Cash Contribution Amount) plus

(d) 100% of the aggregate amount received in cash and the fair market value, as determined in good faith by the Board of Directors of Warner Music, of property and marketable securities received by means of (A) the sale or other disposition (other than to Warner Music or a Restricted Subsidiary) of Restricted Investments made by Warner Music or its Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from Warner Music or its Restricted Subsidiaries and repayments of loans or advances which constitute Restricted Investments by Warner Music or its Restricted Subsidiaries or (B) the sale (other than to Warner Music or a Restricted Subsidiary) of the Capital Stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary (other than in each case to the extent the Investment in such Unrestricted Subsidiary was made by a Restricted Subsidiary pursuant to clause (7) or (11) of the next succeeding paragraph or to the extent such Investment constituted a Permitted Investment) or a dividend from an Unrestricted Subsidiary, plus

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

The preceding provisions will not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of the Indenture;

(2) (A) the redemption, repurchase, retirement or other acquisition of any Equity Interests of Warner Music or any direct or indirect parent corporation ("Retired Capital Stock") or Indebtedness subordinated to the Notes in exchange for or out of the proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary or Warner Music) of Equity Interests of Warner Music or any direct or indirect parent corporation thereof or contributions to the equity capital of Warner Music (in each case, other than Disqualified Stock) ("Refunding Capital Stock") and (B) the declaration and payment of dividends on the Retired Capital Stock out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of Warner Music or to an employee stock ownership plan or any trust established by Warner Music or any of its Subsidiaries) of Refunding Capital Stock;

(3) the redemption, repurchase or other acquisition or retirement of Indebtedness subordinated to the Notes made by exchange for, or out of the proceeds of the substantially concurrent sale of, new Indebtedness of the borrower thereof which is incurred in compliance with the covenant "—Incurrence of Indebtedness and Issuance of Preferred Stock" so long as (A) the principal amount of such new Indebtedness does not exceed the principal amount of the Indebtedness subordinated to the Notes being so redeemed, repurchased, acquired or retired for value plus related fees and expenses and the amount of any reasonable premium required to be paid under the terms of the instrument governing the Indebtedness subordinated to the Notes being so redeemed, repurchased, acquired or retired, (B) such new Indebtedness is subordinated to such Notes and any Guarantees thereof at least to the same extent as such Indebtedness subordinated to such Notes so purchased, exchanged, redeemed, repurchased, acquired or retired for value, (C) such new Indebtedness has a final scheduled maturity date equal to or later than the final scheduled maturity date of the Indebtedness subordinated to such Notes being so redeemed, repurchased, acquired or retired and (D) such new Indebtedness has a Weighted Average Life to Maturity equal to or greater than the remaining Weighted Average Life to Maturity of the Indebtedness subordinated to such Notes being so redeemed, repurchased, acquired or retired;

(4) a Restricted Payment to pay for the repurchase, retirement or other acquisition or retirement for value of common Equity Interests of Warner Music or any of its direct or indirect parent corporations held by any future, present or former employee, director or consultant of Warner Music, any of its Subsidiaries or any of its direct or indirect parent corporations pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement; *provided*, *however*, that the aggregate amount of Restricted Payments made under this clause (4) does not exceed in any calendar year $20 million (with unused amounts in any calendar year being carried over to the two succeeding calendar years); and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds from the sale of Equity Interests (other than Disqualified Stock) of Warner Music and, to the extent contributed to Warner Music, Equity Interests of any of its direct or indirect parent corporations, in each case to members of management, directors or consultants of Warner Music, any of its Subsidiaries or any of its direct or indirect parent corporations that occurs after the Issue Date plus (B) the amount of any cash bonuses otherwise payable to members of management, directors or consultants of Warner Music or any of its Subsidiaries or any of its direct or indirect parent corporations in connection with the Transactions that are foregone in return for the receipt of Equity Interests of Warner Music or any direct or indirect parent corporation of Warner Music pursuant to a deferred compensation plan of such corporation plus (C) the cash proceeds of key man life insurance policies received by Warner Music or its Restricted Subsidiaries after the Issue Date (*provided* that Warner Music may elect to apply all or

any portion of the aggregate increase contemplated by clauses (A), (B) and (C) above in any calendar year) less (D) the amount of any Restricted Payments previously made pursuant to clauses (A), (B) and (C) of this clause (4);

(5) the declaration and payment of dividends to holders of any class or series of Disqualified Stock of Warner Music or any Restricted Subsidiary issued or incurred in accordance with this covenant to the extent such dividends are included in the definition of Fixed Charges for such entity;

(6) the declaration and payment of dividends or distributions to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued after the Issue Date and the declaration and payment of dividends to any direct or indirect parent company of Warner Music, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) of any direct or indirect parent company of Warner Music issued after the Issue Date; *provided*, *however*, that (A) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock, after giving effect to such issuance (and the payment of dividends or distributions) on a *pro forma* basis, Warner Music would have had a Fixed Charge Coverage Ratio of at least 2.00 to 1.00 and (B) the aggregate amount of dividends declared and paid pursuant to this clause (6) does not exceed the net cash proceeds actually received by Warner Music from any such sale of Designated Preferred Stock (other than Disqualified Stock) issued after the Issue Date;

(7) Investments in Unrestricted Subsidiaries having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (7) that are at the time outstanding, without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash and/or marketable securities, not to exceed the greater of $25.0 million and 2.0% of Consolidated Tangible Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(8) repurchases of Equity Interests deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants;

(9) the payment of dividends on Warner Music's common stock following the first public offering of Warner Music's common stock or the common stock of any of its direct or indirect parent corporations after the Issue Date, of up to 6% per annum of the net cash proceeds received by or contributed to Warner Music in any past or future public offering, other than public offerings with respect to Warner Music's common stock registered on Form S-8 and other than any public sale constituting an Excluded Contribution;

(10) Investments that are made with Excluded Contributions;

(11) other Restricted Payments in an aggregate amount not to exceed $45.0 million;

(12) the declaration and payment of dividends to, or the making of loans to, Holdco in amounts required for such party to pay:

(A) franchise taxes and other fees, taxes and expenses required to maintain its corporate existence;

(B) federal, state and local income taxes to the extent such income taxes are attributable to the income of Warner Music and the Restricted Subsidiaries and, to the extent of the amount actually received from the Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of the Unrestricted Subsidiaries, *provided*, *however*, that in each case the amount of such payments in any fiscal year does not exceed the

amount that Warner Music and the Restricted Subsidiaries would be required to pay in respect of federal, state and local taxes for such fiscal year were Warner Music and the Restricted Subsidiaries to pay such taxes as a stand-alone taxpayer;

(C) customary salary, bonus and other benefits payable to officers and employees of any direct or indirect parent corporation of Warner Music to the extent such salaries, bonuses and other benefits are attributable to the ownership or operation of Warner Music and its Restricted Subsidiaries;

(D) general corporate overhead expenses (including professional expenses) for any direct or indirect parent corporation of Warner Music to the extent such expenses are solely attributable to the ownership or operation of Warner Music and its Restricted Subsidiaries; and

(E) to pay fees and expenses other than to Affiliates related to any unsuccessful equity or debt offering permitted by the Indenture;

(13) cash dividends or other distributions on Holdco's, Warner Music's or any Restricted Subsidiary's Capital Stock used to, or the making of loans, the proceeds of which will be used to, fund the payment of fees and expenses incurred in connection with the Transactions**,** this offering or owed to Affiliates, in each case to the extent permitted by the covenant described under "—Transactions with Affiliates";

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

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

(16) any Restricted Payment, at any time prior to April 15, 2009 if immediately after giving pro forma effect to such Restricted Payment pursuant to this clause (16) and the incurrence of any Indebtedness the net proceeds of which are used to finance such Restricted Payment:

(A) the Net Indebtedness to EBITDA Ratio of Warner Music would not have exceeded 3.75 to 1; and

(B) the Net Senior Indebtedness to EBITDA Ratio of Warner Music would not have exceeded 2.50 to 1; or

(17) the declaration and payment of dividends to Holdco of up to $200.0 million of the net proceeds received by Warner Music from the sale of the Notes on the Issue Date, the proceeds of which will be used as described in the prospectus;

provided, *however*, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (2), (5), (6), (7), (9), (11), (14), (15) and (16) above, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

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

upon an opinion or appraisal issued by an Independent Financial Advisor if the fair market value exceeds $25.0 million.

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

Incurrence of Indebtedness and Issuance of Preferred Stock

Warner Music will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and Warner Music will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided*, *however*, that Warner Music and any Restricted Subsidiary that is a Guarantor may incur Indebtedness (including Acquired Debt) and any Restricted Subsidiary that is a Guarantor may issue Preferred Stock if the Fixed Charge Coverage Ratio for Warner Music's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Preferred Stock is issued would have been at least 2.0 to 1, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

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

(1) the existence of Indebtedness under the Credit Agreement together with the incurrence of the guarantees thereunder and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof), up to an aggregate principal amount, together with amounts outstanding under a Qualified Securitization Financing incurred pursuant to clause (17) below, of $1,550.0 million outstanding at any one time, less the amount of all mandatory principal payments (with respect to revolving borrowings and letters of credit, only to the extent revolving commitments are correspondingly reduced) actually made by the borrower thereunder in respect of Indebtedness thereunder with Net Proceeds from Asset Sales;

(2) the incurrence by Warner Music and the Guarantors of Indebtedness represented by the Notes (including any Guarantee) issued on the Issue Date;

(3) Existing Indebtedness (other than Indebtedness described in clauses (1) and (2));

(4) Indebtedness (including Capitalized Lease Obligations) incurred by Warner Music or any Restricted Subsidiary to finance the purchase, lease or improvement of property (real or personal) or equipment that is used or useful in a Permitted Business (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) in an aggregate principal amount that, when aggregated with the principal amount of all other Indebtedness then outstanding and

incurred pursuant to this clause (4), does not exceed the greater of (x) $50.0 million and (y) 4.0% of Consolidated Tangible Assets;

(5) Indebtedness incurred by Warner Music or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including without limitation letters of credit in respect of workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other Indebtedness with respect to reimbursement-type obligations regarding workers' compensation claims; *provided*, *however*, that upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or incurrence;

(6) Indebtedness arising from agreements of Warner Music or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; *provided*, *however*, that (A) such Indebtedness is not reflected on the balance sheet of Warner Music or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (A)) and (B) the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds including noncash proceeds (the fair market value of such noncash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by Warner Music and any Restricted Subsidiaries in connection with such disposition;

(7) Indebtedness of Warner Music owed to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owed to and held by Warner Music or any Restricted Subsidiary; *provided*, *however*, that (A) any subsequent issuance or transfer of any Capital Stock or any other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Indebtedness (except to Warner Music or a Restricted Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Indebtedness by the issuer thereof and (B) if Warner Music is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations of Warner Music with respect to the Notes;

(8) shares of Preferred Stock of a Restricted Subsidiary issued to Warner Music or a Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to Warner Music or a Restricted Subsidiary) shall be deemed in each case to be an issuance of such shares of Preferred Stock;

(9) Hedging Obligations of Warner Music or any Restricted Subsidiary (excluding Hedging Obligations entered into for speculative purposes) for the purpose of limiting (A) interest rate risk with respect to any Indebtedness that is permitted by the terms of the Indenture to be outstanding or (B) exchange rate risk with respect to any currency exchange;

(10) obligations in respect of performance and surety bonds and performance and completion guarantees provided by Warner Music or any Restricted Subsidiary or obligations in respect of letters of credit related thereto, in each case in the ordinary course of business or consistent with past practice;

(11) Indebtedness of Warner Music or any Restricted Subsidiary or Preferred Stock of any Restricted Subsidiary not otherwise permitted hereunder in an aggregate principal amount or

liquidation preference which, when aggregated with the principal amount and liquidation preference of all other Indebtedness and Preferred Stock then outstanding and incurred pursuant to this clause (11), does not at any one time outstanding exceed $150.0 million (it being understood that any Indebtedness or Preferred Stock incurred pursuant to this clause (11) shall cease to be deemed incurred or outstanding for purposes of this clause (11) but shall be deemed incurred for the purposes of the first paragraph of this covenant from and after the first date on which Warner Music or such Restricted Subsidiary could have incurred such Indebtedness or Preferred Stock under the first paragraph of this covenant without reliance on this clause (11));

(12) any guarantee by Warner Music or a Guarantor of Indebtedness or other obligations of any Restricted Subsidiary so long as the incurrence of such Indebtedness incurred by such Restricted Subsidiary is permitted under the terms of the Indenture; *provided* that if such Indebtedness is by its express terms subordinated in right of payment to the Notes or the Guarantee of such Restricted Subsidiary, as applicable, any such guarantee of such Guarantor with respect to such Indebtedness shall be subordinated in right of payment to such Guarantor's Guarantee with respect to the Notes substantially to the same extent as such Indebtedness is subordinated to the Notes or the Guarantee of such Restricted Subsidiary, as applicable;

(13) the incurrence by Warner Music or any Restricted Subsidiary of Indebtedness or Preferred Stock that serves to refund or refinance any Indebtedness incurred as permitted under the first paragraph of this covenant and clauses (2), (3) and (4) above, this clause (13) and clause (14) below or any Indebtedness issued to so refund or refinance such Indebtedness including additional Indebtedness incurred to pay premiums and fees in connection therewith (the "Refinancing Indebtedness") prior to its respective maturity; *provided*, *however*, that such Refinancing Indebtedness (A) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness being refunded or refinanced, (B) to the extent such Refinancing Indebtedness refinances Indebtedness subordinated or *pari passu* to the Notes, such Refinancing Indebtedness is subordinated or *pari passu* to the Notes at least to the same extent as the Indebtedness being refinanced or refunded, (C) shall not include (x) Indebtedness or Preferred Stock of a Subsidiary that is not a Guarantor that refinances Indebtedness or Preferred Stock of Warner Music or (y) Indebtedness or Preferred Stock of Warner Music or a Restricted Subsidiary that refinances Indebtedness or Preferred Stock of an Unrestricted Subsidiary, (D) shall not be in a principal amount in excess of the principal amount of, premium, if any, accrued interest on, and related fees and expenses of, the Indebtedness being refunded or refinanced and (E) shall not have a stated maturity date prior to the Stated Maturity of the Indebtedness being refunded or refinanced; and *provided*, *further*, that subclauses (A), (B) and (E) of this clause (13) will not apply to any refunding or refinancing of any Senior Debt;

(14) Indebtedness or Preferred Stock of Persons that are acquired by Warner Music or any Restricted Subsidiary or merged into Warner Music or a Restricted Subsidiary in accordance with the terms of the Indenture; *provided* that such Indebtedness or Preferred Stock is not incurred in connection with or in contemplation of such acquisition or merger; and *provided*, *further*, that after giving effect to such incurrence of Indebtedness either (A) Warner Music would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of this covenant or (B) the Fixed Charge Coverage Ratio would be greater than immediately prior to such acquisition;

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

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

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

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

(19) Contribution Indebtedness;

(20) (a) if Warner Music could incur $1.00 of additional Indebtedness pursuant to the first paragraph hereof after giving effect to such borrowing, Indebtedness of Foreign Subsidiaries of Warner Music not otherwise permitted hereunder or (b) if Warner Music could not incur $1.00 of additional Indebtedness pursuant to the first paragraph hereof after giving effect to such borrowing, Indebtedness of Foreign Subsidiaries of Warner Music incurred for working capital purposes, *provided*, *however*, that the aggregate principal amount of Indebtedness incurred under this clause (20) which, when aggregated with the principal amount of all other Indebtedness then outstanding and incurred pursuant to this clause (20), does not exceed the greater of (x) $100.0 million and (y) 10% of the Consolidated Tangible Assets of the Foreign Subsidiaries; and

(21) Indebtedness consisting of promissory notes issued by Warner Music or any Guarantor to current or former officers, directors and employees, their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests of Holdco permitted by the covenant described under the caption "—Restricted Payments."

For purposes of determining compliance with this "—Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (21) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, Warner Music will be permitted to classify and later reclassify such item of Indebtedness in any manner that complies with this covenant, and such item of Indebtedness will be treated as having been incurred pursuant to only one of such categories. Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this covenant. Notwithstanding the foregoing, Indebtedness under the Credit Agreement outstanding on the date on which Notes are first issued and authenticated under the Indenture will be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of the definition of Permitted Debt and Warner Music shall not be permitted to reclassify all or any portion of such Indebtedness. The maximum amount of Indebtedness that Warner Music and its Restricted Subsidiaries may incur pursuant to this covenant shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, solely as a result of fluctuations in the exchange rate of currencies.

Limitation on Layering

The Indenture governing the Notes provides that Warner Music will not, and will not permit any Restricted Subsidiary that is a Guarantor to, directly or indirectly, incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) contractually subordinated or junior in right of payment to any Senior Debt (including Acquired Debt) of Warner Music or such Restricted Subsidiary, as the case may be, unless such Indebtedness is either

(1) *pari passu* in right of payment with the Notes; or

(2) subordinate in right of payment to the Notes.

Liens

Warner Music will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) that secures obligations under any Indebtedness ranking *pari passu* with or subordinated to the Notes or a related Guarantee of Warner Music on any asset or property of Warner Music or any Restricted Subsidiary, or any income or profits therefrom, or assign or convey any right to receive income therefrom, unless:

(1) in the case of Liens securing Indebtedness subordinated to the Notes, the Notes and any related Guarantees are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens; or

(2) in all other cases, the Notes are equally and ratably secured,

except that the foregoing shall not apply to:

(i) Liens existing on the Issue Date to the extent and in the manner such Liens are in effect on the Issue Date;

(ii) Liens securing the Notes and the related Guarantees, Liens securing Senior Debt and the related guarantees of such Senior Debt; and

(iii) Permitted Liens.

Dividend and Other Payment Restrictions Affecting Subsidiaries

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

(1) pay dividends or make any other distributions on its Capital Stock to Warner Music or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to Warner Music or any of its Restricted Subsidiaries;

(2) make loans or advances to Warner Music or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to Warner Music or any of its Restricted Subsidiaries.

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

(1) contractual encumbrances or restrictions in effect (x) pursuant to the Credit Agreement or related documents or (y) on the Issue Date, including, without limitation, pursuant to Existing Indebtedness and related documentation;

(2) the Indenture and the Notes;

(3) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature discussed in clause (3) above in the first paragraph of this covenant on the property so acquired;

(4) applicable law or any applicable rule, regulation or order;

(5) any agreement or other instrument of a Person acquired by Warner Music or any Restricted Subsidiary in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(6) contracts for the sale of assets, including without limitation, customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary;

(7) secured Indebtedness otherwise permitted to be incurred pursuant to the covenants described under the captions "—Incurrence of Indebtedness and Issuance of Preferred Stock" and "—Liens" that limits the right of the debtor to dispose of the assets securing such Indebtedness;

(8) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(9) other Indebtedness or Preferred Stock (i) of Warner Music or any Restricted Subsidiary that is a Guarantor that is incurred subsequent to the Issue Date pursuant to the covenant described under "—Incurrence of Indebtedness and Issuance of Preferred Stock" or (ii) that is incurred by a Foreign Subsidiary of Warner Music subsequent to the Issue Date pursuant to clauses (1), (4), (11) or (20) of the second paragraph of the covenant described under "—Incurrence of Indebtedness and Issuance of Preferred Stock";

(10) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business;

(11) customary provisions contained in leases, subleases, licenses or asset sale agreements and other agreements;

(12) any encumbrances or restrictions of the type referred to in clauses (1), (2) and (3) of the first paragraph above imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (1) through (11) above; *provided* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of Warner Music's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing;

(13) any encumbrance or restriction of a Securitization Subsidiary effected in connection with a Qualified Securitization Financing; *provided*, *however*, that such restrictions apply only to such Securitization Subsidiary; or

(14) any encumbrance or restriction in connection with Non-Recourse Product Financing Indebtedness or Non-Recourse Acquisition Financing Indebtedness.

Merger, Consolidation or Sale of Assets

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

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

(2) the Successor Company (if other than Warner Music) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of Warner Music under the Notes, the Indenture and the registration rights agreement pursuant to agreements reasonably satisfactory to the Trustee;

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

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

(a) the Successor Company or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"; or

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

(5) each Guarantor, unless it is the other party to the transactions described above, shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's obligations under the Indenture and the Notes.

The Indenture also provides for similar provisions relating to any consolidation, merger or sale, assignment, transfer, conveyance or disposal of all or substantially all of the properties or assets of a Guarantor.

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

Transactions with Affiliates

Warner Music will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "Affiliate Transaction") involving aggregate consideration in excess of $5.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to Warner Music or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Warner Music or such Restricted Subsidiary with an unrelated Person; and

(2) Warner Music delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $15.0 million, a resolution of the Board of Directors approving such affiliate transaction set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $75.0 million, an opinion as to the fairness to the holders of such Affiliate Transaction from a financial point of view issued by an Independent Financial Advisor.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) transactions between or among Warner Music and/or any Restricted Subsidiary or any entity that becomes a Restricted Subsidiary as a result of such transaction;

(2) Restricted Payments (other than pursuant to clause (7) thereof) and Permitted Investments (other than pursuant to clauses (10), (11) and (15) thereof) permitted by the Indenture;

(3) the payment to the Sponsors and any of their Affiliates of annual management, consulting, monitoring and advisory fees pursuant to the Management Agreement in an aggregate amount in any fiscal year not to exceed $10.0 million and related reasonable expenses;

(4) the payment of reasonable and customary fees paid to, and indemnities provided on behalf of, officers, directors, employees or consultants of Warner Music, any of its direct or indirect parent corporations or any Restricted Subsidiary;

(5) the payments by Warner Music or any Restricted Subsidiary to the Sponsors and any of their Affiliates made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, which payments are approved by a majority of the members of the Board of Directors of Warner Music in good faith;

(6) transactions in which Warner Music or any Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to Warner Music or such Restricted Subsidiary from a financial point of view;

(7) payments or loans (or cancellations of loans) to employees or consultants of Warner Music or any of its direct or indirect parent corporations or any Restricted Subsidiary which are approved by a majority of the Board of Directors of Warner Music in good faith and which are otherwise permitted under the Indenture;

(8) payments made or performance under any agreement as in effect on the Issue Date (other than the Management Agreement and Stockholders Agreement, but including, without limitation, each of the other agreements entered into in connection with the Transactions) or any amendment thereto (so long as any such amendment is not less advantageous to the holders of the Notes in any material respect than the original agreement as in effect on the Issue Date);

(9) the existence of, or the performance by Warner Music or any of its Restricted Subsidiaries of its obligations under the terms of, the Stockholders Agreement (including any registration rights agreement or purchase agreements related thereto to which it is a party as of the Issue Date and any similar agreement that it may enter into thereafter); *provided*, *however*, that the existence of, or the performance by Warner Music or any of its Restricted Subsidiaries of its obligations under, any future amendment to the Stockholders Agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this clause (9) to the extent that the terms of any such existing agreement together with all amendments thereto, taken as a whole, or new agreement are not otherwise more disadvantageous to holders of the Notes in any material respect than the original agreement as in effect on the Issue Date;

(10) the Transactions and the payment of all fees and expenses related to the Transactions and the prepayment of $10.0 million in management fees for the fiscal year ended November 30, 2004;

(11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to Warner Music or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of Warner Music or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;

(12) if otherwise permitted hereunder, the issuance of Equity Interests (other than Disqualified Stock) of Holdco to any Permitted Holder or to any director, officer, employee or consultant of Warner Music or Holdco or their Subsidiaries or of Warner Music to Holdco or to any Permitted Holder or to any director, officer, employee or consultant of Warner Music or Holdco or their Subsidiaries; and

(13) any transaction with a Securitization Subsidiary effected as part of a Qualified Securitization Financing.

Business Activities

Warner Music will not, and will not permit any Restricted Subsidiary (other than a Securitization Subsidiary) to, engage in any business other than Permitted Businesses, except to such extent as would not be material to Warner Music and its Subsidiaries taken as a whole.

Payments for Consent

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

Additional Subsidiary Guarantees

The Indenture provides that Warner Music will cause each Restricted Subsidiary that is a Domestic Subsidiary (unless such Subsidiary is a Securitization Subsidiary) that:

(1) guarantees any Indebtedness of Warner Music or any of its Restricted Subsidiaries; or

(2) incurs any Indebtedness or issues any shares of Preferred Stock permitted to be incurred or issued pursuant to clause (1) or (11) of the definition of Permitted Debt or not permitted to be incurred by the covenant described under "—Incurrence of Indebtedness and Issuance of Preferred Stock" to execute and deliver to the Trustee a supplemental indenture pursuant to which such Subsidiary will guarantee payment of the Notes. Each Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by that Restricted Subsidiary without rendering the Guarantee, as it relates to such Restricted Subsidiary, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Each Guarantee shall be released in accordance with the provisions of the Indenture described under "—Guarantees."

Reports

Whether or not required by the Commission, so long as any Notes are outstanding, Warner Music will furnish to the holders of Notes, within the time periods specified in the Commission's rules and regulations:

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

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

In addition, whether or not required by the Commission, Warner Music will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, Warner Music has agreed that, for so long as any Notes remain outstanding, it will furnish to the holders of the Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. All information described in this paragraph and the paragraph above can be obtained without charge at the office of the agent in Luxembourg so long as there are any outstanding Notes listed on the Luxembourg Stock Exchange.

In addition, if at any time Holdco becomes a Guarantor (there being no obligation of Holdco to do so), holds no material assets other than cash, Cash Equivalents and the Capital Stock of Warner Music (and performs the related incidental activities associated with such ownership) and complies with the requirements of Rule 3-10 of Regulation S-X promulgated by the Commission (or any successor provision), the reports, information and other documents required to be filed and furnished to holders of the Notes pursuant to this covenant may, at the option of Warner Music, be filed by and be those of Holdco rather than Warner Music.

Notwithstanding the foregoing, such requirements shall be deemed satisfied prior to the commencement of the Exchange Offers (as defined under "Exchange Offers; Registration Rights") or the effectiveness of the Shelf Registration Statement (as defined under "Exchange Offers; Registration Rights") by the filing with the Commission of the Exchange Offers Registration Statement (as defined under "Exchange Offers; Registration Rights") and/or Shelf Registration Statement, and any amendments thereto, with such financial information that satisfies Regulation S-X of the Securities Act.

Events of Default and Remedies

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

(1) Warner Music defaults in payment when due and payable, upon redemption, acceleration or otherwise, of principal of, or premium, if any, on the Notes, whether or not prohibited by the subordination provisions of the Indenture;

(2) Warner Music defaults in the payment when due of interest or Additional Interest, if any, on or with respect to the Notes and such default continues for a period of 30 days, whether or not prohibited by the subordination provisions of the Indenture;

(3) Warner Music defaults in the performance of, or breaches any covenant, warranty or other agreement contained in, the Indenture (other than a default in the performance or breach of

a covenant, warranty or agreement which is specifically dealt with in clauses (1) or (2) above) and such default or breach continues for a period of 60 days after the notice specified below;

(4) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by Warner Music or any Restricted Subsidiary or the payment of which is guaranteed by Warner Music or any Restricted Subsidiary (other than Indebtedness owed to Warner Music or a Restricted Subsidiary), whether such Indebtedness or guarantee now exists or is created after the Issue Date, if (A) such default either (1) results from the failure to pay any such Indebtedness at its stated final maturity (after giving effect to any applicable grace periods) or (2) relates to an obligation other than the obligation to pay principal of any such Indebtedness at its stated final maturity and results in the holder or holders of such Indebtedness causing such Indebtedness to become due prior to its stated maturity and (B) the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at stated final maturity (after giving effect to any applicable grace periods), or the maturity of which has been so accelerated, aggregate $25.0 million (or its foreign currency equivalent) or more at any one time outstanding;

(5) certain events of bankruptcy affecting Warner Music or any Significant Subsidiary;

(6) the failure by Warner Music or any Significant Subsidiary to pay final judgments (other than any judgments covered by insurance policies issued by reputable and creditworthy insurance companies) aggregating in excess of $25.0 million, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final, and, with respect to any judgments covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed; or

(7) the Guarantee of a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms thereof) or any Guarantor denies or disaffirms its obligations under the Indenture or any Guarantee and such Default continues for 10 days.

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

(1) shall become immediately due and payable; or

(2) shall become immediately due and payable upon the first to occur of an acceleration under the Credit Agreement and five business days after receipt by Warner Music and the Representative under the Credit Agreement of such Acceleration Notice but only if such Event of Default is then continuing.

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

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

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

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

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

(4) if Warner Music has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and advances; and

(5) in the event of the cure or waiver of an Event of Default of the type described in clause (5) of the description above of Events of Default, the Trustee shall have received an Officers' Certificate and an opinion of counsel that such Event of Default has been cured or waived. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

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

In the event of any Event of Default specified in clause (4) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the Notes, if within 20 days after such Event of Default arose Warner Music delivers an Officers' Certificate to the Trustee stating that (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the Notes as described above be annulled, waived or rescinded upon the happening of any such events.

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

Warner Music is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, Warner Music is required to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

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

Legal Defeasance and Covenant Defeasance

Warner Music may, at its option and at any time, elect to have all of its obligations and the obligations of the Guarantors discharged with respect to the outstanding Notes issued under the Indenture ("Legal Defeasance") except for:

(1) the rights of holders of outstanding Notes issued thereunder to receive payments in respect of the principal of, or interest or premium and Additional Interest, if any, on such Notes when such payments are due from the trust referred to below;

(2) Warner Music's obligations with respect to the Notes issued thereunder concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and Warner Music's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

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

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

(1) Warner Music must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes issued thereunder, cash in U.S. dollars or pounds sterling, as applicable, non-callable Government Securities, or a combination of cash in U.S. dollars or pounds sterling, as applicable and non-callable Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or interest and premium and Additional Interest, if any, on the outstanding Notes issued thereunder on the stated maturity or on the applicable redemption date, as the case may be, and Warner Music must specify whether the Notes are being defeased to maturity or to a particular redemption date;

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

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

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default resulting from the borrowing of funds or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which Warner Music or any of its Restricted Subsidiaries is a party or by which Warner Music or any of its Restricted Subsidiaries is bound;

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

(7) Warner Music must deliver to the Trustee an Officers' Certificate and an opinion of counsel, each stating tha t all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture or the Notes issued thereunder may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the Notes then outstanding issued thereunder (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing default or compliance with any provision of the Indenture or the Notes issued thereunder may be waived, with the consent of the holders of a majority in principal amount of the then outstanding Notes issued thereunder (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided*, *however*, that if any amendment, waiver or other modification will only affect the Dollar Notes or the Sterling Notes, only the consent of the holders of at least a majority in principal amount of the then outstanding Dollar Notes or Sterling Notes (and not the consent of at least a majority of all Notes), as the case may be, shall be required.

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

(1) reduce the principal amount of Notes issued thereunder whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes issued thereunder (other than provisions relating to the covenants described above under the caption "—Repurchase at the Option of Holders");

(3) reduce the rate of or change the time for payment of interest on any Note issued thereunder;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Additional Interest, if any, on the Notes issued thereunder (except a rescission of acceleration of the Notes issued thereunder by the holders of at least a majority in aggregate principal amount of the Notes issued thereunder and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes other than to the extent that the United Kingdom adopts the euro;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest or premium or Additional Interest, if any, on the Notes issued thereunder;

(7) waive a redemption payment with respect to any Note issued thereunder (other than a payment required by one of the covenants described above under the caption "—Repurchase at the Option of Holders");

(8) make any change in the preceding amendment and waiver provisions; or

(9) modify the Guarantees in any manner adverse to the holders of the Notes.

Notwithstanding the preceding, without the consent of any holder of Notes, Warner Music, the Guarantors and the Trustee may amend or supplement the Indenture or the Notes issued thereunder:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of Warner Music's obligations to holders of Notes in the case of a merger or consolidation or sale of all or substantially all of Warner Music's assets;

(4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder;

(5) to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act; or

(6) to add a Guarantee of the Notes, including, without limitation, by Holdco.

Satisfaction and Discharge

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

(1) either:

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

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable by reason of the mailing of a notice of redemption or otherwise within one year and Warner Music has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Interest, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit (other than a Default resulting from borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which Warner Music is a party or by which Warner Music is bound;

(3) Warner Music has paid or caused to be paid all sums payable by it under the Indenture; and

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

In addition, Warner Music must deliver an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Judgment Currency

Any payment on account of any amount that is payable in U.S. dollars with respect to the Dollar Notes and pounds sterling with respect to the Sterling Notes (in each case, the "Required Currency") which is made to or for the account of any holder of the Notes or the Trustee in lawful currency of any other jurisdiction (the "Judgment Currency"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of Warner Music or any Guarantor, shall constitute a discharge of Warner Music or the Guarantor's obligation under the Indenture and the Notes, as the case may be, only to the extent of the amount of the Required Currency with such holder of the Notes or the Trustee, as the case may be, could purchase in the New York foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first business day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder of the Notes or the Trustee, as the case may be, Warner Music shall indemnify and hold harmless the holder of the Notes or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder of the Notes or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Payments on the Notes; Substitution of the Currency

Pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union, signed at Maastricht on February 7, 1992, the euro was introduced on January 1, 1999, in substitution for national currencies of eleven member states of the European Union. Although the United Kingdom exercised its op-out right and is not participating in the introduction of the euro as of the date of this prospectus, it might wish to join the single currency at a later date. In accordance with the laws of the State of New York, the Indenture provides that the introduction of the euro in substitution for the sterling will not have the effect of discharging or excusing performance under the Indenture or the Notes or give Warner Music or any holder the right to unilaterally alter or terminate the Indenture or the Notes.

Listing

Application has been made to list the Sterling Notes on the Luxembourg Stock Exchange. The legal notice relating to the issuance of the Notes and the Certificate of Incorporation of Warner Music will be registered prior to the listing with the Registre de Commerce des Sociétés à Luxembourg, where such documents are available for inspection and where copies thereof can be obtained upon request. As long as the Notes are listed on the Luxembourg Stock Exchange, an agent for making payments on, and transfers of, Notes will be maintained in Luxembourg. Warner Music has initially designated Dexia Banque Internationale à Luxembourg as its agent for those purposes. The address of Dexia Banque Internationale à Luxembourg is 69, Route d'Esch, L-2953, Luxembourg.

Notices

All notices to the holders will be valid if published in a leading English language daily newspaper published in London and a leading English language daily newspaper published in New York City or such other English language daily newspaper with general circulation in Europe or the U.S., as the case may be, and if, and for so long as, the Notes are listed on the Luxembourg Stock Exchange, in one daily newspaper published in Luxembourg. Any notice will be deemed to have been given on the date of publication or, if so published more than once on different dates, on the date of first publication. It is expected that publication will normally be made in the *Financial Times*, the *Wall Street Journal* and if, and for so long as, the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the *Luxemburger Wort*. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

Concerning the Trustee

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

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

Certain Definitions

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

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

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(2) Indebtedness secured by an existing Lien encumbering any asset acquired by such specified Person.

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

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

(1) 1.0% of the then outstanding principal amount of the Note; and

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Dollar Note or Sterling Note, as applicable, at April 15, 2009 such redemption price being set forth in the table appearing above under the caption "—Optional Redemption") plus (ii) all required interest payments due on the Dollar Note or Sterling Note, as applicable, through April 15, 2009 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(b) the then outstanding principal amount of the Note.

"*Asset Sale*" means (i) the sale, conveyance, transfer or other disposition (whether in a single transaction or a series of related transactions) of property or assets (including by way of a sale and leaseback) of Warner Music or any Restricted Subsidiary (each referred to in this definition as a "*disposition*") or (ii) the issuance or sale of Equity Interests of any Restricted Subsidiary (whether in a single transaction or a series of related transactions), in each case, other than:

(1) a disposition of Cash Equivalents or obsolete or worn out property or equipment in the ordinary course of business or inventory (or other assets) held for sale in the ordinary course of business and dispositions of property no longer used or useful in the conduct of the business of Warner Music and its Restricted Subsidiaries;

(2) the disposition of all or substantially all of the assets of Warner Music in a manner permitted pursuant to the covenant contained under the caption "Certain Covenants—Merger, Consolidation or Sale of Assets" or any disposition that constitutes a Change of Control pursuant to the Indenture;

(3) the making of any Restricted Payment or Permitted Investment that is permitted to be made, and is made, pursuant to the covenant contained under the caption "Certain Covenants—Restricted Payments" or the granting of a Lien permitted by the covenant contained under the caption "Certain Covenants—Liens";

(4) any disposition of assets or issuance or sale of Equity Interests of any Restricted Subsidiary in any transaction or series of transactions with an aggregate fair market value of less than $10.0 million;

(5) any disposition of property or assets or issuance of securities by a Restricted Subsidiary to Warner Music or by Warner Music or a Restricted Subsidiary to another Restricted Subsidiary;

(6) the lease, assignment, sublease, license or sublicense of any real or personal property in the ordinary course of business;

(7) any sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary (with the exception of Investments in Unrestricted Subsidiaries acquired pursuant to clause (11) of the definition of "Permitted Investments");

(8) foreclosures on assets;

(9) disposition of an account receivable in connection with the collection or compromise thereof;

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

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

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership; and

(3) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Capital Stock*" means:

(1) in the case of a corporation, capital stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

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

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

"*Cash Contribution Amount*" means the aggregate amount of cash contributions made to the capital of Warner Music or any Guarantor described in the definition of "Contribution Indebtedness."

"*Cash Equivalents*" means:

(1) U.S. dollars, pounds sterling, euros, or, in the case of any Foreign Subsidiary, such local currencies held by it from time to time in the ordinary course of business;

(2) securities issued or directly and fully and unconditionally guaranteed or insured by the government or any agency or instrumentality of the United States or any member nation of the European Union having maturities of not more than 12 months from the date of acquisition;

(3) certificates of deposit, time deposits and eurodollar time deposits with maturities of 12 months or less from the date of acquisition, bankers' acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any lender party to the Credit Agreement or with any commercial bank having capital and surplus in excess of $500,000,000;

(4) repurchase obligations for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper maturing within 12 months after the date of acquisition and having a rating of at least A-1 from Moody's or P-1 from S&P;

(6) investment funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition; and

(7) readily marketable direct obligations issued by any state of the United States or any political subdivision thereof having one of the two highest rating categories obtainable from either Moody's or S&P with maturities of 12 months or less from the date of acquisition.

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

(1) the sale, lease, transfer or other conveyance, in one or a series of related transactions, of all or substantially all of the assets of Warner Music and its Subsidiaries, taken as a whole, to any Person other than a Permitted Holder;

(2) Warner Music becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than the Permitted Holders, in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), of 50% or more of the total voting power of the Voting Stock of Warner Music or any of its direct or indirect parent corporations; or

(3) (A) prior to the first public offering of common stock of either Holdco or Warner Music, the first day on which the Board of Directors of Holdco shall cease to consist of a majority of directors who (i) were members of the Board of Directors of Holdco on the Issue Date or (ii) were either (x) nominated for election by the Board of Directors of Holdco, a majority of whom were directors on the Issue Date or whose election or nomination for election was previously approved by a majority of such directors, or (y) designated or appointed by a Permitted Holder (each of the directors selected pursuant to clauses (A)(i) and (A)(ii), "Continuing Directors") and (B) after the first public offering of common stock of either Holdco or Warner Music, (i) if such public offering is of Holdco common stock, the first day on which a majority of the members of the Board of Directors of Holdco are not Continuing Directors or (ii) if such public offering is of Warner Music's common stock, the first day on which a majority of the members of the Board of Directors of Warner Music are not Continuing Directors.

"*Cinram Adjustment*" means cost savings and other adjustments to Warner Music from the disposition of its DVD and CD manufacturing, printing, packaging, physical distribution and merchandising businesses to Cinram International, Inc, which was consummated on October 24, 2003, and the associated long-term supply contract with Cinram for physical product and distribution.

"*Code*" means the United States Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect on the Issue Date, and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"*Commission*" means the Securities and Exchange Commission.

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

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the sum, without duplication, of: (a) consolidated interest expense of such Person and its Restricted Subsidiaries for such period (including amortization of original issue discount, noncash interest payments (other than imputed interest as a result of purchase accounting), the interest component of Capitalized Lease Obligations, net payments (if any) pursuant to interest rate Hedging Obligations, but excluding amortization of deferred financing fees or expensing of any bridge or other financing fees relating to the Specified Financings) and (b) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, less (c) interest income actually received in cash for such period; *provided*, *however*, that Securitization Fees shall not be deemed to constitute Consolidated Interest Expense.

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

(1) any net after-tax extraordinary, unusual or nonrecurring gains or losses (including, without limitation, severance, relocation, transition and other restructuring costs) (less all fees and expenses relating thereto) shall be excluded;

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

(3) any net after-tax gains or losses (less all fees and expenses relating thereto) attributable to asset dispositions other than in the ordinary course of business (as determined in good faith by the Board of Directors of Warner Music) shall be excluded;

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

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

(6) any noncash impairment charges resulting from the application of Statements of Financial Accounting Standards No. 142 and No. 144 and the amortization of intangibles arising pursuant to Statement of Financial Accounting Standards No. 141, shall be excluded;

(7) solely for purposes of determining the amount available for Restricted Payments under clause (3) of the first paragraph of the covenant described under the caption "—Certain Covenants—Restricted Payments," an amount equal to any reduction in current taxes recognized during the applicable period by Warner Music and its Restricted Subsidiaries as a direct result of deductions arising from (A) the amortization allowed under Section 167 or 197 of the Code for

the goodwill and other intangibles arising from the Transactions and (B) employee termination and related restructuring reserves established pursuant to purchase accounting for the two-year period commencing with the Issue Date, in each case, will be included in the calculation of "Consolidated Net Income" so long as such addition will not result in double-counting;

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

(9) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of Indebtedness shall be excluded; and

(10) any noncash charges resulting from mark-to-market accounting in accordance with Statements of Financial Accounting Standards No. 133 and No. 150 and Emerging Issues Task Force Issue No. 00-19 relating to warrants owned by Time Warner Inc. shall be excluded.

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

"*Consolidated Tangible Assets*" means, with respect to any Person, the consolidated total assets of such Person and its Restricted Subsidiaries determined in accordance with GAAP, *less* all goodwill, trade names, trademarks, patents, organization expense, and other similar intangibles properly classified as intangibles in accordance with GAAP.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligation or (B) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, or (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Contribution Indebtedness*" means Indebtedness of Warner Music or any Guarantor in an aggregate principal amount not greater than twice the aggregate amount of cash contributions (other than Excluded Contributions) made to the capital of Warner Music or such Guarantor after the Issue Date; *provided* that such Contribution Indebtedness:

(1) if the aggregate principal amount of such Contribution Indebtedness is greater than one times such cash contributions to the capital of Warner Music or such Guarantor, as applicable, the amount of such excess shall be (A)(x) Subordinated Indebtedness (other than Secured Indebtedness) or (y) Indebtedness that ranks *pari passu* with the Notes (other than Secured Indebtedness) and (B) Indebtedness with a Stated Maturity later than the Stated Maturity of the Notes, and

(2) (a) is incurred within 180 days after the making of such cash contributions and (b) is so designated as Contribution Indebtedness pursuant to an Officers' Certificate on the date of the incurrence thereof.

"*Credit Agreement*" means that certain Amended and Restated Credit Agreement, dated as of April 8, 2004, by and among Warner Music, the other borrowers from time to time party thereto, Holdco, Banc of America Securities LLC and Deutsche Bank Securities Inc., as Joint Lead Arrangers and Joint Book Managers, Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Co-Arrangers and Co-Book Managers, Deutsche Bank Securities Inc. and Lehman Commercial Paper Inc., as Co-Syndication Agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Documentation Agent, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer and the lenders party thereto from time to time, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, restated, supplemented, modified, renewed, refunded, replaced or refinanced from time to time in one or more agreements or indentures (in each case with the same or new lenders or institutional investors), including any agreement extending the maturity thereof or otherwise restructuring all or any portion of the Indebtedness thereunder or increasing the amount loaned or issued thereunder or altering the maturity thereof.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Noncash Consideration*" means the fair market value of noncash consideration received by Warner Music or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Noncash Consideration pursuant to an Officers' Certificate setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Noncash Consideration.

"*Designated Preferred Stock*" means Preferred Stock of Warner Music or any direct or indirect parent company of Warner Music (other than Disqualified Stock), that is issued for cash (other than to Warner Music or any of its Subsidiaries or an employee stock ownership plan or trust established by Warner Music or any of its Subsidiaries) and is so designated as Designated Preferred Stock, pursuant to an Officers' Certificate, on the issuance date thereof, the cash proceeds of which are excluded from the calculation set forth in clause (3) of the first paragraph of the covenant described under "Certain Covenants—Restricted Payments."

"*Designated Senior Debt*" means:

(1) any Indebtedness outstanding under the Credit Agreement; and

(2) any other Senior Debt permitted under the Indenture the principal amount of which is $25.0 million or more and that has been designated by Warner Music in the instrument evidencing that Senior Debt as "Designated Senior Debt."

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is putable or exchangeable), or upon the happening of any event, matures or is mandatorily redeemable (other than as a result of a change of control or asset sale), pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than as a result of a change of control or asset sale), in whole or in part, in each case prior to the date 91 days after the earlier of the final maturity date of the Notes or the date the Notes are no longer outstanding; *provided*, *however*, that if such Capital Stock is issued to any plan for the benefit of employees of Holdco or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by Holdco or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations.

"*Domestic Subsidiary*" means any Subsidiary of Warner Music that was formed under the laws of the United States, any state of the United States, the District of Columbia or any territory of the United States.

"*EBITDA*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication,

(1) provision for taxes based on income or profits, plus franchise or similar taxes of such Person for such period deducted in computing Consolidated Net Income, plus

(2) Consolidated Interest Expense of such Person for such period to the extent the same was deducted in calculating such Consolidated Net Income, plus

(3) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent such depreciation and amortization were deducted in computing Consolidated Net Income, plus

(4) any reasonable expenses or charges related to any Equity Offering, Permitted Investment, acquisition, recapitalization or Indebtedness permitted to be incurred under the Indenture or to the Transactions and, in each case, deducted in such period in computing Consolidated Net Income, plus

(5) the amount of any restructuring charges or reserves (which, for the avoidance of doubt, shall include retention, severance, systems establishment cost, excess pension charges, contract termination costs, including future lease commitments, and costs to consolidate facilities and relocate employees) deducted in such period in computing Consolidated Net Income, plus

(6) without duplication, any other noncash charges (including any impairment charges and the impact of purchase accounting, including, but not limited to, the amortization of inventory step-up) reducing Consolidated Net Income for such period (excluding any such charge that represents an accrual or reserve for a cash expenditure for a future period), plus

(7) any net gain or loss resulting from Hedging Obligations relating to currency exchange risk, plus

(8) the amount of management, monitoring, consulting and advisory fees and related expenses paid to the Sponsors (or any accruals relating to such fees and related expenses) during such period; *provided* that such amount shall not exceed $10.0 million in any four-quarter period, plus

(9) Securitization Fees to the extent deducted in calculating Consolidated Net Income for such period, plus

(10) the Cinram Adjustment, plus

(11) any net after-tax income or loss from discontinued operations and any net after-tax gains or losses on disposal of discontinued operations, plus

(12) without duplication, pension curtailment expenses, transaction costs and executive contract expenses incurred by affiliated entities of Warner Music (other than Holdco and its Subsidiaries) on behalf of Holdco or any of its Subsidiaries and reflected in the combined financial statements of Warner Music as capital contributions, less

(13) without duplication, noncash items increasing Consolidated Net Income of such Person for such period (excluding any items which represent the reversal of any accrual of, or cash reserve for, anticipated cash charges or asset valuation adjustments made in any prior period).

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means any public or private sale of common stock or Preferred Stock of Warner Music or any of its direct or indirect parent corporations (excluding Disqualified Stock), other than

(i) public offerings with respect to common stock of Warner Music or of any direct or indirect parent corporation of Warner Music registered on Form S-8, (ii) any such public or private sale that constitutes an Excluded Contribution or (iii) an issuance to any Subsidiary.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"*Excluded Contribution*" means net cash proceeds, marketable securities or Qualified Proceeds, in each case received by Warner Music and its Restricted Subsidiaries from:

(1) contributions to its common equity capital; and

(2) the sale (other than to a Subsidiary or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of Warner Music or any Subsidiary) of Capital Stock (other than Disqualified Stock and Designated Preferred Stock),

in each case designated as Excluded Contributions pursuant to an Officers' Certificate on the date such capital contributions are made or the date such Equity Interests are sold, as the case may be, which are excluded from the calculation set forth in clause (3) of the first paragraph of the covenant contained under the caption "Certain Covenants—Restricted Payments."

"*Existing Indebtedness*" means Indebtedness of Warner Music and its Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the date of the Indenture.

"*Fixed Charge Coverage Ratio*" means, with respect to any Person for any period consisting of such Person and its Restricted Subsidiaries' most recently ended four fiscal quarters for which internal financial statements are available, the ratio of EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that Warner Music or any Restricted Subsidiary incurs, assumes, guarantees or redeems any Indebtedness or issues or repays Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such incurrence, assumption, guarantee or repayment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period.

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers or consolidations (as determined in accordance with GAAP) that have been made by Holdco or any Restricted Subsidiary during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers or consolidations (and the change in any associated fixed charge obligations and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into Warner Music or any Restricted Subsidiary since the beginning of such period) shall have made any Investment, acquisition, disposition, merger or consolidation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger or consolidation had occurred at the beginning of the applicable four-quarter period. For purposes of this definition, whenever *pro forma* effect is to be given to an Investment, acquisition, disposition, merger or consolidation (including the Transactions and the related restructuring initiatives) and the amount of income or earnings relating thereto, the *pro forma* calculations shall be determined in good faith by a responsible financial or accounting officer of Warner Music and shall comply with the requirements of Rule 11-02 of Regulation S-X promulgated by the Commission, except that such *pro forma* calculations may include operating expense reductions for such period resulting from such transaction that is being

given *pro forma* effect that have been realized or (A) for which the steps necessary for realization have been taken (or are taken concurrently with such transaction) or (B) with respect to any transactions other than the Transaction (and the related restructuring initiatives), for which the steps necessary for realization are reasonably expected to be taken within the six month period following such transaction and, in each case, including, but not limited to, (a) reduction in personnel expenses, (b) reduction of costs related to administrative functions, (c) reduction of costs related to leased or owned properties and (d) reductions from the consolidation of operations and streamlining of corporate and record label overhead; *provided* that, in either case, such adjustments are set forth in an Officers' Certificate signed by Warner Music's chief financial officer and another Officer which states (i) the amount of such adjustment or adjustments, (ii) that such adjustment or adjustments are based on the reasonable good faith beliefs of the Officers executing such Officers' Certificate at the time of such execution and (iii) that any related incurrence of Indebtedness is permitted pursuant to the Indenture. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of Warner Music to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as Warner Music may designate.

"*Fixed Charges*" means, with respect to any Person for any period, the sum of, without duplication, (a) Consolidated Interest Expense (excluding all noncash interest expense and amortization/accretion of original issue discount in connection with the Specified Financings (including any original issue discount created by fair value adjustments to Warner Music's existing Indebtedness as a result of purchase accounting)) of such Person for such period, (b) all cash dividends paid, accrued and /or scheduled to be paid or accrued during such period (excluding items eliminated in consolidation) on any series of Preferred Stock of such Person and (c) all cash dividends paid, accrued and/or scheduled to be paid or accrued during such period (excluding items eliminated in consolidation) on any series of Disqualified Stock.

"*Foreign Subsidiary*" means any Subsidiary of Warner Music that is not a Domestic Subsidiary.

"*GAAP*" means generally accepted accounting principles in the United States in effect on the date of the Indenture. For purposes of this description of the Notes, the term "*consolidated*" with respect to any Person means such Person consolidated with its Restricted Subsidiaries and does not include any Unrestricted Subsidiary.

"Government Securities" means, in the case of the Dollar Notes, U.S. Government Securities and, in the case of the Sterling Notes, U.K. Government Securities.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness or other obligations.

"*Guarantee*" means any guarantee of the obligations of Warner Music under the Indenture and the Notes by a Guarantor in accordance with the provisions of the Indenture. When used as a verb, "*Guarantee*" shall have a corresponding meaning.

"*Guarantor*" means any Person that incurs a Guarantee of the Notes; *provided* that upon the release and discharge of such Person from its Guarantee in accordance with the Indenture, such Person shall cease to be a Guarantor. On the Issue Date, the Guarantors were A.P. Schmidt Company, Atlantic Recording Corporation, Atlantic/143 L.L.C., Atlantic/MR II INC., Atlantic/MR Ventures Inc., Berna Music, Inc., Big Beat Records Inc., Big Tree Recording Corporation, Bute Sound LLC, Cafe Americana Inc., Chappell & Intersong Music Group (Australia) Limited, Chappell And Intersong Music Group (Germany) Inc., Chappell Music Company, Inc., Cota Music, Inc., Cotillion Music, Inc., CPP/Belwin, Inc., CRK Music Inc., E/A Music, Inc., Eleksylum Music, Inc., Elektra Entertainment Group Inc., Elektra Group Ventures Inc., Elektra/Chameleon Ventures Inc., FHK, INC., Fiddleback Music Publishing Company, Inc., Foster Frees Music, Inc., Foz Man Music LLC, Inside Job, Inc., Intersong U.S.A., INC., Jadar Music Corp., Lava Trademark Holding Company LLC, LEM America, INC., London-Sire Records Inc., McGuffin Music Inc., Mixed Bag Music, Inc., NC Hungary Holdings Inc., New Chappell Inc., Nonesuch Records Inc., NVC International Inc., Octa Music, Inc., Penalty Records L.L.C., Pepamar Music Corp., Revelation Music Publishing Corporation, Rhino Entertainment Company, Rick's Music Inc., Rightsong Music Inc., Rodra Music, Inc., Sea Chime Music, Inc., SR/MDM Venture Inc., Summy-Birchard, Inc., Super Hype Publishing, Inc., T-Boy Music L.L.C., T-Girl Music L.L.C., The Rhythm Method Inc., Tommy Boy Music, Inc., Tommy Valando Publishing Group, Inc., Tri-Chappell Music Inc., TW Music Holdings Inc., Unichappell Music Inc., W.B.M. Music Corp., Walden Music, Inc., Warner Alliance Music Inc., Warner Brethren Inc., Warner Bros. Music International Inc., Warner Bros. Publications U.S. Inc., Warner Bros. Records Inc., Warner Custom Music Corp., Warner Domain Music Inc., Warner Music Bluesky Holding Inc., Warner Music Discovery Inc., Warner Music Distribution Inc., Warner Music Group Inc., Warner Music Latina Inc., Warner Music SP Inc., Warner Sojourner Music Inc., Warner Special Products Inc., Warner Strategic Marketing Inc., Warner/Chappell Music (Services), Inc., Warner/Chappell Music, Inc., Warner-Elektra-Atlantic Corporation, WarnerSongs Inc., Warner-Tamerlane Publishing Corp., Warprise Music Inc., WB Gold Music Corp., WB Music Corp., WBM/House of Gold Music, Inc., WBPI Holdings LLC, WBR Management Services Inc., WBR/QRI Venture, Inc., WBR/Ruffnation Ventures, Inc., WBR/Sire Ventures Inc., We Are Musica Inc., WEA Europe Inc., WEA Inc., WEA International Inc., WEA Latina Musica Inc., WEA Management Services Inc., Wide Music, Inc., WMG Management Services Inc., and WMG Trademark Holding Company LLC. Subsequent to the Issue Date, WEA Rock LLC and WEA Urban LLC have been added as additional Guarantors.

"*Guarantor Senior Debt*" means, with respect to any Guarantor, the principal of, premium, if any, and interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed or allowable claim under applicable law) on any Indebtedness and any Securitization Repurchase Obligation of such Guarantor, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, in the case of any particular obligation, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such obligation shall not be senior in right of payment to the Guarantee of such Guarantor. Without limiting the generality of the foregoing, "Guarantor Senior Debt" shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed or allowable claim under applicable law) on, and all other amounts owing in respect of (including guarantees of the foregoing obligations):

(1) all monetary obligations of every nature of such Guarantor under, or with respect to, the Credit Agreement, including, without limitation, obligations to pay principal, premium and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities (and guarantees thereof); and

(2) all Hedging Obligations (and guarantees thereof),

in each case whether outstanding on the Issue Date or thereafter incurred.

Notwithstanding the foregoing, "Guarantor Senior Debt" shall not include:

(1) any Indebtedness of such Guarantor to a Subsidiary of such Guarantor (other than any Securitization Repurchase Obligation);

(2) Indebtedness to, or guaranteed on behalf of, any shareholder, director, officer or employee of such Guarantor or any Subsidiary of such Guarantor (including, without limitation, amounts owed for compensation) other than the guarantee of Holdco of Indebtedness under the Credit Agreement;

(3) Indebtedness to trade creditors and other amounts incurred in connection with obtaining goods, materials or services (including guarantees thereof or instruments evidencing such liabilities);

(4) Indebtedness represented by Capital Stock;

(5) any liability for federal, state, local or other taxes owed or owing by such Guarantor;

(6) that portion of any Indebtedness incurred in violation of the covenant contained under the caption "Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock";

(7) Indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, is without recourse to Warner Music; and

(8) any Indebtedness which is, by its express terms, subordinated in right of payment to any other Indebtedness of such Guarantor.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under:

(1) currency exchange, interest rate or commodity swap agreements, currency exchange, interest rate or commodity cap agreements and currency exchange, interest rate or commodity collar agreements; and

(2) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates or commodity prices.

"*Holdco*" means WMG Holdings Corp., a Delaware corporation and the direct parent of Warner Music.

"*Indebtedness*" means, with respect to any Person,

(a) any indebtedness (including principal and premium) of such Person, whether or not contingent,

(i) in respect of borrowed money,

(ii) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or, without double counting, reimbursement agreements in respect thereof),

(iii) representing the balance deferred and unpaid of the purchase price of any property (including Capitalized Lease Obligations), except any such balance that constitutes a trade payable or similar obligation to a trade creditor in each case accrued in the ordinary course of business or

(iv) representing any Hedging Obligations,

if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with GAAP,

(b) Disqualified Stock of such Person,

(c) to the extent not otherwise included, any obligation by such Person to be liable for, or to pay, as obligor, guarantor or otherwise, on the Indebtedness of another Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business) and

(d) to the extent not otherwise included, Indebtedness of another Person secured by a Lien on any asset owned by such Person (whether or not such Indebtedness is assumed by such Person);

provided, *however*, that Contingent Obligations incurred in the ordinary course of business and not in respect of borrowed money shall be deemed not to constitute Indebtedness.

"*Independent Financial Advisor*" means an accounting, appraisal or investment banking firm or consultant to Persons engaged in a Permitted Business of nationally recognized standing that is, in the good faith judgment of Warner Music, qualified to perform the task for which it has been engaged.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers and employees, in each case made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by GAAP to be classified on the balance sheet (excluding the footnotes) of such Person in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. If Warner Music or any Subsidiary of Warner Music sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of Warner Music such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of Warner Music, Warner Music will be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "Certain Covenants—Restricted Payments."

For purposes of the definition of "Unrestricted Subsidiary" and the covenant described above under the caption "Certain Covenants—Restricted Payments," (i)"Investments" shall include the portion (proportionate to Warner Music's equity interest in such Subsidiary) of the fair market value of the net assets of a Subsidiary of Warner Music at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, Warner Music shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (x) Warner Music's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to Warner Music's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by Warner Music; and (iii) any transfer of Capital Stock that results in an entity which became a Restricted Subsidiary after the Issue Date ceasing to be a Restricted Subsidiary shall be deemed to be an Investment in an amount equal to the fair market value (as determined by the Board of Directors of Warner Music in good faith as of the date of initial acquisition) of the Capital Stock of such entity owned by Warner Music and the Restricted Subsidiaries immediately after such transfer.

"*Issue Date*" means April 8, 2004.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event shall an operating lease be deemed to constitute a Lien.

"*Management Agreement*" means the Management Agreement by and among Warner Music, Holdco and the Sponsors and/or their Affiliates as in effect on the Issue Date.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Income*" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of Preferred Stock dividends or accretion of any Preferred Stock.

"*Net Indebtedness to EBITDA Ratio*" means, with respect to any person, the ratio of: (a) the Indebtedness (which, for purposes of any calculations of the Net Indebtedness to EBITDA Ratio, shall include, without duplication, any Qualified Securitization Financing, Non-Recourse Acquisition Financing Indebtedness and Non-Recourse Product Financing Indebtedness) of Warner Music and its Restricted Subsidiaries, as of the end of the most recently ended fiscal quarter, *plus* the amount of any Indebtedness incurred subsequent to the end of such fiscal quarter, *less* the amount of cash and Cash Equivalents that would be stated on the balance sheet of Warner Music and held by Warner Music as of such date of determination, as determined in accordance with GAAP to, (b) Warner Music's EBITDA for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur (the "*Measurement Period*"); *provided*, *however*, that: (i) in making such computation, Indebtedness shall include the greater of (x) the average daily balance outstanding under any revolving credit facility during the most recently ended fiscal quarter and (y) the actual amount of Indebtedness outstanding under any revolving credit facility as of the date for which such calculation is being made; and (ii) if Warner Music or any of its Restricted Subsidiaries consummates a material acquisition or an Asset Sale or other disposition of assets subsequent to the commencement of the Measurement Period but prior to the event for which the calculation of the Net Indebtedness to EBITDA Ratio is made, then the Net Indebtedness to EBITDA Ratio shall be calculated giving *pro forma* effect to such material acquisition or Asset Sale or other disposition of assets, as if the same had occurred at the beginning of the applicable period. Any *pro forma* calculations necessary pursuant to this "Net Indebtedness to EBITDA Ratio" shall be made in accordance with the provisions set forth in the second paragraph of the definition of "Fixed Charge Coverage Ratio."

"*Net Proceeds*" means the aggregate cash proceeds received by Warner Music or any Restricted Subsidiary in respect of any Asset Sale, including, without limitation, legal, accounting and investment banking fees, and brokerage and sales commissions, any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), repayment of Indebtedness that is secured by the property or assets that are the subject of such Asset Sale and any deduction of appropriate amounts to be provided by Warner Music as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by Warner Music after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

"*Net Senior Indebtedness to EBITDA Ratio*" means, with respect to any Person, the ratio of: (a) the Senior Debt (which, for purposes of any calculations of the Net Senior Indebtedness to EBITDA Ratio shall include, without duplication, to the extent constituting Senior Debt, any Qualified Securitization Financing, Non-Recourse Acquisition Financing Indebtedness and Non-Recourse Product Financing Indebtedness) of Warner Music and its Restricted Subsidiaries, as of the end of the most recently ended fiscal quarter, *plus* the amount of any Senior Debt incurred subsequent to the end of such fiscal quarter, *less* the amount of cash and Cash Equivalents that would be stated on the balance sheet of Warner Music and held by Warner Music as of such date of determination, as determined in accordance with GAAP, to (b) Warner Music's EBITDA for the most recently ended four full fiscal

quarters for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur (the "*Measurement Period*"); *provided, however*, that: (i) in making such computation, Senior Debt shall include the greater of (x) the average daily balance outstanding under any revolving credit facility during the most recently ended fiscal quarter and (y) the actual amount of Indebtedness outstanding under any revolving credit facility as of the date for which such calculation is being made; and (ii) if Warner Music or any of its Restricted Subsidiaries consummates a material acquisition or an Asset Sale or other disposition of assets subsequent to the commencement of the Measurement Period but prior to the event for which the calculation of the Net Senior Indebtedness to EBITDA Ratio is made, then the Net Senior Indebtedness to EBITDA Ratio shall be calculated giving *pro forma* effect to such material acquisition or Asset Sale or other disposition of assets, as if the same had occurred at the beginning of the applicable period. Any *pro forma* calculations necessary pursuant to this "Net Senior Indebtedness to EBITDA Ratio" shall be made in accordance with the provisions set forth in the second paragraph of the definition of "Fixed Charge Coverage Ratio."

"*Non-Recourse Acquisition Financing Indebtedness*" means any Indebtedness incurred by Warner Music or any Restricted Subsidiary to finance the acquisition, exploitation or development of assets (including directly or through the acquisition of entities holding such assets) not owned by Warner Music or any of its Restricted Subsidiaries prior to such acquisition, exploitation or development, which assets are used for the creation or development of Product for the benefit of Warner Music, and in respect of which the Person to whom such Indebtedness is owed has no recourse whatsoever to Warner Music or any of its Restricted Subsidiaries for the repayment of or payment of such Indebtedness other than recourse to the acquired assets or assets that are the subject of such exploitation or development for the purpose of enforcing any Lien given by Warner Music or such Restricted Subsidiary over such assets, including the receivables, inventory, intangibles and other rights associated with such assets and the proceeds thereof.

"*Non-Recourse Product Financing Indebtedness"* means any Indebtedness incurred by Warner Music or any Restricted Subsidiary solely for the purpose of financing (whether directly or through a partially-owned joint venture) the production, acquisition, exploitation, creation or development of items of Product produced, acquired, exploited, created or developed after the Issue Date (including any Indebtedness assumed in connection with the production, acquisition, creation or development of any such items of Product or secured by a Lien on any such items of Product prior to the production, acquisition, creation or development thereof) where the recourse of the creditor in respect of that Indebtedness is limited to Product revenues generated by such items of Product or any rights pertaining thereto and where the Indebtedness is unsecured save for Liens over such items of Product or revenues and such rights and any extension, renewal, replacement or refinancing of such Indebtedness. "Non-Recourse Product Financing Indebtedness" excludes, for the avoidance of doubt, any Indebtedness raised or secured against Product where the proceeds are used for any other purposes.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"*Officer*" means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary or Assistant Secretary or General Counsel or Deputy General Counsel of Warner Music.

"*Officers' Certificate*" means a certificate signed on behalf of Warner Music by two Officers of Warner Music, one of whom is the principal executive officer, the principal financial officer, the

treasurer or the principal accounting officer of Warner Music, that meets the requirements set forth in the Indenture.

"*Permitted Asset Swap*" means any transfer of property or assets by Warner Music or any of its Restricted Subsidiaries in which at least 90% of the consideration received by the transferor consists of properties or assets (other than cash) that will be used in a Permitted Business; *provided* that the aggregate fair market value of the property or assets being transferred by Warner Music or such Restricted Subsidiary is not greater than the aggregate fair market value of the property or assets received by Warner Music or such Restricted Subsidiary in such exchange (*provided*, *however*, that in the event such aggregate fair market value of the property or assets being transferred or received by Warner Music is (x) less than $50.0 million, such determination shall be made in good faith by the Board of Directors of Warner Music and (y) greater than or equal to $50.0 million, such determination shall be made by an Independent Financial Advisor).

"*Permitted Business*" means the media and entertainment business and any services, activities or businesses incidental or directly related or similar thereto, any line of business engaged in by Warner Music on the Issue Date or any business activity that is a reasonable extension, development or expansion thereof or ancillary thereto.

"*Permitted Debt*" is defined under the caption "Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock."

"*Permitted Holders*" means (i) the Sponsors and their Affiliates (not including, however, any portfolio companies of any of the Sponsors); (ii) Edgar Bronfman Jr.; (iii) immediate family members (including spouses and direct descendants) of the Person described in clause (ii); (iv) any trusts created for the benefit of the Person described in clause (ii) or (iii) or any trust for the benefit of any such trust; (v) in the event of the incompetence or death of any of the Person described in clauses (ii) and (iii), such Person's estate, executor, administrator, committee or other personal representative or beneficiaries, in each case who at any particular date shall beneficially own or have the right to acquire, directly or indirectly, Capital Stock of Warner Music or (vi) Time Warner Inc. if at such time as Time Warner Inc. owns 50% or more of the total voting power of the Voting Stock of Warner Music or any direct or indirect parent company of Warner Music and after giving pro forma effect to the acquisition of such Voting Stock and the incurrence of any Indebtedness used to finance the acquisition thereof, (x) Time Warner Inc. has a rating of at least "investment grade" status from S&P and Moody's and (y) neither S&P, Moody's nor any other nationally recognized rating agency shall have downgraded, or indicated an intention to downgrade, the corporate rating of Time Warner Inc. to a level below its then existing corporate rating by any such agency.

"*Permitted Investments*" means:

(1) any Investment by Warner Music in any Restricted Subsidiary or by a Restricted Subsidiary in another Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by Warner Music or any Restricted Subsidiary of Warner Music in a Person that is engaged in a Permitted Business if as a result of such Investment (A) such Person becomes a Restricted Subsidiary or (B) such Person, in one transaction or a series of related transactions, is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, Warner Music or a Restricted Subsidiary;

(4) any Investment in securities or other assets not constituting cash or Cash Equivalents and received in connection with an Asset Sale made pursuant to the provisions described above under the caption "—Repurchase at the Option of Holders—Asset Sales" or any other disposition of assets not constituting an Asset Sale;

(5) any Investment existing on the Issue Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may be increased (x) as required by the terms of such Investment as in existence on the Issue Date or (y) as otherwise permitted under the Indenture;

(6) loans and advances to employees and any guarantees not in excess of $15.0 million in the aggregate outstanding at any one time;

(7) any Investment acquired by Warner Music or any Restricted Subsidiary (A) in exchange for any other Investment or accounts receivable held by Warner Music or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (B) as a result of a foreclosure by Warner Music or any Restricted Subsidiary with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Hedging Obligations permitted under clause (9) of the definition of "Permitted Debt";

(9) loans and advances to officers, directors and employees for business-related travel expenses, moving expenses and other similar expenses, in each case incurred in the ordinary course of business;

(10) any advance directly or indirectly related to royalties or future profits (whether or not recouped), directly or indirectly (including through capital contributions or loans to an entity or joint venture relating to such artist(s) or writer(s)), to one or more artists or writers pursuant to label and license agreements, agreements with artists/writers and related ventures, pressing and distribution agreements, publishing agreements and any similar contract or agreement entered into from time to time in the ordinary course of business;

(11) any Investment by Warner Music or a Restricted Subsidiary in a Permitted Business having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (11) that are at that time outstanding (without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash and/or marketable securities), not to exceed the greater of $75.0 million and 8.0% of Consolidated Tangible Assets (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(12) Investments the payment for which consists of Equity Interests of Warner Music or any of its direct or indirect parent corporations (exclusive of Disqualified Stock);

(13) guarantees (including Guarantees) of Indebtedness permitted under the covenant contained under the caption "Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock" and performance guarantees consistent with past practice;

(14) any transaction to the extent it constitutes an Investment that is permitted and made in accordance with the provisions of the covenant described under the caption "Certain Covenants—Transactions with Affiliates" (except transactions described in clauses (2), (6) and (7) of the second paragraph thereof);

(15) Investments by Warner Music or a Restricted Subsidiary in joint ventures engaged in a Permitted Business having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (15) that are at that time outstanding amount, not to exceed the greater of $50.0 million and 4.0% of Consolidated Tangible Assets (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(16) Investments consisting of licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons; and

(17) any Investment in a Securitization Subsidiary or any Investment by a Securitization Subsidiary in any other Person in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Indebtedness; *provided*, *however*, that any Investment in a Securitization Subsidiary is in the form of a Purchase Money Note, contribution of additional Securitization Assets or an equity interest.

"*Permitted Junior Securities*" means:

(1) Equity Interests in Warner Music, any Guarantor or any direct or indirect parent of Warner Music; or

(2) unsecured debt securities that are subordinated to all Senior Debt (and any debt securities issued in exchange for Senior Debt) to substantially the same extent as, or to a greater extent than, the Notes and the Guarantees are subordinated to Senior Debt under the Indenture.

"*Permitted Liens*" means the following types of Liens:

(1) deposits of cash or government bonds made in the ordinary course of business to secure surety or appeal bonds to which such Person is a party;

(2) Liens in favor of issuers of performance, surety, bid, indemnity, warranty, release, appeal or similar bonds or with respect to other regulatory requirements or letters of credit or bankers' acceptances issued, and completion guarantees provided for, in each case pursuant to the request of and for the account of such Person in the ordinary course of its business or consistent with past practice;

(3) Liens on property or shares of stock of a Person at the time such Person becomes a Subsidiary; *provided*, *however*, that such Liens are not created or incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided*, *further*, *however*, that such Liens may not extend to any other property owned by Warner Music or any Restricted Subsidiary;

(4) Liens on property at the time Warner Music or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into Warner Music or any Restricted Subsidiary; *provided*, *however*, that such Liens are not created or incurred in connection with, or in contemplation of, such acquisition; *provided*, *further*, *however*, that such Liens may not extend to any other property owned by Warner Music or any Restricted Subsidiary;

(5) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to Warner Music or another Restricted Subsidiary permitted to be incurred in accordance with the covenant described under the caption "Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock";

(6) Liens securing Hedging Obligations so long as the related Indebtedness is permitted to be incurred under the Indenture and is secured by a Lien on the same property securing such Hedging Obligation;

(7) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(8) Liens in favor of Warner Music or any Restricted Subsidiary;

(9) Liens to secure any Indebtedness that is incurred to refinance any Indebtedness that has been secured by a Lien existing on the Issue Date or referred to in clauses (3), (4) and (19)(B) of this definition; *provided*, *however*, that such Liens (x) are no less favorable to the holders of the Notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced; and (y) do not extend to or cover any property or assets of Warner Music or any of its Restricted Subsidiaries not securing the Indebtedness so refinanced;

(10) Liens on Securitization Assets and related assets of the type specified in the definition of "Securitization Financing" incurred in connection with any Qualified Securitization Financing;

(11) Liens for taxes, assessments or other governmental charges or levies not yet delinquent, or which are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted or for property taxes on property that Warner Music or one of its Subsidiaries has determined to abandon if the sole recourse for such tax, assessment, charge, levy or claim is to such property;

(12) judgment liens in respect of judgments that do not constitute an Event of Default so long as such Liens are adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(13) pledges, deposits or security under workmen's compensation, unemployment insurance and other social security laws or regulations, or deposits to secure the performance of tenders, contracts (other than for the payment of Indebtedness) or leases, or deposits to secure public or statutory obligations, or deposits as security for contested taxes or import or customs duties or for the payment of rent, or deposits or other security securing liabilities to insurance carriers under insurance or self-insurance arrangements, in each case incurred in the ordinary course of business or consistent with past practice;

(14) Liens imposed by law, including carriers', warehousemen's, materialmen's, repairmen's and mechanics' Liens, in each case for sums not overdue by more than 30 days or, if more than 30 days overdue, are unfiled and no other action has been taken to enforce such Lien or which are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted;

(15) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of business or to the ownership of properties that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business;

(16) leases, licenses, subleases or sublicenses granted to others in the ordinary course of business that do not (x) interfere in any material respect with the business of Warner Music or any of its material Restricted Subsidiaries or (y) secure any Indebtedness;

(17) banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution, *provided* that (a) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by Warner Music in excess of those set forth by regulations promulgated by the Federal Reserve Board or other applicable law and (b) such deposit account is not intended by Warner Music or any Restricted Subsidiary to provide collateral to the depositary institution;

(18) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases or consignments entered into by Warner Music and its Restricted Subsidiaries in the ordinary course of business;

(19) (A) other Liens securing Indebtedness for borrowed money with respect to property or assets with an aggregate fair market value (valued at the time of creation thereof) of not more than $15.0 million at any time and (B) Liens securing Indebtedness incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property of such Person; *provided*, *however*, that (x) the Lien may not extend to any other property (except for accessions to such property) owned by such Person or any of its Restricted Subsidiaries at the time the Lien is incurred, (y) such Liens attach concurrently with or within 270 days after the acquisition, repair, replacement, construction or improvement (as applicable) of the property subject to such Liens and (z) with respect to Capitalized Lease Obligations, such Liens do not at any time extend to or cover any assets (except for accessions to such assets) other than the assets subject to such Capitalized Lease Obligations; *provided* that individual financings of equipment provided by one lender may be cross-collateralized to other financings of equipment provided by such lender;

(20) Liens to secure Non-Recourse Product Financing Indebtedness permitted to be incurred pursuant to clause (18) of the definition of Permitted Debt, which Liens may not secure Indebtedness other than Non-Recourse Product Financing Indebtedness and which Liens may not attach to assets other than the items of Product acquired, exploited, created or developed with the proceeds of such Indebtedness and Liens to secure Non-Recourse Acquisition Financing Indebtedness permitted to be incurred pursuant to clause (18) of the definition of Permitted Debt, which Liens may not secure Indebtedness other than Non-Recourse Acquisition Financing Indebtedness and which Liens may not attach to assets other than the assets acquired, exploited, created or developed with the proceeds of such Indebtedness;

(21) Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection, (ii) attaching to commodity trading accounts or other commodities brokerage accounts incurred in the ordinary course of business; and (iii) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking industry;

(22) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(23) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts of Warner Music or any Restricted Subsidiary to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of Warner Music and its Restricted Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of Warner Music or any Restricted Subsidiary in the ordinary course of business; and

(24) Liens solely on any cash earnest money deposits made by Warner Music or any of its Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted under the Indenture.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Preferred Stock*" means any Equity Interest with preferential rights of payment of dividends upon liquidation, dissolution or winding up.

"*Product*" means any music (including musical and audio visual recordings, musical performance, songs and compositions and also includes mail order music and activities relating or incidental to music such as touring, merchandising and artist management), music copyright, motion picture, television programming, film, videotape, digital file, video clubs, DVD manufactured or distributed or any other product produced for theatrical, non-theatrical or television release or for release in any other medium, in each case whether recorded on film, videotape, cassette, cartridge, disc or on or by any other means, method, process or device, whether now known or hereafter developed, with respect to which Warner Music or any Restricted Subsidiary:

(1) is an initial copyright owner; or

(2) acquires (or will acquire upon delivery) an equity interest, license, sublicense or administration or distribution right.

"*Purchase Agreement*" means the Purchase Agreement dated November 24, 2003, as amended by the amendment to the Purchase Agreement dated March 1, 2004, between Time Warner Inc. and WMG Acquisition Corp.

"*Purchase Money Note*" means a promissory note of a Securitization Subsidiary evidencing a line of credit, which may be irrevocable, from Holdco or any Subsidiary of Holdco to a Securitization Subsidiary in connection with a Qualified Securitization Financing, which note is intended to finance that portion of the purchase price that is not paid in cash or a contribution of equity and which (a) shall be repaid from cash available to the Securitization Subsidiary, other than (i) amounts required to be established as reserves, (ii) amounts paid to investors in respect of interest, (iii) principal and other amounts owing to such investors and (iv) amounts paid in connection with the purchase of newly generated receivables and (b) may be subordinated to the payments described in clause (a).

"Qualified Proceeds" means assets that are used or useful in, or Capital Stock of any Person engaged in, a Permitted Business; *provided* that the fair market value of any such assets or Capital Stock shall be determined by the Board of Directors of Warner Music in good faith, except that in the event the value of any such assets or Capital Stock exceeds $25.0 million, the fair market value shall be determined by an Independent Financial Advisor.

"*Qualified Securitization Financing*" means any Securitization Financing of a Securitization Subsidiary that meets the following conditions: (i) the Board of Directors of Warner Music shall have determined in good faith that such Qualified Securitization Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to Warner Music and the Securitization Subsidiary, (ii) all sales of Securitization Assets and related assets to the Securitization Subsidiary are made at fair market value (as determined in good faith by Warner Music) and (iii) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by Warner Music) and may include Standard Securitization Undertakings. The grant of a security interest in any Securitization Assets of Warner Music or any of its Restricted Subsidiaries (other than a Securitization Subsidiary) to secure Indebtedness under the Credit Agreement and any Refinancing Indebtedness with respect thereto shall not be deemed a Qualified Securitization Financing.

"*Representative*" means the trustee, agent or representative (if any) for an issue of Senior Debt of Warner Music.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means, at any time, any direct or indirect Subsidiary of Warner Music (including any Foreign Subsidiary) that is not then an Unrestricted Subsidiary; *provided*, *however*, that upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary shall be included in the definition of "Restricted Subsidiary."

"*S&P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"*Secured Indebtedness*" means any Indebtedness secured by a Lien.

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"*Securitization Assets*" means any accounts receivable or catalog, royalty or other revenue streams from Product subject to a Qualified Securitization Financing.

"*Securitization Fees*" means reasonable distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Securitization Subsidiary in connection with, any Qualified Securitization Financing.

"*Securitization Financing*" means any transaction or series of transactions that may be entered into by Holdco or any of its Subsidiaries pursuant to which Holdco or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Securitization Subsidiary (in the case of a transfer by Holdco or any of its Subsidiaries) and (b) any other Person (in the case of a transfer by a Securitization Subsidiary), or may grant a security interest in, any Securitization Assets (whether now existing or arising in the future) of Holdco or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Securitization Assets, all contracts and all guarantees or other obligations in respect of such Securitization Assets, proceeds of such Securitization Assets and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving Securitization Assets and any Hedging Obligations entered into by Holdco or any such Subsidiary in connection with such Securitization Assets.

"*Securitization Repurchase Obligation*" means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Securitization Subsidiary*" means a Wholly Owned Subsidiary of Holdco (or another Person formed for the purposes of engaging in a Qualified Securitization Financing in which Holdco or any Subsidiary of Holdco makes an Investment and to which Holdco or any Subsidiary of Holdco transfers Securitization Assets and related assets) which engages in no activities other than in connection with the financing of Securitization Assets of Holdco or its Subsidiaries, all proceeds thereof and all rights (contractual and other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of Holdco or such other Person (as provided below) as a Securitization Subsidiary and (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by Holdco or any other Subsidiary of Holdco (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates Holdco or any other Subsidiary of Holdco in any way other than pursuant to Standard Securitization Undertakings or (iii) subjects any property or asset of Holdco or any other Subsidiary of Holdco, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) with which neither Holdco nor any other Subsidiary of Holdco has any material contract, agreement, arrangement or understanding other than on terms which Holdco reasonably believes to be no less favorable to Holdco or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Holdco and (e) to which neither Holdco nor any other Subsidiary of Holdco has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results. Any such designation by

the Board of Directors of Holdco or such other Person shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of Holdco or such other Person giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Senior Debt*" means the principal of, premium, if any, and interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed or allowable claim under applicable law) on any Indebtedness and any Securitization Repurchase Obligation of Warner Music, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, in the case of any particular obligation, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such obligation shall not be senior in right of payment to the Notes. Without limiting the generality of the foregoing, "Senior Debt" shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed or allowable claim under applicable law) on, and all other amounts owing in respect of (including guarantees of the foregoing obligations):

(1) all monetary obligations of every nature of Warner Music under, or with respect to, the Credit Agreement, including, without limitation, obligations to pay principal, premium and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities (and guarantees thereof); and

(2) all Hedging Obligations (and guarantees thereof),

in each case whether outstanding on the Issue Date or thereafter incurred.

Notwithstanding the foregoing, "Senior Debt" shall not include:

(1) any Indebtedness of Warner Music to a Subsidiary of Warner Music (other than any Securitization Repurchase Obligation);

(2) Indebtedness to, or guaranteed on behalf of, any shareholder, director, officer or employee of Warner Music or any Subsidiary of Warner Music (including, without limitation, amounts owed for compensation) other than the guarantee of Holdco of Indebtedness under the Credit Agreement;

(3) Indebtedness to trade creditors and other amounts incurred in connection with obtaining goods, materials or services (including guarantees thereof or instruments evidencing such liabilities);

(4) Indebtedness represented by Capital Stock;

(5) any liability for federal, state, local or other taxes owed or owing by Warner Music;

(6) that portion of any Indebtedness incurred in violation of the covenant contained under the caption "Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock";

(7) Indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, is without recourse to Warner Music; and

(8) any Indebtedness which is, by its express terms, subordinated in right of payment to any other Indebtedness of Warner Music.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"*Specified Financings*" means the financings included in the Transactions and this offering of the Notes.

"*Sponsors*" means Thomas H. Lee Partners, L.P. (together with any limited partner thereof, whether or not such investment in Warner Music is made through the same entity), Bain Capital Partners, LLC, Providence Equity Partners and Music Capital Partners, L.P.

"*Standard Securitization Undertakings*" means representations, warranties, covenants and indemnities entered into by Holdco or any Subsidiary of Holdco which Holdco has determined in good faith to be customary in a Securitization Financing, including, without limitation, those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Securitization Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Stockholders Agreement*" means the Stockholders Agreement by and among Warner Music, the Sponsors and/or their Affiliates and the other stockholders party thereto in effect on the Issue Date.

"*Subordinated Indebtedness*" means (a) with respect to Warner Music, any Indebtedness of Warner Music that is by its terms subordinated in right of payment to the Notes and (b) with respect to any Guarantor of the Notes, any Indebtedness of such Guarantor that is by its terms subordinated in right of payment to its Guarantee of the Notes.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity, of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership, joint venture, limited liability company or similar entity of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership or otherwise and (y) such Person or any Wholly Owned Restricted Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Transactions*" means the transactions contemplated by (i) the Purchase Agreement, (ii) the Credit Agreement and (iii) the offering of the outstanding notes.

"*Treasury Rate*" means (i) with respect to the Dollar Notes, as of the applicable redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to such redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to April 15, 2009; *provided*, *however*, that if the period from such redemption date to April 15, 2009 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used and (ii) with respect to the Sterling Notes, the yield to maturity as of such redemption date of U.K. Government Securities with a constant maturity (as compiled by the Office for National Statistics

and published in the most recent financial statistics that have become publicly available at least two business days in London prior to such redemption date (or, if such financial statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to April 15, 2009; *provided*, *however*, that if the period from such redemption date to April 15, 2009 is less than one year, the weekly average yield on actually traded U.K. Government Securities adjusted to a constant maturity of one year shall be used.

"*U.K. Government Securities*" means securities that are:

(1) direct obligations of the United Kingdom or issued by any agency or instrumentality thereof for the timely payment of which its full faith and credit is pledged, or

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United Kingdom, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United Kingdom.

which, in each case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such U.K. Government Securities or a specific payment of principal of or interest on any such U.K. Government Securities held by such custodian for the account of the holder of such depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.K. Government Securities or the specific payment of principal or interest on the U.K. Government Securities evidenced by such depository receipt.

"*Unrestricted Subsidiary*" means (i) any Subsidiary of Warner Music that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of Warner Music, as provided below) and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors of Warner Music may designate any Subsidiary of Warner Music (including any existing Subsidiary and any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on, any property of, Warner Music or any Subsidiary of Warner Music (other than any Subsidiary of the Subsidiary to be so designated); *provided* that (a) any Unrestricted Subsidiary must be an entity of which shares of the Capital Stock or other equity interests (including partnership interests) entitled to cast at least a majority of the votes that may be cast by all shares or equity interests having ordinary voting power for the election of directors or other governing body are owned, directly or indirectly, by Warner Music, (b) such designation complies with the covenant contained under the caption "Certain Covenants—Restricted Payments" and (c) each of (I) the Subsidiary to be so designated and (II) its Subsidiaries has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of Warner Music or any Restricted Subsidiary. The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary, *provided* that, immediately after giving effect to such designation, no Default or Event of Default shall have occurred and (1) Warner Music could incur $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test described under the first paragraph of "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock," or (2) the Fixed Charge Coverage Ratio for Warner Music and its Restricted Subsidiaries would be greater than such ratio for Warner Music and its Restricted Subsidiaries immediately prior to such designation, in each case on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be notified by Warner Music to the Trustee by promptly filing with the Trustee a copy of the board resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"*U.S. Government Securities*" means securities that are:

(a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged; or

(b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Restricted Subsidiary*" is any Wholly Owned Subsidiary that is a Restricted Subsidiary.

"*Wholly Owned Subsidiary*" of any Person means a Subsidiary of such Person, 100% of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

EXCHANGE OFFERS; REGISTRATION RIGHTS

Warner Music, the guarantors and the initial purchasers entered into a registration rights agreement on April 8, 2004. In the agreement, Warner Music and the guarantors agreed, for the benefit of the holders of the notes, to use their reasonable best efforts to file with the SEC and cause to become effective a registration statement relating to an offer to exchange the outstanding notes for an issue of SEC-registered notes with terms identical to the outstanding notes (except that the exchange notes will not be subject to restrictions on transfer or to any increase in annual interest rate as described below). The exchange notes will be guaranteed by the guarantors of the outstanding notes.

When the SEC declares the exchange offer registration statement effective, Warner Music and the guarantors will offer the exchange notes in return for the outstanding notes. The exchange offers will remain open for at least 20 business days after the date that notice of the exchange offers is mailed to holders of the outstanding notes. For each outstanding note surrendered under the exchange offers, the holders of the outstanding notes will receive an exchange note of equal principal amount. Interest on each exchange notes will accrue from the last interest payment date on which interest was paid on the outstanding notes or, if no interest has been paid on the outstanding notes, from the date of initial issuance of the outstanding notes.

If applicable interpretations of the staff of the SEC do not permit Warner Music and the guarantors to effect the exchange offers, they will use their reasonable best efforts to cause to become effective a shelf registration statement relating to resales of the outstanding notes or the exchange notes, as the case may be, and to keep the shelf registration statement effective for two years or such shorter period ending when all outstanding notes or exchange notes covered by the statement have been sold in the manner set forth and as contemplated in the statement or to the extent that the applicable provisions of Rule 144(k) under the Securities Act are amended or revised. Warner Music and the guarantors will, in the event of such a shelf registration, provide to each noteholder copies of a prospectus, notify each noteholder when the shelf registration statement has become effective and take certain other actions to permit resales of the notes. A noteholder that sells notes under the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with those sales and will be bound by the provisions of the registration rights agreement that are applicable to such a noteholder (including certain indemnification obligations).

If the exchange offers are not completed (or, if required, the shelf registration statement is not declared effective) on or before the date that is 360 days after the closing date, the annual interest rate borne by the notes will be increased by 0.25% per annum (which rate will be increased by an additional 0.25% per annum for each subsequent 90-day period that such additional interest continues to accrue, provided that the rate at which such additional interest accrues may in no event exceed 1.00% per annum) until the exchange offers are completed or the shelf registration statement is declared effective.

If Warner Music effects the exchange offers, it will be entitled to close the exchange offers 20 business days after commencement of the exchange offers, provided that Warner Music has accepted all notes validly surrendered in accordance with the terms of the exchange offers. Notes not tendered in the exchange offers will bear interest at the applicable rate set forth on the cover page of this prospectus and be subject to all the terms and conditions specified in the indenture, including transfer restrictions.

The exchange dollar notes will be accepted for clearance through The Depository Trust Company. The exchange sterling notes will be accepted for clearance through Euroclear and Clearstream, Luxembourg.

Application has been made to list the exchange sterling notes on the Luxembourg Stock Exchange. We will advise the Luxembourg Stock Exchange of the Exchange Offers prior to its commencement and will also advise the Luxembourg Stock Exchange if the Exchange Offers are extended and when the Exchange Offers close after the consummation of the Exchange Offers. We will provide the Luxembourg Stock Exchange with a supplementary listing memorandum providing the new code, deposit date, exchange amount and principal amount of new exchange sterling notes outstanding. All such notices regarding the exchange sterling notes will, if and so long as the exchange sterling notes are listed on the Luxembourg Stock Exchange and the rules of that stock exchange so require, be published in a daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Copies of all documentation in connection with the exchange offers will be available and all actions necessary in connection with the exchange offers can be carried out during normal business hours on any weekday at the office of the Luxembourg listing agent for the exchange sterling notes.

This summary of the provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, which is filed as an exhibit to the registration statement of which this prospectus is a part.

BOOK-ENTRY; DELIVERY AND FORM

Each issue of exchange notes issued in exchange for outstanding notes will be represented by a global note in definitive, fully registered form, without interest coupons (collectively, the "Global Notes"). The Global Notes representing the exchange dollar notes (collectively, the "Dollar Global Notes") and will be deposited with the applicable trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC.

The Global Notes representing the exchange sterling notes (collectively, the "Sterling Global Notes") will be deposited with a common depositary (the "Common Depositary") for the Euroclear System as operated by Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg," formerly Cedelbank) and registered in the name of a nominee of the Common Depositary.

Except in the limited circumstances described below, owners of beneficial interests in global notes will not be entitled to receive physical delivery of certificated notes. Transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and their respective direct or indirect participants, which rules and procedures may change from time to time.

Global Notes

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them from time to time. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

Upon the issuance of the Dollar Global Notes, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global notes to the accounts of persons who have accounts with such depositary. Ownership of beneficial interests in a Dollar Global Note will be limited to its participants or persons who hold interests through its participants. Ownership of beneficial interests in the Dollar Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

Upon the issuance of the Sterling Global Notes, the Common Depositary will credit, on its internal system, the respective principal amount of the beneficial interests represented by such global note to the accounts of Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will credit, on their internal systems, the respective principal amounts of the individual beneficial interests in such global notes to the accounts of persons who have accounts with Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in the Sterling Global Notes will be limited to participants or persons who hold interests through participants in Euroclear or Clearstream, Luxembourg. Ownership of beneficial interests in the Sterling Global Notes will be shown on and the transfer of that ownership will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg or their nominees (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

As long as DTC or the Common Depositary, or its respective nominee, is the registered holder of a global note, DTC or the Common Depositary or such nominee, as the case may be, will be considered the sole owner and holder of the notes represented by such global notes for all purposes under the indenture and the notes. Unless (1) in the case of a Dollar Global Note, DTC notifies us that it is unwilling or unable to continue as depositary for such global note or ceases to be a "Clearing

Agency" registered under the Exchange Act, (2) in the case of a Sterling Global Note, Euroclear and Clearstream, Luxembourg notify us they are unwilling or unable to continue as clearing agency, (3) in the case of a Sterling Global Note, the Common Depositary notifies us that it is unwilling or unable to continue as Common Depositary and a successor Common Depositary is not appointed within 90 days of such notice or (4) in the case of any global note, an event of default has occurred and is continuing with respect to such note, owners of beneficial interests in such global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in certificated form and will not be considered the owners or holders of such global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owners of an interest in a global note will be able to transfer that interest except in accordance with DTC's and/or Euroclear's and Clearstream, Luxembourg's applicable procedures (in addition to those under the indenture).

Investors may hold their interests in the Sterling Global Notes through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Investors may hold their interests in the Dollar Global Notes directly through DTC, if they are participants in such system, or indirectly through organizations (including Euroclear and Clearstream, Luxembourg) which are participants in such system. All interests in a global note may be subject to the procedures and requirements of DTC and/or Euroclear and Clearstream, Luxembourg.

Payments of the principal of and interest on Dollar Global Notes will be made to DTC or its nominee as the registered owner thereof. Payments of the principal of and interest on the Sterling Global Notes will be made to the order of the Common Depositary or its nominee as the registered owner thereof. Neither we, the Trustee, DTC, the Common Depositary nor any of their respective agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note for such notes as shown on the records of DTC or its nominee. We expect that the Common Depositary, in its capacity as paying agent, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by it or its nominee, will immediately credit the accounts of Euroclear and Clearstream, Luxembourg, which in turn will immediately credit accounts of participants in Euroclear and Clearstream, Luxembourg with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note for such notes as shown on the records of Euroclear and Clearstream, Luxembourg. We also expect that payments by participants to owners of beneficial interests in such global note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name." Such payments will be the responsibility of such participants.

Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of their respective participants, who in turn act on behalf of indirect participants and certain banks, the ability of a holder of a beneficial interest in global notes to pledge such interest to persons or entities that do not participate in the DTC, Euroclear or Clearstream, Luxembourg systems, or otherwise take actions in respect of such interest may be limited by the lack of a definitive certificate for such interest. The laws of some countries and some U.S. states require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg can act only on behalf of participants, which in turn, act on behalf of indirect participants and certain banks, the ability of a

person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system or in Euroclear and Clearstream, Luxembourg, as the case may be, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest.

Except for trades involving only Euroclear and Clearstream, Luxembourg participants, interests in the Dollar Global Notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its participants. Transfers of interests in Dollar Global Notes between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers of interests in Sterling Global Notes and Dollar Global Notes between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described above, cross-market transfers of beneficial interests in Dollar Global Notes between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depositary; however, such crossmarket transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global note in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Dollar Global Note from a DTC participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg immediately following the DTC settlement date). Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a global note by or through a Euroclear or Clearstream, Luxembourg participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following the DTC settlement date.

DTC, Euroclear and Clearstream, Luxembourg have advised us that they will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account with DTC or Euroclear or Clearstream, Luxembourg, as the case may be, interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC, Euroclear and Clearstream, Luxembourg reserve the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to their respective participants.

DTC has advised us as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve system, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the

provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Euroclear and Clearstream, Luxembourg have advised us as follows: Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

Although DTC, Euroclear and Clearstream, Luxembourg currently follow the foregoing procedures to facilitate transfers of interests in global notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to do so, and such procedures may be discontinued or modified at any time. Neither we nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If any depositary is at any time unwilling or unable to continue as a depositary for notes for the reasons set forth above under "—Global Notes," we will issue certificates for such notes in definitive, fully registered, non-global form without interest coupons in exchange for the applicable global notes. Certificates for notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC, Euroclear, Clearstream, Luxembourg or the Common Depositary (in accordance with their customary procedures).

The holder of a non-global note may transfer such note, subject to compliance with the provisions of the applicable legend, by surrendering it at the office or agency maintained by us for such purpose in The City and State of New York or in London, England, which initially will be the offices of the

Trustee in such locations or, in the case of sterling notes, to the transfer agent in Luxembourg. Upon the transfer, change or replacement of any note bearing a legend, or upon specific request for removal of a legend on a note, we will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither such legend nor any restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any note in non-global form may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the Trustee with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be. Upon transfer or partial redemption of any note, new certificates may be obtained from the Trustee or from the transfer agent in Luxembourg.

Notwithstanding any statement herein, we and the Trustee reserve the right to impose such transfer, certification, exchange or other requirements, and to require such restrictive legends on certificates evidencing notes, as they may determine are necessary to ensure compliance with the securities laws of the U.S. and any state therein and any other applicable laws or as DTC, Euroclear or Clearstream, Luxembourg may require.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The exchange of outstanding notes for exchange notes in the exchange offers will not constitute a taxable event to holders for United States federal income tax purposes. Consequently, no gain or loss will be recognized by a holder upon receipt of an exchange note, the holding period of the exchange note will include the holding period of the outstanding note exchanged therefor, and the basis of the exchange note will be the same as the basis of the outstanding note immediately before the exchange.

In any event, persons considering the exchange of outstanding notes for exchange notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the outstanding notes and exchange notes by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, "Similar Laws"), and entities whose underlying assets are considered to include "plan assets" of such plans, accounts and arrangements (each, a "Plan").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an "ERISA Plan") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest", within the meaning of ERISA, or "disqualified persons", within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of notes by an ERISA Plan with respect to which Warner Music Group or the guarantors is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor (the "DOL") has issued prohibited transaction class exemptions, or "PTCEs", that may apply to the acquisition and holding of the notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers, although there can be no assurance that all of the conditions of any such exemptions will be satisfied.

Because of the foregoing, the notes should not be acquired or held by any person investing "plan assets" of any Plan, unless such acquisition and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws.

Representation

Accordingly, by acceptance of a note, each purchaser and subsequent transferee of a note will be deemed to have represented and warranted that either (1) no portion of the assets used by such purchaser or transferee to acquire and hold the notes constitutes assets of any Plan or (2) the purchase and holding of the notes by such acquirer or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering acquiring the notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the acquisition and holding of the notes.

PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offers must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where the outstanding notes were acquired as a result of market-making activities or other trading activities. To the extent any such broker-dealer participates in the exchange offers, we have agreed that for a period of up to 90 days, we will use our reasonable best efforts to make this prospectus, as amended or supplemented, available to such broker-dealer for use in connection with any such resale, and will deliver as many additional copies of this prospectus and each amendment or supplement to this prospectus and any documents incorporated by reference in this prospectus as such broker-dealer may reasonably request.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own accounts pursuant to the exchange offers may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of these methods of resale, at market prices prevailing at the time of resale, at prices related to the prevailing market prices or negotiated prices. Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offers and any broker or dealer that participates in a distribution of the exchange notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any resale of exchange notes and any commissions or concessions received by these persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

We have agreed to pay all expenses incident to the exchange offers and will indemnify the holders of outstanding notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the exchange notes offered hereby will be passed upon by Simpson Thacher & Bartlett LLP, New York, New York.

EXPERTS

The consolidated and combined financial statements of Warner Music Group as of September 30, 2004 and November 30, 2003 (Predecessor) and for the seven months ended September 30, 2004, three months ended February 29, 2004 (Predecessor) and each of the two years ended November 30, 2003 (Predecessor), appearing in the Prospectus and Registration Statement, have been audited by Ernst & Young LLP, independent registered public accounting firm, as stated in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form S-4 under the Securities Act with respect to the exchange notes being offered hereby. This prospectus, which forms a part of the registration statement, does not contain all of the information set forth in the registration statement. For further information with respect to us and the exchange notes, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete, and, where such contract or other document is an exhibit to the registration statement, each such statement is qualified by the provisions in such exhibit to which reference is hereby made. We are not currently subject to the informational requirements of the Exchange Act. As a result of the offering of the exchange notes, we will become subject to the informational requirements of the Exchange Act and, in accordance therewith, will file reports and other information with the SEC. The registration statement and other information can be inspected and copied at the Public Reference Room of the SEC located at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549. Copies of such materials, including copies of all or any portion of the registration statement, can be obtained from the Public Reference Room of the SEC at prescribed rates. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. Such materials may also be accessed electronically by means of the SEC's home page on the Internet (http://www.sec.gov).

Application has been made to list the notes on the Luxembourg Stock Exchange, but there can be no assurance that the notes will be approved for listing or that we will be able to continue to maintain such listing in the future. Prior to the listing, a legal notice relating to the issuance of the notes and our Certificate of Incorporation will be deposited with the Registre de Commerce des Sociétés à Luxembourg (Commercial Register at Luxembourg) where you may request copies. In addition, for so long as the notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, we will also provide a copy of all of the foregoing information and reports to the Luxembourg Stock Exchange and make this information available in Luxembourg at the office of the Luxembourg Paying Agent.

WARNER MUSIC GROUP
(Otherwise known as WMG Acquisition Corp.)

CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

Seven Months Ended September 30, 2004, Three Months Ended February 29, 2004 and Years Ended November 30, 2003 and 2002

Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Warner Music Group

We have audited the accompanying consolidated balance sheet of Warner Music Group (the "Company") as of September 30, 2004, as defined in Note 2, and the related consolidated statements of operations, shareholders' equity, and cash flows for the seven months ended September 30, 2004. Our audit also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at September 30, 2004, and the consolidated results of its operations and its cash flows for the seven months ended September 30, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As described in Note 17 to the consolidated and combined financial statements, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," effective March 1, 2004.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The condensed consolidating financial statements are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

/s/ ERNST & YOUNG LLP

December 16, 2004
New York, New York

Report of Independent Registered Public Accounting Firm

The Shareholder of Warner Music Group

We have audited the accompanying combined balance sheet of Warner Music Group (the "Company") as of November 30, 2003 (Predecessor Basis), as defined in Note 2, and the related combined statements of operations, group equity, and cash flows for the three months ended February 29, 2004 (Predecessor Basis) and each of the two years ended November 30, 2003 (Predecessor Basis). Our audit also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Company at November 30, 2003 (Predecessor Basis), and the combined results of its operations and its cash flows for the three months ended February 29, 2004 (Predecessor Basis), and each of the two years ended November 30, 2003 (Predecessor Basis), in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The condensed consolidating financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

/s/ ERNST & YOUNG LLP

July 8, 2004
New York, New York

Warner Music Group
(Otherwise known as WMG Acquisition Corp.)

Consolidated and Combined Balance Sheets

	Successor	Predecessor
	September 30, 2004	November 30, 2003
	(in millions)	
Assets		
Current assets:		
Cash and equivalents[a]	$ 555	$ 144
Accounts receivable, less allowances of $222 and $291 million[b]	571	736
Inventories	65	61
Royalty advances expected to be recouped within one year	223	245
Deferred tax assets	38	230
Other current assets	86	90
Total current assets	1,538	1,506
Royalty advances expected to be recouped after one year	223	266
Investments	8	10
Property, plant and equipment, net	189	221
Goodwill	978	—
Intangible assets subject to amortization, net	1,937	2,431
Intangible assets not subject to amortization	100	24
Other assets	117	26
Total assets	$ 5,090	$ 4,484
Liabilities and Shareholder's and Group Equity		
Current liabilities:		
Accounts payable	$ 226	$ 285
Accrued royalties	1,003	959
Taxes and other withholdings, including $3 million due to Time Warner-affiliated companies in 2003	10	34
Current portion of long-term debt	12	—
Other current liabilities	432	367
Total current liabilities	1,683	1,645
Long-term debt	1,828	120
Deferred tax liabilities, net	265	952
Other noncurrent liabilities	333	180
Due to WMG Parent Corp.	3	—
Total liabilities	4,112	2,897
Shareholder's and group equity:		
Common stock	—	—
Additional paid-in capital[a]	1,076	—
Retained earnings (deficit)	(104)	—
Accumulated other comprehensive income, net	6	—
Group equity	—	2,347
Due from Time Warner-affiliated companies, net	—	(760)
Total shareholder's and group equity[a]	978	1,587
Total liabilities and shareholder's and group equity	$ 5,090	$ 4,484

(a) Subsequent to September 30, 2004, a return of capital was paid, which had the effect of reducing each of cash and equivalents and shareholder's equity by $342 million. After giving effect to this subsequent payment, cash and equivalents, additional paid-in capital and shareholder's equity reflected in the above balance sheet at September 30, 2004 were $213 million, $734 million and $636 million, respectively. See Note 18 for further reference.

(b) Accounts receivable includes an approximate $32 million receivable from Time Warner at September 30, 2004. In addition, accounts receivable at November 30, 2003 includes an approximate $196 million retained beneficial interest in a Time Warner-affiliated, qualifying special-purpose entity used in connection with Time Warner's accounts receivable securitization program (see Note 23).

See accompanying notes.

Warner Music Group
(Otherwise known as WMG Acquisition Corp.)

Consolidated and Combined Statements of Operations

	Successor	Predecessor			
				Years Ended November 30,	
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	2003	2002
	(audited)	(audited)	(unaudited)	(audited)	(audited)
	(in millions)				
Revenues[b]	$ 1,769	$ 779	$ 2,487	$ 3,376	$ 3,290
Costs and expenses:					
Cost of revenues[a][b]	(944)	(415)	(1,449)	(1,940)	(1,873)
Selling, general and administrative expenses[a][b]	(677)	(319)	(995)	(1,286)	(1,282)
Impairment of goodwill and other intangible assets	—	—	—	(1,019)	(1,500)
Amortization of intangible assets	(104)	(56)	(201)	(242)	(182)
Loss on sale of physical distribution assets (Note 7)	—	—	(12)	(12)	—
Restructuring (costs) income, net[c]	(26)	—	(27)	(35)	5
Total costs and expenses	(1,751)	(790)	(2,684)	(4,534)	(4,832)
Operating income (loss)	18	(11)	(197)	(1,158)	(1,542)
Interest expense, net[b]	(80)	(2)	(5)	(5)	(23)
Net investment-related (losses) gains	—	—	(17)	(26)	42
Equity in the losses of equity-method investees, net	(2)	(2)	(32)	(41)	(42)
Deal-related transaction and other costs	—	—	(7)	(70)	—
Loss on repayment of bridge loan	(6)	—	—	—	—
Other expense, net[b]	(4)	—	(10)	(17)	(5)
Loss before income taxes and cumulative effect of accounting change	(74)	(15)	(268)	(1,317)	(1,570)
Income tax (expense) benefit	(30)	(17)	29	(36)	340
Loss before cumulative effect of accounting change	(104)	(32)	(239)	(1,353)	(1,230)
Cumulative effect of accounting change	—	—	—	—	(4,796)
Net loss	$ (104)	$ (32)	$ (239)	$ (1,353)	$ (6,026)
(a) Includes depreciation expense of:	$ (36)	$ (16)	$ (71)	$ (86)	$ (67)

See accompanying notes.

(b) Includes the following income (expenses) resulting from transactions with related companies (see Note 19):

	Successor	Predecessor		Years Ended November 30,	
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	2003	2002
	(audited)	(audited)	(unaudited)	(audited)	(audited)
	(in millions)				
Revenues	$ —	$ 4	$ 35	$ 56	$ 60
Cost of revenues	—	(2)	(195)	(239)	(233)
Selling, general and administrative expenses	(10)	(12)	(114)	(144)	(143)
Interest expense, net	—	1	8	10	(3)
Other expense, net	—	—	(10)	(17)	(4)

(c) Restructuring income in 2002 relates to a $12 million reversal of non-merger related restructuring charges recognized in a prior period as a result of either the planned action not ultimately occurring or actual costs being less than originally estimated. Such amount was offset by other non-merger related restructuring charges incurred during the period of $7 million (see Note 12).

See accompanying notes.

Warner Music Group
(Otherwise known as WMG Acquisition Corp.)

Consolidated and Combined Statements of Cash Flows

	Successor	Predecessor			
				Years Ended November 30,	
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	2003	2002
	(audited)	(audited)	(unaudited)	(audited)	(audited)
			(in millions)		
Cash flows from operating activities					
Net loss	$ (104)	$ (32)	$ (239)	$ (1,353)	$ (6,026)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Cumulative effect of accounting change	—	—	—	—	4,796
Impairment of goodwill and other intangible assets	—	—	—	1,019	1,500
Depreciation and amortization	140	72	272	328	249
Deferred taxes	8	(4)	(79)	(19)	(394)
Loss on sale of physical distribution assets	—	—	12	12	—
Loss on repayment of bridge loan	6	—	—	—	—
Non-cash interest expense	19	2	10	11	17
Net investment-related losses (gains)	—	—	17	26	(42)
Equity in the losses of equity-method investees, including distributions	3	2	35	44	43
Changes in operating assets and liabilities:					
Accounts receivable	(33)	387	275	(121)	90
Inventories	(10)	6	24	12	17
Royalty advances	77	(4)	38	111	(30)
Accounts payable and accrued liabilities	(23)	(109)	(116)	169	(174)
Other balance sheet changes	3	1	8	39	(59)
Net cash provided by (used in) operating activities[(a)]	86	321	257	278	(13)
Cash flows from investing activities					
Acquisition of Old WMG[(b)]	(2,638)	—	—	—	—
Other investments and acquisitions	(10)	(2)	(43)	(52)	(1,102)
Investment proceeds	—	19	—	38	825
Capital expenditures	(15)	(3)	(30)	(51)	(88)
Net cash (used in) provided by investing activities	(2,663)	14	(73)	(65)	(365)
Cash flows from financing activities					
Borrowings	2,348	—	114	114	—
Financing costs of borrowings	(99)	—	—	—	—
Debt repayments	(631)	(124)	(101)	(101)	—
Capital contributions[(b)]	1,250	262	132	132	—
Increase in amounts due to WMG Parent Corp.	3	—	—	—	—
Decrease (increase) in amounts due from Time Warner-affiliated companies	—	194	(293)	(195)	416
Dividends and returns of capital paid	(210)	(342)	—	(68)	(31)
Principal payments on capital lease	—	—	(3)	(3)	—
Net cash provided by (used in) financing activities	2,661	(10)	(151)	(121)	385
Effect of foreign currency exchange rate changes on cash	—	2	6	11	—
Net increase in cash and equivalents	84	327	39	103	7
Cash and equivalents at beginning of period	471	144	41	41	34
Cash and equivalents at end of period	$ 555	$ 471	$ 80	$ 144	$ 41

(a) Net cash used in operating activities for the seven months ended September 30, 2004 includes approximately $105 million of acquisition-related restructuring payments. Net cash used in operating activities for 2002 includes approximately $175 million of one-time payments, principally relating to merger-related restructuring activities.

(b) Excludes $35 million of non-cash consideration issued by the parent company of New WMG as part of the purchase price paid to Time Warner in the form of warrants.

See accompanying notes.

Warner Music Group
(Otherwise known as WMG Acquisition Corp.)

Consolidated and Combined Statements of Shareholder's and Group Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Group Equity	Due from Time Warner-Affiliated Companies, net	Total Shareholder's and Group Equity
				(in millions)			
Predecessor							
Balance at November 30, 2001	$ —	$ —	$ —	$ —	$ 15,569	$ (981)	$ 14,588
Comprehensive loss:							
Net loss[a]	—	—	—	—	(6,026)	—	(6,026)
Foreign currency translation adjustment	—	—	—	—	17	—	17
Deferred losses on foreign exchange contracts	—	—	—	—	(8)	—	(8)
Total comprehensive loss	—	—	—	—	(6,017)	—	(6,017)
Reallocation of goodwill to other segments of Time Warner upon the initial adoption of FAS 142	—	—	—	—	(5,942)	—	(5,942)
Tax benefits on stock options exercised	—	—	—	—	2	—	2
Decrease in amounts due from Time Warner-affiliated companies, net	—	—	—	—	—	416	416
Dividends	—	—	—	—	(31)	—	(31)
Other	—	—	—	—	(15)	—	(15)
Balance at November 30, 2002	—	—	—	—	3,566	(565)	3,001
Comprehensive loss:							
Net loss[a]	—	—	—	—	(1,353)	—	(1,353)
Foreign currency translation adjustment	—	—	—	—	68	—	68
Deferred gains on foreign exchange contracts	—	—	—	—	4	—	4
Total comprehensive loss	—	—	—	—	(1,281)	—	(1,281)
Reduction in tax benefits on stock options exercised	—	—	—	—	(2)	—	(2)
Increase in amounts due from Time Warner-affiliated companies, net	—	—	—	—	—	(195)	(195)
Capital contributions	—	—	—	—	132	—	132
Dividends	—	—	—	—	(68)	—	(68)
Balance at November 30, 2003	—	—	—	—	2,347	(760)	1,587
Comprehensive loss:							
Net loss	—	—	—	—	(32)	—	(32)
Foreign currency translation adjustment	—	—	—	—	21	—	21
Total comprehensive loss	—	—	—	—	(11)	—	(11)
Decrease in amounts due from Time Warner-affiliated companies, net	—	—	—	—	—	325	325
Capital contributions	—	—	—	—	262	—	262
Dividends	—	—	—	—	(969)	497	(472)
Balance at February 29, 2004	$ —	$ —	$ —	$ —	$ 1,629	$ 62	$ 1,691

(a) Net loss for 2003 includes an approximate $1.019 billion impairment charge to reduce the carrying value of goodwill, trademarks and other intangible assets in the fourth quarter of 2003. In addition, net loss for 2002 includes a $4.8 billion impairment charge to reduce the carrying value of goodwill upon the initial adoption of FAS 142 and a $1.5 billion impairment charge to reduce the carrying value of goodwill and other intangible assets in the fourth quarter of 2002 (see Note 11).

See accompanying notes.

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Group Equity	Due from Time Warner-Affiliated Companies, net	Total Shareholder's and Group Equity
				(in millions)			
Successor							
Balance at February 29, 2004—Predecessor	$ —	$ —	$ —	$ —	$ 1,629	$ 62	$ 1,691
Adjustments to record the Acquisition:							
Transfer of excluded net liabilities to Time Warner	—	—	—	—	12	(12)	—
Elimination of historical equity balances	—	—	—	—	(1,641)	(50)	(1,691)
Capital contribution to fund a portion of the purchase price of the Company	—	1,250	—	—	—	—	1,250
Pushdown of portion of the purchase price of the Company funded by the issuance of warrants to Time Warner by the parent company of Warner Music Group	—	35	—	—	—	—	35
Balance at March 1, 2004, adjusted to give effect to the Acquisition	—	1,285	—	—	—	—	1,285
Comprehensive loss:							
Net loss			(104)				(104)
Foreign currency translation adjustment				10			10
Deferred loses on derivative financial instruments				(4)			(4)
Total comprehensive loss			(104)	6			(98)
Return of capital	—	(210)	—	—	—	—	(210)
Other	—	1	—	—	—	—	1
Balance at September 30, 2004	$ —	$ 1,076	$ (104)	$ 6	$ —	$ —	$ 978

See accompanying notes.

1. Description of Business

Warner Music Group (the "Company" or "New WMG"), otherwise known as WMG Acquisition Corp., is one of the world's major music companies. The Company is the successor to the interests of the recorded music and music publishing businesses of Time Warner Inc. ("Time Warner"). Such predecessor interests formerly owned by Time Warner are hereinafter referred to as "Old WMG" or the "Predecessor." Effective March 1, 2004, Old WMG was acquired from Time Warner by a private consortium of investors (the "Investor Group") for approximately $2.6 billion (the "Acquisition").

The Company classifies its business interests into two fundamental areas: recorded music and music publishing. A brief description of those operations is presented below.

Recorded Music Operations

The Company's recorded music operations consist of the discovery and development of artists and the related marketing and distribution of recorded music produced by such artists. In the United States, the Company's operations are conducted principally through its major record labels—Warner Bros. Records, The Atlantic Records Group, and Word Entertainment. Internationally, the Company's recorded music operations are conducted through its Warner Music International division ("WMI") in over 50 countries outside the United States through various subsidiaries, affiliates and non-affiliated licensees. The Company's current roster of recording artists includes, among others, Cher, Enya, Eric Clapton, Faith Hill, Josh Groban, Kid Rock, Linkin Park, Luis Miguel, Madonna, matchbox twenty, Metallica, Missy Elliott, Phil Collins and Red Hot Chili Peppers.

The Company's recorded music operations also include a catalog division called Warner Strategic Marketing ("WSM"). WSM 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 tracks to/from third parties for various uses, including film and television soundtracks.

The Company's principal recorded-music distribution operations include Warner-Elektra-Atlantic Corporation ("WEA Corp."), which primarily markets and distributes music products to retailers and wholesale distributors in the United States; a 90% interest in Alternative Distribution Alliance, an independent distribution company; various distribution centers and ventures operated internationally; and an 80% interest in Word Entertainment, whose distribution operations specialize in the distribution of music products in the Christian retail marketplace.

The principal recorded-music revenue sources to the Company are sales of CDs, digital downloads and other recorded music products, and license fees received for the ancillary uses of its recorded music catalog.

Music Publishing Operations

The Company's music publishing operations include Warner/Chappell Music, Inc. and its wholly owned subsidiaries, and certain other music-publishing affiliates of the Company. The Company owns or controls the rights to more than one million musical compositions, including numerous pop music hits, American standards, folk songs and motion picture and theatrical compositions. Its catalog includes works from a diverse range of artists and composers, including Barry Gibb, Cole Porter, Dido, Madonna, Moby, Nickelback, R.E.M. and Staind. The Company also administers the music of several television and motion picture companies, including Lucasfilm, Ltd. and Hallmark Entertainment.

The Company's music publishing operations include Warner Bros. Publications U.S. Inc. ("Warner Bros. Publications"), one of the world's largest publishers of printed music. Warner Bros. Publications

markets publications throughout the world containing works of such artists as Shania Twain, The Grateful Dead and Led Zeppelin. However, in December 2004, the Company entered into an agreement to sell its printed music business to Alfred Publishing Co., Inc. ("Alfred Publishing"). The sale is expected to close during the first calender quarter of 2005 and is subject to customary closing conditions. See Note 7 for additional information.

The principal music-publishing revenue sources to the Company are royalties for the use of its compositions on CDs and DVDs, in television commercials, ring tones, music videos and the Internet; license fees received for the use of its musical compositions on radio, television, in motion pictures and in other public performances; and sales of published sheet music and songbooks.

2. Basis of Presentation

New Basis of Presentation

The accompanying consolidated and combined financial statements present separately the financial position, results of operations, cash flows and changes in equity for both the Company and its predecessor, Old WMG. As described in further detail in Note 5, Old WMG was acquired by the Investor Group effective as of March 1, 2004. In connection with the Acquisition, a new accounting basis was established for the Company as of the acquisition date based upon an allocation of the purchase price to the underlying net assets acquired. Financial information for the pre- and post-acquisition periods have been separated by a vertical line on the face of the consolidated and combined financial statements to highlight the fact that the financial information for such periods have been prepared under two different historical-cost bases of accounting.

Old Basis of Presentation

As previously described, the operations of the Company were under the control of Time Warner through the end of February 2004. In January 2001, historic Time Warner was acquired by America Online Inc. ("AOL") in a transaction hereinafter referred to as the "AOL Time Warner Merger". The AOL Time Warner Merger was accounted for under the purchase method of accounting. Under the purchase method of accounting, the basis of the historical net assets included in the accompanying combined financial statements was adjusted, effective as of January 1, 2001, to reflect an allocable portion of the purchase price relating to the AOL Time Warner Merger. See Note 6 for additional information.

For all periods prior to the closing of the Acquisition, the accompanying combined financial statements reflect all assets, liabilities, revenues, expenses and cash flows directly attributable to Old WMG. In addition, the accompanying combined financial statements include allocations of certain costs of Time Warner and Old WMG deemed reasonable by the Company's management, in order to present the results of operations, financial position, changes in group equity and cash flows of Old WMG on a stand-alone basis. The principal allocation methodologies are described below. The financial information included herein does not necessarily reflect the results of operations, financial position, changes in group equity and cash flows of Old WMG in the future or what would have been reflected had Old WMG been a separate, stand-alone entity during the periods presented. The income tax benefits and provisions, related tax payments and deferred tax balances have been prepared as if Old WMG operated as a stand-alone taxpayer for the periods presented.

For all periods prior to the closing of the Acquisition, certain general and administrative costs incurred by Time Warner have been allocated to the combined financial statements of Old WMG, including pension and other benefit-related costs, insurance-related costs and other general and administrative costs. These cost allocations were determined based on a combination of factors, as appropriate, including Old WMG's pro rata share of the revenues under the management of Old WMG and other more directly attributable methods, such as claim experience for insurance costs and employee-related attributes for pension costs. The costs allocated to the Company are not necessarily indicative of the costs that would have been incurred if Old WMG had obtained such services independently, nor are they indicative of costs that will be charged or incurred in the future. However, management believes that such allocations are reasonable.

Fiscal Year

In 2004, in connection with the Acquisition, the Company changed its fiscal year-end to September 30th from November 30th. As such, financial information for 2004 is presented for a shortened ten-month transition period ended September 30, 2004. This financial information for 2004 also has been separated into two pre-acquisition and post-acquisition periods as a result of the change in accounting basis that occurred relating to the Acquisition. In order to enhance comparability, financial information for the ten-month period ended September 30, 2004 has been supplemented by the presentation of unaudited financial information for the ten-month period ended September 30, 2003. Based on how the Company's closing schedule occurred in 2003, the information for the ten-month period ended September 30, 2003 consists of 43 weeks, as compared to 44 weeks contained in the ten-month period ended September 30, 2004.

Basis of Consolidation and Combination

Prior to the closing of the Acquisition, the recorded music and music publishing operations of the Company were legally held by multiple subsidiaries and affiliates of Old WMG and Time Warner. As such, the accompanying financial statements present the *combined* accounts of such businesses for all periods prior to the Acquisition. After the closing of the Acquisition, New WMG acquired the stock or net assets of those predecessor businesses. Accordingly, the accompanying financial statements present the *consolidated* accounts of such businesses for all periods after the closing of the Acquisition. The consolidated accounts include 100% of the assets, liabilities, revenues, expenses, income, losses and cash flows of New WMG and all entities in which New WMG has a controlling voting interest and/or variable interest entities required to be consolidated in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All significant intercompany balances and transactions have been eliminated in consolidation and combination.

Reclassifications

Certain reclassifications have been made to the prior periods' financial information in order to conform to the current period's presentation.

Amounts Due To/From Time Warner-Affiliated Companies

As described further in Note 19, prior to the closing of the Acquisition that was effective in March 2004, Old WMG had various commercial and financing arrangements with Time Warner and its affiliates. To illustrate, Old WMG distributed home video product for Time Warner's filmed

entertainment division and Old WMG's financing requirements were funded by Time Warner. Given the intercompany nature of these and other arrangements, the related payables and receivables generally were not settled through periodic cash payments and receipts. Accordingly, except as noted below for income taxes, the net amounts due from all transactions with Time Warner-affiliated companies have been classified as a reduction of group equity in the accompanying combined balance sheet for all periods prior to March 2004.

With respect to income taxes for all periods prior to the closing of the Acquisition that was effective in March 2004, the income tax benefits and provisions, related tax payments and deferred tax balances have been prepared as if Old WMG operated as a stand-alone taxpayer. As such, while generally owed to Time Warner or its subsidiaries because Old WMG's taxable results were included in the consolidated income tax returns of Time Warner or its subsidiaries, all current and deferred tax liabilities for those periods have been classified as liabilities in the accompanying combined balance sheet as of November 30, 2003.

In connection with the Acquisition, substantially all of the intercompany receivables and payables between Old WMG and Time Warner and its affiliates were settled, and any receivables and payables that existed between the parties as of September 30, 2004 have been presented as third-party balances in the accompanying consolidated balance sheet. In addition, with respect to taxes, Timer Warner assumed all of the underlying tax obligations of Old WMG for all periods prior to the closing of the Acquisition. As such, all historical current and deferred tax assets and liabilities that existed as of the closing date of the Acquisition were transferred to Time Warner. Current and deferred tax assets and liabilities that existed as of September 30, 2004 are third-party in nature and have been presented as such in the accompanying consolidated balance sheet.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated and combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates due to, among other factors, the risks inherent in the recorded music and music publishing businesses, including continuing industry-wide piracy. Estimates are used when accounting for certain items such as allowances for doubtful accounts and sales returns, depreciation and amortization, asset impairments (including royalty advances and intangible assets), contingencies and the value of stock-based compensation. In addition, significant estimates were used in accounting for the Acquisition under the purchase method of accounting, and prior to the Acquisition, in allocating certain costs to Old WMG in order to present Old WMG's operating results on a stand-alone basis (see Note 2).

Cash and Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Prior to the closing of the Acquisition, Old WMG had agreements with Time Warner, whereby all cash received or paid by Old WMG was included in, or funded by, clearing accounts or international cash pools within Time Warner's centralized cash management system. The average monthly balance of amounts due from Time Warner and its affiliates was $1.2 billion for the three-month period ended

February 29, 2004, $778 million for the year ended November 30, 2003 and $791 million for the year ended November 30, 2002. Net amounts due from Time Warner and its affiliates are reflected as a reduction of group equity in the accompanying combined balance sheet of Old WMG as of November 30, 2003.

Foreign Currency Translation

The financial position and operating results of substantially all foreign operations are consolidated or combined using the local currency as the functional currency. Local currency assets and liabilities are translated at the rates of exchange on the balance sheet date, and local currency revenues and expenses are translated at average rates of exchange during the period. Resulting translation gains or losses are included in the accompanying consolidated and combined statement of shareholder's and group equity as a component of accumulated other comprehensive income (loss).

Derivative and Financial Instruments

Effective January 1, 2001, the Company adopted Financial Accounting Standards Board ("FASB") Statement No. 133, as amended by FASB Statement No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 requires that all derivative instruments be recognized on the balance sheet at fair value. In addition, FAS 133 provides that, for derivative instruments that qualify for hedge accounting, changes in the fair value are either (a) offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or (b) recognized in equity until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge changes in fair value or cash flows. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

The carrying value of the Company's financial instruments approximates fair value, except for certain differences relating to long-term, fixed-rate debt and other financial instruments that are not significant. The fair value of financial instruments is generally determined by reference to market values resulting from trading on a national securities exchange or an over-the-counter market. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques.

Revenues

Recorded Music

In accordance with industry practice and as is customary in many territories, certain products (such as CDs and cassettes) are sold to customers with the right to return unsold items. Revenues from such sales are recognized when the products are shipped based on gross sales less a provision for future estimated returns.

Music Publishing

Revenues are earned from the receipt of royalties relating to the licensing of rights in musical compositions, and for the sale of published sheet music and songbooks.

The receipt of royalties principally relates to amounts earned from the public performance of copyrighted material, the mechanical reproduction of copyrighted material on recorded media, and the

use of copyrighted material in synchronization with visual images. Consistent with industry practice, music-publishing royalties generally are recognized as revenue when received.

Revenues from the sale of published sheet music and songbooks are recognized upon shipment of product.

Gross Versus Net Revenue Classification

In the normal course of business, the Company acts as an intermediary or agent with respect to certain payments received from third parties. For example, the Company distributes music product on behalf of third-party record labels. Pursuant to Emerging Issues Task Force ("EITF") No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," such transactions are recorded on a "gross" or "net" basis depending on whether the Company is acting as the "principal" in the transaction or acting as an "agent" in the transaction. The Company serves as the principal in transactions in which it has substantial risks and rewards of ownership and, accordingly, revenues are recorded on a gross basis. For those transactions in which the Company does not have substantial risks and rewards of ownership, the Company is considered an agent in the transactions and, accordingly, revenues are recorded on a net basis.

To the extent revenues are recorded on a gross basis, any participations and royalties paid to third parties are recorded as expenses so that the net amount (gross revenues less expenses) flows through operating income. To the extent revenues are recorded on a net basis, revenues are reported based on the amounts received, less participations and royalties paid to third parties. Either way, the impact on operating income is the same whether the Company records the revenues on a gross or net basis.

Based on an evaluation of the individual terms of each contract and whether the Company is acting as principal or agent, the Company generally records revenues from the distribution of recorded music product on behalf of third-party record labels on a gross basis. However, revenues are recorded on a net basis for recorded music compilations distributed by other record companies where the Company has a right to participate in the profits.

Royalty Advances and Royalty Costs

In accordance with FASB Statement No. 50, "Financial Reporting in the Record and Music Industry," advances to artists, songwriters and co-publishers are capitalized as an asset when the current popularity and past performance of the artist, songwriter and co-publisher, as the case may be, provide a sound basis for estimating the probable future recoupment of such advances from earnings otherwise payable to them. Advances are recognized as an expense as subsequent royalties are earned by the artist, songwriter and co-publisher. Any portion of capitalized advances not deemed to be recoverable from future royalties is expensed during the period in which the loss becomes evident. All advances that do not meet the above capitalization criteria, otherwise known as unproven advances, are expensed as paid.

Royalties earned by artists, songwriters, co-publishers, other copyright holders and trade unions are recognized as an expense in the period in which the sale of the product takes place, less an adjustment for future estimated returns.

Inventories

Inventories consist of CDs, cassettes and related music products, as well as published sheet music and songbooks. Inventories are stated at the lower of cost or estimated realizable value. Cost is determined using first-in, first-out ("FIFO") and average cost methods, which approximate cost under the FIFO method. Returned goods included in inventory are valued at estimated realizable value, but not in excess of cost.

Advertising

In accordance with American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") No. 93-7, "Reporting on Advertising Costs," advertising costs, including costs to produce music videos used for promotional purposes, are expensed as incurred. Advertising expense amounted to approximately $94 million for the seven months ended September 30, 2004, $53 million for the three months ended February 29, 2004, $202 million for the year ended November 30, 2003 and $209 million for the year ended November 30, 2002. Deferred advertising costs, which principally relate to advertisements that have not been exhibited or services that have not been received, were approximately $4 million and $6 million at September 30, 2004 and November 30, 2003, respectively.

Concentration of Credit Risk

In the recorded music business, the Company has 15 key customers that generate significant sales volume. For the ten months ended September 30, 2004, each of these customers contributed a range of 1% to 6% of all recorded-music revenues, and approximately 43% in the aggregate.

In the music publishing business, the Company collects a significant portion of its royalties from copyright collection societies around the world. Collection societies and associations generally are not-for-profit organizations that represent composers, songwriters and music publishers. These organizations seek to protect the rights of their members by licensing, collecting license fees and distributing royalties for the use of their works. Accordingly, the Company does not believe there is any significant collection risk from such societies.

Shipping and Handling

The costs associated with shipping goods to customers are recorded as cost of revenues. Shipping and handling charges billed to customers are included in revenues.

Investments

Investments in companies in which the Company has significant influence, but less than a controlling voting interest, are accounted for using the equity method. This is generally presumed to exist when the Company owns between 20% and 50% of the investee. However, as a matter of policy, if the Company had a greater than 50% ownership interest in an investee and the minority shareholders held certain rights that allowed them to participate in the day-to-day operations of the business, the Company would also use the equity method of accounting.

Under the equity method, only the Company's investment in and amounts due to and from the equity investee are included in the consolidated balance sheet; only the Company's share of the investee's earnings (losses) is included in the consolidated operating results; and only the dividends,

cash distributions, loans or other cash received from the investee, additional cash investments, loan repayments or other cash paid to the investee are included in the consolidated cash flows.

Investments in companies in which the Company does not have a controlling interest or is unable to exert significant influence are accounted for at market value if the investments are publicly traded and there are no resale restrictions greater than one year ("available-for-sale investments"). If there are resale restrictions greater than one year, or if the investment is not publicly traded, then the investment is accounted for at cost.

Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost. Depreciation is calculated using the straight-line method based upon the estimated useful lives of depreciable assets as follows: five to ten years for furniture and fixtures, periods of up to five years for computer equipment and periods of up to seven years for machinery and equipment. Buildings are depreciated over periods of up to fifty years. Leasehold improvements are depreciated over periods up to the life of the lease.

Accounting for Goodwill and Other Intangible Assets

In July 2001, the FASB issued Statement No. 141, "Business Combinations" and Statement No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). These standards changed the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting. In addition, FAS 142 required that goodwill, including the goodwill included in the carrying value of investments accounted for using the equity method of accounting, and certain other intangible assets deemed to have an indefinite useful life, cease amortization. The new rules also required that goodwill and certain intangible assets be assessed for impairment using fair value measurement techniques. The Company adopted the provisions of FAS 142 effective as of December 1, 2001. See Note 11 for further discussion on the adoption of FAS 142.

Internal-Use Software Development Costs

In accordance with AICPA SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", the Company capitalizes certain external and internal computer software costs incurred during the application development stage. The application development stage generally includes software design and configuration, coding, testing and installation activities. Training and maintenance costs are expensed as incurred, while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized software costs are depreciated over the estimated useful life of the underlying project on a straight-line basis, generally not exceeding five years.

Valuation of Long-Lived Assets

The Company periodically reviews the carrying value of its long-lived assets, including property, plant and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent the estimated future cash inflows attributable to the asset, less estimated future cash outflows, are less than the carrying amount, an impairment loss is recognized in an amount equal to the difference between the carrying value of such asset and its fair value. Assets to be disposed of and for which there is a committed plan to dispose of the assets, whether through sale or abandonment, are reported at the lower of carrying value or fair value less costs to sell.

Stock-Based Compensation

Post-Acquisition

Effective March 1, 2004, in connection with the Acquisition, the Company adopted the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") to account for all stock-based compensation plans adopted subsequent to the Acquisition. Under the fair value recognition provisions of FAS 123, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period.

Pre-Acquisition

Prior to the Acquisition, certain employees of Old WMG participated in various Time Warner stock option plans. In accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations, compensation cost for stock options or other equity-based awards granted to employees was recognized in income based on the excess, if any, of the quoted market price of the stock at the grant date of the award over the amount an employee must pay to acquire the stock. Generally, the exercise price for stock options granted to employees equaled or exceeded the fair market value of Time Warner common stock at the date of grant, thereby resulting in no recognition of compensation expense by Old WMG. For any awards that generated compensation expense as defined under APB 25, Old WMG calculated the amount of compensation expense and recognized the expense over the vesting period of the award.

Had compensation cost for Time Warner's stock option plans been determined based on the fair value method set forth in FAS 123, Old WMG's net loss for all periods presented prior to the closing of the Acquisition would have been as follows:

			Years Ended November 30,	
	Predecessor			
	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	2003	2002
	(audited)	(unaudited)	(audited)	(audited)
		(in millions)		
Net loss:				
As reported	$ (32)	$ (239)	$ (1,353)	$ (6,026)
Pro forma	$ (42)	$ (281)	$ (1,403)	$ (6,079)

See Note 17 for further information on employee stock-based compensation.

Income Taxes

Income taxes are provided using the asset and liability method presented by FASB Statement No. 109, "Accounting for Income Taxes" ("FAS 109"). Under this method, income taxes (i.e., deferred tax assets, deferred tax liabilities, taxes currently payable/refunds receivable and tax expense) are recorded based on amounts refundable or payable in the current year and include the results of any differences between U.S. GAAP and tax reporting. Deferred income taxes reflect the tax effect of net operating loss, capital loss and general business credit carryforwards and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statements and income tax purposes, as determined under enacted tax laws and rates. Valuation allowances are established when management determines that it is more likely than not that some portion or all of the

deferred tax asset will not be realized. The financial effect of changes in tax laws or rates is accounted for in the period of enactment.

Prior to the closing of the Acquisition, the taxable results of Old WMG were included in the consolidated U.S. federal, and various states, local and foreign income tax returns of Time Warner or its subsidiaries. Also, in certain state, local and foreign jurisdictions, Old WMG filed on a stand-alone basis. The income tax provision reflected in the combined statement of operations of Old WMG is presented as if Old WMG operated on a stand-alone basis, consistent with the liability method prescribed by FAS 109. The majority of the temporary differences for pre-Acquisition periods related to non-deductible reserves and adjustments to the carrying value of assets and liabilities established in the accounting for the AOL Time Warner Merger, as well as net operating loss carry forwards in 2002 only.

Comprehensive Income (Loss)

Comprehensive income (loss), which is reported in the accompanying consolidated and combined statements of shareholder's and group equity, consists of net income (loss) and other gains and losses affecting equity that, under US GAAP, are excluded from net income (loss). For the Company, the components of other comprehensive income (loss) primarily consist of foreign currency translation gains and losses and deferred gains and losses on interest-rate swap and foreign exchange contracts.

For all periods prior to the closing of the Acquisition, accumulated other comprehensive income (loss) has been presented as a component of group equity and has not been set forth separately due to the complex nature of preparing a *combined* set of financial statements for operations that were legally held by multiple subsidiaries of Old WMG and Time Warner. Such historical accumulated other comprehensive income (loss) balances were eliminated as part of the change in accounting basis that occurred effective on March 1, 2004, in connection with the closing of the Acquisition. The following summary set forth the components of other comprehensive income (loss), net of related taxes, that have been accumulated in shareholder's equity since March 1, 2004:

	Foreign Currency Translation Gain (Losses)	Derivative Financial Instruments Gain (Losses)	Accumulated Other Comprehensive Income (Losses)
		(in millions)	
Balance at March 1, 2004	$ —	$ —	$ —
Activity through September 30, 2004	10	(4)	6
Balance at September 30, 2004	$ 10	$ (4)	$ 6

4. New Accounting Standards

Variable Interest Entities

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities—an Interpretation of ARB No. 51" ("FIN 46"), which requires a variable interest entity ("VIE") to be consolidated if certain criteria are met.

FIN 46 provides that the primary beneficiary of a VIE is required to consolidate the VIE's operations. In determining if an entity is a VIE, FIN 46 requires one to evaluate whether the equity of the entity is sufficient to absorb its expected losses. The evaluation requires the consideration of qualitative factors and various assumptions, including expected future cash flows and funding needs.

Even if the entity's equity is determined to be sufficient to absorb expected losses, the rules provide that in certain circumstances there needs to be a qualitative assessment as to whether "substantially all" the benefits of the entity are for the benefit of one of the variable interest holders. In such circumstances, the entity would be deemed a VIE.

The Company adopted the provisions of FIN 46 effective as of November 30, 2003. The application of FIN 46 did not have a material impact on the Company's financial statements.

Other Recently Issued Accounting Standards

Over the past two years, there have been many new accounting standards issued. The Company has adopted these standards in accordance with their prescribed effective dates. These new standards include, but are not limited to, (i) FASB Statement No. 143, "Accounting for Asset Retirement Obligations", (ii) FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," (iii) FASB Statement No 146, "Accounting for Costs Associated with Exit or Disposal Activities", and (iv) FASB Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." The adoption of these and other recently issued accounting standards did not have a material impact on the Company's financial statements.

5. The Acquisition

As previously described in Note 1, effective as of March 1, 2004, the Investor Group acquired Old WMG from Time Warner for approximately $2.6 billion. The initial consideration exchanged consisted of $2.560 billion of cash and $35 million of non-cash consideration in the form of warrants that give Time Warner the right, under certain conditions, to purchase up to 19.9% of the common stock in the parent company of New WMG that indirectly owns 100% of its stock. In addition, the Company incurred approximately $78 million of transaction costs in connection with the Acquisition.

Pursuant to the terms of the purchase agreement between the Investor Group and Time Warner, the purchase consideration is subject to certain adjustments, generally based on changes in the financial position of Old WMG between the date the purchase agreement was signed and the date the transaction closed. The parties currently are in discussions over the terms of final settlement. Such changes are not expected to be material; however, the purchase price reflected in the accompanying financial statements has been reduced by approximately $24 million on a preliminary basis to reflect a reimbursement by Time Warner to the Investor Group of a portion of the purchase consideration already agreed to by the parties.

The $2.638 billion cash portion of the purchase price, including transaction costs, was financed by a $1.250 billion initial capital investment by the Investor Group and aggregate borrowings of $1.388 billion. The Company also incurred $262 million of additional indebtedness to pay certain financing-related fees, as well as to fund future working capital requirements that included a portion of the anticipated costs to restructure the business. See Note 14 for a description of the Company's financing arrangements and Note 18 for a description of the aggregate $552 million return of capital paid to the Investor Group subsequent to the Acquisition.

The Acquisition was accounted for by the purchase method of accounting for business combinations. Under the purchase method of accounting, the acquisition cost of $2.649 billion, including $78 million of transaction costs and the $24 million reduction in the purchase price described above, was preliminarily allocated to the net assets acquired in proportion to estimates of their

respective fair values. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill.

The accompanying consolidated financial statements include the following preliminary allocation of the purchase price to the net assets acquired: recorded music catalog—$1.216 billion; music publishing copyrights—$808 million; trademarks—$110 million; goodwill—$978 million; other current and noncurrent assets—$1.852 billion; net deferred tax liabilities—$219 million; acquisition-related restructuring liabilities—$307 million; and other current and noncurrent liabilities—$1.789 billion.

At this time, most of the valuations and other studies needed to provide a final basis for estimating the fair value of the net assets acquired have been completed. However, the Company is still waiting for certain information in order to finalize the purchase price allocation, including a final settlement of terms with Time Warner. It is not expected that the final allocation of the purchase price to the net assets acquired will differ materially from that reflected in the accompanying financial statements.

Pro Forma Financial Information

The following unaudited pro forma financial information presents the operating results of the Company as if each of (i) the Acquisition and original financing, (ii) the April 2004 refinancing (as described under Note 14), and (iii) the transactions with Cinram International Inc. with respect to manufacturing, packaging and physical distribution services (as described under Note 7), had occurred at the beginning of each period presented.

	Pro Forma		
	Ten Months Ended September 30, 2004	Twelve Months Ended September 30, 2004	Year Ended November 30, 2003
		(in millions)	
Revenue	$ 2,548	$ 3,436	$ 3,361
Impairment of goodwill and other intangible assets	—	(1,019)	(1,019)
Depreciation and amortization	(201)	(245)	(257)
Operating income (loss)	16	(929)	(1,017)
Net loss	(149)	(848)	(894)

2003 Deal-Related and Other Transaction Costs

In connection with the Acquisition and the prior pursuit by Time Warner and Old WMG of other strategic ventures or dispositions involving Old WMG's businesses in 2003 that did not occur, Old WMG incurred approximately $70 million of costs, as follows:

	Year Ended November 30, 2003
	(in millions)
Transaction costs, primarily legal, accounting and investment banking fees	$ 30
Loss on executive contractual obligations	25
Loss on pension plan curtailment	15
	$ 70

As part of the Acquisition, the Investor Group and Time Warner agreed that Time Warner would retain its obligations to all employees of Old WMG covered under Time Warner's U.S. pension plans;

however, employees of Old WMG would no longer be able to earn additional benefits for future services. Accordingly, Old WMG recognized a $15 million loss in 2003 in connection with the probable pension curtailment that ultimately occurred upon the closing of the Acquisition. In addition, Old WMG recorded a $25 million loss in 2003 relating to certain executive contractual obligations that were triggered upon the closing of the Acquisition.

6. AOL Time Warner Merger

As previously described in Note 2, the operations of Old WMG were under the control of Time Warner through the end of February 2004. In January 2001, historic Time Warner was acquired by AOL. The AOL Time Warner Merger was accounted for as an acquisition using the purchase method of accounting for business combinations. Under the purchase method of accounting, the acquisition cost of approximately $147 billion, including transaction costs, was allocated to historic Time Warner's underlying net assets, including its interests in Old WMG, based on their respective estimated fair values. The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill.

The principal effects from the allocation of the AOL Time Warner acquisition cost to Old WMG was to recognize the following assets and liabilities: goodwill—$12 billion; recorded music catalog—$2 billion; brands and trademarks—$1.7 billion; music publishing copyrights—$1.0 billion; net deferred tax liabilities—$1.5 billion; and merger-related restructuring liabilities—$478 million.

In addition, in connection with Old WMG's initial adoption of FAS 142 effective as of December 1, 2001, a portion of the cost of the AOL Time Warner Merger previously allocated to Old WMG's combined financial statements was reallocated to other segments of Time Warner. The reallocation resulted in a reduction of goodwill of approximately $5.9 billion; goodwill was further reduced by a $4.8 billion charge in connection with the initial adoption of FAS 142 during the first quarter of 2002, a $646 million impairment charge recorded during the fourth quarter of 2002 and a $5 million impairment charge during the fourth quarter of 2003. The carrying value of brands and trademarks was also reduced by an impairment charge of approximately $766 million recorded during the fourth quarter of 2003 and $853 million recorded during the fourth quarter of 2002. Finally, the carrying values of Old WMG's recorded music catalog and other intangible assets were reduced by an impairment charge of approximately $248 million during the fourth quarter of 2003. See Note 11 for further information.

7. Other Acquisitions and Dispositions

Sale of Music Manufacturing

In October 2003, Time Warner completed its sale of the DVD and CD manufacturing, printing, packaging, physical distribution and merchandising businesses formerly managed by Old WMG for $1.05 billion in cash to Cinram International Inc. ("Cinram"). The sale included the following businesses: WEA Manufacturing Inc., Warner Music Manufacturing Europe GmbH, Ivy Hill Corporation, Giant Merchandising and the physical distribution operations of WEA Corp.

In addition, Time Warner and Old WMG entered into exclusive, long-term agreements for Cinram to provide manufacturing, printing, packaging and physical distribution of Time Warner's and the Company's DVDs and CDs in North America and Europe at fair market value-based rates.

As previously noted, the physical distribution operations of WEA Corp., which are included in the accompanying financial statements, were included in the sale. Old WMG recognized a $12 million pretax loss in 2003 in connection with the sale, which has been reflected as a component of operating loss in the accompanying statement of operations. For the years ended November 30, 2003 and 2002, Old WMG included in its accompanying statement of operations approximately $15 million of revenues in each year; approximately $11 million and $13 million of operating losses, respectively; approximately $4 million and $5 million of operating losses before depreciation and amortization expense, respectively; and an approximate $7 million and $8 million net loss, respectively, related to the physical distribution operations of WEA Corp.

Acquisition of Certain Minority Interests in Maverick Recording Company

As of September 30, 2004, the Company had a 50% interest in Maverick Recording Company ("Maverick"). In November 2004, the Company acquired an additional 30% interest in Maverick from its existing partner for approximately $17 million and certain amounts previously owed by such partner to the Company. The transaction will be accounted for under the purchase method of accounting during the first quarter of fiscal 2005. The purchase price will be allocated to the underlying net assets of Maverick in proportion to their estimated fair value, principally artist contracts and recorded music catalog. As part of the transaction, the Company and the remaining partner in Maverick entered into an agreement pursuant to which either party can elect to have the Company purchase the remaining 20% interest in Maverick that it does not own by December 2007.

Sale of Warner Bros. Publications

In December 2004, the Company entered into an agreement to sell Warner Bros. Publications, which conducts the Company's printed music operations, to Alfred Publishing. As part of the transaction, the Company agreed to license the right to use its music publishing copyrights in the exploitation of printed sheet music and songbooks for a twenty year period of time. No gain or loss is expected to be recognized on the transaction as the historical book basis of the net assets being sold was adjusted to fair value in connection with the accounting for the Acquisition. The sale is expected to close during the first calendar quarter of 2005 and is subject to customary closing conditions.

The sale is not expected to have a material effect on the future operating results and financial condition of the Company. For the ten months ended September 30, 2004, and each of the years ended November 30, 2003 and 2002, the operations being sold generated revenues of approximately

$36 million, $56 million and $54 million, respectively; operating (loss) income of approximately $(7) million, $1 million and $3 million, respectively; operating (loss) income before depreciation and amortization expense of $(7) million, $2 million and $4 million, respectively; and net (loss) income of approximately $(8) million, $(2) million and $1 million, respectively.

Word Entertainment Acquisition and Related Transactions

In January 2002, Old WMG purchased Word Entertainment ("Word") from Gaylord Entertainment Company for approximately $85 million in cash, including transaction costs. Word produces and distributes Christian music products, including recorded music, print and video products. The acquisition was accounted for using the purchase method of accounting for business combinations. Under the purchase method of accounting, the acquisition cost of approximately $85 million was allocated to Word's underlying net assets based on their respective fair values. The excess of the purchase price over the estimated fair values of the net assets acquired was recorded as goodwill.

The allocation of the Word purchase price was as follows: recorded music catalog – $20 million; music publishing copyrights – $10 million; goodwill – $30 million; other assets – $42 million; and other liabilities – $17 million.

In addition, during the third quarter of 2002, Old WMG exchanged 20% of its interest in Word for certain rights associated with Curb Records ("Curb"), a large independent Nashville-based record label (the "Word/Curb Transaction"). In particular, among other commercial arrangements, Old WMG acquired (i) a right to match an offer for the potential sale of Curb at any time through December 2008 (the "Curb Matching Right"), (ii) a covenant-not-to-compete in the Christian-music business, whereby Curb cannot sign any artist in the Christian-music genre through December 2008 (the "Curb Covenant") and (iii) a six-year extension of its right to provide manufacturing and distribution services to Curb through December 2008. Old WMG allocated the $9 million value associated with these rights in proportion to their underlying fair market values. Of such amount, $6 million has been ascribed to the Curb Matching Right and the Curb Covenant, which are both reflected as intangible assets subject to amortization in the accompanying balance sheet. The remaining $3 million of value was ascribed to the manufacturing and distribution service agreement. No gain or loss was recognized on the transaction.

8. Investments

The Company's investments consist of:

	September 30, 2004	November 30, 2003
	(in millions)	
Equity-method investments	$ 8	$ 2
Cost-method investments	—	8
	$ 8	$ 10

As of November 30, 2003, investments included Columbia House (50% owned prior to the sale of 85% of such interest in June 2002), Music Choice Europe (24% owned), Music Choice U.S. (11%

owned), Telstar (20% owned), MusicNet (22% owned) and Deston Songs (50% owned). However, in connection with the Acquisition, Old WMG's interests in Columbia House, Music Choice Europe, Music Choice U.S. and MusicNet were transferred to Time Warner. Accordingly, the only significant investments held at September 30, 2004 related to the Company's continuing interest in Deston Songs and a new investment made in 2004 in Royalty Services, L.P. (25% owned) to develop a shared royalty system platform with Universal Music Group, Exigen Group and Lightspeed Venture Partners. Such investments are not material to the Company's overall financial position or operating results.

Sale of Columbia House Interest

In June 2002, Old WMG and Sony Corporation of America ("Sony") each sold 85% of their respective 50% interests in the Columbia House Company Partnerships ("Columbia House") to Blackstone Capital Partners III LP ("Blackstone"), an affiliate of The Blackstone Group, a private investment bank. Under the terms of the sale agreement, Old WMG received proceeds of approximately $125 million in cash and a subordinated note receivable from Columbia House Holdings, Inc., a majority owned subsidiary of Blackstone, with a face amount of approximately $35 million. The sale resulted in Old WMG recognizing a pre-tax gain of $60 million, which is included in net investment- related gains (losses) in the accompanying statement of operations for the year ended November 30, 2002. In addition, Old WMG deferred an approximate $28 million gain on the sale. The deferred gain primarily related to the estimated fair value of the portion of the proceeds received as a note receivable, which will be deferred until such time as the realization of such note becomes more fully assured. As a result of the sale, Old WMG's interest in Columbia House was reduced to 7.5% and the investment began to be accounted for under the cost method of accounting. As part of the transaction, the Company agreed to continue to license music product to Columbia House at market rates for a five-year period.

In addition, prior to the closing of the transaction, Old WMG and Sony recapitalized certain obligations of Columbia House owed to them. In connection with this recapitalization, Old WMG made capital contributions of approximately $930 million and Old WMG and its affiliates received a comparable amount of proceeds relating to the repayment of such obligations. Accordingly, the accompanying statement of cash flows of Old WMG for the year ended November 30, 2002 reflects the effects of the recapitalization, consisting of an increase in investment spending of approximately $930 million, which was offset in part by an increase in investment proceeds of approximately $700 million. The remaining proceeds were received by affiliates of Old WMG that were not a part of the combined reporting group and, as such, those proceeds are not reflected in the accompanying combined statement of cash flows of Old WMG for the year ended November 30, 2002.

As previously noted, in connected with the Acquisition, Old WMG's interest in Columbia House was transferred to Time Warner during 2004.

Net Investment-Related Gains

There were no significant investment-related gains or losses recognized in either the seven-month period ended September 30, 2004 or the three-month period ended February 29, 2004.

For the year ended November 30, 2003, Old WMG recognized $26 million of net investment-related losses, principally to reduce the carrying value of certain investments, including Old WMG's

interest in Telstar. Of such amount, approximately $17 million of net investment-related losses were recognized by Old WMG in the ten-month period ended September 30, 2003.

For the year ended November 30, 2002, Old WMG recognized $42 million of net investment-related gains. Such amount consists of (i) a $60 million gain from the sale of Columbia House in 2002, as disclosed previously, offset in part by (ii) an $18 million impairment loss in 2002 to reduce the carrying value of certain investments, principally Old WMG's interests in Strictly Rhythm Records and Music Choice Europe.

9. Inventories

Inventories consist of the following:

	September 30, 2004	November 30, 2003
	(in millions)	
Compact discs, cassettes and other music-related products	$ 79	$ 83
Published sheet music and song books	23	19
	102	102
Less reserve for obsolescence	(37)	(41)
	$ 65	$ 61

10. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	September 30, 2004	November 30, 2003
	(in millions)	
Land	$ 19	$ 18
Buildings and improvements	109	108
Furniture and fixtures	16	31
Computer hardware and software	78	192
Machinery and equipment	3	3
	225	352
Less accumulated depreciation	(36)	(131)
	$ 189	$ 221

11. Goodwill and Intangible Assets

Impairment Charges

As discussed in Note 3, effective as of December l, 2001, Old WMG adopted FAS 142, which requires companies to cease amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, FAS 142 requires that goodwill and intangible assets deemed to have an indefinite useful

life be reviewed for impairment upon adoption of FAS 142 and annually thereafter. Prior to the adoption of FAS 142, Old WMG amortized goodwill over a twenty-year period.

Upon the adoption of FAS 142 in the first quarter of fiscal 2002, Old WMG recorded a non-cash charge of approximately $4.8 billion to reduce the carrying value of goodwill arising from the AOL Time Warner Merger. Such charge is non-operational in nature and is reflected as a cumulative effect of a change in accounting principle in the accompanying statement of operations. The amount of the impairment primarily reflected the decline in Time Warner's stock price since the AOL Time Warner Merger was announced and valued for accounting purposes in January 2000, as well as declines in the valuation of music-related businesses since January 2001 due, largely, to the industry-wide effects of piracy.

FAS 142 also required that goodwill deemed to be related to an entity as a whole be assigned to all of Time Warner's reporting units instead of only to the businesses of the company acquired, as was the case under existing practice. As a result, approximately $5.9 billion of goodwill generated in the AOL Time Warner Merger that had been previously allocated to Old WMG's financial statements was reallocated to other segments of Time Warner.

During the fourth quarter of 2002, Old WMG performed its annual impairment review for goodwill and other intangible assets and recorded an additional charge of $1.5 billion, which is recorded as a component of operating loss in the accompanying statement of operations. The charge consisted of a reduction in the carrying value of goodwill by approximately $646 million and a reduction in the carrying value of brands and trademarks by approximately $854 million. The amount of the impairment primarily reflected the decline in the valuation of music-related businesses due, largely, to the industry-wide effects of piracy.

During the fourth quarter of 2003, in connection with Time Warner's agreement to sell Old WMG as described more fully in Note 5, Old WMG recorded an additional $1.019 billion impairment charge. The charge was necessary to reduce the carrying value of Old WMG's intangible assets to fair value, based on the consideration agreed to be exchanged in the transaction. The impairment charge is classified as a component of operating loss in the accompanying statement of operations. The charge consisted of a reduction in the carrying value of goodwill by $5 million, brands and trademarks by $766 million, recorded music catalog by $208 million and other intangible assets by $40 million.

All of the impairment charges mentioned above were non-cash in nature and did not affect Old WMG's liquidity.

Goodwill

The following analysis details the changes in goodwill for each reportable segment during the ten months ended September 30, 2004 and the year ended November 30, 2003:

	Recorded Music	Music Publishing	Total
		(in millions)	
Balance at November 30, 2002	$ —	$ —	$ —
Acquisition—related activity	5	—	5
Impairment	(5)	—	(5)
Balance at November 30, 2003	—	—	—
Acquisition of Old WMG	395	583	978
Balance at September 30, 2004	$ 395	$ 583	$ 978

Other Intangible Assets

Other intangible assets consist of the following:

	September 30, 2004	November 30, 2003
	(in millions)	
Intangible assets subject to amortization:		
Record music catalog	$ 1,216	$ 1,906
Music publishing copyrights	811	1,075
Trademarks	10	—
Other intangible assets	4	6
	2,041	2,987
Accumulated amortization	(104)	(556)
Total net intangible assets subject to amortization	1,937	2,431
Intangible assets not subject to amortization:		
Trademarks and brands	100	24
Total net other intangible assets	$ 2,037	$ 2,455

Amortization

Based on the amount of intangible assets subject to amortization at the end of September 2004, the expected amortization for each of the next five fiscal years is as follows:

	Years Ended September 30,
	(in millions)
2005	$ 178
2006	178
2007	178
2008	178
2009	178
Thereafter	1,047
	$ 1,937

The expected amortization expense above reflects estimated useful lives assigned to the Company's identifiable, finite-lived intangible assets established in the accounting for the Acquisition effective as of March 1, 2004 as follows: ten years for recorded music catalog, fifteen years for music publishing copyrights and fifteen years for trademarks.

Amortization expense included in Old WMG's statement of operations for each of the three months ended February 29, 2004 and the years ended November 30, 2003 and 2002 was based on different estimated useful lives assigned to Old WMG's identifiable, finite-lived intangible assets. In particular, for the year ended November 30, 2002 estimated useful lives of twenty years were assigned to both of Old WMG's recorded music catalog and music publishing copyrights. In addition, for each of the three months ended February 29, 2004 and the year ended November 30, 2003 estimated useful lives of fifteen years were assigned to both of Old WMG's recorded music catalog and music publishing copyrights. The change in estimated useful lives from 2002 to 2003 was implemented in connection with Old WMG's annual impairment review of intangible assets at the end of 2002, under which it was determined that the estimated useful lives were shorter than originally anticipated principally as a result of the industry-wide effects of music piracy. See Note 5 for a discussion of the pro forma effects of the Acquisition on the historical operating results of Old WMG, including the effects from the aforementioned changes in estimated useful lives.

12. Restructuring Costs

The Company and Old WMG have recorded restructuring costs over the past few years relating to the Acquisition in 2004, the AOL Time Warner Merger in 2001 and various other non-acquisition related restructuring initiatives. In accordance with U.S. GAAP, restructuring costs incurred in connection with the Acquisition and the AOL Time Warner Merger were capitalized as a portion of the purchase price paid. However, all costs for non-acquisition related restructuring initiatives were expensed either in the period they were incurred or committed to, in accordance with U.S. GAAP. A description of the nature of the restructuring activities and related costs for each of the Acquisition, the AOL Time Warner Merger and other non-acquisition related restructurings follows.

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 of approximately $307 million during 2004. This restructuring liability included costs to exit and consolidate certain activities of the Company, as well as costs to terminate employees and certain artist, songwriters and co-publisher contracts. Such liabilities were recognized as part of the cost of the Acquisition.

Of the total $307 million restructuring costs recorded by the Company, approximately $164 million related to work-force reductions, including employee termination benefits and relocation costs; approximately $75 million related to costs to terminate certain artist, songwriters and co-publisher contracts; and the balance of approximately $68 million related to other anticipated costs to exit certain leased facilities and operations, such as international distribution operations. The number of employees identified to be involuntarily terminated approximated 1,600.

As of September 30, 2004, the Company had approximately $179 million of Acquisition-related restructuring costs recorded in its balance sheet. These liabilities represent estimates of future obligations for all restructuring activities that had been implemented, as well as for all restructuring activities that had been committed to by management but have yet to occur. The outstanding balance of these liabilities primarily relates to extended payment terms for severance obligations and long-term lease obligations for vacated facilities. These remaining obligations are expected to be settled by 2019.

Selected information relating to the Acquisition-related restructuring plans is as follows:

	Employee Terminations	Other Exit Costs	Total
	(in millions)		
Liability as of November 30, 2003	$ —	$	$
Additions in 2004	164	143	307
Cash paid in 2004	(92)	(13)	(105)
Non-cash reductions in 2004[(a)]	(1)	(22)	(23)
Liability as of September 30, 2004	$ 71	$ 108	$ 179

(a) Non-cash reductions in 2004 principally relate to changes in foreign currency exchange rates and the non-cash write-off of the carrying value of advances relating to terminating certain artist, songwriter and co-publisher contracts.

In addition, in connection with the Acquisition, the Company approved a cost-savings incentive compensation plan during 2004 in order to incentivize management to implement the aforementioned restructuring plans and reduce operating costs. Accordingly, the Company has recognized approximately $26 million of one-time costs in its statement of operations for the seven months ended September 30, 2004, principally related to this cost-savings incentive plan. See Note 13 for further discussion.

AOL Time Warner Merger-Related Restructuring Costs

In connection with the AOL Time Warner Merger, Old WMG reviewed its operations and implemented several plans to restructure its operations. As part of these restructuring plans, Old WMG recorded a restructuring liability of approximately $478 million during 2001. This restructuring liability included costs to exit and consolidate certain activities of Old WMG, as well as costs to terminate employees and certain artist contracts. Such liabilities were recognized as part of the AOL Time Warner Merger and were allocated to Old WMG's financial statements as part of the AOL Time Warner Merger acquisition cost. See Note 6.

Of the total initial restructuring costs recorded by Old WMG, approximately $278 million related to work-force reductions, including employee termination benefits and relocation costs; approximately $100 million related to costs to terminate certain artist contracts; and the balance of approximately $100 million primarily related to other anticipated costs to exit certain leased facilities and operations, such as certain international distribution and music-publishing print operations. The number of employees identified to be involuntarily terminated approximated 2,600. Old WMG reversed approximately $91 million of these merger-related restructuring liabilities in 2002, and recognized a corresponding reduction in goodwill, as either the planned action did not ultimately occur or actual exit costs were less than originally estimated. As of November 30, 2003, there was approximately $70 million of AOL Time Warner Merger-related restructuring costs that had yet to be paid, principally relating to severance obligations and long-term lease obligations for vacated facilities. As part of the Acquisition, Time Warner agreed to assume all unpaid severance obligations from Old WMG and, accordingly, all such liabilities were transferred to Time Warner. In addition, in connection with the Acquisition, the Company reevaluated its global facility requirements and further consolidated its real estate holdings. As part of this reevaluation, the Company remeasured the fair value of its long-term lease obligations for vacated facilities, eliminated the pre-existing $25 million book value of the lease liabilities for vacated facilities and recorded the net impact as an addition to goodwill. See prior discussion of Acquisition-related restructuring costs.

Selected information relating to the AOL Time Warner Merger-related restructuring plans is as follows:

	Employee Terminations	Other Exit Costs	Total
		(in millions)	
Liability as of November 30, 2000	$ —	$	$
Additions in 2001	278	200	478
Cash paid in 2001	(55)	(69)	(124)
Non-cash reductions in 2001[(a)]	(43)	—	(43)
Liability as of November 30, 2001	180	131	311
Cash paid in 2002	(77)	(42)	(119)
Non-cash reductions in 2002[(b)]	(28)	(57)	(85)
Liability as of November 30, 2002	75	32	107
Cash paid in 2003	(30)	(6)	(36)
Non-cash activity in 2003[(c)]	—	(1)	(1)
Liability as of November 30, 2003	45	25	70
2004 activity, primarily adjustments relating to the Acquisition	(45)	(25)	(70)
Liability as of September 30, 2004	$ —	$ —	$ —

(a) Non-cash reductions in 2001 for employee terminations represent adjustments relating to severance obligations that were satisfied with the payment of benefits from pension plan assets held by Time Warner.

(b) Non-cash reductions in 2002 include an aggregate $91 million adjustment to restructuring accruals principally as a result of reversals of excess provisions due to either the planned action not ultimately occurring or actual exit costs being less than originally estimated. Such reversals were offset partially by a non-cash increase in international restructuring provisions of approximately $5 million due to changes in foreign currency exchange rates.

(c) Non-cash activity in 2003 relates to changes in foreign currency exchange rates and other miscellaneous adjustments.

Other Non-Acquisition Related Restructuring Costs

In addition to the costs of restructurings associated with acquisition and merger activities, Old WMG has also recognized restructuring costs that are unrelated to business combinations and are expensed as incurred.

Most of these non-acquisition related restructuring initiatives were implemented in 2003. However, during 2002, Old WMG recognized approximately $5 million of income on a net basis related to its restructuring activities. This amount related to the reversal in 2002 of a $12 million restructuring liability that was recognized in a prior period as a result of either the planned action not ultimately occurring or actual costs being less than originally estimated. The $12 million of income was partially offset by other non-acquisition related restructuring charges in 2002 of $7 million relating to various restructuring activities that were individually insignificant and not considered to be material to the accompanying financial statements.

However, during 2003, in a continuing effort to reduce costs, Old WMG implemented a series of more significant restructuring activities. In particular, Old WMG restructured its domestic distribution operations, outsourced its Canadian distribution operations, and continued to reduce its worldwide headcount to adjust to changing economic conditions in various markets. In connection with these initiatives, Old WMG recognized restructuring charges of approximately $35 million in 2003. Of this amount, approximately $22 million related to work-force reductions, including employee termination benefits and relocation costs, and approximately $13 million related to other anticipated costs to exit certain facilities. The number of employees that were involuntarily terminated approximated 365. All restructuring activities were completed by the end of 2003.

As of November 30, 2003, there was approximately $10 million of non-acquisition related restructuring costs that had yet to be paid, principally relating to severance obligations and long-term lease obligations for vacated facilities. As previously noted, in connection with the Acquisition, Time Warner agreed to assume all unpaid severance obligations from Old WMG. Accordingly, all such liabilities were transferred to Time Warner effective as of March 1, 2004. In addition, in connection with the Acquisition, the Company reevaluated its global facility requirements and further consolidated its real estate holdings. As part of this reevaluation, the Company remeasured the fair value of its long-term lease obligations for vacated facilities, eliminated the pre-existing $2 million book value of the lease obligations for vacated facilities and recorded the net impact as an addition to goodwill. See prior discussion of Acquisition-related restructuring costs.

The restructuring costs related to each of the Company's business segments, as well as corporate-level employees. Selected information related to the 2003 restructuring plans by business segment is as follows:

Employee Terminations

	Recorded Music	Music Publishing	Corporate	Total
	(in millions)			
Additions in 2003	$ 18	$ 3	$ 1	$ 22
Cash paid in 2003	(13)	(1)	—	(14)
Liability as of November 30, 2003	5	2	1	8
2004 activity, primarily adjustments relating to the Acquisition	(5)	(2)	(1)	(8)
Liability as of September 30, 2004	$ —	$ —	—	$ —

Other Exit Costs

	Recorded Music	Music Publishing	Corporate	Total
	(in millions)			
Additions in 2003	$ 13	$ —	$ —	$ 13
Cash paid in 2003	(10)	—	—	(10)
Non-cash reductions in 2003	(1)	—	—	(1)
Liability as of November 30, 2003	2	—	—	2
2004 activity, primarily adjustments relating to the Acquisition	(2)	—	—	(2)
Liability as of September 30, 2004	$ —	$ —	$ —	$ —

13. Other Current and Noncurrent Liabilities

Other current liabilities consist of the following:

	September 30, 2004	November 30, 2003
	(in millions)	
Accrued expenses	$ 159	$ 141
Accrued compensation and benefits	93	116
Deferred income	46	41
Acquisition and merger-related restructuring liabilities	90	45
Accrued interest	31	—
Cost-savings incentive plan payable	10	—
Other	3	24
	$ 432	$ 367

Other noncurrent liabilities consist of the following:

	September 30, 2004	November 30, 2003
	(in millions)	
Deferred income	$ 25	$ 20
Accrued compensation and benefits	29	20
Minority interest	9	9
Cost-savings incentive plan payable	10	—
Acquisition and merger-related restructuring liabilities	89	25
Unfavorable and other contractual obligations	135	71
Licensing advance payable	8	8
Other	28	27
	$ 333	$ 180

Cost-Savings Incentive Plan

In connection with the Acquisition, the Company implemented several plans to restructure its operations and reduce operating costs. In order to incentivize management to reduce costs, the Company approved a cost-savings incentive compensation plan during the seven months ended September 30, 2004. Under the plan, key employees of the Company will be entitled to earn up to $20 million in the aggregate based on the attainment and maintenance of certain cost-savings targets. Incentive awards under this plan are scheduled to be paid out in two equal annual installments on or about December 31, 2004 and 2005.

Based on the level of cost savings actually generated at the end of September 30, 2004, which exceeded the cost-savings targets under the plan, the Company determined that it was probable that eligible employees would vest in the full benefits under the plan. Accordingly, the Company recorded the full $20 million liability under the plan during the seven months ended September 30, 2004. Such amount, together with $6 million of other restructuring-related costs, have been classified as a one-time reduction of operating income under the caption "restructuring costs" in the accompanying statement of operations.

Licensing Advance Payable

Other noncurrent liabilities include an $8 million obligation at each of September 30, 2004 and November 30, 2003 to repay an advance received in a prior period under a licensing agreement. Under the terms of the original agreement, such amount was subject to repayment if the advance was not recouped from royalties generated under the agreement by November 30, 2003. In June 2003, the parties entered into an amended agreement whereby, in connection with an extension of the term of the original agreement, the Company agreed to repay the advance over a six-year period ended November 30, 2009. Of the total repayment amount, $2 million was repaid in 2003. The remaining $8 million is repayable as follows: 2006 – $0.5 million; 2007 – $0.5 million; 2008 – $3 million; and 2009 – $4 million.

14. Debt

In connection with the Acquisition, the Company incurred $1.650 billion of indebtedness consisting of (i) $1.150 billion of borrowings under the term loan portion of its senior secured credit facility and (ii) $500 million of borrowings under a senior subordinated bridge loan facility (the "Bridge Loan"). A portion of these borrowings was refinanced in April 2004 (the "Refinancing"). The following summarizes the Refinancing, the Company's debt capitalization as of September 30, 2004 and the principal terms of the Company's financing arrangements.

The Refinancing

In April 2004, the Company incurred $697 million of new indebtedness, consisting of the issuance of (i) $465 million principal amount of 7.375% Senior Subordinated Notes due 2014, (ii) 100 million Sterling principal amount of 8.125% Senior Subordinated notes due 2014 (U.S. dollar equivalent of $182 million as of April 2004) and (iii) $50 million of additional borrowings under the term loan portion of the Company's senior secured credit facility.

Together with available cash on hand, such proceeds were used (i) to repay all $500 million of borrowings under the Bridge Loan, (ii) to return a portion of the initial capital investment by the Investor Group in the amount of $202 million and (iii) to pay certain financing-related transaction costs.

In connection with this Refinancing, the Company incurred a $6 million pretax loss during the seven months ended September 30, 2004 to write off the carrying value of its unamortized debt issuance costs paid in connection with its borrowings under the Bridge Loan.

Debt Capitalization

As of September 30, 2004, the Company's long-term debt consisted of:

	September 30, 2004
	(in millions)
Senior secured credit facility:	
Revolving credit facility	$ —
Term loan	1,194
	1,194
7.375% U.S. dollar-denominated Notes due 2014	465
8.125% Sterling-denominated Notes due 2014	181
Total debt	1,840
Less current portion	(12)
Total long term debt	$ 1,828

Senior Secured Credit Facility

The senior secured credit facility consists of a $1.2 billion term loan portion and a $250 million revolving credit portion. The term loan portion of the facility matures in seven years in February 2011. The Company is required to prepay outstanding term loans, subject to certain exceptions and conditions, with excess cash flow or in the event of certain asset sales, casualty and condemnation events and incurrence of debt. The Company is required to make minimum repayments under the term loan portion of the facility in quarterly principal amounts of $3 million for the first six years and nine months, with a remaining balloon payment in February 2011.

The revolving credit portion of the senior secured facility matures in six years in February 2010. There are no mandatory reductions in borrowing availability for the revolving credit portion of the facility through its term.

Borrowings under both the term loan and revolving credit portion of the senior secured credit facility bear interest at a rate equal to an applicable margin plus, at the Company's option, either (a) a base rate determined by reference to the higher of (1) the prime rate of Bank of America, N.A. and (2) the federal funds rate plus $^{1}/_{2}$ of 1% or (b) a LIBOR rate determined by reference to the costs of funds for deposits in the currency of such borrowing for the interest period relevant to such borrowing adjusted for certain additional costs. The initial applicable margin for borrowings under the revolving credit facility and the term loan facility is 1.75% with respect to base rate borrowings and 2.75% with respect to LIBOR borrowings. The applicable margins for borrowings under the senior secured credit facility may be reduced, subject to the Company attaining certain leverage ratios.

In addition to paying interest on outstanding principal under the senior secured credit facility, the Company is required to pay a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments. The initial commitment fee rate is .50%.

The commitment fee rate may be reduced subject to the Company attaining certain leverage ratios. The Company is also required to pay customary letter of credit fees, as necessary.

The senior secured credit facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, the Company's ability and the ability of its subsidiaries to sell assets, incur additional indebtedness or issue preferred stock, repay other indebtedness, pay dividends and distributions or repurchase capital stock, create liens on assets, make investments, loans or advances, make certain acquisitions, engage in mergers or consolidations, engage in certain transactions with affiliates, amend certain material agreements, change the business conducted by itself, its parent company and its subsidiaries, and enter into agreements that restrict dividends from subsidiaries. In addition, the secured credit facility requires the Company to maintain the following financial covenants: a maximum total leverage ratio, a minimum interest coverage ratio and a maximum capital expenditures limitation.

Senior Subordinated Notes due 2014

The Company has outstanding two tranches of Senior Subordinated notes due 2014: $465 million principal amount of U.S. dollar-denominated notes (the "U.S. Notes") and 100 million principal

amount of Sterling-denominated notes (the "Sterling Notes" and collectively, the "Subordinated Notes"). The Subordinated Notes mature on April 15, 2014.

Interest is payable on the Subordinated Notes on a semi-annual basis at a fixed rate of 7.375% per annum for the U.S. Notes and 8.125% per annum for the Sterling Notes.

The Subordinated Notes are redeemable in whole or in part, at the option of the Company, at any time at a redemption price defined under the indenture governing the Subordinated Notes (the "Indenture") that generally includes a premium. In addition, upon a change of control of the Company and upon certain asset sales as specified under the Indenture, the Company may be required to make an offer to redeem the Subordinated Notes from the holders at a redemption price defined under the Indenture that includes a premium.

The Subordinated Notes are unsecured and subordinated to all of the Company's existing and future senior indebtedness, including the Company's obligations under its senior secured credit facility. Each of the Company's wholly owned domestic subsidiaries that have guaranteed the obligations under the Company's senior secured credit facility also have guaranteed the Subordinated Notes on a joint, several and unconditional basis.

The Indenture limits the Company's ability and the ability of its 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 off 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 permits the Company and its restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

Pre-Acquisition Debt

During 2003, the Company incurred approximately $114 million of indebtedness in connection with a recapitalization of certain wholly owned international subsidiaries. The principal amount of 100 million Euros was owed to Societe General and was repaid in 2004 in connection with the Acquisition.

Interest Expense and Maturities

Total interest expense, including amounts payable to Time Warner and its affiliates for all periods prior to the closing of the Acquisition, was $88 million for the seven months ended September 30, 2004, $3 million for the three months ended February 29, 2004, $47 million for the year ended November 30, 2003 and $59 million for the year ended November 30, 2002. The weighted-average interest rate of the Company's total debt at September 30, 2004 was 5.75%.

Annual repayments of long-term debt for each of the five years subsequent to September 30, 2004 are $12 million per year.

Fair Value of Debt

Based on the level of interest rates prevailing at September 30, 2004, the fair value of the Company's fixed-rate debt exceeded its carrying value by approximately $20 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.

15. Income Taxes

For all periods subsequent to the closing of the Acquisition, the Company is a stand-alone tax filer. However, for all periods prior to the closing of the Acquisition, the taxable results of Old WMG were included in the consolidated U.S. federal and various state, local and foreign income tax returns of Time Warner or its subsidiaries. Also, in certain state, local and foreign jurisdictions, Old WMG filed on a stand-alone basis. The tax provisions and related balance sheet disclosures for the period prior to the closing of the Acquisition have been prepared assuming Old WMG was a stand-alone taxpayer for the periods presented.

Domestic and foreign pretax income (loss) are as follows:

	Successor	Predecessor		
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Years Ended November 30,	
			2003	2002
			(in millions)	
Domestic	$ (112)	$ (40)	$ (1,304)	$ (1,600)
Foreign	38	25	(13)	30
Total	(74)	(15)	$ (1,317)	$ (1,570)

Current and deferred income taxes (tax benefits) provided are as follows:

	Successor	Predecessor		
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Years Ended November 30,	
			2003	2002
			(in millions)	
Federal:				
Current	$ —	$	$	$ —
Deferred	—	(2)	(36)	(320)
Foreign:				
Current[(a)]	21	21	52	52
Deferred	8	(2)	111	3
State:				
Current	1	—	3	2
Deferred	—	—	(94)	(77)
Total	$ 30	$ 17	$ 36	$ (340)

(a) Includes cash withholding taxes of $9 million, $5 million, $19 million and $20 million for the seven months ended September 30, 2004, the three months ended February 29, 2004, and the years ended November 30, 2003 and 2002, respectively.

The differences between income taxes expected at the U.S. federal statutory income tax rate of 35% and income taxes provided are as set forth below:

	Successor	Predecessor		
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Years Ended November 30,	
			2003	2002
			(in millions)	
Taxes on income at the U.S. federal statutory rate	$ (26)	$ (5)	$ (461)	$ (550)
State and local taxes, net of federal tax benefit	1	—	(59)	(49)
Non-deductible impairments of goodwill	—	—	2	194
Foreign income taxed at different rates	9	6	38	58
Unrecoverable foreign taxes due to reorganization	—	—	46	—
Current year loss without benefit	46	16	44	—
Tax loss carry forward write-off	—	—	423	—
Other	—	—	3	7
Total income tax expense (benefit)	$ 30	$ 17	$ 36	$ (340)

During the period ended September 30, 2004, the Company incurred losses in the U.S. and certain foreign territories. The tax benefit associated with these losses was offset by a valuation allowance as the Company has determined that it is more likely than not that these losses will not be utilized.

Significant components of the Company's net deferred tax assets/(liabilities) are summarized below. The components of the Company's net deferred tax assets and liabilities are not entirely comparable from period to period due to the accounting for the Acquisition. In particular, the Company made a Section 338(h)(10) election under the Internal Revenue Code for its domestic net assets. Such election eliminated any historical book-tax basis differences for which deferred taxes were required, and among other things, will allow the Company to deduct, for tax purposes, the annual depreciation and amortization expenses related to such assets:

	September 30, 2004	November 30, 2003
	(in millions)	
Current deferred tax assets (liabilities):		
Allowances and reserves	$ 4	$ 193
Employee benefits and compensation	34	28
Deferred income	—	9
Net current deferred tax assets	38	230
Noncurrent deferred tax assets (liabilities):		
Other accruals	87	—
Assets acquired in business combinations	(232)	(843)
Unremitted earnings of foreign subsidiaries	—	(14)
Depreciation and amortization	14	(35)
Tax attribute carryforwards	157	—
Foreign deferred taxes	—	(98)
Other	2	38
Valuation allowance[(a)]	(293)	—
Net noncurrent deferred tax liabilities	(265)	(952)
Net deferred tax liabilities	$ (227)	$ (722)

(a) In connection with the purchase accounting for the Acquisition, deferred tax assets were recorded for the excess of the historical tax basis of the underlying assets and liabilities over the purchase price in certain foreign jurisdictions. A valuation allowance of approximately $169 million was established due to the uncertainty of the realization of a portion of those deferred tax assets. The tax benefits from the release of this valuation allowance subsequent to the Acquisition date will be applied to reduce goodwill. At September 30, 2004, this initial valuation allowance had not been reduced and was still $169 million.

Old WMG had previously recorded a deferred tax asset for net operating losses incurred while it was a member of the Time Warner consolidated tax return. These losses were only available to Old WMG while it remained within the tax consolidation of Time Warner. As a result of the sale of Old WMG, Old WMG ceased being a member of the Time Warner consolidated group. As such, in anticipation of the closing of the Acquisition, Old WMG wrote off the deferred tax asset in 2003, net of any related valuation allowance, through the income tax provision in the statement of operations. Similarly, no tax benefit was recorded for net operating losses generated in the first quarter of 2004.

At September 30, 2004, the Company has net operating losses for federal income tax purposes of approximately $81.8 million, which expire in fiscal year 2024. Additionally, the Company has net operating losses in various state and foreign jurisdictions expiring in various periods. The Company also has foreign tax credit carryforwards for U.S. tax purposes of approximately $9 million. Under existing tax law at September 30, 2004 these foreign tax credit carryforwards would expire in 2009. Subsequent to

year end, a new tax law was enacted extending the carryforward period by five years such that the credits would expire in 2014.

US income and foreign withholding taxes have not been recorded on permanently reinvested earnings of certain foreign subsidiaries of approximately $281 million at September 30, 2004, of which $200 million is attributable to earnings of certain foreign subsidiaries relating to periods prior to the Acquisition date. Determination of the amount of unrecognized deferred US income tax liability with respect to such earnings is not practicable.

Congress recently approved the American Jobs Creation Act of 2004 (the "Jobs Creation Act"). The Jobs Creation Act contains a number of provisions that might affect the Company's future effective tax rate. The most significant provision would allow the Company to elect to deduct from its taxable income 85% of certain eligible dividends received by the Company from non-U.S. subsidiaries before the end of 2005 if those dividends are reinvested in the U.S. for eligible purposes. The Company is evaluating the potential impact (if any) of this tax law change on its future effective tax rate.

16. Pensions and Other Postretirement Benefits

Prior the Acquisition, Old WMG employees in the U.S. and U.K. generally participated in defined benefit pension plans sponsored by Time Warner. As part of the Acquisition, Time Warner agreed to retain its obligations related to such employees of Old WMG; however, those employees are no longer eligible to earn additional benefits for future services. As a result, Old WMG recognized a $15 million loss in 2003 in connection with the probable pension curtailment that ultimately occurred upon the closing of the Acquisition.

Most international employees, such as those in Germany and Japan, participate in locally sponsored defined benefit plans, which are not considered to be material in the aggregate and have a combined projected benefit obligation of approximately $40 million at September 30, 2004. Pension benefits under the Plans are based on formulas that reflect the employees' years of service and compensation levels during their employment period. The Company had an aggregate pension liability relating to these plans of approximately $23 million recorded in its balance sheet as of September 30, 2004.

For the seven months ended September 30, 2004, the three months ended February 29, 2004 and the years ended November 30, 2003 and 2002, pension expense amounted to $4 million, $3 million, $21 million and $21 million, respectively.

Certain employees also participate in pre-tax defined contribution plans. The Company's contributions to the defined contribution plans are based upon a percentage of the employees' elected contributions. The Company's defined contribution plan expense amounted to approximately $2 million for the seven months ended September 30, 2004, $2 million for the three months ended February 29, 2004 and $4 million in each of the years ended November 30, 2003 and 2002.

17. Stock-Based Compensation Plans

Post-Acquisition

In connection with the Acquisition, the Company and WMG Parent Corp. ("Parent Corp."), the indirect parent of the Company, implemented an equity-based, management compensation plan to align compensation for certain key executives with the performance of the Company. Under this plan, certain

key executives were granted a combination of service-based and performance-based stock options or restricted stock. In addition, certain key executives were granted the right to purchase shares of restricted stock in Parent Corp. Similarly, the stock options and shares of restricted stock granted allow such executives to acquire shares of Class A common stock in Parent Corp. A description of each type of equity-based award is described below.

Service-Based Awards

During the seven months ended September 30, 2004, Parent Corp. granted various service-based equity awards to certain key executives of the Company. These awards consisted of approximately 437 stock options to purchase shares of Class A common stock of Parent Corp. and approximately 699 restricted shares of Class A common stock of Parent Corp. The stock option awards become exercisable over a four-year vesting period tied to the executives' continuing employment and expire ten years from the date of grant. Similarly, the restricted shares vest over a four-year period.

Performance-Based Awards

During the seven months ended September 30, 2004, Parent Corp. granted various performance-based equity awards to certain key executives of the Company. These awards consisted of approximately 875 stock options to purchase shares of Class A common stock of Parent Corp. and approximately 1,400 restricted shares of Class A common stock of Parent Corp. The awards vest over a four-year period tied to the executives' continuing employment and the achievement of certain performance conditions by the Company. In particular, half of the awards have a performance condition based on a 2x liquidity event and the other half of the awards have a performance condition based on a 3x liquidity event (each respectively a "Liquidity Event").

As defined in the underlying plan agreements, a 2x or 3x Liquidity Event generally means the occurrence of an event that implies an aggregate value for the equity held by the Investor Group of 2x or 3x, respectively, of its initial value, as adjusted for prior dividends or other returns of capital received by the Investor Group. Such Liquidity Events would include, but not be limited to, an initial public offering of Parent Corp.'s Class A common stock and a change-in-control transaction under which the Investor Group receives cash and/or marketable securities in exchange for its equity.

Performance-based stock option awards expire ten years from the date of grant. In addition, to the extent that the performance condition of an award is not satisfied prior thereto, the performance-based award vests on the seventh anniversary of the date of grant as long as the executive is still employed by the Company.

Purchases of Restricted Stock

During the seven months ended September 30, 2004, Parent Corp. allowed certain key executives to purchase restricted shares of its Class A common stock. To the extent such shares were purchased at a price equal to fair market value at the date of purchase, there is no compensatory element of the transaction. Accordingly, the transaction has not been reflected in the financial statements of the Company as it is solely a capital transaction of Parent Corp. However, to the extent such shares were purchased at a price below fair market value at the date of purchase, the discount has been treated as deferred compensation in the Company's financial statements and is being expensed over the executives' expected service period.

During the seven months ended September 30, 2004, an executive of the Company purchased approximately 2,884 restricted shares of Class A common stock of Parent Corp. at a fair value of $1,000 per share. Certain other executives of the Company purchased approximately 787 restricted shares of Class A common stock of Parent Corp. at a cost of $1,000 per share, compared to the weighted-average fair value of the stock of $1,679 per share. The aggregate discount of approximately $535 thousand has been recognized as deferred compensation expense in the Company's financial statements.

Black-Scholes Assumptions

For purposes of applying FAS 123, the fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for all grants to the Company's employees in the seven months ended September 30, 2004: dividend yield of 0%; expected volatility of 50%; risk-free interest rate of 3.07%; and expected term to exercise of 5 years.

Fair Value of Equity-Based Awards

A summary of the fair value of equity-based awards granted during the seven months ended September 20, 2004 is set forth below:

	Number of Shares Granted	Weighted-Average Exercise Price	Weighted-Average Fair Value
Service-Based Stock Options:			
At-Market Grants	350	$ 1,000	$ 468.40
Below-Market Grants	87	1,000	1,181.15
Performance-Based Stock Options:			
At-Market Grants—2x Liquidity Event	350	1,000	468.40
Below-Market Grants—2x Liquidity Event	88	1,000	1,181.15
At-Market Grants—3x Liquidity Event	350	1,000	468.40
Below-Market Grants — 3x Liquidity Event	87	1,000	1,181.15
Total Stock Options	1,312	$ 1,000	$ 610.95
Restricted Stock Grants:			
Service-Based Awards	699	N/A	$ 1,000.00
Performance-Based 2x Liquidity Event Awards	700	N/A	1,000.00
Performance-Based 3x Liquidity Event Awards	700	N/A	1,000.00
Total Restricted Stock Grants[(a)]	2,099	N/A	$ 1,000.00

(a) Excludes 3,671 restricted shares of Class A common stock of Parent Corp., which were purchased in 2004 by executives of the Company at prices at or below fair market value. The weighted-average purchase price and weighted-average fair value of such shares were $1,000 per share and $1,146 per share, respectively.

Compensation Expense

For the seven months ended September 30, 2004, the Company recognized non-cash compensation expense of less than $1 million relating to its stock-based compensation plans.

Summary of Stock Option Activity

A summary of Parent Corp. stock option activity with respect to employees of the Company is as follows:

	Parent Corp. Options Outstanding	Weighted-Average Exercise Price
Balance at November 30, 2003	—	$ —
Granted	1,312	1,000.00
Exercised	—	—
Cancelled	—	—
Balance at September 30, 2004	1,312	$ 1,000.00

None of the stock options are exercisable as of September 30, 2004.

Pre-Acquisition

Prior to the closing of the Acquisition, employees of Old WMG were granted options to purchase Time Warner common stock under various Time Warner stock option plans. Such options were granted to employees of Old WMG with exercise prices equal to, or in excess of, fair market value at the date of grant. Accordingly, in accordance with APB 25 and related interpretations, compensation cost generally was not recognized by Time Warner, nor charged to Old WMG, related to such stock option plans. Generally, the options became exercisable over a four-year vesting period and expired ten years from the date of grant. See Note 3 for a summary of the impact on reported net income (loss) had Old WMG recognized compensation cost for employee stock options.

Time Warner Black-Scholes Assumptions

For purposes of applying FAS 123, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants to Old WMG's employees in the three months ended February 29, 2004, and the years ended November 30, 2003 and 2002: dividend yields of 0% in each period; expected volatility of 35.2%, 52.8% and 52.9%, respectively; risk-free interest rates of 3.1%, 2.6% and 4.1%, respectively; and expected terms to exercise of 1.4 years, 3.1 years and 2.9 years after vesting, respectively.

Fair Value of Time Warner Equity-Based Awards

The weighted-average fair value of an option granted to the Company's employees was $3.20, $4.33 and $9.35 for the three months ended February 29, 2004 and the years ended November 30, 2003 and 2002, respectively.

Summary of Time Warner Stock Option Activity

A summary of Time Warner stock option activity with respect to employees of the Company is as follows:

	Time Warner Options Outstanding	Weighted-Average Exercise Price
Balance at November 30, 2001	24,584	$ 35.43
2002 Activity		
Granted	6,978	24.76
Exercised	(1,058)	9.83
Cancelled/transferred[(a)]	(788)	39.76
Balance at November 30, 2002	29,716	33.72
2003 Activity		
Granted	6,341	11.72
Exercised	(196)	12.21
Cancelled/transferred[(a)]	(2,379)	23.79
Balance at November 30, 2003	33,482	30.39

(a) Includes all options cancelled and forfeited during the year, as well as options related to employees who have been transferred out of and into the Company to and from other Time Warner divisions.

The following table summarizes information about Time Warner stock options outstanding with respect to employees of the Company at November 30, 2003:

Range of Exercise Prices	Number Outstanding as of 11/30/03	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable as of 11/30/03	Weighted-Average Exercise Price
	(in thousands)			(in thousands)	
$10.01 – 15.00	8,654	6.49	$ 11.53	3,362	$ 12.63
15.01 – 20.00	3,136	6.81	16.08	1,530	16.41
20.01 – 30.00	7,225	7.16	25.84	3,500	24.98
30.01 – 45.00	3,635	6.23	37.99	3,001	38.31
45.01 – 50.00	8,559	6.73	48.43	6,044	48.21
50.01 – 64.00	2,273	6.63	56.29	1,990	56.72
Total	33,482	6.71	30.39	19,427	34.71

Of the approximate 33 million Time Warner stock options held by employees of Old WMG as of the closing date of the Acquisition, approximately 27 million stock options remained outstanding and the balance was cancelled pursuant to the underlying terms of the awards. These stock options remain the obligation of Time Warner and not the Company, and will expire pursuant to the underlying terms of the awards, generally not exceeding three years from the closing date of the Acquisition. In exchange for the cancellation of certain unvested stock option awards as of the Acquisition date, employees of Old WMG received an aggregate $21 million payment funded by Time Warner. This payment was considered in the determination of the fair value of Old WMG's net asset as of November 30, 2003

and, accordingly, has been classified as a component of the impairment charge recognized during the year ended November 30, 2003.

Time Warner Restricted Stock Plans

Time Warner also had various restricted stock plans for employees and non-employee directors of the board. Under these plans, shares of common stock are granted which do not vest until the end of a restriction period, generally between three to five years. During 2002, Time Warner did not issue any shares of restricted stock to employees of the Company. However, during 2003, Time Warner issued approximately 821,000 shares of restricted stock to employees of Old WMG at a weighted-average fair value of $13 per share.

Of the 922,000 unvested shares of Time Warner restricted stock held by employees of Old WMG as of the closing date of the Acquisition, 217,000 shares became vested either pursuant to their original terms or on an accelerated basis, 568,000 shares are still subject to vesting conditions and remain the obligation of Time Warner and the balance was cancelled by Time Warner. Old WMG recognized the cost associated with the vesting of such shares and the anticipated change in employee status of certain executives in 2003 as a component of deal-related transaction and other costs in its statement of operations.

18. Shareholder's Equity

In connection with the Acquisition, the Company became a wholly owned subsidiary of WMG Holdings Corp. ("Holdings"). Holdings is owned directly and indirectly by Parent Corp. and the Investor Group. The portion of the purchase price funded by both the initial $1.250 billion capital contribution by the Investor Group and the $35 million of value associated with the issuance of warrants to Time Warner by Parent Corp. has been reflected as an increase in additional paid-in capital in the accompanying financial statements of the Company.

Return of Capital

In April 2004, in connection with the Refinancing, the Company used a portion of the proceeds to pay a return of capital to the Investor Group in the amount of $202 million.

In the fall of 2004, the Company used its available excess cash to pay a return of capital to the Investor Group in the amount of approximately $350 million. Of such aggregate amount, approximately $8 million was declared and paid in September 2004 and the balance of approximately $342 million was declared and paid in October 2004. Accordingly, the accompanying financial statements only reflect the September 2004 payment and the balance was recorded in October 2004, subsequent to the closing of the Company's fiscal year.

19. Related Party Transactions

The nature of the Company's related party transactions has changed as the Company has migrated from a wholly owned operation of Time Warner for all periods prior to the closing of the Acquisition to a stand-alone independent company, effective as of March 1, 2004. Accordingly, the following discussion of related party transactions highlights the significant related party relationships and transactions that existed both before and after the closing of the Acquisition.

Post-Acquisition

Transition Services Agreements

In connection with the Acquisition, the Company entered into a seller administrative services agreement with Time Warner (the "Seller Administrative Services Agreement"). Under the Seller Administrative Services Agreement, Time Warner agreed to provide the Company with certain administrative services, including (i) accounting services, (ii) tax services, (iii) human resources and benefits services, (iv) information technology services, (v) legal services, (vi) treasury services, (vii) payroll services, (viii) travel services, (ix) real estate management services and (x) messenger services. The obligations for Time Warner to provide those services generally expire no later than December 31, 2004. The amounts to be paid under the Seller Administrative Services Agreement generally are based on the costs incurred by Time Warner in providing those administrative services, including Time Warner's employee costs and out-of-pocket expenses. For the seven months ended September 30, 2004, the Company incurred $4 million of costs under these administrative arrangements.

Management Advisory Agreement

In connection with the Acquisition, the Company entered into a management advisory agreement with the Investor Group for ongoing consulting and management advisory services. The management advisory agreement requires the Company to pay the Investor Group an annual fee of $10 million per year. The $10 million annual fee has been prepaid in its entirety through February 2005. For the seven months ended September 30, 2004, the Company has expensed $6 million of this prepaid fee and such amount has been included as a component of selling, general and administrative expenses in the accompanying statement of operations.

In addition, in the case of future services provided by the Investor Group in connection with any future acquisition, disposition or financing transaction involving the Company or its direct or indirect parent, the management advisory agreement requires the Company to pay the Investor Group an aggregate fee of 1% of the gross transaction value of each such transaction. The Company paid an aggregate of $75 million to the Investor Group under the management advisory agreement in connection with the Acquisition and related original financing. These fees have been apportioned between direct costs of the Acquisition (and capitalized as part of the allocation of purchase price) and capitalized debt issuance costs.

The management advisory agreement expires on December 30, 2014, subject to certain early termination provisions.

Other Arrangements with the Investor Group and its Affiliates

In the normal course of conducting its business, the Company has entered into various other transactions with the Investor Group and its affiliates. As an example, employees of the Investor Group have filled management roles on an interim basis while the Company has been transitioning to a permanent management team, including the role of Chief Financial Officer of the Company since the beginning of June 2004. Such employees have not received any compensation from the Company for such services; however, a representative cost for such services in the aggregate amount of $280,000 has been charged to the statement of operations for the seven months ended September 30, 2004 with a corresponding increase in additional paid-in capital.

Pre-Acquisition

As previously described, the operations of Old WMG were under the control of Time Warner through the end of February 2004. During this period, in the normal course of conducting its business, Old WMG had various transactions with Time Warner and its affiliates, including the CD and DVD manufacturing and printing operations of Time Warner formerly under the management of Old WMG. The following is a summary of the principal transactions between Old WMG on the one hand, and Time Warner and its affiliates on the other hand.

Manufacturing and Printing Services with Time Warner Affiliates

Old WMG had an exclusive arrangement with affiliates of Time Warner to receive manufacturing and printing services in connection with the production of CDs, cassettes and other music-related audio and video products. Amounts included in cost of sales in connection with these services were approximately $216 million for the year ended November 30, 2003 and $217 million for the year ended November 30, 2002. Such costs did not reflect terms negotiated on an arm's-length basis between the units. In connection with the sale of Time Warner's manufacturing and printing operations in October 2003, such services were provided on an arm's-length basis by Cinram, effective with the closing date of the sale (see Note 7).

Distribution Services with Time Warner and Old WMG Affiliates

Old WMG provided distribution services to certain Time Warner affiliates, including Warner Home Video and Time-Life Inc. In addition, Old WMG provided distribution services to other related parties, including companies in which Old WMG had ownership interests therein that allowed for the exercise of significant influence over the operations and financial policies of the investees. Amounts included in revenues in connection with these services were approximately $51 million for the year ended November 30, 2003 and $50 million for the year ended November 30, 2002. Such revenues may not have reflected terms negotiated on an arm's-length basis between the entities. In connection with the sale of Time Warner's manufacturing and printing operations in October 2003, the services for Warner Home Video were provided by Cinram, effective with the closing date of the sale (see Note 7).

Licensing Arrangements with Time Warner and Old WMG Affiliates

Old WMG periodically licensed its masters and rights in owned or administered musical compositions to affiliates of Time Warner for inclusion in certain movie soundtracks, film and television series, music compilations and other forms of entertainment. Amounts included in revenues in connection with these and other licensing arrangements were approximately $2 million for the three months ended February 29, 2004, $6 million for the year ended November 30, 2003 and $11 million for the year ended November 30, 2002. Such revenues reflect terms resulting from a negotiation between the units that, in management's view, result in a reasonable basis.

Old WMG also entered into sub-publishing or administrative agreements with certain Time Warner affiliates, whereby it exploited or administered rights in musical compositions held by such affiliates. Royalty expenses included in cost of revenues in connection with these arrangements were approximately $2 million for the three months ended February 29, 2004, $19 million for the year ended November 30, 2003 and $14 million for the year ended November 30, 2002. Such amounts reflect terms resulting from a negotiation between the units that, in management's view, result in a reasonable basis.

Real Estate and Marketing Arrangements with Time Warner Affiliates

Old WMG utilized and paid for certain office space leased by Time Warner and its affiliates. In addition, Old WMG periodically advertised its products in media produced by Time Warner and its affiliates. Amounts included in costs and expenses in connection with these arrangements were approximately $2 million for the three months ended February 29, 2004, $26 million for the year ended November 30, 2003 and $20 million for the year ended November 30, 2002. Such amounts reflect terms resulting from a negotiation between the units that, in management's view, result in a reasonable basis.

Financing Arrangements with Time Warner Affiliates

As described in Note 3, Old WMG had agreements with Time Warner, whereby all cash received or paid by Old WMG was included in, or funded by, clearing accounts or international cash pools within Time Warner's centralized cash management system. Some of these arrangements were interest bearing and others were not. Net interest income of approximately $1 million for three months ended February 29, 2004 and $10.8 million for the year ended November 30, 2003, and net interest expense of approximately $3.6 million for the year ended November 30, 2002 were recognized from Time Warner and its affiliates or other related parties.

In addition, as described in Note 21, Old WMG participated in Time Warner's foreign currency risk-management program and was allocated its proportional share of foreign exchange contract gains and losses. Net foreign exchange contract losses were immaterial for the three months ended February 29, 2004, $17 million for the year ended November 30, 2003 and $4.5 million for the year ended November 30, 2002 were recognized and are classified in other income (expense), net, in the accompanying statement of operations.

See Note 23 for a description of the Company's participation in Time Warner's accounts receivable securitization program.

Other Costs with Time Warner Affiliates

Employees of Old WMG participated in several Time Warner medical, stock option, pension, deferred compensation and other benefit plans for which Old WMG was charged an allocable share of plan expenses, including administrative costs. The Company also was covered under various Time Warner insurance policies and was charged an allocable share of such costs. Amounts included in expenses in connection with these and other sundry costs, such as communications networking costs, were approximately $8 million for the three months ended February 29, 2004, $62 million for the year ended November 30, 2003 and $53 million for the year ended November 30, 2002.

Affiliated Management Services

Through February 2004, Old WMG had general management responsibility over substantially all of Time Warner's music operations, including Time Warner's CD and DVD manufacturing and printing operations. Accordingly, certain general and administrative costs incurred in the management of those operations were allocated to Old WMG, including legal, accounting, financial and information technology services. As described previously in Note 2, the allocation of these costs was determined based on Old WMG's pro rata share of the revenues generated by those collective operations. The costs allocated to Old WMG are not necessarily indicative of the costs that would have been incurred if Old WMG had obtained such services independently, nor are they indicative of costs that will be charged or incurred in the future. However, management believes such allocations are reasonable. Amounts included in expenses in connection with these affiliated management service costs were approximately $2 million for the three months ended February 29 2004, $79 million for the year ended November 30, 2003 and $85 million for the year ended November 30, 2002. Such amounts exclude approximately $47 million of costs for the year ended November 30, 2003 and $40 million of costs for the year ended November 30, 2002 that have been separately allocated to Time Warner's former CD and DVD manufacturing and printing operations for comparable management services.

20. Commitments and Contingencies

Leases

The Company occupies various facilities and uses certain equipment under many operating leases. Net rent expense was approximately $24 million in the seven months ended September 30, 2004, $13 million in the three months ended February 29, 2004, $53 million in the year ended November 30, 2003 and $57 million in the year ended November 30, 2002.

At September 30, 2004, future minimum payments under non-cancelable operating leases (net of sublease income) are as follows:

	September 30, (in millions)
2005	$ 49
2006	46
2007	45
2008	40
2009	37
Thereafter	164
Total	$ 381

Guaranteed Minimum Talent Advances

The Company routinely enters into long-term commitments with artists, songwriters and co-publishers for the future delivery of music product. Aggregate firm commitments to such talent approximated $345 million at September 30, 2004. Such commitments are payable principally over a ten-year period, generally upon delivery of albums from the artists or future musical compositions by songwriters and co-publishers.

Other

Other off-balance sheet, firm commitments, which include letters of credit and minimum funding commitments to investees, amounted to approximately $65 million at September 30, 2004.

Litigation

The Company is subject to a number of state and federal class action lawsuits, as well as an action brought by a number of state Attorneys General alleging unlawful horizontal and vertical agreements to fix the prices of compact discs by the major record companies. The parties to the federal action commenced by the Attorneys General have entered into a settlement agreement. On July 9, 2003, the Court entered a final judgment approving the settlement. In one of the two remaining lawsuits, *Ottinger v. EMI Music, Inc., et al.*, the Court entered an order granting final approval of the settlement on January 21, 2004. In the other action, *In re Compact Disc. Antitrust Litig.*, which was brought by individual retailers of compact discs alleging unlawful horizontal agreements to fix the prices of compact discs by the major record companies, on July 29, 2004, the Court denied the parties' motion to grant final approval to the settlement. On August 30, 2004, plaintiffs filed a Second Amended Consolidated Complaint adding additional individual retailers as named plaintiffs in the litigation, which the Company answered, denying all claims, on September 15, 2004. On October 22, 2004, the parties reached an agreement in principle on the terms of a settlement. The Company does not expect the final terms of that settlement to differ materially from the settlement agreement previously entered into by the parties. In connection with the aforementioned settlements, Old WMG paid approximately $30 million in cash and product costs in the aggregate during 2001 and 2002. Such amounts did not affect the statement of operations as the settlements were charged against a pre-existing liability relating to these matters.

On September 7, 2004 and November 22, 2004, Eliot Spitzer, the Attorney General of the State of New York, served Warner Music Group with requests for information in the form of subpoenas duces tecum in connection with an industry-wide investigation of the relationship between music companies and radio stations, including the use of independent promoters. In response to the Attorney General's subpoenas, we have commenced the production of documents. The investigation is pursuant to New York Executive Law §63(12) and New York General Business Law §349, both of which are consumer fraud statutes. It is too soon to predict the outcome of this investigation, but it has the potential to result in changes in the manner in which the recorded music industry promotes its records.

In addition to the State of New York investigation discussed above, the Company is involved with employment claims and other legal proceedings that are incidental to its normal business activities. It is reasonably possible that an adverse outcome on any of these matters could result in a material effect on the Company's combined financial statements. Due to the preliminary status of many of these matters, the Company is unable to predict the outcome or determine a range of loss at this time. However, in the opinion of management, it is not likely that the ultimate outcome of these matters will have a material effect on the Company's consolidated financial statements.

21. Derivative Financial Instruments

The Company has exposure to changes in foreign currency exchange rates relating to the cash flows generated by its international operations and exposure to changes in interest rates relating to floating-rate borrowings under its senior secured credit facility. Consequently, the Company uses derivative financial instruments to manage such risks. The following is a summary of the Company's risk management strategies and the effect of those strategies on the Company's financial statements.

Interest Rate Risk Management

The Company uses interest rate swap agreements to manage the floating to fixed-rate proportion of its debt portfolio. In particular, under its senior secured credit facility, the Company is required to maintain a fixed-to-floating debt ratio of at least 50% of its actual funded debt through at least April 2007. Consequently, the Company entered into interest rate swap agreements with a notional face amount of $300 million in 2004 in order to hedge the variability of expected future cash interest payments. Under these interest rate swap agreements, the Company agreed to receive floating-rate payments (based on three-month LIBOR rates) in exchange for fixed-rate payments for a fixed term of three years through May 2007.

The interest rate swap agreements have been designated as a cash flow hedge of the associated variability in future interest payments. As such, the agreements have been recorded at fair value in the accompanying balance sheet and the related gains or losses on the agreements are deferred in shareholder's equity (as a component of comprehensive income). These deferred gains and losses are recognized as an adjustment to interest expense in the period in which the related interest payments being hedged are made and recognized in income. However, to the extent that any of these contracts are not considered to be perfectly effective in offsetting the change in the amount of the interest payments being hedged, any changes in fair value relating to the ineffective portion of these contracts are immediately recognized in income.

For the seven months ended September 30, 2004, the Company recognized approximately $2 million of losses on its interest rate swap agreements, which have been classified as a component of interest expense in the accompanying statement of operations. The Company did not recognize any material gains or losses during the period relating to the ineffective portion of the agreements. At September 30, 2004, the Company had deferred approximately $4 million of losses on its interest rate swap agreements in shareholder's equity, of which approximately $1 million is expected to be recognized in income over the next twelve months.

The Company monitors its positions with, and the credit quality of, the financial institutions that are party to any of its financial transactions. Credit risk related to interest rate swaps is considered low because swaps are entered into with strong creditworthy counterparties and are limited to the net interest payments due/payable for the remaining life of the swap.

Foreign Currency Risk Management

Historically, the Company has used foreign exchange contracts primarily to hedge the risk that unremitted or future royalties and license fees owed to its domestic companies for the sale, or anticipated sale, of U.S.-copyrighted products abroad may be adversely affected by changes in foreign currency exchange rates. However, in connection with the Acquisition, new management is in the process of evaluating its hedging practices and alternatives and no significant foreign exchange contracts had been entered into as of September 30, 2004.

Prior to the closing of the Acquisition, Old WMG and Time Warner used foreign exchange contracts principally to manage the risk that changes in exchange rates would affect the amount of unremitted or future royalties and license fees to be received from the sale of U.S.-copyrighted products abroad.

Foreign exchange contracts were used primarily by Old WMG and Time Warner to hedge the risk that unremitted or future royalties and license fees owed to Old WMG's domestic companies for the sale, or anticipated sale, of U.S.-copyrighted products abroad might be adversely affected by changes in

foreign currency exchange rates. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily exposure to changes in the value of the British Pound, Japanese Yen and Euros, Time Warner hedged a portion of Old WMG's combined foreign currency exposures anticipated over the ensuing fifteen-month period (the "Hedging Period"). The Hedging Period for royalties and license fees covered revenues expected to be recognized over the ensuing twelve-month period; however, there was often a lag between the time that revenue was recognized and the transfer of foreign-denominated revenues back into U.S. dollars. Therefore, the Hedging Period covered a fifteen-month period.

To hedge this exposure, Time Warner used foreign exchange contracts that generally had maturities of three months to fifteen months to provide continuing coverage throughout the Hedging Period. Time Warner reimbursed, or was reimbursed by, Old WMG for contract gains and losses related to Old WMG's foreign currency exposure. At November 30, 2002, Time Warner had effectively hedged approximately 75% of Old WMG's estimated net foreign currency exposures that principally related to anticipated cash flows for royalties and license fees to be remitted to the U.S. over the ensuing Hedging Period. In connection with the anticipated closing of the Acquisition, all positions were unwound as of the end of December 2003. In connection with the discontinuance of such cash flow hedges, Old WMG recognized approximately $5 million of losses during the fourth quarter of 2003. No significant cash flow hedges were discontinued in 2002 because, at that time, it was probable that the original forecasted transactions would occur within the specified time period.

The Company records foreign exchange contracts at fair value in its balance sheet and the related gains or losses on these contracts are deferred in shareholder's equity (as a component of comprehensive income). These deferred gains and losses are recognized in income in the period in which the related royalties and license fees being hedged are received and recognized in income. However, to the extent that any of these contracts are not considered to be perfectly effective in offsetting the change in the value of the royalties and license fees being hedged, any changes in fair value relating to the ineffective portion of these contracts are immediately recognized in income. Old WMG did not recognize any significant gains or losses due to ineffective hedges in 2002. However, excluding the aforementioned losses on the discontinuance of cash flow hedges, Old WMG recognized a $694,000 gain in 2003 due to the ineffective portion of certain foreign exchange contracts. Gains and losses on foreign exchange contracts generally are included as a component of other income (expense), net, in the Company's statement of operations.

At the end of fiscal year 2003, Time Warner had contracts for the sale of $3.605 billion and the purchase of $2.016 billion of foreign currencies at fixed rates. Of Time Warner's $1.589 billion net sale contract position, approximately $49 million of foreign exchange sale contracts and $70 million of foreign exchange purchase contracts related to Old WMG's foreign currency exposure, including net contracts for the purchase of 278 thousand of Japanese Yen, 18.6 million of Euros, and 354 thousand of the British Pound.

The Company had no significant deferred net gains or losses on foreign exchange contracts at September 30, 2004 and November 30, 2003. For the years ended November 30, 2003 and 2002, Old WMG recognized $12 million and $7 million in losses, respectively, on foreign exchange contracts which were largely offset by corresponding decreases and increases, respectively, in the dollar value of foreign currency royalty payments that have been received in cash from the sale of U.S.-copyrighted products abroad.

22. 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 areas: 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"). Though widely used, because OIBDA is considered a non-GAAP measure of financial performance, 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 elsewhere herein. The Company accounts for intersegment sales at fair value as if the sales were to third parties. While intercompany 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 or combination and, therefore, do not themselves impact consolidated or combined results.

During 2004, in connection with the Acquisition, the Company changed its methodology for allocating certain corporate costs and assets to its business segments. Accordingly, the Company has restated its operating performance and asset measures for all prior periods to reflect its new cost-allocation methodology on a consistent basis.

	Successor	Predecessor			
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	Years Ended November 30,	
				2003	2002
		(Unaudited) (in millions)			
Revenues					
Recorded music	$ 1,429	$ 630	$ 2,039	$ 2,839	$ 2,752
Music publishing	348	157	467	563	563
Intersegment elimination	(8)	(8)	(19)	(26)	(25)
Total revenues	$ 1,769	$ 779	$ 2,487	$ 3,376	$ 3,290

	Successor	Predecessor			
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	Years Ended November 30,	
				2003	2002
		(Unaudited) (in millions)			
OIBDA[(a)]					
Recorded music	$ 120	$ 38	$ 8	$ 116	$ 173
Music publishing	87	38	88	107	88
Corporate expenses[(b)]	(49)	(15)	(21)	(34)	(54)
Total OIBDA	$ 158	$ 61	$ 75	$ 189	$ 207

(a) The comparability of OIBDA by business segment for all periods presented has been affected by certain significant transactions. See *Transactions Affecting the Comparability of Operating Results* presented hereinafter.

(b) Corporate expenses for all 2003 and prior periods were reduced by an allocation of costs to Time Warner's former CD and DVD manufacturing operations that were managed by Old WMG. Such operations were sold by Time Warner in October 2003, and accordingly, no such cost allocations were made for the 2004 periods. See Note 19 for further reference.

	Successor	Predecessor			
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	Years Ended November 30,	
				2003	2002
		(Unaudited) (in millions)			
Depreciation of Property, Plant and Equipment					
Recorded music	$ 23	$ 11	$ 51	$ 62	$ 52
Music publishing	3	1	6	7	6
Corporate	10	4	14	17	9
Total depreciation	$ 36	$ 16	$ 71	$ 86	$ 67

	Successor	Predecessor			
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	Years Ended November 30,	
				2003	2002
		(Unaudited) (in millions)			
Amortization of Intangible Assets					
Recorded music	$ 73	$ 36	$ 138	$ 165	$ 124
Music publishing	31	20	63	77	58
Corporate	—	—	—	—	—
Total amortization	$ 104	$ 56	$ 201	$ 242	$ 182

	Successor	Predecessor			
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	Years Ended November 30,	
				2003	2002
		(Unaudited) (in millions)			
Impairment of Goodwill and Other Intangibles					
Recorded music	$ —	$ —	$ —	$ 1,019	$ 1,203
Music publishing	—	—	—	—	297
Corporate	—	—	—	—	—
Total impairment	$ —	$ —	$ —	$ 1,019	$ 1,500

	Successor	Predecessor			
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	Years Ended November 30, 2003	2002
		(Unaudited) (in millions)			
Operating Income (Loss)[(a)]					
Recorded music	$ 24	$ (9)	$ (181)	$ (1,130)	$ (1,206)
Music publishing	53	17	19	23	(273)
Corporate	(59)	(19)	(35)	(51)	(63)
Total operating income (loss)	$ 18	$ (11)	$ (197)	$ (1,158)	$ (1,542)

(a) The comparability of operating income (loss) by business segment for all periods presented has been affected by certain significant transactions. See *Transactions Affecting the Comparability of Operating Results* presented hereinafter.

	Successor	Predecessor			
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	Years Ended November 30, 2003	2002
		(Unaudited) (in millions)			
Reconciliation of OIBDA to Operating Income (Loss)					
OIBDA	$ 158	$ 61	$ 75	$ 189	$ 207
Depreciation expense	(36)	(16)	(71)	(86)	(67)
Amortization expense	(104)	(56)	(201)	(242)	(182)
Impairment of goodwill and other intangible assets	—	—	—	(1,019)	(1,500)
Operating income (loss)	$ 18	$ (11)	$ (197)	$ (1,158)	$ (1,542)

Transactions Affecting the Comparability of Operating Results

The comparability of OIBDA and operating income (loss) by business segment for all periods presented has been affected by certain transactions, consisting of restructuring activities in all periods, the sale of Old WMG's physical distribution assets in 2003, and significant impairment charges in 2003

and 2002 relating to Old WMG's intangible assets. The effect of such transactions that was included in OIBDA and operating income (loss) by business segment is summarized below:

	Seven Months Ended September 30, 2004			
	Recorded Music	Music Publishing	Corporate	Total
	(in millions)			
Restructuring costs-related decrease in OIBDA and operating income	$ (17)	$ (1)	$ (8)	$ (26)

	Ten Months Ended September 30, 2003			
	Recorded Music	Music Publishing	Corporate	Total
	(Unaudited)			
	(in millions)			
Restructuring costs	$ (24)	$ (3)	$ —	$ (27)
Loss on sale of physical distribution assets	(12)	—	—	(12)
Decrease in OIBDA and operating income	(36)	(3)	—	(39)

	Year Ended November 30, 2003			
	Recorded Music	Music Publishing	Corporate	Total
	(in millions)			
Restructuring costs	$ (31)	$ (3)	$ (1)	$ (35)
Loss on sale of physical distribution assets	(12)	—	—	(12)
Decrease in OIBDA	(43)	(3)	(1)	(47)
Impairment of goodwill and other intangible assets	(1,019)	—	—	(1,019)
Decrease in operating income	$ (1,062)	$ (3)	$ (1)	$ (1,066)

	Year Ended November 30, 2002			
	Recorded Music	Music Publishing	Corporate	Total
	(in millions)			
Restructuring income	$ 5	$ —	$ —	$ 5
Increase in OIBDA	5	—	—	5
Impairment of goodwill and other intangible assets	(1,203)	(297)	—	(1,500)
Decrease in operating income	$ (1,198)	$ (297)	$ —	$ (1,495)

Total assets and capital expenditures by business segment are presented below:

	September 30, 2004	November 30, 2003
	(in millions)	
Assets		
Recorded music	$ 2,649	$ 2,749
Music publishing	1,754	1,418
Corporate[(a)]	687	317
Total assets	$ 5,090	$ 4,484

(a) Primarily includes deferred tax assets and fixed assets.

	Successor	Predecessor			
				Years Ended November 30,	
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	2003	2002
			(Unaudited)		
			(in millions)		
Capital Expenditures					
Recorded music	$ 11	$ 2	$ 14	$ 29	$ 40
Music publishing	1	—	3	3	6
Corporate	3	1	13	19	42
Total capital expenditures	$ 15	$ 3	$ 30	$ 51	$ 88

Revenues and total assets relating to operations in different geographical areas are set forth below:

	Successor	Predecessor		Years Ended November 30,	
	Seven Months Ended September 30, 2004	Three Months Ended February 29, 2004	Ten Months Ended September 30, 2003	2003	2002
			(Unaudited)		
			(in millions)		
Revenues[(a)]					
United States	$ 848	$ 334	$ 1,211	$ 1,505	$ 1,537
United Kingdom	221	111	287	407	371
Germany	124	43	158	210	229
Japan	105	41	144	202	228
France	112	55	154	217	173
Italy	56	37	85	108	101
Other international	303	158	448	727	651
Total revenues	$ 1,769	$ 779	$ 2,487	$ 3,376	$ 3,290

(a) Revenues are attributed to countries based on the location of customer.

	September 30, 2004	November 30, 2003
	(in millions)	
Assets		
United States	$ 3,164	$ 3,002
United Kingdom	512	307
Germany	269	174
Japan	252	91
France	280	150
Italy	98	109
Other international	515	651
Total assets	$ 5,090	$ 4,484

The Company's assets include a significant amount of intangible assets, principally related to recorded music catalog and music publishing copyrights. Historically, Old WMG did not allocate the value of these intangible assets across all of its domestic and international territories. Rather, such amounts were largely recorded centrally in the U.S. and reflected as a U.S.-based asset above as of November 30, 2003. In 2004, in connection with the Acquisition, the Company had valuation analyses prepared and allocated the value of both of its tangible and intangible assets to domestic and international territories. Accordingly, the 2004 and 2003 asset information presented above is not entirely comparable.

23. Additional Financial Information

Time Warner Accounts Receivable Securitization Facility

Prior to the Acquisition, Old WMG, through its WEA Corp. subsidiary, participated in one of Time Warner's accounts receivable securitization facilities. Such facility provided for the accelerated receipt of approximately $450 million of cash, in the aggregate, on available accounts receivable. As of November 30, 2003, Time Warner and Old WMG had no unused capacity under this facility. In connection with this securitization facility, Old WMG sold, on a revolving and nonrecourse basis, certain of its accounts receivable ("Pooled Receivables") to a qualifying Special Purpose Entity ("SPE") which, in turn, sold a percentage ownership interest in the Pooled Receivables to third-party commercial paper conduits sponsored by a financial institution. The receivables were sold to the SPE at net realizable value, after any loss due to uncollectibility was recorded by Old WMG. These securitization transactions were accounted for as a sale in accordance with FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," because Old WMG relinquished control of the receivables. Accordingly, accounts receivable sold under these facilities were excluded from receivables in the accompanying balance sheet as of November 30, 2003.

When the receivables were sold to the SPE, Old WMG recorded a retained beneficial interest in the SPE and an intercompany receivable from Time Warner representing the cash portion of the proceeds received by Time Warner on the sale for which there was no obligation to repay. The intercompany receivable from Time Warner had been reflected as a reduction of group equity in the accompanying balance sheet as of November 30, 2003. The retained beneficial interest, which was adjusted to reflect the portion of receivables that was not expected to be collectible, accrued interest at a rate that varied with prevailing market interest rates. For this reason, and because the accounts receivables underlying the retained ownership interests that were sold to the qualifying SPE were generally short-term in nature, the fair value of the retained beneficial interest approximated its carrying value at November 30, 2003. The cost of the retained interest, offset in part by the related interest income earned on the retained interest, was borne by Time Warner. The retained interest at November 30, 2003 of approximately $196 million, was classified as a component of accounts receivable in the accompanying balance sheet. In December 2003, in anticipation of the closing of the sale of Old WMG that occurred effective as of March 1, 2004, Old WMG's participation in Time Warner's securitization facility ceased. Accordingly, the receivables sold to the SPE were re-purchased by Time Warner and transferred to Old WMG in satisfaction of the retained interest and intercompany receivable.

Cash Interest and Taxes

The Company made interest payments of approximately $56 million during the seven months ended September 30, 2004 and $3 million during the three months ended February 29, 2004. The Company paid approximately $31 million and $27 million of foreign income and withholding taxes in the seven months ended September 30, 2004 and the three months ended February 29, 2004, respectively. The Company received $2 million and $1 million of foreign income tax refunds in the seven months ended September 30, 2004 and the three months ended February 29, 2004, respectively.

Old WMG made interest payments of approximately $10 million and $8 million during 2003 and 2002, respectively. Old WMG paid approximately $80 million and $55 million of foreign income and withholding taxes in the years ended November 30, 2003 and 2002, respectively, and received

approximately $8 million and $22 million of foreign income tax refunds in the years ended November 30, 2003 and 2002, respectively. Old WMG did not reimburse Time Warner and its affiliated companies for any payments of federal, state and local income taxes made during the years ended November 30, 2003 and 2002.

Noncash Transactions

Significant non-cash investing activities for the seven months ended September 30, 2004 included the allocation of the purchase price paid in connection with the Acquisition, as more fully described in Note 5. Significant non-cash investing and financing activities during the three months ended February 29, 2004 included the non-cash recapitalization of certain intercompany receivables and payables between Old WMG and Time Warner, as disclosed in the statement of shareholder's and group equity. There were no significant non-cash investing and financing activities during the year ended November 30, 2003.

Non-cash investing activities for the year ended November 30, 2002 consisted of the Word/Curb Transaction as described in Note 7. Non-cash financing activities for the year ended November 30, 2002 consisted of the reversal of net excess AOL Time Warner merger-related liabilities of WMG manufacturing subsidiaries that are not included as part of Old WMG's combined reporting group, which has been reflected as a decrease in group equity in the accompanying financial statements.

Warner Music Group
(Otherwise known as WMG Acquisition Corp.)

Supplementary Information
Condensed Consolidating Financial Statements

Warner Music Group (the "Company" or "New WMG"), otherwise known as WMG Acquisition Corp., is the successor to the interests of the recorded music and music publishing businesses of Time Warner Inc. ("Time Warner"). Such predecessor interests formerly owned by Time Warner are hereinafter referred to as "Old WMG". Effective March 1, 2004, Old WMG was acquired from Time Warner by a private consortium of investors for approximately $2.6 billion.

New WMG has issued (i) $465 million principal amount of 7.375% Senior Subordinated Notes due 2014 and (ii) 100 million Sterling principal amount of 8.125% Senior Subordinated notes due 2014 (the "Notes). The Notes are guaranteed by all of New WMG's domestic wholly-owned subsidiaries on a senior subordinated basis. These guarantees are full, unconditional, joint and several. The following condensed consolidating financial statements are presented for the information of the holders of the Notes and present the results of operations, financial position and cash flows of (i) New WMG, which is the issuer of the Notes, or its predecessor Old WMG, (ii) the guarantor subsidiaries of New WMG, (iii) the non-guarantor subsidiaries of New WMG and (iv) the eliminations necessary to arrive at the information for New WMG on a consolidated or Old WMG on a combined basis. Investments in consolidated or combined subsidiaries are presented under the equity method of accounting. There are no restrictions on New WMG's ability to obtain funds from any of its wholly owned subsidiaries through dividends, loans or advances.

Consolidating Balance Sheet
September 30, 2004

	New WMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	New WMG Consolidated
			(in millions)		
Assets:					
Current assets:					
Cash and equivalents	$ 2	$ 433	$ 120	$ —	$ 555
Accounts receivable, net	24	278	269	—	571
Inventories	—	37	28	—	65
Royalty advances expected to be recouped within one year	—	122	101	—	223
Deferred tax assets	—	24	14	—	38
Other current assets	4	13	69	—	86
Total current assets	30	907	601	—	1,538
Royalty advances expected to be recouped after one year	—	124	99	—	223
Investments in and advances to (from) consolidated subsidiaries	2,556	6	(269)	(2,293)	—
Intercompany notes receivable	188	—	—	(188)	—
Investments	—	11	(3)	—	8
Property, plant and equipment	—	127	62	—	189
Goodwill	—	274	704	—	978
Intangible assets subject to amortization	—	1,253	684	—	1,937
Intangible assets not subject to amortization	—	100	—	—	100
Other assets	93	12	12	—	117
Total assets	$ 2,867	$ 2,814	$ 1,890	$ (2,481)	$ 5,090
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$ —	$ 116	$ 110	$ —	$ 226
Accrued royalties	—	511	492	—	1,003
Taxes and other withholdings	—	4	6	—	10
Current portion of long-term debt	12	—	—	—	12
Other current liabilities	42	139	251	—	432
Total current liabilities	54	770	859	—	1,683
Long-term debt	1,828	—	—	—	1,828
Intercompany notes payable	—	—	188	(188)	—
Deferred tax liabilities, net	—	24	241	—	265
Other noncurrent liabilities	4	209	124	(4)	333
Due to WMG Parent Corp.	3	—	—	—	3
Total liabilities	1,889	1,003	1,412	(192)	4,112
Shareholder's equity	978	1,811	478	(2,289)	978
Total liabilities and shareholder's equity	$ 2,867	$ 2,814	$ 1,890	$ (2,481)	$ 5,090

Combining Balance Sheet
November 30, 2003

	New WMG(a)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Old WMG Combined
			(in millions)		
Assets:					
Current assets:					
Cash and equivalents		$ 53	$ 91	$	$ 144
Accounts receivable, net		212	524	—	736
Inventories		32	29	—	61
Royalty advances expected to be recouped within one year		115	130	—	245
Deferred tax assets		230	—	—	230
Other current assets		13	77	—	90
Total current assets		655	851		1,506
Royalty advances expected to be recouped after one year		149	117	—	266
Investments in and advances to consolidated subsidiaries		1,093	—	(1,093)	—
Investments		6	4	—	10
Property, plant and equipment		153	68	—	221
Intangible assets subject to amortization		1,997	434	—	2,431
Intangible assets not subject to amortization		24	—	—	24
Other assets		12	14	—	26
Total assets		$ 4,089	$ 1,488	$ (1,093)	$ 4,484
Liabilities and Group Equity:					
Current liabilities:					
Accounts payable		$ 150	$ 135	$	$ 285
Accrued royalties		445	514	—	959
Taxes and other withholdings, including to Time Warner affiliated companies		6	28	—	34
Short-term debt		—	—	—	—
Other current liabilities		149	218	—	367
Total current liabilities		750	895		1,645
Long-term debt		—	120	—	120
Deferred tax liabilities, net		729	223	—	952
Other noncurrent liabilities		122	58	—	180
Total liabilities		1,601	1,296		2,897
Group equity:					
Group equity		2,807	(428)	(32)	2,347
Due from Time Warner affiliated companies, net		(319)	(434)	(7)	(760)
Intercompany payables		—	1,054	(1,054)	—
Total group equity		2,488	192	(1,093)	1,587
Total liabilities and group equity		$ 4,089	$ 1,488	$ (1,093)	$ 4,484

(a) For periods prior to the Acquisition, New WMG did not exist.

Consolidating Statement of Operations
For The Seven Months Ended September 30, 2004

	New WMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	New WMG Consolidated
			(in millions)		
Revenues	$ —	$ 913	$ 1,060	$ (204)	$ 1,769
Costs and expenses:					
Cost of revenues	—	(505)	(643)	204	(944)
Selling, general and administrative expenses	(6)	(335)	(336)	—	(677)
Amortization of intangible assets	—	(75)	(29)	—	(104)
Restructuring (costs) income, net	—	(19)	(7)	—	(26)
Total costs and expenses	(6)	(934)	(1,015)	204	(1,751)
Operating (loss) income	(6)	(21)	45	—	18
Interest expense, net	(58)	(12)	(10)	—	(80)
Equity in the losses of equity-method investees, net	—	(1)	(1)	—	(2)
Equity (losses) gains from consolidated subsidiaries	(1)	20	—	(19)	—
Loss on repayment of bridge loan	(6)	—	—	—	(6)
Other expense, net	(3)	—	(1)	—	(4)
(Loss) income before income taxes	(74)	(14)	33	(19)	(74)
Income tax (expense) benefit	(30)	(21)	(23)	44	(30)
Net (loss) income	$ (104)	$ (35)	$ 10	$ 25	$ (104)

Combining Statement of Operations
For The Three Months Ended February 29, 2004

	New WMG(a)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Old WMG Combined
			(in millions)		
Revenues		$ 420	$ 500	$ (141)	$ 779
Costs and expenses:					
Cost of revenues		(246)	(310)	141	(415)
Selling, general and administrative expenses		(150)	(169)	—	(319)
Amortization of intangible assets		(46)	(10)	—	(56)
Total costs and expenses		(442)	(489)	141	(790)
Operating (loss) income		(22)	11	—	(11)
Interest expense, net		(1)	(1)	—	(2)
Equity in the losses of equity-method investees, net		(1)	(1)	—	(2)
Equity losses from consolidated subsidiaries		(13)	—	13	—
(Loss) income before income taxes		(37)	9	13	(15)
Income tax (expense) benefit		(11)	(13)	7	(17)
Net loss		$ (48)	$ (4)	20	$ (32)

(a) For periods prior to the Acquisition, New WMG did not exist.

Combining Statement of Operations
For The Ten Months Ended September 30, 2003 (unaudited)

	New WMG(a)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Old WMG Combined
			(in millions)		
Revenues		$ 1,329	$ 1,438	$ (280)	$ 2,487
Costs and expenses:					
Cost of revenues		(809)	(920)	280	(1,449)
Selling, general and administrative expenses		(504)	(491)	—	(995)
Amortization of intangible assets		(173)	(28)	—	(201)
Loss on sale of physical distribution assets		(12)	—	—	(12)
Restructuring (costs) income, net		(15)	(12)	—	(27)
Total costs and expenses		(1,513)	(1,451)	280	(2,684)
Operating loss		(184)	(13)	—	(197)
Interest expense, net		(5)	—	—	(5)
Net investment-related losses		—	(17)	—	(17)
Equity in the losses of equity-method investees, net		(21)	(11)	—	(32)
Equity losses from consolidated subsidiaries		(38)	—	38	—
Deal-related transactions and other costs		(7)	—	—	(7)
Other expense, net		(9)	(1)	—	(10)
Loss before income taxes		(264)	(42)	38	(268)
Income tax benefit (expense)		28	(55)	56	29
Net loss		$ (236)	$ (97)	$ 94	$ (239)

(a) For periods prior to the Acquisition, New WMG did not exist.

Combining Statement of Operations
For The Year Ended November 30, 2003

	New WMG(a)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Old WMG Combined
			(in millions)		
Revenues		$ 1,769	$ 1,964	$ (357)	$ 3,376
Costs and expenses:					
Cost of revenues		(1,065)	(1,232)	357	(1,940)
Selling, general and administrative expenses		(644)	(642)	—	(1,286)
Impairment of goodwill and other intangible assets		(1,014)	(5)	—	(1,019)
Amortization of intangible assets		(207)	(35)	—	(242)
Loss on sale of physical distribution assets		(12)	—	—	(12)
Restructuring (costs) income, net		(22)	(13)	—	(35)
Total costs and expenses		(2,964)	(1,927)	357	(4,534)
Operating (loss) income		(1,195)	37	—	(1,158)
Interest expense, net		(2)	(3)	—	(5)
Net investment-related losses		—	(26)	—	(26)
Equity in the losses of equity-method investees, net		(23)	(18)	—	(41)
Equity losses from consolidated subsidiaries		(42)	—	42	—
Deal-related transaction and other costs		(70)	—	—	(70)
Other expense, net		(14)	(3)	—	(17)
Loss before income taxes		(1,346)	(13)	42	(1,317)
Income tax expense		(36)	(147)	147	(36)
Net loss		$ (1,382)	$ (160)	$ 189	$ (1,353)

(1) For periods prior to the Acquisition, New WMG did not exist.

Combining Statement of Operations
For The Year Ended November 30, 2002

	New WMG(a)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Old WMG Combined
			(in millions)		
Revenues		$ 1,747	$ 1,789	$ (246)	$ 3,290
Costs and expenses:					
Cost of revenues		(1,027)	(1,092)	246	(1,873)
Selling, general and administrative expenses		(693)	(589)	—	(1,282)
Impairment of goodwill and other intangible assets		(1,223)	(277)	—	(1,500)
Amortization of intangible assets		(148)	(34)	—	(182)
Restructuring (costs) income, net		5	—	—	5
Total costs and expenses		(3,086)	(1,992)	246	(4,832)
Operating loss		(1,339)	(203)	—	(1,542)
Interest expense, net		(4)	(19)	—	(23)
Net investment-related gains (losses)		(15)	57	—	42
Equity in the losses of equity-method investees, net		(33)	(9)	—	(42)
Equity losses form consolidated subsidiaries		(154)	—	154	—
Other income (expense), net		(14)	9	—	(5)
Loss before income taxes and cumulative effect of accounting change		(1,559)	(165)	154	(1,570)
Income tax benefit (expense)		409	(36)	(33)	340
Loss before cumulative effect of accounting change		(1,150)	(201)	121	(1,230)
Cumulative effect of accounting change		(3,672)	(1,945)	821	(4,796)
Net loss		$ (4,822)	$ (2,146)	$ 942	$ (6,026)

(a) For periods prior to the Acquisition, New WMG did not exist.

Consolidating Statement of Cash Flows
For The Seven Months Ended September 30, 2004

	New WMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	New WMG Consolidated
			(in millions)		
Cash flows from operating activities:					
Net loss	$ (104)	$ (35)	$ 10	$ 25	$ (104)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	103	37		140
Deferred taxes	—	—	8		8
Loss on repayment of bridge loan	6	—	—	—	6
Non-cash interest expense	6	13	—	—	19
Equity in the losses of equity-method investees, including distributions	—	—	3		3
Equity losses (gains) from consolidated subsidiaries	31	(6)	—	(25)	—
Changes in operating assets and liabilities:					
Accounts receivable	(24)	(35)	26	—	(33)
Inventories	—	(6)	(4)	—	(10)
Royalty advances	—	18	59	—	77
Accounts payable and accrued liabilities	46	18	(87)	—	(23)
Other balance sheet changes	(1)	(35)	39	—	3
Net cash provided by (used in) operating activities	(40)	35	91	—	86
Cash flows from investing activities:					
Acquisition of Old WMG	(2,638)	—	—	—	(2,638)
Investments and acquisitions	—	(7)	(3)	—	(10)
Investment proceeds	—	—	—	—	—
Capital expenditures	—	(6)	(9)	—	(15)
Net cash used in investing activities	(2,638)	(13)	(12)	—	(2,663)
Cash flows from financing activities:					
Borrowings	2,348	—	—	—	2,348
Financing costs of borrowings	(99)	—	—	—	(99)
Debt repayments	(506)	—	(125)	—	(631)
Capital contributions	1,250	—	—	—	1,250
Increase in amounts due to WMG Parent Corp.	3	—	—	—	3
Intercompany notes	(188)	—	188	—	—
Dividends paid	(210)	—	—	—	(210)
Change in intercompany	82	382	(464)	—	—
Net cash provided by (used in) financing activities	2,680	382	(401)	—	2,661
Effect of foreign currency exchange rate changes on cash	—	—	—	—	—
Net increase in cash and equivalents	2	404	(322)	—	84
Cash and equivalents at beginning of period	—	29	442	—	471
Cash and equivalents at end of period	$ 2	$ 433	$ 120	$ —	$ 555

Combining Statement of Cash Flows
For The Three Months Ended February 29, 2004

	New WMG(a)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Old WMG Consolidated
			(in millions)		
Cash flows from operating activities:					
Net loss		$ (48)	$ (4)	$ 20	$ (32)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization		58	14	—	72
Deferred taxes		(2)	(2)	—	(4)
Non-cash interest expense		2	—	—	2
Equity in the losses of equity-method investees, including distributions		1	1	—	2
Equity losses from consolidated subsidiaries		20	—	(20)	—
Changes in operating assets and liabilities:					
Accounts receivable		158	229	—	387
Inventories		—	6	—	6
Royalty advances		—	(4)	—	(4)
Accounts payable and accrued liabilities		18	(127)	—	(109)
Other balance sheet changes		9	(8)	—	1
Net cash provided by (used in) operating activities		216	105	—	321
Cash flows from investing activities:					
Investments and acquisitions		—	(2)	—	(2)
Investment proceeds		—	19	—	19
Capital expenditures		(1)	(2)	—	(3)
Net cash (used in) provided by investing activities		(1)	15	—	14
Cash flows from financing activities:					
Borrowings		—	—	—	—
Debt repayments		—	(124)	—	(124)
Capital contributions		224	457	(419)	262
Decrease (increase) in amounts due from Time Warner-affiliated companies		(261)	485	(30)	194
Dividends paid		(202)	(589)	449	(342)
Net cash provided by (used in) financing activities		(239)	229	—	(10)
Effect of foreign currency exchange rate changes on cash		—	2	—	2
Net increase in cash and equivalents		(24)	351	—	327
Cash and equivalents at beginning of period		53	91	—	144
Cash and equivalents at end of period		$ 29	$ 442	$ —	$ 471

(1) For periods prior to the Acquisition, New WMG did not exist.

Combining Statement of Cash Flows
For The Ten Months Ended September 30, 2003 (unaudited)

	New WMG(a)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Old WMG Combined
			(in millions)		
Cash flows from operating activities:					
Net loss		$ (236)	$ (97)	$ 94	$ (239)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization		229	43	—	272
Deferred taxes		(106)	27	—	(79)
Loss on sale of physical distribution assets		12	—	—	12
Non-cash interest expense		10	—	—	10
Net investment-related losses (gains)		—	17	—	17
Equity in the losses of equity-method investees, including distributions		21	14	—	35
Equity losses from consolidated subsidiaries		94	—	(94)	—
Changes in operating assets and liabilities:					
Accounts receivable		114	161	—	275
Inventories		14	10	—	24
Royalty advances		45	(7)	—	38
Accounts payable and accrued liabilities		(119)	(38)	41	(116)
Other balance sheet changes		31	(25)	2	8
Net cash provided by operating activities		109	105	43	257
Cash flows from investing activities:					
Investments and acquisitions		(15)	(28)	—	(43)
Capital expenditures		(24)	(6)	—	(30)
Net cash used in investing activities		(39)	(34)	—	(73)
Cash flows from financing activities:					
Borrowings		—	114	—	114
Debt repayments		(101)	—	—	(101)
Capital contributions		132	—	—	132
Decrease (increase) in amounts due from Time Warner-affiliated companies		(103)	(190)	—	(293)
Principal payments on capital leases		(2)	(1)	—	(3)
Net cash used in financing activities		(74)	(77)	—	(151)
Effect of foreign currency exchange rate changes on cash		—	6	—	6
Net increase in cash and equivalents		(4)	—	43	39
Cash and equivalents at beginning of period		7	77	(43)	41
Cash and equivalents at end of period		$ 3	$ 77	$ —	$ 80

(a) For periods prior to the Acquisitions, New WMG did not exist.

Combining Statement of Cash Flows
For The Year Ended November 30, 2003

	New WMG(a)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Old WMG Combined
			(in millions)		
Cash flows from operating activities:					
Net loss		$ (1,382)	$ (160)	$ 189	$ (1,353)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Impairment of goodwill and other intangible assets		1,014	5	—	1,019
Depreciation and amortization		275	53	—	328
Deferred taxes		(129)	110	—	(19)
Loss on sale of physical distribution assets		12	—	—	12
Non-cash interest expense		11	—	—	11
Net investment-related losses (gains)		—	26	—	26
Equity in the losses of equity-method investees, including distributions		23	21	—	44
Equity losses from consolidated subsidiaries		189	—	(189)	—
Changes in operating assets and liabilities:					
Accounts receivable		(24)	(97)	—	(121)
Inventories		11	1	—	12
Royalty advances		124	(13)	—	111
Accounts payable and accrued liabilities		(90)	209	50	169
Other balance sheet changes		(19)	65	(7)	39
Net cash provided by operating activities		15	220	43	278
Cash flows from investing activities:					
Investments and acquisitions		(13)	(39)	—	(52)
Investment proceeds		38	—	—	38
Capital expenditures		(41)	(10)	—	(51)
Net cash used in investing activities		(16)	(49)	—	(65)
Cash flows from financing activities:					
Borrowings		—	114	—	114
Debt repayments		(101)	—	—	(101)
Capital contributions		132	—	—	132
Decrease (increase) in amounts due from Time Warner-affiliated companies		18	(213)	—	(195)
Dividends paid		—	(68)	—	(68)
Principal payments on capital leases		(2)	(1)	—	(3)
Net cash provided by (used in) financing activities		47	(168)	—	(121)
Effect of foreign currency exchange rate changes on cash		—	11	—	11
Net increase in cash and equivalents		46	14	43	103
Cash and equivalents at beginning of period		7	77	(43)	41
Cash and equivalents at end of period		53	91	—	144

(a) For periods prior to the Acquisitions, New WMG did not exist.

Warner Music Group
(Otherwise known as WMG Acquisition Corp.)

Supplementary Information
Condensed Consolidating Financial Statements

Combining Statement of Cash Flows
For The Year Ended November 30, 2002

	New WMG(a)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Old WMG Combined
			(in millions)		
Cash flows from operating activities:					
Net loss		$ (4,822)	$ (2,146)	$ 942	$ (6,026)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Cumulative effect of accounting change		3,672	1,945	(821)	4,796
Impairment of goodwill and other intangible assets		1,223	277	—	1,500
Depreciation and amortization		199	50	—	249
Deferred taxes		(396)	2	—	(394)
Non-cash interest expense		17	—	—	17
Net investment-related losses (gains)		15	(57)	—	(42)
Equity in the losses of equity-method investees, including distributions		34	9	—	43
Equity losses from consolidated subsidiaries		188	—	(188)	—
Changes in operating assets and liabilities:					
Accounts receivable		79	11	—	90
Inventories		12	5	—	17
Royalty advances		7	(37)	—	(30)
Accounts payable and accrued liabilities		(195)	26	(5)	(174)
Other balance sheet changes		(90)	(17)	48	(59)
Net cash (used in) provided by operating activities		(57)	68	(24)	(13)
Cash flows from investing activities:					
Investments and acquisitions		(50)	(1,052)	—	(1,102)
Investment proceeds		—	825	—	825
Capital expenditures		(75)	(13)	—	(88)
Net cash used in investing activities		(125)	(240)	—	(365)
Cash flows from financing activities:					
Borrowings		—	—	—	—
Debt repayments		—	—	—	—
Capital contributions		—	—	—	—
Decrease (increase) in amounts due from Time Warner-affiliated companies		165	258	(7)	416
Dividends paid		24	(55)	—	(31)
Principal payments on capital leases		—	—	—	—
Net cash provided by (used in) financing activities		189	203	(7)	385
Effect of foreign currency exchange rate changes on cash		—	—	—	—
Net increase in cash and equivalents		7	31	(31)	7
Cash and equivalents at beginning of period		—	46	(12)	34
Cash and equivalents at end of period		$ 7	$ 77	$ (43)	$ 41

(a) For periods prior to the Acquisition, New WMG did not exist.

Warner Music Group
(Otherwise known as WMG Acquisition Corp.)

Schedule II—Valuation and Qualifying Accounts
Seven Months Ended September 30, 2004,
Three Months Ended February 29, 2004 and
Years Ended November 30, 2003 and 2002

Description	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Deductions	Balance at End of Period
		(in millions)		
Seven Months Ended September 30, 2004				
Reserve deducted from acounts receivable				
Allowance for doubtful accounts	$ 69	$ 7	$ (18)	$ 58
Reserves for sales returns and allowances	200	278	(314)	164
Allowance for deferred tax asset	—	293	—	293
	$ 269	$ 578	$ (332)	$ 515
Three Months Ended February 29, 2004				
Reserve deducted from acounts receivable				
Allowance for doubtful accounts	$ 67	$ 2	$ —	$ 69
Reserves for sales returns and allowances	224	128	(152)	200
Allowance for deferred tax asset	—	—	—	—
	$ 291	$ 130	$ (152)	$ 269
Year Ended November 30, 2003				
Reserve deducted from acounts receivable				
Allowance for doubtful accounts	$ 68	$ 9	$ (10)	$ 67
Reserves for sales returns and allowances	213	585	(574)	224
Allowance for deferred tax asset	21	—	(21)	—
	$ 302	$ 594	$ (605)	$ 291
Year Ended November 30, 2002				
Reserve deducted from acounts receivable				
Allowance for doubtful accounts	$ 99	$ 17	$ (48)	$ 68
Reserves for sales returns and allowances	233	526	(546)	213
Allowance for deferred tax asset	—	21	—	21
	$ 332	$ 564	$ (594)	$ 302

PROSPECTUS

Offers to Exchange

$465,000,000 aggregate principal amount of 7 3/8% Senior Subordinated Notes due 2014, which have been registered under the Securities Act of 1933 for any and all outstanding 7 3/8% Senior Subordinated Notes due 2014

£100,000,000 aggregate principal amount of 8 1/8% Senior Subordinated Notes due 2014, which have been registered under the Securities Act of 1933 for any and all outstanding 8 1/8% Senior Subordinated Notes due 2014

Until the date that is 90 days after the date of this prospectus, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters with respect to their unsold allotments or subscriptions.

? , 2004

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers.

Warner Music Group is a Delaware corporation. Section 145 of the Delaware General Corporation Law of the State of Delaware (the "DGCL") grants each corporation organized thereunder the power to indemnify any person who is or was a director, officer, employee or agent of a corporation or enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of being or having been in any such capacity, if he acted in good faith in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Section 102(b)(7) of the DGCL enables a corporation in its certificate of incorporation or an amendment thereto validly approved by stockholders to limit or eliminate the personal liability of the members of its board of directors for violations of the directors' fiduciary duty of care, except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions) or (iv) for any transaction from which a director derived an improper personal benefit.

Section 3.16 of Warner Music Group's Amended and Restated By-laws (filed as Exhibit 3.195) provide that a member of the board of directors, or a member of any committee designated by the board of directors shall, in the performance of his or her duties, be fully protected in relying in good faith upon the records of Warner Music Group and upon such information, opinions, reports or statements presented to Warner Music Group by any of Warner Music Group's officers, employees, agents, committees, or by any other person as to matters the member reasonably believes are within such other person's or persons' professional or expert competence, and who has been selected with reasonable care by or on behalf of Warner Music Group.

Article THIRD, paragraph 7 of Warner Music Group's Amended and Restated Certificate of Incorporation (filed as Exhibit 3.194) provides that a director of Warner Music Group shall not be liable to Warner Music Group or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that exculpation from liability is not permitted under the DGCL. No amendment or repeal of this paragraph 7 shall apply to or have any effect on the liability or alleged liability of any director of Warner Music Group for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

Article THIRD, paragraph 8 provides that to the maximum extent permitted from time to time under the law of the State of Delaware, Warner Music Group renounces any interest or expectancy of Warner Music Group in, or in being offered an opportunity to participate in business opportunities that are from time to time presented to its officers, directors or stockholders or the affiliates of the foregoing, other than those officers, directors, stockholders or affiliates who are employees of Warner Music Group. No amendment or repeal of this paragraph 8 shall apply to or have any effect on the liability or alleged liability of any such officer, director, stockholder or affiliate for or with respect to any business opportunities of which such officer, director, stockholder or affiliate becomes aware prior to such amendment or repeal.

Article THIRD, paragraph 9 provides that Warner Music Group shall, to the maximum extent permitted from time to time under the law of the State of Delaware, indemnify and upon request shall

advance expenses to any person who is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit, proceeding or claim, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was or has agreed to be a director or officer of Warner Music Group or while a director or officer is or was serving at the request of Warner Music Group as a director, officer, partner, member, trustee, employee or agent of any corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorney's fees and expenses), judgments, fries, penalties and amounts paid in settlement incurred in connection with the investigation, preparation to defend or defense of such action, suit, proceeding or claim; provided, however, that the foregoing shall not require Warner Music Group to indemnify or advance expenses to any person in connection with any action, suit, proceeding, claim or counterclaim initiated by or on behalf of such person. Such indemnification and advancement of expenses shall not be exclusive of other indemnification rights arising as a matter of law, under any by-law, agreement, vote of directors or stockholders or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall inure to the benefit of the heirs and legal representatives of such person. Any person seeking indemnification under this paragraph 9 shall be deemed to have met the standard of conduct required for such indemnification unless the contrary shall be established. Any repeal or modification of the foregoing provisions of this paragraph 9 shall not adversely affect any right or protection of a director or officer of Warner Music Group with respect to any acts or omissions of such director or officer occurring prior to such repeal or modification.

Article THIRD, paragraph 9 also provides that Warner Music Group shall have the power to purchase and maintain, at its expense, insurance on behalf of any person who is or was a director, officer, employee or agent of Warner Music Group, or is or was serving at the request of Warner Music Group as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any expense, liability or loss asserted against such Person and incurred by such Person in any such capacity, or arising out of such Person's status as such, whether or not Warner Music Group would have the power to indemnify such person against such expense, liability or loss under the DCCL or the terms of the Amended and Restated Certificate of Incorporation.

Warner Music Group has also obtained officers' and directors liability insurance which insures against liabilities that officers and directors of the Warner Music Group may, in such capacities, incur.

Item 21. Exhibits and Financial Statement Schedules.

(a) Exhibits

Exhibit No.	Description
2.1*	Purchase Agreement, dated as of November 24, 2003 between Time Warner Inc. and WMG Acquisition Corp., as amended
3.1*	Certificate of Incorporation of A. P. Schmidt Co.
3.2*	By-laws of A. P. Schmidt Co.
3.3*	Certificate of Formation of Atlantic/143 L.L.C., as amended
3.4*	Limited Liability Company Agreement of Atlantic/143 L.L.C.
3.5*	Certificate of Incorporation of Atlantic/MR Ventures Inc., as amended
3.6*	By-laws of Atlantic/MR Ventures Inc.
3.7*	Certificate of Incorporation of Atlantic/MR II Inc., as amended
3.8*	By-laws of Atlantic/MR II Inc.
3.9*	Certificate of Incorporation of Atlantic Recording Corporation
3.10*	By-laws of Atlantic Recording Corporation
3.11*	Articles of Incorporation of Berna Music, Inc.
3.12*	By-laws of Berna Music, Inc., as amended
3.13*	Certificate of Incorporation of Big Beat Records Inc., as amended
3.14*	By-laws of Big Beat Records Inc.
3.15*	Certificate of Incorporation of Big Tree Recording Corporation, as amended
3.16*	By-laws of Big Tree Recording Corporation
3.17*	Certificate of Formation of Bute Sound LLC, as amended
3.18*	Limited Liability Company Agreement of Bute Sound LLC
3.19*	Certificate of Incorporation of Cafe Americana Inc.
3.20*	By-laws of Cafe Americana Inc., as amended
3.21*	Certificate of Incorporation of Chappell & Intersong Music Group (Australia) Limited
3.22*	Term of Reference of Chappell & Intersong Music Group (Australia) Limited
3.23*	Certificate of Incorporation of Chappell and Intersong Music Group (Germany) Inc., as amended
3.24*	By-laws of Chappell and Intersong Music Group (Germany) Inc.
3.25*	Certificate of Incorporation of Chappell Music Company, Inc.
3.26*	By-laws of Chappell Music Company, Inc.
3.27*	Certificate of Incorporation of Cota Music, Inc.
3.28*	By-laws of Cota Music, Inc.
3.29*	Certificate of Incorporation of Cotillion Music, Inc.
3.30*	By-laws of Cotillion Music, Inc.
3.31*	Restated Certificate of Incorporation of CPP/Belwin, Inc.
3.32*	By-laws of CPP/Belwin, Inc.

3.33* Certificate of Incorporation of CRK Music Inc., as amended
3.34* By-laws of CRK Music Inc.
3.35* Certificate of Incorporation of E/A Music, Inc.
3.36* By-laws of E/A Music, Inc.
3.37* Certificate of Incorporation of Eleksylum Music, Inc., as amended
3.38* By-laws of Eleksylum Music, Inc.
3.39* Certificate of Incorporation of Elektra/Chameleon Ventures Inc.
3.40* By-laws of Elektra/Chameleon Ventures Inc.
3.41* Certificate of Incorporation of Elektra Entertainment Group Inc.
3.42* By-laws of Elektra Entertainment Group Inc.
3.43* Certificate of Incorporation of Elektra Group Ventures Inc.
3.44* By-laws of Elektra Group Ventures Inc.
3.45* Charter of FHK, Inc.
3.46* By-laws of FHK, Inc.
3.47* Certificate of Incorporation of Fiddleback Music Publishing Company, Inc., as amended
3.48* By-laws of Fiddleback Music Publishing Company, Inc.
3.49* Certificate of Incorporation of Foster Frees Music, Inc.
3.50* By-laws of Foster Frees Music, Inc.
3.51* Certificate of Formation of Foz Man Music LLC, as amended
3.52* LLC Agreement of Foz Man Music LLC**
3.53* Certificate of Incorporation of Inside Job, Inc.
3.54* By-laws of Inside Job, Inc.
3.55* Certificate of Incorporation of Intersong U.S.A., Inc.
3.56* By-laws of Intersong U.S.A., Inc.
3.57* Certificate of Incorporation of Jadar Music Corp.
3.58* By-laws of Jadar Music Corp.
3.59* Certificate of Formation of Lava Trademark Holding Company LLC
3.60* Operating Agreement of Lava Trademark Holding Company LLC
3.61* Certificate of Incorporation of LEM America, Inc.
3.62* By-laws of LEM America, Inc.
3.63* Certificate of Incorporation of London-Sire Records Inc., as amended
3.64* By-laws of London-Sire Records Inc.
3.65* Certificate of Incorporation of McGuffin Music Inc.
3.66* By-laws of McGuffin Music Inc.
3.67* Certificate of Incorporation of Mixed Bag Music, Inc.
3.68* By-laws of Mixed Bag Music, Inc.
3.69* Certificate of Incorporation of NC Hungary Holdings Inc., as amended

3.70* By-laws of NC Hungary Holdings Inc.
3.71* Certificate of Incorporation of New Chappell Inc.
3.72* By-laws of New Chappell Inc.
3.73* Certificate of Incorporation of Nonesuch Records Inc.
3.74* By-laws of Nonesuch Records Inc.
3.75* Certificate of Incorporation of NVC International Inc., as amended
3.76* By-laws of NVC International Inc.
3.77* Certificate of Incorporation of Octa Music, Inc.
3.78* By-laws of Octa Music, Inc.
3.79* Certificate of Conversion of Penalty Records, L.L.C.
3.80* Limited Liability Company Agreement of Penalty Records, L.L.C.**
3.81* Certificate of Incorporation of Pepamar Music Corp.
3.82* By-laws of Pepamar Music Corp.
3.83* Certificate of Incorporation of Revelation Music Publishing Corporation
3.84* By-laws of Revelation Music Publishing Corporation
3.85* Certificate of Incorporation of Rhino Entertainment Company, as amended
3.86* By-laws of Rhino Entertainment Company
3.87* Certificate of Incorporation of Rick's Music Inc.
3.88* By-laws of Rick's Music Inc.
3.89* Certificate of Incorporation of Rightsong Music Inc.
3.90* By-laws of Rightsong Music Inc.
3.91* Amended and Restated Articles of Incorporation of Rodra Music, Inc.
3.92* By-laws of Rodra Music, Inc.
3.93* Articles of Incorporation of Sea Chime Music, Inc., as amended
3.94* By-laws of Sea Chime Music, Inc.
3.95* Certificate of Incorporation of SR/MDM Venture Inc.
3.96* By-laws of SR/MDM Venture Inc.
3.97* Certificate of Incorporation of Super Hype Publishing, Inc.
3.98* By-laws of Super Hype Publishing, Inc.
3.99* Certificate of Incorporation of Summy-Birchard, Inc., as amended
3.100* By-laws of Summy-Birchard, Inc.
3.101* Articles of Organization of T-Boy Music, L.L.C.
3.102* Articles of Organization of T-Girl Music, L.L.C.
3.103* Certificate of Incorporation of The Rhythm Method Inc.
3.104* By-laws of The Rhythm Method Inc.
3.105* Certificate of Incorporation of Tommy Boy Music, Inc.
3.106* By-laws of Tommy Boy Music, Inc.

3.107* Certificate of Incorporation of Tommy Valando Publishing Group, Inc., as amended
3.108* By-laws of Tommy Valando Publishing Group, Inc.
3.109* Certificate of Incorporation of Tri-Chappell Music Inc.
3.110* By-laws of Tri-Chappell Music Inc.
3.111* Certificate of Incorporation of TW Music Holdings Inc.
3.112* By-laws of TW Music Holdings Inc.
3.113* Certificate of Incorporation of Unichappell Music Inc.
3.114* By-laws of Unichappell Music Inc.
3.115* Certificate of Incorporation of W.B.M. Music Corp.
3.116* By-laws of W.B.M. Music Corp.
3.117* Certificate of Incorporation of Walden Music Inc.
3.118* By-laws of Walden Music Inc.
3.119* Certificate of Incorporation of Warner Alliance Music Inc.
3.120* By-laws of Warner Alliance Music Inc.
3.121* Certificate of Incorporation of Warner Brethren Inc., as amended
3.122* By-laws of Warner Brethren Inc.
3.123* Certificate of Incorporation of Warner Bros. Music International Inc.
3.124* By-laws of Warner Bros. Music International Inc.
3.125* Certificate of Incorporation Warner Bros. Publications U.S. Inc., as amended
3.126* By-laws of Warner Bros. Publications U.S. Inc.
3.127* Certificate of Incorporation of Warner Bros. Records Inc., as amended
3.128* By-laws of Warner Bros. Records Inc.
3.129* Certificate of Incorporation of Warner/Chappell Music, Inc., as amended
3.130* By-laws of Warner/Chappell Music, Inc.
3.131* Certificate of Incorporation of Warner/Chappell Music (Services), Inc.
3.132* By-laws of Warner/Chappell Music (Services), Inc.
3.133* Articles of Incorporation of Warner Custom Music Corp., as amended
3.134* By-laws of Warner Custom Music Corp.
3.135* Certificate of Incorporation of Warner Domain Music Inc.
3.136* By-laws of Warner Domain Music Inc.
3.137* Certificate of Incorporation of Warner-Elektra-Atlantic Corporation
3.138* By-laws of Warner-Elektra-Atlantic Corporation
3.139* Certificate of Incorporation of Warner Music Bluesky Holding Inc.
3.140* By-laws of Warner Music Bluesky Holding Inc.
3.141* Certificate of Incorporation of Warner Music Discovery Inc.
3.142* By-laws of Warner Music Discovery Inc.
3.143* Certificate of Incorporation of Warner Music Distribution Inc.

3.144* By-laws of Warner Music Distribution Inc.
3.145* Certificate of Incorporation of Warner Music Group Inc.
3.146* By-laws of Warner Music Group Inc.
3.147* Certificate of Incorporation of Warner Music Latina Inc., as amended
3.148* By-laws of Warner Music Latina Inc.
3.149* Certificate of Incorporation of Warner Sojourner Music Inc.
3.150* By-laws of Warner Sojourner Music Inc.
3.151* Certificate of Incorporation of WarnerSongs, Inc., as amended
3.152* By-laws of WarnerSongs, Inc., as amended
3.153* Certificate of Incorporation of Warner Music SP Inc.
3.154* By-laws of Warner Music SP Inc.
3.155* Certificate of Incorporation of Warner Special Products Inc.
3.156* By-laws of Warner Special Products Inc.
3.157* Certificate of Incorporation of Warner Strategic Marketing Inc.
3.158* By-laws of Warner Strategic Marketing Inc.
3.159* Articles of Incorporation of Warner-Tamerlane Publishing Corp.
3.160* By-laws of Warner-Tamerlane Publishing Corp.
3.161* Certificate of Incorporation of Warprise Music Inc.
3.162* By-laws of Warprise Music Inc.
3.163* Certificate of Incorporation of WB Gold Music Corp.
3.164* By-laws of WB Gold Music Corp.
3.165* Articles of Incorporation of WB Music Corp.
3.166* By-laws of WB Music Corp.
3.167* Certificate of Incorporation of WBM/House of Gold Music, Inc., as amended
3.168* By-laws of WBM/House of Gold Music, Inc.
3.169* Certificate of Formation of WBPI Holdings LLC
3.170* LLC Agreement of WBPI Holdings LLC
3.171* Certificate of Incorporation of WBR Management Services Inc.
3.172* By-laws of WBR Management Services Inc.
3.173* Certificate of Incorporation of WBR/QRI Venture, Inc., as amended
3.174* By-laws of WBR/QRI Venture, Inc.
3.175* Certificate of Incorporation of WBR/Ruffnation Ventures, Inc.
3.176* By-laws of WBR/Ruffnation Ventures, Inc.
3.177* Certificate of Incorporation of WBR/Sire Ventures Inc.
3.178* By-laws of WBR/Sire Ventures Inc.
3.179* Certificate of Incorporation of We Are Musica Inc.
3.180* By-laws of We Are Musica Inc.

3.181*	Certificate of Incorporation of WEA Europe Inc., as amended
3.182*	By-laws of WEA Europe Inc.
3.183*	Certificate of Incorporation of WEA Inc.
3.184*	By-laws of WEA Inc.
3.185*	Certificate of Incorporation of WEA International Inc.
3.186*	By-laws of WEA International Inc.
3.187*	Certificate of Incorporation of WEA Latina Music Inc.
3.188*	By-laws of WEA Latina Music Inc.
3.189*	Certificate of Incorporation of WEA Management Services Inc., as amended
3.190*	By-laws of WEA Management Services Inc.
3.191*	Certificate of Formation of WEA Rock LLC
3.192*	Limited Liability Company Agreement of WEA Rock LLC
3.193*	Certificate of Formation of WEA Urban LLC
3.194*	Limited Liability Company Agreement of WEA Urban LLC
3.195*	Certificate of Incorporation of WMG Management Services Inc., as amended
3.196*	Amended and Restated Certificate of Incorporation of WMG Acquisition Corp.
3.197*	Amended and Restated By-laws WMG Acquisition Corp.
3.198*	By-laws of WMG Management Services Inc.
3.199*	Articles of Incorporation of Wide Music, Inc., as amended
3.200*	By-laws of Wide Music, Inc., as amended
3.201*	Certificate of Formation of WMG Trademark Holding Company LLC
3.202*	Limited Liability Company Agreement of WMG Trademark Holding Company LLC
4.1	Indenture, dated as of April 8, 2004, among WMG Acquisition Corp., the Guarantors named therein and Wells Fargo Bank, National Association
4.2	First Supplemental Indenture, dated as of November 16, 2004, among WMG Acquisition Corp., Wells Fargo Bank, National Association, as Trustee, WEA Urban LLC and WEA Rock LLC
4.3	Registration Rights Agreement dated as of April 8, 2004, among WMG Acquisition Corp., the Guarantors named therein and the Initial Purchasers named therein
5.1	Opinion of Simpson Thacher & Bartlett LLP
10.1*	Amended and Restated Credit Agreement, dated as of April 8, 2004, among WMG Acquisition Corp., the Overseas Borrowers from time to time party thereto, MG Holdings Corp., each lender from time to time party thereto Banc of America Securities LLC and Deutsche Bank Securities Inc., as Joint Lead Arrangers and Joint Book Managers, Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Co-Arrangers and Joint Book Managers, Deutsche Bank Securities Inc. and Lehman Commercial Paper Inc., as Co-Syndication Agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Documentation Agent, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.

10.2*	Amendment No. 1 to the Credit Agreement, dated as of September 30, 2004, among WMG Acquisition Corp., the Overseas Borrowers party thereto, WMG Holdings Corp., the lenders party thereto, Banc of America Securities LLC and Deutsche Bank Securities Inc., as joint lead arrangers and joint book managers and various other parties
10.3*	Amendment No. 2 to the Credit Agreement, dated as of December 6, 2004, among WMG Acquisition Corp., the Overseas Borrowers party thereto, WMG Holdings Corp., the lenders party thereto, Banc of America Securities LLC and Deutsche Bank Securities Inc., as joint lead arrangers and joint book managers and various other parties
10.4*	Security Agreement, dated as of February 27, 2004, from the Grantors named to therein to Bank of America, N.A.
10.5*	Subsidiary Guaranty, dated as of February 27, 2004, from the Guarantors named therein and the Additional Guarantors named therein in favor of the Secured Parties named in the Credit Agreement referred to therein
10.6*	Parent Guaranty, dated as of February 27, 2004, from WMG Holdings Corp. in favor of the Secured Parties named in the Credit Agreement referred to therein
10.7*	Company Guaranty, dated as of February 27, 2004, from WMG Acquisition Corp. in favor of the Secured Parties named in the Credit Agreement referred to therein
10.8*	Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing (Tennessee) by and from Warner Bros. Records, Inc. to Kay B. Housch in favor of Bank of America, N.A., dated as of February 29, 2004 (20, 24, 26 Music Square East)
10.9*	Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing (Tennessee) by and from Warner Bros. Records, Inc. to Kay B. Housch in favor of Bank of America, N.A., dated as of February 29, 2004 (21 Music Square East)
10.10*	Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing (California) by and from Warner Bros. Records, Inc. to MTC Financial Inc. in favor of Bank of America, N.A., dated as of February 29, 2004
10.11*	Trademark Security Agreement, dated as of February 29, 2004, made by the Grantors listed on the signature pages thereto in favor of the Bank of America, N.A.
10.12*	Copyright Security Agreement, dated as of February 29, 2004, made by the Grantors listed on the signature pages thereto in favor of the Bank of America, N.A.
10.13*	Stockholders Agreement, dated as of February 29, 2004, among WMG Parent Corp., WMG Holdings Corp., WMG Acquisition Corp. and Certain Stockholders of WMG Parent Corp. and WMG Holdings Corp.
10.14*	Amendment No. 1 to Stockholder's Agreement, dated as of July 30, 2004, among WMG Parent Corp., WMG Holdings Corp., WMG Acquisition Corp., each Person executing this Agreement and listed as an Investor on the signature pages hereto, each Person executing this Agreement and listed as a Seller on the signature pages hereto, each Person executing this Agreement and listed as a Manager on the signature pages hereto and such other Persons, if any, that from time to time become party hereto as holders of Other Holder Shares solely in the capacity of permitted assignees with respect to certain registration rights hereunder
10.15*	Seller Administrative Services Agreement, dated as of February 29, 2004, between Time Warner Inc. and WMG Acquisition Corp.
10.16*	Amendment No. 1 to Seller Administrative Services Agreement, dated as of July 1, 2004, between Time Warner Inc. and WMG Acquisition Corp.

10.17*	Purchaser Administrative Services Agreement, dated as of February 29, 2004, between Time Warner Inc. and WMG Acquisition Corp.
10.18*	Management Agreement, dated as of February 29, 2004, among WMG Parent Corp., WMG Holdings Corp., WMG Acquisition Corp., THL Managers V, L.L.C., Bain Capital Partners, LLC, Providence Equity Partners IV Inc. and Music Partners Management, LLC
10.19*	Warrant Agreement (MMT Warrants), February 29, 2004, WMG Parent Corp., WMG Holdings Corp. and Historic TW Inc.
10.20*	Warrant Agreement (Three-Year Warrants), February 29, 2004, WMG Parent Corp., WMG Holdings Corp. and Historic TW Inc.
10.21*	Employment Agreement, effective as of March 1, 2004, between WMG Acquisition Corp. and Edgar Bronfman, Jr.
10.22*	Employment Agreement, dated as of January 25, 2004, between WMG Acquisition Corp. and Lyor Cohen
10.23*	Employment Agreement, dated as of November 28, 2002, between Warner Music International Services Ltd. and Paul-René Albertini, assumed by WMG Acquisition Corp. on March 1, 2004
10.24*	Employment Agreement, dated as of March 22, 1999, between Warner Music Group Inc. and Les Bider, as amended, assumed by WMG Acquisition Corp. on March 1, 2004
10.25*	Employment Agreement, dated as of December 15, 1998, between Warner Music Group Inc. and David H. Johnson, as amended, assumed by WMG Acquisition Corp. on March 1, 2004
10.26*	Office Lease, June 27, 2002, by and between Media Center Development, LLC and Warner Music Group Inc., as amended
10.27*	Lease, dated as of February 1, 1996, between 1290 Associates, L.L.C.and Warner Communications Inc.
10.28*	U.S. Pick, Pack and Shipping Services Agreement, dated as of October 24, 2003, between Warner-Elektra-Atlantic Corporation and Cinram Distribution LLC
10.29*	US Manufacturing and Packaging Agreement, dated as of October 24, 2003, between Warner-Elektra-Atlantic Corporation and Cinram Manufacturing Inc.
10.30*	International Pick, Pack and Shipping Services Agreement, dated as of October 24, 2003, between WEA International Inc. and Warner Music Manufacturing Europe GmbH Company
10.31*	International Manufacturing and Packaging Agreement, dated as of October 24, 2003, between WEA International Inc. and Warner Music Manufacturing Europe GmbH Company
10.32*	Lease, dated as of February 29, 2004, between Historical TW Inc. and Warner Music Group Inc. regarding 75 Rockefeller Plaza
10.33*	Consent to Assignment of Sublease, dated as of October 5, 2001, between 1290 Partners, L.P. and Warner Music Group
10.34*	Restricted Stock Award Agreement, dated as of March 1, 2004, between WMG Parent Corp. and Edgar Bronfman, Jr.
10.35*	Restricted Stock Award Agreement, dated as of March 1, 2004, between WMG Parent Corp. and Lyor Cohen

12.1	Computation of Ratio of Earnings to Fixed Charges
21.1*	List of Subsidiaries
23.1	Consent of Simpson Thacher & Bartlett LLP (included as part of its opinion filed as Exhibit 5.1 hereto)
23.2	Consent of Ernst & Young LLP
24.1	Powers of Attorney for WMG Acquisition Corp. (included in signature pages of this registration statement)
24.2	Power of Attorney for Additional Registrants
25.1	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of Wells Fargo Bank, National Association, as Trustee for Dollar Notes
99.1*	Form of Letter of Transmittal—Dollar Notes
99.2*	Form of Letter of Transmittal—Sterling Notes
99.3*	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees—Dollar Notes
99.4*	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees—Sterling Notes
99.5*	Form of Letter to Clients—Dollar Notes
99.6*	Form of Letter to Clients—Sterling Notes
99.7*	Form of Notice of Guaranteed Delivery—Dollar Notes
99.8*	Form of Notice of Guaranteed Delivery—Sterling Notes
(b)	Financial Statement Schedules
	Schedule II—Valuation and Qualifying Accounts

* To be filed by amendment.

Item 22. Undertakings.

The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1993;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of it counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, WMG Acquisition Corp. has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of New York, state of New York, on December 16, 2004.

WMG ACQUISITION CORP.

By: /s/ EDGAR BRONFMAN, JR.

Name: Edgar Bronfman, Jr.
Title: Chief Executive Officer and Chairman of the Board

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Dave Johnson and Paul Robinson and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, including any filings pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and anything necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute, or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title
/s/ EDGAR BRONFMAN, JR. Edgar Bronfman, Jr.	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
/s/ MICHAEL WARD Michael Ward	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ LEN BLAVATNIK Len Blavatnik	Director
/s/ CHARLES A. BRIZIUS Charles A. Brizius	Director

/s/ JOHN P. CONNAUGHTON	Director
John P. Connaughton	
/s/ SCOTT L. JAECKEL	Director
Scott L. Jaeckel	
/s/ SETH W. LAWRY	Director
Seth W. Lawry	
/s/ THOMAS H. LEE	Director
Thomas H. Lee	
/s/ IAN LORING	Director
Ian Loring	
/s/ JONATHAN M. NELSON	Director
Jonathan M. Nelson	
/s/ MARK NUNNELLY	Director
Mark Nunnelly	
/s/ SCOTT M. SPERLING	Director
Scott M. Sperling	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, A.P. Schmidt Company has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

A.P. SCHMIDT COMPANY

By: *

Name: Leslie Bider
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Atlantic Recording Corporation has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

ATLANTIC RECORDING CORPORATION

By: *

Name: Jason Flom
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Jason Flom	
*	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Samantha Schwam	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Atlantic/143 L.L.C. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

ATLANTIC/143 L.L.C.

By: *

Name: Jason Flom
Title: Chief Executive Officer, on behalf of
Atlantic Recording Corp.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
Atlantic Recording Corp.	Sole member
*	Chief Executive Officer, on behalf of Atlantic Recording Corp. (Principal Executive Officer)
Jason Flom	
*	Chief Financial Officer, on behalf of Atlantic Recording Corp. (Principal Financial Officer and Principal Accounting Officer)
Samantha Schwam	

By: * — Director of sole member

Name: Edgar Bronfman, Jr.

By: * — Director of sole member

Name: Dave Johnson

By: /s/ PAUL ROBINSON — Director of sole member

Name: Paul Robinson

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Atlantic/MR II INC. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

ATLANTIC/MR II INC.

By: *

Name: Craig Kallman
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Craig Kallman	
*	Senior Vice President; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Samantha Schwam	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Atlantic/MR Ventures Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

ATLANTIC/MR VENTURES INC.

By: *

Name: Craig Kallman
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Craig Kallman	
*	Senior Vice President; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Samantha Schwam	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Berna Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

BERNA MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Big Beat Records Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

BIG BEAT RECORDS INC.

By: *

Name: Craig Kallman
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Craig Kallman	
*	Treasurer (Principal Financial Officer and Principal Accounting Officer)
Samantha Schwam	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Big Tree Recording Corporation has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

BIG TREE RECORDING CORPORATION

By: *

Name: Craig Kallman
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Craig Kallman	
*	Treasurer (Principal Financial Officer and Principal Accounting Officer)
Samantha Schwam	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Bute Sound LLC has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

BUTE SOUND LLC

By: *

Name: Jason Flom
Title: Chief Executive Officer, on behalf of Atlantic Recording Corp.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
Atlantic Recording Corp.	Sole member
*	Chief Executive Officer, on behalf of Atlantic Recording Corp. (Principal Executive Officer)
Jason Flom	
*	Chief Financial Officer, on behalf of Atlantic Recording Corp. (Principal Financial Officer and Principal Accounting Officer)
Samantha Schwam	
By: *	
Name: Edgar Bronfman, Jr.	Director of sole member
By: *	
Name: Dave Johnson	Director of sole member
By: /s/ PAUL ROBINSON	
Name: Paul Robinson	Director of sole member
*By: /s/ PAUL ROBINSON	
Paul Robinson *Attorney-in-Fact*	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Cafe Americana Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

CAFE AMERICANA INC.

By: *

Name: Leslie Bider
Title: Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President; Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Senior Vice President; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Chappell & Intersong Music Group (Australia) Limited has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

CHAPPELL & INTERSONG MUSIC GROUP (AUSTRALIA) LIMITED

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Chappell And Intersong Music Group (Germany) Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

CHAPPELL AND INTERSONG MUSIC GROUP (GERMANY) INC.

By: *

Name: Bernd Dopp
Title: Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President;
Bernd Dopp	Chief Executive Officer
	(Principal Executive Officer)
*	Treasurer
Norbert Masch	(Principal Financial Officer and
	Principal Accounting Officer)
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Chappell Music Company, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

CHAPPELL MUSIC COMPANY, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Cota Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

COTA MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Cotillion Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

COTILLION MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, CPP/Belwin, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

CPP/BELWIN, INC.

By: *

Name: Leslie Bider
Title: Chairman of the Board

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chairman of the Board (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Executive Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, CRK Music Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

CRK MUSIC INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, E/A Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

E/A MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Eleksylum Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

ELEKSYLUM MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Elektra Entertainment Group Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

ELEKTRA ENTERTAINMENT GROUP INC.

By: *

Name: Jason Flom
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Jason Flom	
*	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Samantha Schwam	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Elektra Group Ventures Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

ELEKTRA GROUP VENTURES INC.

By: *

Name: Craig Kallman
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Craig Kallman	
*	Assistant Treasurer (Principal Financial Officer and Principal Accounting Officer)
Anthony Bown	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Elektra/Chameleon Ventures Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

ELEKTRA/CHAMELEON VENTURES INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, FHK, INC. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

FHK, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Fiddleback Music Publishing Company, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

FIDDLEBACK MUSIC PUBLISHING COMPANY, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Foster Frees Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

FOSTER FREES MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Foz Man Music LLC has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

FOZ MAN MUSIC LLC

By: *

Name: Jason Flom
Title: Chief Executive Officer, on behalf of Atlantic Recording Corp.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
Atlantic Recording Corp.	Sole member
*	Chief Executive Officer, on behalf of Atlantic Recording Corp. (Principal Executive Officer)
Jason Flom	
*	Chief Financial Officer, on behalf of Atlantic Recording Corp. (Principal Financial Officer and Principal Accounting Officer)
Samantha Schwam	
By: *	
Name: Edgar Bronfman, Jr.	Director of sole member
By: *	
Name: Dave Johnson	Director of sole member
By: /s/ PAUL ROBINSON	
Name: Paul Robinson	Director of sole member
*By: /s/ PAUL ROBINSON	
Paul Robinson *Attorney-in-Fact*	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Inside Job, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

INSIDE JOB, INC.

By: *

Name: Craig Kallman
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President
Craig Kallman	(Principal Executive Officer)
*	Treasurer
Samantha Schwam	(Principal Financial Officer and Principal Accounting Officer)
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Intersong U.S.A., INC. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

INTERSONG U.S.A., INC.

By: *

Name: Leslie Bider
Title: Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President; Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Jadar Music Corp. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

JADAR MUSIC CORP.

By: *

Name: Leslie Bider
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Lava Trademark Holding Company LLC has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

LAVA TRADEMARK HOLDING COMPANY LLC

By: *

Name: Jason Flom
Title: Chief Executive Officer, on behalf of
Atlantic Recording Corp.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
Atlantic Recording Corp.	Sole member
*	Chief Executive Officer, on behalf of Atlantic Recording Corp. (Principal Executive Officer)
Jason Flom	
*	Chief Financial Officer, on behalf of Atlantic Recording Corp. (Principal Financial Officer and Principal Accounting Officer)
Samantha Schwam	

By: *
Name: Edgar Bronfman, Jr. — Director of sole member

By: *
Name: Dave Johnson — Director of sole member

By: /s/ PAUL ROBINSON
Name: Paul Robinson — Director of sole member

*By: /s/ PAUL ROBINSON
Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, LEM America, INC. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

LEM AMERICA, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Chief Financial Officer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, London-Sire Records Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

LONDON-SIRE RECORDS INC.

By: *

Name: Lyor Cohen
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Lyor Cohen	
*	Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, McGuffin Music Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

MCGUFFIN MUSIC INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Mixed Bag Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

MIXED BAG MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, NC Hungary Holdings Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

NC HUNGARY HOLDINGS INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, New Chappell Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

NEW CHAPPELL INC.

By: *

Name: Leslie Bider
Title: Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President; Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Senior Vice President; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Nonesuch Records Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

NONESUCH RECORDS INC.

By: *

Name: Edgar Bronfman, Jr.
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Edgar Bronfman, Jr.	
*	Senior Vice President, Controller and Treasurer (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, NVC International Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

NVC INTERNATIONAL INC.

By: *

Name: Scott Pascucci
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Scott Pascucci	
*	Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Octa Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

OCTA MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Penalty Records L.L.C. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

PENALTY RECORDS L.L.C.

By: *

Name: Scott Pascucci
Title: President, on behalf of Tommy Boy Music, Inc.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
Tommy Boy Music, Inc.	Sole member
*	President, on behalf of Tommy Boy Music, Inc. (Principal Executive Officer)
Scott Pascucci	
*	Vice President and Treasurer, on behalf of Tommy Boy Music, Inc. (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
By: *	
Name: Edgar Bronfman, Jr.	Director of sole member
By: *	
Name: Dave Johnson	Director of sole member
By: /s/ PAUL ROBINSON	
Name: Paul Robinson	Director of sole member
*By: /s/ PAUL ROBINSON	
Paul Robinson *Attorney-in-Fact*	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Pepamar Music Corp. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

PEPAMAR MUSIC CORP.

By: *

Name: Leslie Bider
Title: President and Chairman of the Board

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President; Chairman of the Board (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Revelation Music Publishing Corporation has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

REVELATION MUSIC PUBLISHING CORPORATION

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Rhino Entertainment Company has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

RHINO ENTERTAINMENT COMPANY

By: *

Name: Scott Pascucci
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Scott Pascucci	
*	Vice President; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Colin Reef	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Rick's Music Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

RICK'S MUSIC INC.

By: *

Name: Leslie Bider
Title: Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President; Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Senior Vice President; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Rightsong Music Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

RIGHTSONG MUSIC INC.

By: *

Name: Leslie Bider
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Rodra Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

RODRA MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Sea Chime Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

SEA CHIME MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, SR/MDM Venture Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

SR/MDM VENTURE INC.

By: *

Name: Tom Whalley
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Tom Whalley	
*	Treasurer; Vice President (Principal Financial Officer and Principal Accounting Officer)
Hildi Snodgrass	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Summy-Birchard, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

SUMMY-BIRCHARD, INC.

By: *

Name: Leslie Bider
Title: Chairman of the Board

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chairman of the Board (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Super Hype Publishing, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

SUPER HYPE PUBLISHING, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, T-Boy Music L.L.C. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

T-BOY MUSIC L.L.C.

By: *

Name: Scott Pascucci
Title: President, on behalf of Tommy Boy Music, Inc.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
Tommy Boy Music, Inc.	Sole member
*	President, on behalf of Tommy Boy Music, Inc. (Principal Executive Officer)
Scott Pascucci	
*	Vice President and Treasurer, on behalf of Tommy Boy Music, Inc. (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
By: *	
Name: Edgar Bronfman, Jr.	Director of sole member
By: *	
Name: Dave Johnson	Director of sole member
By: /s/ PAUL ROBINSON	
Name: Paul Robinson	Director of sole member
*By: /s/ PAUL ROBINSON	
Paul Robinson *Attorney-in-Fact*	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, T-Girl Music L.L.C. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

T-GIRL MUSIC L.L.C.

By: *

Name: Scott Pascucci
Title: President, on behalf of Tommy Boy Music, Inc.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
Tommy Boy Music, Inc.	Sole member
*	President, on behalf of Tommy Boy Music, Inc. (Principal Executive Officer)
Scott Pascucci	
*	Vice President and Treasurer, on behalf of Tommy Boy Music, Inc. (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
By: *	
Name: Edgar Bronfman, Jr.	Director of sole member
By: *	
Name: Dave Johnson	Director of sole member
By: /s/ PAUL ROBINSON	
Name: Paul Robinson	Director of sole member
*By: /s/ PAUL ROBINSON	
Paul Robinson *Attorney-in-Fact*	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, The Rhythm Method Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

THE RHYTHM METHOD INC.

By: *

Name: Scott Pascucci
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Scott Pascucci	
*	Treasurer; Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Tommy Boy Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

TOMMY BOY MUSIC, INC.

By: *

Name: Scott Pascucci
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Scott Pascucci	
*	Treasurer; Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Tommy Valando Publishing Group, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

TOMMY VALANDO PUBLISHING GROUP, INC.

By: *

Name: Leslie Bider
Title: Chairman of the Board

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chairman of the Board (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Tri-Chappell Music Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

TRI-CHAPPELL MUSIC INC.

By: *

Name: Leslie Bider
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Senior Vice President; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, TW Music Holdings Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

TW MUSIC HOLDINGS INC.

By: *

Name: Dave Johnson
Title: Vice President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Vice President (Principal Executive Officer)
Dave Johnson	
*	Treasurer; Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Unichappell Music Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

UNICHAPPELL MUSIC INC.

By: *

Name: Leslie Bider
Title: Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President; Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Senior Vice President; Chief Financial Officer (Principal Financial Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, W.B.M. Music Corp. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

W.B.M. MUSIC CORP.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Walden Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WALDEN MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President; (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Alliance Music Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER ALLIANCE MUSIC INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Chief Operating Officer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Brethren Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER BRETHREN INC.

By: *

Name: Leslie Bider
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Chief Operating Officer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Bros. Music International Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER BROS. MUSIC INTERNATIONAL INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Bros. Publications U.S. Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER BROS. PUBLICATIONS U.S. INC.

By: *

Name: Leslie Bider
Title: Chairman of the Board

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chairman of the Board (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	
Edgar Bronfman, Jr.	Director
*	
Dave Johnson	Director
/s/ PAUL ROBINSON	
Paul Robinson	Director

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Bros. Records Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER BROS. RECORDS INC.

By: *

Name: Tom Whalley
Title: Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chairman of the Board; Chief Executive Officer (Principal Executive Officer)
Tom Whalley	
*	Vice President (Principal Financial Officer and Principal Accounting Officer)
Hildi Snodgrass	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Custom Music Corp. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER CUSTOM MUSIC CORP.

By: *

Name: Edgar Bronfman, Jr.
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Edgar Bronfman, Jr.	
/s/ PAUL ROBINSON	Vice President (Principal Financial Officer and Principal Accounting Officer)
Paul Robinson	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Domain Music Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER DOMAIN MUSIC INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Music Bluesky Holding Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER MUSIC BLUESKY HOLDING INC.

By: *

Name: Edgar Bronfman, Jr.
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Edgar Bronfman, Jr.	
/s/ PAUL ROBINSON	Vice President (Principal Financial Officer and Principal Accounting Officer)
Paul Robinson	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Music Discovery Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER MUSIC DISCOVERY INC.

By: *

Name: Scott Pascucci
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Scott Pascucci	
*	Treasurer; Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Music Distribution Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER MUSIC DISTRIBUTION INC.

By: *

Name: Dave Johnson
Title: Vice President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Vice President (Principal Executive Officer)
Dave Johnson	
*	Vice President; Treasurer (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Music Group Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER MUSIC GROUP INC.

By: *

Name: Edgar Bronfman, Jr.
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Edgar Bronfman, Jr.	
*	Controller; Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Music Latina Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER MUSIC LATINA INC.

By: *

Name: Inigo Zabala
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Inigo Zabala	
*	Treasurer (Principal Financial Officer and Principal Accounting Officer)
Anthony Bown	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Music SP Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER MUSIC SP INC.

By: *

Name: Lyor Cohen
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Lyor Cohen	
*	Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Sojourner Music Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER SOJOURNER MUSIC INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Special Products Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER SPECIAL PRODUCTS INC.

By: *

Name: Scott Pascucci
Title: Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President; Chief Executive Officer (Principal Executive Officer)
Scott Pascucci	
*	Treasurer; Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WarnerSongs Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNERSONGS INC.

By: *

Name: Name: Leslie Bider
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner Strategic Marketing Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER STRATEGIC MARKETING INC.

By: *

Name: Scott Pascucci
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Scott Pascucci	
*	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Colin Reef	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner-Elektra-Atlantic Corporation has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER-ELEKTRA-ATLANTIC CORPORATION

By: *

Name: John Esposito
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
John Esposito	
*	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Gillian Kellie	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner-Tamerlane Publishing Corp. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER-TAMERLANE PUBLISHING CORP.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner/Chappell Music (Services), Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER/CHAPPELL MUSIC (SERVICES), INC.

By: *

Name: Leslie Bider
Title: Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President; Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warner/Chappell Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARNER/CHAPPELL MUSIC, INC.

By: *

Name: Leslie Bider
Title: Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	Chairman of the Board; Chief Executive Officer (Principal Executive Officer)
Leslie Bider	
*	Chief Operating Officer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Warprise Music Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WARPRISE MUSIC INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WB Gold Music Corp. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WB GOLD MUSIC CORP.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WB Music Corp. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WB MUSIC CORP.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WBM/House of Gold Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WBM/HOUSE OF GOLD MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WBPI Holdings LLC has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WBPI HOLDINGS LLC

By: *

Name: Leslie Bider
Title: Chairman of the Board, on behalf of Warner Bros. Publications U.S. Inc.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
Warner Bros. Publications U.S. Inc.	Sole member
*	Chairman of the Board, on behalf of Warner Bros. Publications U.S. Inc. (Principal Executive Officer)
Leslie Bider	
*	Chief Financial Officer and Treasurer, on behalf of Warner Bros. Publications U.S. Inc. (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	

By:	*	
Name:	Edgar Bronfman, Jr.	Director of sole member
By:	*	
Name:	Dave Johnson	Director of sole member
By:	/s/ PAUL ROBINSON	
Name:	Paul Robinson	Director of sole member

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WBR Management Services Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WBR MANAGEMENT SERVICES INC.

By: *

Name: Tom Whalley
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Tom Whalley	
*	Treasurer (Principal Financial Officer and Principal Accounting Officer)
Hildi Snodgrass	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WBR/QRI Venture, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WBR/QRI VENTURE, INC.

By: *

Name: Susan Genco
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Susan Genco	
*	Treasurer (Principal Financial Officer and Principal Accounting Officer)
Hildi Snodgrass	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WBR/Ruffnation Ventures, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WBR/RUFFNATION VENTURES, INC.

By: *

Name: Susan Genco
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Susan Genco	
*	Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WBR/Sire Ventures Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WBR/SIRE VENTURES INC.

By: *

Name: Tom Whalley
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Tom Whalley	
*	Vice President (Principal Financial Officer and Principal Accounting Officer)
Hildi Snodgrass	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, We Are Musica Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WE ARE MUSICA INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WEA Europe Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WEA EUROPE INC.

By: *

Name: Paul-Rene Albertini
Title: Chairman and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	Chairman and President (Principal Executive Officer)
Paul-Rene Albertini	
*	Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WEA Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WEA INC.

By: *

Name: John Esposito
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
John Esposito	
*	Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WEA International Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WEA INTERNATIONAL INC.

By: *

Name: Edgar Bronfman, Jr.
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Edgar Bronfman, Jr.	
*	Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WEA Latina Musica Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WEA LATINA MUSICA INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Leslie Bider	
*	Senior Vice President and Treasurer (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WEA Management Services Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WEA MANAGEMENT SERVICES INC.

By: *

Name: John Esposito
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
John Esposito	
*	Treasurer; Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Wide Music, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WIDE MUSIC, INC.

By: *

Name: Leslie Bider
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
*	President (Principal Executive Officer)
Leslie Bider	
*	Treasurer; Senior Vice President (Principal Financial Officer and Principal Accounting Officer)
Nick Thomas	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WEA Rock LLC has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WEA ROCK LLC

By: *

Name: John Esposito
Title: President, on behalf of Warner-Elektra-Atlantic Corporation

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
Warner-Elektra-Atlantic Corporation	Sole member
*	President, on behalf of Warner-Elektra-Atlantic Corporation (Principal Executive Officer)
John Esposito	
*	Chief Financial Officer, on behalf of Warner-Elektra-Atlantic Corporation (Principal Financial Officer and Principal Accounting Officer)
Gillian Kellie	
By: *	
Name: Edgar Bronfman, Jr.	Director of sole member
By: *	
Name: Dave Johnson	Director of sole member
By: /s/ PAUL ROBINSON	
Name: Paul Robinson	Director of sole member
*By: /s/ PAUL ROBINSON	
Paul Robinson *Attorney-in-Fact*	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WEA Urban LLC has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WEA URBAN LLC

By: *

Name: John Esposito
Title: President, on behalf of Warner-Elektra-Atlantic Corporation

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s)
Warner-Elektra-Atlantic Corporation	Sole member
*	President, on behalf of Warner-Elektra-Atlantic Corporation (Principal Executive Officer)
John Esposito	
*	Chief Financial Officer, on behalf of Warner-Elektra-Atlantic Corporation (Principal Financial Officer and Principal Accounting Officer)
Gillian Kellie	
By: *	
Name: Edgar Bronfman, Jr.	Director of sole member
By: *	
Name: Dave Johnson	Director of sole member
By: /s/ PAUL ROBINSON	
Name: Paul Robinson	Director of sole member
*By: /s/ PAUL ROBINSON	
Paul Robinson *Attorney-in-Fact*	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WMG Management Services Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WMG MANAGEMENT SERVICES INC.

By: *

Name: Edgar Bronfman, Jr.
Title: President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
*	President (Principal Executive Officer)
Edgar Bronfman, Jr.	
*	Treasurer; Vice President (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	
*	Director
Edgar Bronfman, Jr.	
*	Director
Dave Johnson	
/s/ PAUL ROBINSON	Director
Paul Robinson	

*By: /s/ PAUL ROBINSON

Paul Robinson
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, WMG Trademark Holding Company LLC has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, state of New York, on December 16, 2004.

WMG TRADEMARK HOLDING COMPANY LLC

By: *

Name: Edgar Bronfman, Jr.
Title: Chief Executive Officer, on behalf of Warner Music Group Inc.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title(s):
Warner Music Group, Inc.	Sole member
*	Chief Executive Officer, on behalf of Warner Music Group Inc. (Principal Executive Officer)
Edgar Bronfman, Jr.	
*	Senior Vice President, Controller and Treasurer, on behalf of Warner Music Group Inc. (Principal Financial Officer and Principal Accounting Officer)
Jos de Raaij	

By: *
Name: Edgar Bronfman, Jr. — Director of sole member

By: *
Name: Dave Johnson — Director of sole member

By: /s/ PAUL ROBINSON
Name: Paul Robinson — Director of sole member

*By: /s/ PAUL ROBINSON
Paul Robinson
Attorney-in-Fact

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Exhibit 4.1

WMG ACQUISITION CORP.,
as the Issuer,

the Guarantors named herein

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

INDENTURE

Dated as of April 8, 2004

U.S. Dollar-denominated 7 3/8% Senior Subordinated Notes due 2014

Sterling-denominated 8 1/8% Senior Subordinated Notes due 2014

CROSS-REFERENCE TABLE

TIA Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.08; 7.10
(b)	7.08; 7.10; 12.02
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.05
(b)	12.03
(c)	12.03
313(a)	7.06
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(b)(2)	7.06
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(b)	N.A.
(c)(1)	7.02; 12.04; 12.05
(c)(2)	7.02; 12.04; 12.05
(c)(3)	N.A.
(d)	N.A.
(e)	12.05
(f)	N.A.
315(a)	7.01(b)
(b)	7.05
(c)	7.01
(d)	6.05; 7.01(c)
(e)	6.11
316(a)(last sentence)	2.09
(a)(1)(A)	6.02
(a)(1)(B)	6.04
(a)(2)	9.02
(b)	6.07
(c)	9.05
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
3 18(a)	12.01
(c)	12.01

N.A. means Not Applicable

Note: This Cross-Reference Table shall not, for any purpose, be deemed to be a part of the Indenture.

TABLE OF CONTENTS

Note: This Table of Contents shall not, for any purpose, be deemed to be part of the Indenture.

INDENTURE dated as of April 8, 2004 between WMG ACQUISITION CORP., a Delaware corporation (the **"Issuer"),** as issuer, the Guarantors (as defined herein) and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee (the **"Trustee").**

Each party hereto agrees as follows for the benefit of each other party and for the equal and ratable benefit of the Holders.

ARTICLE ONE

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions.

Set forth below are certain defined terms used in this Indenture.

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

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(2) Indebtedness secured by an existing Lien encumbering any asset acquired by such specified Person.

"Additional Interest" has the meaning set forth in the Registration Rights Agreement.

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

"Agent" means any Registrar, Paying Agent or co-Registrar.

"amend" means amend, modify, supplement, restate or amend and restate, including successively; and **"amending"** and **"amended"** have correlative meanings.

"asset" means any asset or property, whether real, personal or other, tangible or intangible.

"Asset Sale" means (i) the sale, conveyance, transfer or other disposition (whether in a single transaction or a series of related transactions) of property or assets (including by way of a sale and leaseback) of the Issuer or any Restricted Subsidiary (each referred to in this definition as a **"disposition")** or (ii) the issuance or sale of Equity Interests of any Restricted Subsidiary (whether in a single transaction or a series of related transactions), in each case, other than:

(1) a disposition of Cash Equivalents or obsolete or worn out property or equipment in the ordinary course of business or inventory (or other assets) held for sale in the ordinary course of business and dispositions of property no longer used or useful in the conduct of business of

the Issuer and its Restricted Subsidiaries;

(2) the disposition of all or substantially all of the assets of the Issuer in a manner permitted pursuant to Section 5.01 or any disposition that constitutes a Change of Control pursuant to this Indenture;

(3) the making of any Restricted Payment or Permitted Investment that is permitted to be made, and is made, pursuant to Section 4.11 or the granting of a Lien permitted by Section 4.12;

(4) any disposition of assets or issuance or sale of Equity Interests of any Restricted Subsidiary in any transaction or series of transactions with an aggregate fair market value of less than $10.0 million;

(5) any disposition of property or assets or issuance of securities by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to another Restricted Subsidiary;

(6) the lease, assignment, sublease, license or sublicense of any real or personal property in the ordinary course of business;

(7) any sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary (with the exception of Investments in Unrestricted Subsidiaries acquired pursuant to clause (11) of the definition of "Permitted Investments");

(8) foreclosures on assets;

(9) disposition of an account receivable in connection with the collection or compromise thereof;

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

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

"Bankruptcy Law" means Title 11, U.S. Code or any similar Federal, state or foreign law for the relief of debtors.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms **"Beneficially Owns"** and **"Beneficially Owned"** have a corresponding meaning.

"Board of Directors" means:

(1) with respect to a corporation, the board of directors of the corporation;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership; and

(3) with respect to any other Person, the board or committee of such Person serving a similar function.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day other than a Saturday, Sunday or any other day on which banking institutions in the City of New York are required or authorized by law or other governmental action to be closed.

"Capital Stock" means:

(1) in the case of a corporation, capital stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

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

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

"Cash Contribution Amount" means the aggregate amount of cash contributions made to the capital of the Issuer or any Guarantor described in the definition of "Contribution Indebtedness."

"Cash Equivalents" means:

(1) U.S. dollars, pounds sterling, euros, or, in the case of any Foreign Subsidiary, such local currencies held by it from time to time in the ordinary course of business;

(2) securities issued or directly and fully and unconditionally guaranteed or insured by the government or any agency or instrumentality of the United States or any member nation of the European Union having maturities of not more than 12 months from the date of acquisition;

(3) certificates of deposit, time deposits and eurodollar time deposits with maturities of 12 months or less from the date of acquisition, bankers' acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any lender party to the Credit Agreement or with any commercial bank having capital and surplus in excess of $500,000,000;

(4) repurchase obligations for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper maturing within 12 months after the date of acquisition and having a rating of at least A-1 from Moody's or P-1 from S&P;

(6) investment funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition; and

(7) readily marketable direct obligations issued by any state of the United States or any political subdivision thereof having one of the two highest rating categories obtainable from either Moody's or S&P with maturities of 12 months or less from the date of acquisition.

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

(1) the sale, lease, transfer or other conveyance, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole, to any Person other than a Permitted Holder;

(2) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than the Permitted Holders, in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), of 50% or more of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent corporations; or

(3) (A) prior to the first public offering of common stock of either Holdco or the Issuer, the first day on which the Board of Directors of Holdco shall cease to consist of a majority of directors who (i) were members of the Board of Directors of Holdco on the Issue Date or (ii) were either (x) nominated for election by the Board of Directors of Holdco, a majority of whom were directors on the Issue Date or whose election or nomination for election was previously approved by a majority of such directors, or (y) designated or appointed by a Permitted Holder (each of the directors selected pursuant to clauses (A)(i) and (A)(ii), **"Continuing Directors")** and (B) after the first public offering of common stock of either Holdco or the Issuer, (i) if such public offering is of Holdco common stock, the first day on which a majority of the members of the Board of Directors of Holdco are not Continuing Directors or (ii) if such public offering is of the Issuer's common stock, the first day on which a majority of the members of the Board of Directors of the Issuer are not Continuing Directors.

"Cinram Adjustment" means cost savings and other adjustments to the Issuer from the disposition of its DVD and CD manufacturing, printing, packaging, physical distribution and merchandising businesses to Cinram International, Inc., which was consummated

on October 24, 2003, and the associated long-term supply contract with Cinram for physical product and distribution.

"Code" means the United States Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect on the Issue Date, and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Commission" means the Securities and Exchange Commission.

"Common Depository" means, with respect to the Global Sterling Securities, HSBC Bank plc, as common depository for Euroclear and Clearstream or another Person designated as common depositary by the Issuer, which Person must be a clearing agency registered under the Exchange Act.

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

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum, without duplication, of: (a) consolidated interest expense of such Person and its Restricted Subsidiaries for such period (including amortization of original issue discount, noncash interest payments (other than imputed interest as a result of purchase accounting), the interest component of Capitalized Lease Obligations, net payments (if any) pursuant to interest rate Hedging Obligations, but excluding amortization of deferred financing fees or expensing of any bridge or other financing fees relating to the Specified Financings) and (b) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, less (c) interest income actually received in cash for such period; *provided*, *however*, that Securitization Fees shall not be deemed to constitute Consolidated Interest Expense.

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

(1) any net after-tax extraordinary, unusual or nonrecurring gains or losses (including, without limitation, severance, relocation, transition and other restructuring costs) (less all fees and expenses relating thereto) shall be excluded;

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

(3) any net after-tax gains or losses (less all fees and expenses relating thereto) attributable to asset dispositions other than in the ordinary course of business (as determined in good faith by the Board of Directors of the Issuer) shall be excluded;

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

(5) solely for the purpose of determining the amount available for Restricted Payments under clause (3) of Section 4.11(a), the Net Income for such period of any Restricted Subsidiary (other than a Guarantor) shall be excluded if the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of its Net Income is not permitted at the date of determination without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless such restriction with respect to the payment of dividends or similar distributions has been legally waived; *provided* that Consolidated Net Income of such Person shall be increased by the amount of dividends or distributions or other payments that are actually paid in cash (or to the extent converted into cash) to such Person or a Restricted Subsidiary thereof in respect of such period, to the extent not already included therein;

(6) any noncash impairment charges resulting from the application of Statements of Financial Accounting Standards No. 142 and No. 144 and the amortization of intangibles arising pursuant to Statement of Financial Accounting Standards No. 141 shall be excluded;

(7) solely for purposes of determining the amount available for Restricted Payments under clause (3) of Section 4.11(a), an amount equal to any reduction in current taxes recognized during the applicable period by the Issuer and its Restricted Subsidiaries as a direct result of deductions arising from (A) the amortization allowed under Section 167 or 197 of the Code for the goodwill and other intangibles arising from the Transactions and (B) employee termination and related restructuring reserves established pursuant to purchase accounting for the two-year period commencing with

the Issue Date, in each case, will be included in the calculation of "Consolidated Net Income" so long as such addition will not result in double-counting;

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

(9) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of Indebtedness shall be excluded; and

(10) any noncash charges resulting from mark-to-market accounting in accordance with Statements of Financial Accounting Standards No. 133 and No. 150 and Emerging Issues Task Force Issue No. 00-19 relating to warrants owned by Time Warner Inc. shall be excluded.

Notwithstanding the foregoing, for the purpose of Section 4.11 only (other than clause (3)(d) of subsection (a) thereof), there shall be excluded from Consolidated Net Income any income arising from any sale or other disposition of Restricted Investments made by the Issuer and the Restricted Subsidiaries, any repurchases and redemptions of Restricted Investments by the Issuer and the Restricted Subsidiaries, any repayments of loans and advances which constitute Restricted Investments by the Issuer and any Restricted Subsidiary, any sale of the stock of an Unrestricted Subsidiary or any distribution or dividend from an Unrestricted Subsidiary, in each case only to the extent such amounts increase the amount of Restricted Payments permitted under clause (3)(d) of Section 4.11(a).

"Consolidated Tangible Assets" means, with respect to any Person, the consolidated total assets of such Person and its Restricted Subsidiaries determined in accordance with GAAP, *less* all goodwill, trade names, trademarks, patents, organization expense and other similar intangibles properly classified as intangibles in accordance with GAAP.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness **("primary obligations")** of any other Person (the **"primary obligor")** in any manner, whether directly or

indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligation or (B) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, or (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Contribution Indebtedness" means Indebtedness of the Issuer or any Guarantor in an aggregate principal amount not greater than twice the aggregate amount of cash contributions (other than Excluded Contributions) made to the capital of the Issuer or such Guarantor after the Issue Date; *provided* that such Contribution Indebtedness:

(1) if the aggregate principal amount of such Contribution Indebtedness is greater than one times such cash contributions to the capital of the Issuer or such Guarantor, as applicable, the amount of such excess shall be (A) (x) Subordinated Indebtedness (other than Secured Indebtedness) or (y) Indebtedness that ranks *pari passu* with the Securities (other than Secured Indebtedness) and (B) Indebtedness with a Stated Maturity later than the Stated Maturity of the Securities, and

(2) (a) is incurred within 180 days after the making of such cash contributions and (b) is so designated as Contribution Indebtedness pursuant to an Officers' Certificate on the date of the incurrence thereof.

"Corporate Trust Office" means the corporate trust office of the Trustee located at Sixth Street and Marquette Avenue, N9303-20, Minneapolis, Minnesota 55479, Attention: Corporate Trust Department, or such other office, designated by the Trustee by written notice to the Issuer, at which at any particular time its corporate trust business shall be administered.

"Credit Agreement" means that certain Amended and Restated Credit Agreement, dated as of April 8, 2004, by and among the Issuer, the other borrowers from time to time party thereto, Holdco, Banc of America Securities LLC and Deutsche Bank Securities Inc., as Joint Lead Arrangers and Joint Book Managers, Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Co-Arrangers and Co-Book Managers, Deutsche Bank Securities Inc. and Lehman Commercial Paper Inc., as Co-Syndication Agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Documentation Agent, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer and the lenders party thereto from time to time, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, restated, supplemented, modified, renewed, refunded, replaced or refinanced from time to time in one or more agreements or indentures (in each case with the same or new lenders or institutional investors), including any agreement extending the maturity thereof or otherwise restructuring all or any portion of the Indebtedness thereunder or increasing the amount loaned or issued thereunder or altering the maturity thereof.

"Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Depositary" shall mean The Depository Trust Company, New York, New York, or a successor thereto registered under the Exchange Act or other applicable statute or regulation.

"Designated Noncash Consideration" means the fair market value of noncash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Noncash Consideration pursuant to an Officers' Certificate setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Noncash Consideration.

"Designated Preferred Stock" means Preferred Stock of the Issuer or any direct or indirect parent company of the Issuer (other than Disqualified Stock) that is issued for cash (other than to the Issuer or any of its Subsidiaries or an employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries) and is so designated as Designated Preferred Stock, pursuant to an Officers' Certificate, on the issuance date thereof, the cash proceeds of which are excluded from the calculation set forth in clause (3) of Section 4.11(a).

"Designated Senior Debt" means:

(1) any Indebtedness outstanding under the Credit Agreement; and

(2) any other Senior Debt permitted under this Indenture the principal amount of which is $25.0 million or more and that has been designated by the Issuer in the instrument evidencing that Senior Debt as "Designated Senior Debt."

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is putable or exchangeable), or upon the happening of any event, matures or is mandatorily redeemable (other than as a result of a change of control or asset sale), pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than as a result of a change of control or asset sale), in whole or in part, in each case prior to the date 91 days after the earlier of the final maturity date of the Securities or the date the Securities are no longer outstanding; *provided*, *however*, that if such Capital Stock is issued to any plan for the benefit of employees of Holdco or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by Holdco or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations.

"Dollar Exchange Securities" means any Dollar Securities issued in exchange for Initial Dollar Securities or Dollar Securities without a legend.

"Dollar Securities" means the U.S. Dollar-denominated 7 3/8% Senior Subordinated Notes due 2014 issued by the Issuer, including, without limitation, the Dollar Exchange Securities and the Additional Dollar Securities, treated as a single class of securities, as amended from time to time in accordance with the terms hereof, that are issued pursuant to this Indenture.

"Domestic Subsidiary" means any Subsidiary of the Issuer that was formed under the laws of the United States, any state of the United States, the District of Columbia or any territory of the United States.

"EBITDA" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication,

(1) provision for taxes based on income or profits, plus franchise or similar taxes of such Person for such period deducted in computing Consolidated Net Income, plus

(2) Consolidated Interest Expense of such Person for such period to the extent the same was deducted in calculating such Consolidated Net Income, plus

(3) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent such depreciation and amortization were deducted in computing Consolidated Net Income, plus

(4) any reasonable expenses or charges related to any Equity Offering, Permitted Investment, acquisition, recapitalization or Indebtedness permitted to be incurred under this Indenture or to the Transactions and, in each case, deducted in such period in computing Consolidated Net Income, plus

(5) the amount of any restructuring charges or reserves (which, for the avoidance of doubt, shall include retention, severance, systems establishment cost, excess pension charges, contract termination costs, including future lease commitments, and costs to consolidate facilities and relocate employees) deducted in such period in computing Consolidated Net Income, plus

(6) without duplication, any other noncash charges (including any impairment charges and the impact of purchase accounting, including, but not limited to, the amortization of inventory step-up) reducing Consolidated Net Income for such period (excluding any such charge that represents an accrual or reserve for a cash expenditure for a future period), plus

(7) any net gain or loss resulting from Hedging Obligations relating to currency exchange risk, plus

(8) the amount of management, monitoring, consulting and advisory fees and related expenses paid to the Sponsors (or any accruals relating to such fees and related expenses) during such period; *provided* that such amount shall not exceed $10.0 million in any four-quarter period, plus

(9) Securitization Fees to the extent deducted in calculating Consolidated Net Income for such period, plus

(10) the Cinram Adjustment, plus

(11) any net after-tax income or loss from discontinued operations and any net after-tax gains or losses on disposal of discontinued operations, plus

(12) without duplication, pension curtailment expenses, transaction costs and executive contract expenses incurred by affiliated entities of the Issuer (other than Holdco and its Subsidiaries) on behalf of Holdco or any of its Subsidiaries and reflected in the combined financial statements of the Issuer as capital contributions, less

(13) without duplication, noncash items increasing Consolidated Net Income of such Person for such period (excluding any items which represent the reversal of any accrual of, or cash reserve for, anticipated cash charges or asset valuation adjustments made in any prior period).

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means any public or private sale of common stock or Preferred Stock of the Issuer or any of its direct or indirect parent corporations (excluding Disqualified Stock), other than (i) public offerings with respect to common stock of the Issuer or of any direct or indirect parent corporation of the Issuer registered on Form S-8, (ii) any such public or private sale that constitutes an Excluded Contribution or (iii) an issuance to any Subsidiary.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Exchange Securities" means the Dollar Exchange Securities and the Sterling Exchange Securities.

"Excluded Contribution" means net cash proceeds, marketable securities or Qualified Proceeds, in each case received by the Issuer and its Restricted Subsidiaries from:

(1) contributions to its common equity capital; and

(2) the sale (other than to a Subsidiary or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of the Issuer or any Subsidiary) of Capital Stock (other than Disqualified Stock and Designated Preferred Stock),

in each case designated as Excluded Contributions pursuant to an Officers' Certificate on the date such capital contributions are made or the date such Equity Interests are sold, as the case may be, which are excluded from the calculation set forth in clause (3) of Section 4.11(a).

"Existing Indebtedness" means Indebtedness of the Issuer and its Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the date of this Indenture.

"Fixed Charge Coverage Ratio" means, with respect to any Person for any period consisting of such Person and its Restricted Subsidiaries' most recently ended four fiscal quarters for which internal financial statements are available, the ratio of EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the Issuer or any Restricted Subsidiary incurs, assumes, guarantees or redeems any Indebtedness or issues or repays Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the event for which the calculation of the Fixed Charge Coverage Ratio is made (the **"Calculation Date"),** then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such incurrence, assumption, guarantee or repayment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period. For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers or consolidations (as determined in accordance with GAAP) that have been made by the Issuer or any Restricted Subsidiary during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers or consolidations (and the change in any associated fixed charge obligations and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made any Investment, acquisition, disposition, merger or consolidation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger or consolidation had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to an Investment, acquisition, disposition, merger or consolidation (including the Transactions and the related restructuring initiatives) and the amount of income or earnings relating thereto, the *pro forma* calculations shall be determined in good faith by a responsible financial or accounting officer of the Issuer and shall comply with the requirements of Rule 11-02 of Regulation S-X promulgated by the Commission, *except* that such *pro forma* calculations may include operating expense reductions for such period resulting from such transaction that is being given *pro forma* effect that have been realized or (A) for which the steps necessary for realization have been taken (or are taken concurrently with such transaction) or (B) with respect to any transactions other than the Transaction (and the related restructuring initiatives), for which the steps necessary for realization are reasonably expected to be taken within the six-month period following such transaction and, in each case, including, but not limited to, (a) reduction in personnel expenses, (b) reduction of costs related to administrative functions, (c) reduction of costs related to leased or owned properties and (d) reductions from the consolidation of operations and streamlining of corporate and record label overhead; *provided* that, in either case, such adjustments are set forth in an Officers' Certificate signed by the Issuer's chief financial officer and another Officer which states (i) the amount of such adjustment or adjustments, (ii) that such adjustment or adjustments are based on the reasonable good faith beliefs of the Officers executing such Officers' Certificate at the time of such execution and (iii) that any related incurrence of Indebtedness is permitted pursuant to this Indenture. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate.

"Fixed Charges" means, with respect to any Person for any period, the sum of, without duplication, (a) Consolidated Interest Expense (excluding all noncash interest expense and amortization/accretion of original issue discount in connection with the Specified Financings (including any original issue discount created by fair value adjustments to the Issuer's existing Indebtedness as a result of purchase accounting)) of such Person for such period, (b) all cash dividends paid, accrued and/or scheduled to be paid or accrued during such period (excluding items eliminated in consolidation) on any series of Preferred Stock of such

Person and (c) all cash dividends paid, accrued and/or scheduled to be paid or accrued during such period (excluding items eliminated in consolidation) on any series of Disqualified Stock.

"Foreign Subsidiary" means any Subsidiary of the Issuer that is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles in the United States in effect on the date of this Indenture. For purposes of this Indenture, the term **"consolidated"** with respect to any Person means such Person consolidated with its Restricted Subsidiaries and does not include any Unrestricted Subsidiary.

"Global Security" has the meaning set forth in Section 2.16.

"Government Securities" means, in the case of the Dollar Securities, U.S. Government Securities and, in the case of the Sterling Securities, U.K. Government Securities.

"guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness or other obligations.

"Guarantee" means any guarantee of the obligations of the Issuer under this Indenture and the Securities by a Guarantor in accordance with the provisions of this Indenture. When used as a verb, **"Guarantee"** shall have a corresponding meaning.

"Guarantor" means any Person that incurs a Guarantee of the Securities; *provided* that upon the release and discharge of such Person from its Guarantee in accordance with this Indenture, such Person shall cease to be a Guarantor.

"Guarantor Senior Debt" means, with respect to any Guarantor, the principal of, premium, if any, and interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed or allowable claim under applicable law) on any Indebtedness and any Securitization Repurchase Obligation of such Guarantor, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, in the case of any particular obligation, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such obligation shall not be senior in right of payment to the Guarantee of such Guarantor. Without limiting the generality of the foregoing, "Guarantor Senior Debt" shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed

or allowable claim under applicable law) on, and all other amounts owing in respect of (including guarantees of the foregoing obligations):

(1) all monetary obligations of every nature of such Guarantor under, or with respect to, the Credit Agreement, including, without limitation, obligations to pay principal, premium and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities (and guarantees thereof); and

(2) all Hedging Obligations (and guarantees thereof),

in each case whether outstanding on the Issue Date or thereafter incurred.

Notwithstanding the foregoing, "Guarantor Senior Debt" shall not include:

(1) any Indebtedness of such Guarantor to a Subsidiary of such Guarantor (other than any Securitization Repurchase Obligation);

(2) Indebtedness to, or guaranteed on behalf of, any shareholder, director, officer or employee of such Guarantor or any Subsidiary of such Guarantor (including, without limitation, amounts owed for compensation) other than the guarantee of Holdco of Indebtedness under the Credit Agreement;

(3) Indebtedness to trade creditors and other amounts incurred in connection with obtaining goods, materials or services (including guarantees thereof or instruments evidencing such liabilities);

(4) Indebtedness represented by Capital Stock;

(5) any liability for federal, state, local or other taxes owed or owing by such Guarantor;

(6) that portion of any Indebtedness incurred in violation of Section 4.10;

(7) Indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, is without recourse to the Issuer; and

(8) any Indebtedness which is, by its express terms, subordinated in right of payment to any other Indebtedness of such Guarantor.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under:

(1) currency exchange, interest rate or commodity swap agreements, currency exchange, interest rate or commodity cap agreements and currency exchange, interest rate or commodity collar agreements; and

(2) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates or commodity prices.

"Holdco" means WMG Holdings Corp., a Delaware corporation and the direct parent of the Issuer.

"Holder" or **"Securityholder"** means the registered holder of any Security.

"incur" means to directly or indirectly create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to any Indebtedness (including Acquired Debt) and **"incurrence"** shall have a correlative meaning.

"Indebtedness" means, with respect to any Person,

(a) any indebtedness (including principal and premium) of such Person, whether or not contingent,

(i) in respect of borrowed money,

(ii) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or, without double counting, reimbursement agreements in respect thereof),

(iii) representing the balance deferred and unpaid of the purchase price of any property (including Capitalized Lease Obligations), except any such balance that constitutes a trade payable or similar obligation to a trade creditor, in each case accrued in the ordinary course of business or

(iv) representing any Hedging Obligations,

if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with GAAP,

(b) Disqualified Stock of such Person,

(c) to the extent not otherwise included, any obligation by such Person to be liable for, or to pay, as obligor, guarantor or otherwise, the Indebtedness of another

Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business) and

(d) to the extent not otherwise included, Indebtedness of another Person secured by a Lien on any asset owned by such Person (whether or not such Indebtedness is assumed by such Person);

provided, however, that Contingent Obligations incurred in the ordinary course of business and not in respect of borrowed money shall be deemed not to constitute Indebtedness.

"Indenture" means this Indenture, as amended, restated or supplemented from time to time in accordance with the terms hereof.

"Independent Financial Advisor" means an accounting, appraisal or investment banking firm or consultant to Persons engaged in a Permitted Business of nationally recognized standing that is, in the good faith judgment of the Issuer, qualified to perform the task for which it has been engaged.

"Initial Purchasers" means with respect to the Dollar Securities, Deutsche Bank Securities Inc., Banc of America Securities LLC, Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated and with respect to the Sterling Securities, Deutsche Bank AG London, Bank of America Securities Limited, Lehman Brothers International and Merrill Lynch International and such other initial purchasers party to the Securities Purchase Agreement entered into in connection with the offer and sale of the Securities.

"Interest" means, with respect to the Securities, interest and any Additional Interest on the Securities.

"Interest Payment Date" means the stated maturity of an installment of interest on the Securities.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers and employees, in each case made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by GAAP to be classified on the balance sheet (excluding the footnotes) of such Person in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. If the Issuer or any Subsidiary of the Issuer sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer

will be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in Section 4.11(c).

For purposes of the definition of "Unrestricted Subsidiary" and Section 4.11, (i) "Investments" shall include the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets of a Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary, *provided, however,* that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (x) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Issuer; and (iii) any transfer of Capital Stock that results in an entity which became a Restricted Subsidiary after the Issue Date ceasing to be a Restricted Subsidiary shall be deemed to be an Investment in an amount equal to

the fair market value (as determined by the Board of Directors of the Issuer in good faith as of the date of initial acquisition) of the Capital Stock of such entity owned by the Issuer and the Restricted Subsidiaries immediately after such transfer.

"Issue Date" means April 8, 2004, the date of original issuance of the Securities.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event shall an operating lease be deemed to constitute a Lien.

"Luxembourg Paying Agent" has the meaning set forth in Section 2.04.

"Management Agreement" means the Management Agreement by and among the Issuer, Holdco and the Sponsors and/or their Affiliates as in effect on the Issue Date.

"Maturity Date" means April 15, 2014.

"Moody's" means Moody's Investors Service, Inc.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of Preferred Stock dividends or accretion of any Preferred Stock.

"Net Indebtedness to EBITDA Ratio" means, with respect to any Person, the ratio of: (a) the Indebtedness (which, for purposes of any calculations of the Net Indebtedness to EBITDA Ratio, shall include, without duplication, any Qualified Securitization Financing, Non-Recourse Acquisition Financing Indebtedness and Non-Recourse Product Financing Indebtedness) of the Issuer and its Restricted Subsidiaries, as of the end of the most recently ended fiscal quarter, plus the amount of any Indebtedness incurred subsequent to the end of such fiscal quarter, less the amount of cash and Cash Equivalents that would be stated on the balance sheet of the Issuer and held by the Issuer as of such date of determination, as determined in accordance with GAAP, to (b) the Issuer's EBITDA for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur (the **"Measurement Period");** *provided, however,* that: (i) in making such computation, Indebtedness shall include the greater of (x) the average daily balance outstanding under any revolving credit facility during the most recently ended fiscal quarter and (y) the actual amount of Indebtedness outstanding under any revolving credit facility as of the date for which such calculation is being made; and (ii) if the Issuer or any of its Restricted Subsidiaries consummates a material acquisition or an Asset Sale or other disposition of assets subsequent to the commencement of the Measurement Period but prior to the event for which the calculation of the Net Indebtedness to EBITDA Ratio is made, then the Net Indebtedness to EBITDA Ratio shall be calculated giving *pro forma* effect to such material acquisition or Asset Sale or other disposition of assets as if the same had occurred at the beginning of the applicable period. Any *pro forma* calculations necessary pursuant to this "Net Indebtedness to EBITDA Ratio" shall be made in accordance with the provisions set forth in the second paragraph of the definition of "Fixed Charge Coverage Ratio."

"Net Proceeds" means the aggregate cash proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale, including, without limitation, legal, accounting and investment banking fees, and brokerage and sales commissions, any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), repayment of Indebtedness that is secured by the property or assets that are the subject of such Asset Sale and any deduction of appropriate amounts to be provided by the Issuer as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by the Issuer after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

"Net Senior Indebtedness to EBITDA Ratio" means, with respect to any Person, the ratio of (a) the Senior Debt (which, for purposes of any calculations of the Net Senior Indebtedness to EBITDA Ratio, shall include, without duplication, to the extent constituting Senior Debt, any Qualified Securitization Financing, Non-Recourse Acquisition Financing Indebtedness and Non-Recourse Product Financing Indebtedness) of the Issuer and its Restricted Subsidiaries, as of the end of the most recently ended fiscal quarter, plus the amount of any Senior Debt incurred subsequent to the end of such fiscal quarter, less the amount of cash and Cash Equivalents that would be stated on the balance sheet of the Issuer and held by the Issuer as of such date of determination, as determined in accordance with GAAP, to (b) the Issuer's EBITDA for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur (the "**Measurement Period**"); *provided, however,* that: (i) in making such computation, Senior Debt shall include the greater of (x) the average daily balance outstanding under any revolving credit facility during the most recently ended fiscal quarter and (y) the actual amount of Indebtedness outstanding under any revolving credit facility as of the date for which such calculation is being made; and (ii) if the Issuer or any of its Restricted Subsidiaries consummates a material acquisition or an Asset Sale or other disposition of assets subsequent to the commencement of the Measurement Period but prior to the event for which the calculation of the Net Senior Indebtedness to EBITDA Ratio is made, then the Net Senior Indebtedness to EBITDA Ratio shall be calculated giving *pro forma* effect to such material acquisition or Asset Sale or other disposition of assets, as if the same had occurred at the beginning of the applicable period. Any *pro forma* calculations necessary pursuant to this "Net Senior Indebtedness to EBITDA Ratio" shall be made in accordance with the provisions set forth in the second paragraph of the definition of "Fixed Charge Coverage Ratio."

"Non-Recourse Acquisition Financing Indebtedness" means any Indebtedness incurred by the Issuer or any Restricted Subsidiary to finance the acquisition, exploitation or development of assets (including directly or through the acquisition of entities holding such assets) not owned by the Issuer or any of its Restricted Subsidiaries prior to such acquisition, exploitation or development, which assets are used for the creation or development of Product for the benefit of the Issuer, and in respect of which the Person to whom such Indebtedness is owed has no recourse whatsoever to the Issuer or any of its Restricted Subsidiaries for the repayment of or payment of such Indebtedness other than recourse to the acquired assets or assets that are the subject of such exploitation or development for the purpose of enforcing any Lien given by the Issuer or such Restricted Subsidiary over such assets, including the receivables, inventory, intangibles and other rights associated with such assets and the proceeds thereof.

"Non-Recourse Product Financing Indebtedness" means any Indebtedness incurred by the Issuer or any Restricted Subsidiary solely for the purpose of financing (whether directly or through a partially-owned joint venture) the production, acquisition, exploitation,

creation or development of items of Product produced, acquired, exploited, created or developed after the Issue Date (including any Indebtedness assumed in connection with the production, acquisition, creation or development of any such items of Product or secured by a Lien on any such items of Product prior to the production, acquisition, creation or development thereof) where the recourse of the creditor in respect of that Indebtedness is limited to Product revenues generated by such items of Product or any rights pertaining thereto and where the Indebtedness is unsecured save for Liens over such items of Product or revenues and such rights and any extension, renewal, replacement or refinancing of such Indebtedness. "Non-Recourse Product Financing Indebtedness" excludes, for the avoidance of doubt, any Indebtedness raised or secured against Product where the proceeds are used for any other purposes.

"Non-U.S. Person" has the meaning assigned to such term in Regulation S.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"Offering Memorandum" means the offering memorandum of the Issuer dated April 1, 2004 relating to the Securities.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary or Assistant Secretary or General Counsel or Deputy General Counsel of the Issuer.

"Officers' Certificate" means a certificate signed on behalf of the Issuer by two Officers of the Issuer, one of whom is the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Issuer, that meets the requirements set forth in this Indenture.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer, a Guarantor or the Trustee.

"Permitted Asset Swap" means any transfer of property or assets by the Issuer or any of its Restricted Subsidiaries in which at least 90% of the consideration received by the transferor consists of properties or assets (other than cash) that will be used in a Permitted Business; *provided* that the aggregate fair market value of the property or assets being transferred by the Issuer or such Restricted Subsidiary is not greater than the aggregate fair market value of the property or assets received by the Issuer or such Restricted Subsidiary in

such exchange *(provided, however,* that in the event such aggregate fair market value of the property or assets being transferred or received by the Issuer is (x) less than $50.0 million, such determination shall be made in good faith by the Board of Directors of the Issuer and (y) greater than or equal to $50.0 million, such determination shall be made by an Independent Financial Advisor).

"Permitted Business" means the media and entertainment business and any services, activities or businesses incidental or directly related or similar thereto, any line of business engaged in by the Issuer on the Issue Date or any business activity that is a reasonable extension, development or expansion thereof or ancillary thereto.

"Permitted Debt" is defined in Section 4.10(b).

"Permitted Holders" means (i) the Sponsors and their Affiliates (not including, however, any portfolio companies of any of the Sponsors); (ii) Edgar Bronfman Jr.; (iii) immediate family members (including spouses and direct descendants) of the Person described in clause (ii); (iv) any trusts created for the benefit of the Person described in clause (ii) or (iii) or any trust for the benefit of any such trust; (v) in the event of the incompetence or death of any Person described in clauses (ii) and (iii), such Person's estate, executor, administrator, committee or other personal representative or beneficiaries, in each case who at any particular date shall beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer; or (vi) Time Warner Inc. if at such time as Time Warner Inc. owns 50% or more of the total voting power of the Voting Stock of the Issuer or any direct or indirect parent company of the Issuer and after giving *pro forma* effect to the acquisition of such Voting Stock and the incurrence of any Indebtedness used to finance the acquisition thereof, (x) Time Warner Inc. has a rating of at least "investment grade" status from S&P and Moody's and (y) neither S&P, Moody's nor any other nationally recognized rating agency shall have downgraded, or indicated an intention to downgrade, the corporate rating of Time Warner Inc. to a level below its then existing corporate rating by any such agency.

"Permitted Investments" means

(1) any Investment by the Issuer in any Restricted Subsidiary or by a Restricted Subsidiary in another Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Issuer or any Restricted Subsidiary of the Issuer in a Person that is engaged in a Permitted Business if as a result of such Investment (A) such Person becomes a Restricted Subsidiary or (B) such Person, in one transaction or a series of related transactions, is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(4) any Investment in securities or other assets not constituting cash or Cash Equivalents and received in connection with an Asset Sale made pursuant to Section 4.13 or any other disposition of assets not constituting an Asset Sale;

(5) any Investment existing on the Issue Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may be increased (x) as required by the terms of such Investment as in existence on the Issue Date or (y) as otherwise permitted under this Indenture;

(6) loans and advances to employees and any guarantees not in excess of $15.0 million in the aggregate outstanding at any one time;

(7) any Investment acquired by the Issuer or any Restricted Subsidiary (A) in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (B) as a result of a foreclosure by the Issuer or any Restricted Subsidiary with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Hedging Obligations permitted under clause (9) of the definition of "Permitted Debt" in Section 4.10(b);

(9) loans and advances to officers, directors and employees for business-related travel expenses, moving expenses and other similar expenses, in each case incurred in the ordinary course of business;

(10) any advance directly or indirectly related to royalties or future profits (whether or not recouped), directly or indirectly (including through capital contributions or loans to an entity or joint venture relating to such artist(s) or writer(s)), to one or more artists or writers pursuant to label and license agreements, agreements with artists/writers and related ventures, pressing and distribution agreements, publishing agreements and any similar contract or agreement entered into from time to time in the ordinary course of business;

(11) any Investment by the Issuer or a Restricted Subsidiary in a Permitted Business having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (11) that are at that time outstanding (without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash and/or marketable securities), not to exceed the greater of $75.0 million and 8.0% of Consolidated Tangible Assets (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(12) Investments the payment for which consists of Equity Interests of the Issuer or any of its direct or indirect parent corporations (exclusive of Disqualified Stock);

(13) guarantees (including Guarantees) of Indebtedness permitted under Section 4.10 and performance guarantees consistent with past practice;

(14) any transaction to the extent it constitutes an Investment that is permitted and made in accordance with Section 4.14 (except transactions described in clauses (2), (6) and (7) of Section 4.14(b));

(15) Investments by the Issuer or a Restricted Subsidiary in joint ventures engaged in a Permitted Business having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (15) that are at that time outstanding amount, not to exceed the greater of $50.0 million and 4.0% of Consolidated Tangible Assets (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(16) Investments consisting of licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons; and

(17) any Investment in a Securitization Subsidiary or any Investment by a Securitization Subsidiary in any other Person in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Indebtedness; *provided, however,* that any Investment in a Securitization Subsidiary is in the form of a Purchase Money Note, contribution of additional Securitization Assets or an equity interest.

"Permitted Junior Securities" means:

(1) Equity Interests in the Issuer, any Guarantor or any direct or indirect parent of the Issuer; or

(2) unsecured debt securities that are subordinated to all Senior Debt (and any debt securities issued in exchange for Senior Debt) to substantially the same extent as, or to a greater extent than, the Securities and the Guarantees are subordinated to Senior Debt under this Indenture.

"Permitted Liens" means the following types of Liens:

(1) deposits of cash or government bonds made in the ordinary course of business to secure surety or appeal bonds to which such Person is a party;

(2) Liens in favor of issuers of performance, surety, bid, indemnity, warranty, release, appeal or similar bonds or with respect to other regulatory requirements or letters of credit or bankers' acceptances issued, and completion guarantees provided for, in each case pursuant to the

request of and for the account of such Person in the ordinary course of its business or consistent with past practice;

(3) Liens on property or shares of stock of a Person at the time such Person becomes a Subsidiary; *provided, however,* that such Liens are not created or incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided, further, however,* that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(4) Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; *provided, however,* that such Liens are not created or incurred in connection with, or in contemplation of, such acquisition; *provided, further, however,* that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(5) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary permitted to be incurred in accordance with Section 4.10;

(6) Liens securing Hedging Obligations so long as the related Indebtedness is permitted to be incurred under this Indenture and is secured by a Lien on the same property securing such Hedging Obligation;

(7) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(8) Liens in favor of the Issuer or any Restricted Subsidiary;

(9) Liens to secure any Indebtedness that is incurred to refinance any Indebtedness that has been secured by a Lien existing on the Issue Date or referred to in clauses (3), (4) and (19)(B) of this definition; *provided, however,* that such Liens (x) are no less favorable to the Holders and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced; and (y) do not extend to or cover any property or assets of the Issuer or any of its Restricted Subsidiaries not securing the Indebtedness so refinanced;

(10) Liens on Securitization Assets and related assets of the type specified in the definition of "Securitization Financing" incurred in connection with any Qualified Securitization Financing;

(11) Liens for taxes, assessments or other governmental charges or levies not yet delinquent, or which are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted or for property taxes on property that the Issuer or one of its Subsidiaries has determined to abandon if the sole recourse for such tax, assessment, charge, levy or claim is to such property;

(12) judgment liens in respect of judgments that do not constitute an Event of Default so long as such Liens are adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(13) pledges, deposits or security under workmen's compensation, unemployment insurance and other social security laws or regulations, or deposits to secure the performance of tenders, contracts (other than for the payment of Indebtedness) or leases, or deposits to secure public or statutory obligations, or deposits as security for contested taxes or import or customs duties or for the payment of rent, or deposits or other security securing liabilities to insurance carriers under insurance or self-insurance arrangements, in each case incurred in the ordinary course of business or consistent with past practice;

(14) Liens imposed by law, including carriers', warehousemen's, materialmen's, repairmen's and mechanics' Liens, in each case for sums not overdue by more than 30 days or, if more than 30 days overdue, are unfiled and no other action has been taken to enforce such Lien or which are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted;

(15) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of business or to the ownership of properties that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business;

(16) leases, licenses, subleases or sublicenses granted to others in the ordinary course of business that do not (x) interfere in any material respect with the business of the Issuer or any of its material Restricted Subsidiaries or (y) secure any Indebtedness;

(17) banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution, *provided* that (a) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Issuer in excess of those set forth by regulations promulgated by the Federal Reserve Board or other applicable law and (b) such deposit account is not intended by the Issuer or any Restricted Subsidiary to provide collateral to the depositary institution;

(18) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases or consignments entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(19) (A) other Liens securing Indebtedness for borrowed money with respect to property or assets with an aggregate fair market value (valued at the time of creation thereof) of not more than $15.0 million at any time and (B) Liens securing Indebtedness incurred to finance the

construction, purchase or lease of, or repairs, improvements or additions to, property of such Person; *provided, however,* that (x) the Lien may not extend to any other property (except for accessions to such property) owned by such Person or any of its Restricted Subsidiaries at the time the Lien is incurred, (y) such Liens attach concurrently with or within 270 days after the acquisition, repair, replacement, construction or improvement (as applicable) of the property subject to such Liens and (z) with respect to Capitalized Lease Obligations, such Liens do not at any time extend to or cover any assets (except for accessions to such assets) other than the assets subject to such Capitalized Lease Obligations; *provided* that individual financings of equipment provided by one lender may be cross-collateralized to other financings of equipment provided by such lender;

(20) Liens to secure Non-Recourse Product Financing Indebtedness permitted to be incurred pursuant to clause (18) of the definition of "Permitted Debt" in Section 4.10(b), which Liens may not secure Indebtedness other than Non-Recourse Product Financing Indebtedness and which Liens may not attach to assets other than the items of Product acquired, exploited, created or developed with the proceeds of such Indebtedness and Liens to secure Non-Recourse Acquisition Financing Indebtedness permitted to be incurred pursuant to clause (18) of the definition of "Permitted Debt" in Section 4.10(b), which Liens may not secure Indebtedness other than Non-Recourse Acquisition Financing Indebtedness and which Liens may not attach to assets other than the assets acquired, exploited, created or developed with the proceeds of such Indebtedness;

(21) Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection, (ii) attaching to commodity trading accounts or other commodities brokerage accounts incurred in the ordinary

course of business and (iii) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking industry;

(22) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(23) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts of the Issuer or any Restricted Subsidiary to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of the Issuer or any Restricted Subsidiary in the ordinary course of business; and

(24) Liens solely on any cash earnest money deposits made by the Issuer or any of its Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted under this Indenture.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Preferred Stock" means any Equity Interest with preferential rights of payment of dividends upon liquidation, dissolution or winding up.

"Private Placement Legend" means the legends initially set forth on the Dollar Securities in the form set forth in Exhibit C-1 or the Sterling Securities in the form set forth in Exhibit C-2.

"Product" means any music (including musical and audio visual recordings, musical performance, songs and compositions and also includes mail order music and activities relating or incidental to music such as touring, merchandising and artist management), music copyright, motion picture, television programming, film, videotape, digital file, video clubs, DVD manufactured or distributed or any other product produced for theatrical, non-theatrical or television release or for release in any other medium, in each case whether recorded on film, videotape, cassette, cartridge, disc or on or by any other means, method, process or device, whether now known or hereafter developed, with respect to which the Issuer or any Restricted Subsidiary:

(1) is an initial copyright owner; or

(2) acquires (or will acquire upon delivery) an equity interest, license, sublicense or administration or distribution right.

"Purchase Agreement" means the Purchase Agreement dated November 24, 2003, as amended by the amendment to the Purchase Agreement dated February 29, 2004, between Time Warner Inc. and WMG Acquisition Corp.

"Purchase Money Note" means a promissory note of a Securitization Subsidiary evidencing a line of credit, which may be irrevocable, from Holdco or any Subsidiary of Holdco to a Securitization Subsidiary in connection with a Qualified Securitization Financing, which note is intended to finance that portion of the purchase price that is not paid in cash or a contribution of equity and which (a) shall be repaid from cash available to the Securitization Subsidiary, other than (i) amounts required to be established as reserves, (ii) amounts paid to investors in respect of interest, (iii) principal and other amounts owing to such investors and (iv) amounts paid in connection with the purchase of newly generated receivables and (b) may be subordinated to the payments described in clause (a).

"Qualified Capital Stock" means any Capital Stock of the Issuer that is not Disqualified Stock.

"Qualified Institutional Buyer" or **"QIB"** shall have the meaning specified in Rule 144A under the Securities Act.

"Qualified Proceeds" means assets that are used or useful in, or Capital Stock of any Person engaged in, a Permitted Business; *provided* that the fair market value of any such assets or Capital Stock shall be determined by the Board of Directors of the Issuer in good faith, except that in the event the value of any such assets or Capital Stock exceeds $25.0 million, the fair market value shall be determined by an Independent Financial Advisor.

"Qualified Securitization Financing" means any Securitization Financing of a Securitization Subsidiary that meets the following conditions: (i) the Board of Directors of the Issuer shall have determined in good faith that such Qualified Securitization Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Securitization Subsidiary, (ii) all sales of Securitization Assets and related assets to the Securitization Subsidiary are made at fair market value (as determined in good faith by the Issuer) and (iii) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings. The grant of a security interest in any Securitization Assets of the Issuer or any of its Restricted Subsidiaries (other than a Securitization Subsidiary) to secure Indebtedness under the Credit Agreement and any Refinancing Indebtedness with respect thereto shall not be deemed a Qualified Securitization Financing.

"Record Date" means the applicable Record Date specified in the Securities; *provided* that if any such date is not a Business Day, the Record Date shall be the first day immediately preceding such specified day that is a Business Day.

"Redemption Date," when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to this Indenture and the Securities.

"Redemption Price," when used with respect to any Security to be redeemed, means the price fixed for such redemption, payable in immediately available funds, pursuant to this Indenture and the Securities.

"refinance" means to extend, refinance, renew, replace, defease or refund, including successively; and **"refinancing"** and **"refinanced"** shall have correlative meanings.

"Registration Rights Agreement" means (a) the Registration Rights Agreement dated as of April 8, 2004, among the Issuer, the Guarantors and the Initial Purchasers relating to the Securities and (b) any other similar Exchange and Registration Rights Agreement relating to Additional Securities.

"Regulation S" means Regulation S under the Securities Act.

"Representative" means the trustee, agent or representative (if any) for an issue of Senior Debt of the Issuer.

"Responsible Officer" means, when used with respect to the Trustee, any officer in the Corporate Trust Office of the Trustee to whom any corporate trust matter is referred because of such officer's knowledge of and familiarity with the particular subject and shall also mean any officer who shall have direct responsibility for the administration of this Indenture.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Security" means a Security that constitutes a "Restricted Security" within the meaning of Rule 144(a)(3) under the Securities Act; *provided, however,* that the Trustee shall be entitled to request and conclusively rely on an Opinion of Counsel with respect to whether any Security constitutes a Restricted Security.

"Restricted Subsidiary" means, at any time, any direct or indirect Subsidiary of the Issuer (including any Foreign Subsidiary) that is not then an Unrestricted Subsidiary; *provided, however,* that upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary shall be included in the definition of "Restricted Subsidiary".

"Rule 144A" means Rule 144A under the Securities Act.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Secured Indebtedness" means any Indebtedness secured by a Lien.

"Securities" means the Dollar Securities and the Sterling Securities.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Securities Purchase Agreement" means (a) the Purchase Agreement dated April 1, 2004, among the Issuer, the Guarantors and the Initial Purchasers and (b) any other similar purchase agreement relating to the Additional Securities.

"Securitization Assets" means any accounts receivable or catalog, royalty or other revenue streams from Product subject to a Qualified Securitization Financing.

"Securitization Fees" means reasonable distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Securitization Subsidiary in connection with, any Qualified Securitization Financing.

"Securitization Financing" means any transaction or series of transactions that may be entered into by Holdco or any of its Subsidiaries pursuant to which Holdco or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Securitization Subsidiary (in the case of a transfer by Holdco or any of its Subsidiaries) and (b) any other Person (in the case of a transfer by a Securitization Subsidiary), or may grant a security interest in, any Securitization Assets (whether now existing or arising in the future) of Holdco or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Securitization Assets, all contracts and all guarantees or other obligations in respect of such Securitization Assets, proceeds of such Securitization Assets and other assets which are customarily transferred or in respect of which security interests are customarily granted in

connection with asset securitization transactions involving Securitization Assets and any Hedging Obligations entered into by Holdco or any such Subsidiary in connection with such Securitization Assets.

"Securitization Repurchase Obligation" means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense,

dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Securitization Subsidiary" means a Wholly Owned Subsidiary of Holdco (or another Person formed for the purposes of engaging in a Qualified Securitization Financing in which Holdco or any Subsidiary of Holdco makes an Investment and to which Holdco or any Subsidiary of Holdco transfers Securitization Assets and related assets) which engages in no activities other than in connection with the financing of Securitization Assets of Holdco or its Subsidiaries, all proceeds thereof and all rights (contractual and other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of Holdco or such other Person (as provided below) as a Securitization Subsidiary and (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by Holdco or any other Subsidiary of Holdco (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates Holdco or any other Subsidiary of Holdco in any way other than pursuant to Standard Securitization Undertakings or (iii) subjects any property or asset of Holdco or any other Subsidiary of Holdco, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) with which neither Holdco nor any other Subsidiary of Holdco has any material contract, agreement, arrangement or understanding other than on terms which Holdco reasonably believes to be no less favorable to Holdco or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Holdco and (c) to which neither Holdco nor any other Subsidiary of Holdco has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results. Any such designation by the Board of Directors of Holdco or such other Person shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of Holdco or such other Person giving effect to such designation and an Officer's certificate certifying that such designation complied with the foregoing conditions.

"Senior Debt" means the principal of, premium, if any, and interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed or allowable claim under applicable law) on any Indebtedness and any Securitization Repurchase Obligation of the Issuer, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, in the case of any particular obligation, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such obligation shall not be senior in right of payment to the Securities. Without limiting the generality of the foregoing, "Senior Debt" shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is

an allowed or allowable claim under applicable law) on, and all other amounts owing in respect of (including guarantees of the foregoing obligations):

(1) all monetary obligations of every nature of the Issuer under, or with respect to, the Credit Agreement, including, without limitation, obligations to pay principal, premium and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities (and guarantees thereof); and

(2) all Hedging Obligations (and guarantees thereof), in each case whether outstanding on the Issue Date or thereafter incurred.

Notwithstanding the foregoing, "Senior Debt" shall not include:

(1) any Indebtedness of the Issuer to a Subsidiary of the Issuer (other than any Securitization Repurchase Obligation);

(2) Indebtedness to, or guaranteed on behalf of, any shareholder, director, officer or employee of the Issuer or any Subsidiary of the Issuer (including, without limitation, amounts owed for compensation) other than the guarantee of Holdco of Indebtedness under the Credit Agreement;

(3) Indebtedness to trade creditors and other amounts incurred in connection with obtaining goods, materials or services (including guarantees thereof or instruments evidencing such liabilities);

(4) Indebtedness represented by Capital Stock;

(5) any liability for federal, state, local or other taxes owed or owing by the Issuer;

(6) that portion of any Indebtedness incurred in violation of Section 4.10;

(7) Indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, is without recourse to the Issuer; and

(8) any Indebtedness which is, by its express terms, subordinated in right of payment to any other Indebtedness of the Issuer.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"Specified Financings" means the financings included in the Transactions and this offering of the Securities.

"Sponsors" means Thomas H. Lee Partners, L.P. (together with any limited partner thereof, whether or not such investment in the Issuer is made through the same entity), Bain Capital Partners, LLC, Providence Equity Partners and Music Capital Partners, L.P.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by Holdco or any Subsidiary of Holdco which Holdco has determined in good faith to be customary in a Securitization Financing, including, without limitation, those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Securitization Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Sterling Exchange Securities" means any Sterling Securities issued in exchange for Initial Sterling Securities or Sterling Securities without a legend.

"Sterling Securities" means the Sterling-denominated 8 1/8% Senior Subordinated Notes due 2014 issued by the Issuer, including, without limitation, the Sterling Exchange Securities and the Additional Sterling Securities, treated as a single class of securities, as amended from time to time in accordance with the terms hereof, that are issued pursuant to this Indenture.

"Stockholders Agreement" means the Stockholders Agreement by and among the Issuer, the Sponsors and/or their Affiliates and the other stockholders party thereto in effect on the Issue Date.

"Subordinated Indebtedness" means (a) with respect to the Issuer, any Indebtedness of the Issuer that is by its terms subordinated in right of payment to the Securities and (b) with respect to any Guarantor of the Securities, any Indebtedness of such Guarantor that is by its terms subordinated in right of payment to its Guarantee of the Securities.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity, of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or

trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership, joint venture, limited liability company or similar entity of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership or otherwise and (y) such Person or any Wholly Owned Restricted Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Tax" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other liabilities related thereto).

"Taxing Authority" means any government or political subdivision or territory or possession of any government or any authority or agency therein or thereof having power to tax.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb), as amended, as in effect on the date of the execution of this Indenture until such time as this Indenture is qualified under the TIA, and thereafter as in effect on the date on which this Indenture is qualified under the TIA, except as otherwise provided in Section 9.04.

"Transactions" means the transactions contemplated by (i) the Purchase Agreement, (ii) the Credit Agreement and (iii) the offering of the Securities.

"Trustee" means the party named as such in this Indenture until a successor replaces it in accordance with the provisions of this Indenture and thereafter means such successor.

"U.K. **Government Securities"** means securities that are:

(1) direct obligations of the United Kingdom or issued by any agency or instrumentality thereof for the timely payment of which its full faith and credit is pledged, or

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United Kingdom, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United Kingdom,

which, in each case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such U.K. Government Securities or a specific payment of principal of or interest on any such U.K. Government Securities held by such custodian for the account of the holder of such depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.K. Government Securities or the specific payment of principal or interest on the U.K. Government Securities evidenced by such depository receipt.

"U.K. Legal Tender" means such coin or currency of the United Kingdom as at the time of payment shall be legal tender for the payment of public and private debts.

"Unrestricted Securities" means one or more Dollar Securities that do not and are not required to bear the legends in the form set forth in Exhibit C-1 or Sterling Securities that do not and are not required to bear the legends in the form set forth in Exhibit C-2, including, without limitation, the Exchange Securities.

"Unrestricted Subsidiary" means (i) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer, as provided below) and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any existing Subsidiary and any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on, any property of, the Issuer or any Subsidiary of the Issuer (other than any Subsidiary of the Subsidiary to be so designated), *provided* that (a) any Unrestricted Subsidiary must be an entity of which shares of the Capital Stock or other equity interests (including partnership interests) entitled to cast at least a majority of the votes that may be cast by all shares or equity interests having ordinary voting power for the election of directors or other governing body are owned, directly or indirectly, by the Issuer, (b) such designation complies with Section 4.11 and (c) each of (I) the Subsidiary to be so designated and (II) its Subsidiaries has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any Restricted Subsidiary. The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that, immediately after giving effect to such designation, no Default or Event of Default shall have occurred and (1) the Issuer could incur $1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception described under Section 4.10(a), or (2) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would be greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such designation, in each case on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be notified

by the Issuer to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"U.S. Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such foreign currency involving in such computation into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with the applicable foreign currency as quoted by Reuters at approximately 10:00 A.M., New York City time, on such date of determination (or if no such quote is available on such date, on the immediately preceding Business Day for which such a quote is available).

"U.S. Government Securities" means securities that are

(a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or

(b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"U.S. Legal Tender" means such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Restricted Subsidiary" is any Wholly Owned Subsidiary that is a Restricted Subsidiary.

"Wholly Owned Subsidiary" of any Person means a Subsidiary of such Person, 100% of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

SECTION 1.02. Other Definitions.

Term	Defined in Section
"Additional Dollar Securities"	2.01
"Additional Securities"	2.01
"Additional Sterling Securities"	2.01
"Affiliate Transaction"	4.14
"Agent Members"	2.16
"Alternate Offer"	4.09
"Asset Sale Offer"	4.13
"Asset Sale Offer Amount"	4.13
"Asset Sale Payment"	4.13
"Asset Sale Payment Date"	4.13
"Base Currency"	12.14
"Change of Control Offer"	4.09
"Change of Control Payment"	4.09
"Change of Control Payment Date"	4.09
"Covenant Defeasance"	8.02

Term	Defined in Section
"Coverage Ratio Exception"	4.10
"Event of Default"	6.01
"Excess Proceeds"	4.13
"Guarantee Obligations"	11.01
"incur"	4.10
"Judgment Currency"	12.14
"Legal Defeasance"	8.02
"Luxembourg Paying Agent"	2.04
"Non-Payment Default"	10.02
"Other Securities"	2.02
"Paying Agent"	2.04
"Payment Blockage Notice"	10.02
"Payment Blockage Period"	10.02
"Payment Default"	10.02
"Permitted Debt"	4.10
"Physical Securities"	2.02

"Refunding Capital Stock"	4.11
"Registrar"	2.04
"Regulation S Dollar Securities"	2.02
"Regulation S Global Dollar Security"	2.16
"Regulation S Global Security"	2.16
"Regulation S Global Sterling Security"	2.16
"Regulation S Sterling Securities"	2.02
"Restricted Global Securities"	2.16
"Restricted Period"	2.16
"Retired Capital Stock"	4.11
"Rule 144A Dollar Securities"	2.02
"Rule 144A Global Dollar Securities"	2.02

Term	Defined in Section
"Rule 144A Global Sterling Securities"	2.02
"Rule 144A Sterling Securities"	2.02
"Sterling Paying Agent"	2.04

SECTION 1.03. Incorporation by Reference of TIA.

Whenever this Indenture refers to a provision of the TIA, such provision is incorporated by reference in, and made a part of, this Indenture. The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Securities.

"indenture security holder" means a Holder or a Securityholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or **"institutional trustee"** means the Trustee.

"obligor" on the indenture securities means the Issuer or any other obligor on the Securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by the TIA reference to another statute or defined by Commission rule and not otherwise defined herein have the meanings assigned to them therein.

SECTION 1.04. Rules of Construction.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it herein, whether defined expressly or by reference;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and words in the plural include the singular;

(5) words used herein implying any gender shall apply to both genders;

(6) provisions apply to successive events and transactions;

(7) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(8) the words "including," "includes" and similar words shall be deemed to be followed by "without limitation";

(9) the principal amount of any non-interest bearing or other discount security at any date shall be the principal amount thereof that would be shown on a balance sheet of the issuer dated such date prepared in accordance with GAAP;

(10) the principal amount of any Preferred Stock shall be (i) the maximum liquidation value of such Preferred Stock or (ii) the maximum mandatory redemption or mandatory repurchase price with respect to such Preferred Stock, whichever is greater;

(11) unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP;

(12) "$" and "U.S. Dollars" each refer to United States dollars, or such other money of the United States of America that at the time of payment is legal tender for payment of public and private debts;

(13) "£" and "pounds sterling" each refer to the lawful currency of the United Kingdom that at the time of payment is legal tender for payment of public and private debts; and

(14) whenever in this Indenture there is mentioned, in any context, principal, interest or any other amount payable under or with respect to any Securities, such mention shall be deemed to include mention of the payment of Additional Interest, to the extent that, in such context, Additional Interest is, was or would be payable in respect thereof.

ARTICLE TWO

THE SECURITIES

SECTION 2.01. Amount of Securities.

The Trustee shall initially authenticate Securities for original issue on the Issue Date in an aggregate principal amount of $465,000,000 of Dollar Securities (the "**Initial Dollar Securities**") and an aggregate principal amount of £100,000,000 of Sterling Securities (the "**Initial Sterling Securities**" and, together with the Initial Dollar Securities, the "**Initial Securities**") upon a written order of the Issuer in the form of an Officers' Certificate of the Issuer (other than as provided in Section 2.08). The Trustee shall authenticate Dollar Securities (the "**Additional Dollar Securities**") and Sterling Securities (the "**Additional Sterling Securities**") thereafter in unlimited amount (so long as permitted by the terms of this Indenture, including, without limitation, Section 4.10) (any such Securities, the "**Additional Securities**") for original issue upon a written order of the Issuer in the form of an Officers' Certificate in aggregate principal amount as specified in such order (other than as provided in Section 2.08). Each such written order shall specify the principal amount of Additional Dollar Securities and/or Additional Sterling Securities to be authenticated and the date on which the Additional Dollar Securities and/or Additional Sterling Securities are to be authenticated.

SECTION 2.02. Form and Dating.

The Dollar Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto and the Sterling Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit B hereto, both of which are incorporated in and form a part of this Indenture. The Securities may have notations, legends or endorsements required by law, rule or usage to which the Issuer is subject. Without limiting the generality of the foregoing, Securities offered and sold to Qualified Institutional Buyers in reliance on Rule 144A ("**Rule 144A Securities**") shall bear the legend and include the form of assignment set forth in Exhibit C-1 in the case of Dollar Securities and Exhibit C-2 in the case of Sterling Securities, Securities offered and sold in offshore transactions in reliance on Regulation S ("**Regulation S Securities**") shall bear the legend and include the form of assignment set forth in Exhibit D, and Securities offered and sold to Institutional Accredited Investors in transactions exempt from registration under the Securities Act not made in reliance on Rule 144A or Regulation S ("**Other Securities**") may be represented by a Restricted Global Security or, if such an investor may not hold an interest in the Restricted Global Security, a Physical Security, in each case, bearing the Private Placement Legend. The Issuer shall approve the form of the Securities and any notation, legend or endorsement on them. Each Security shall be dated the date of its issuance and show the date of its authentication.

The terms and provisions contained in the Securities shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Issuer and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and agree to be bound thereby.

The Securities may be presented for registration of transfer and exchange at the offices of the Registrar.

Securities issued in exchange for interests in a Global Security pursuant to Section 2.16 may be issued in the form of permanent certificated Securities in registered form in substantially the form set forth in Exhibit A in the case of Dollar Securities and Exhibit B in the case of Sterling Securities (the "**Physical Securities**").

SECTION 2.03. Execution and Authentication.

One Officer, who shall have been duly authorized by all requisite corporate actions, shall sign the Securities for the Issuer by manual or facsimile signature.

If the Officer whose signature is on a Security was an Officer at the time of such execution but no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Issuer, and the Issuer shall deliver such Security to the Trustee for cancellation as provided in Section 2.12, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

The Trustee may appoint one or more authenticating agents with the consent of the Issuers to authenticate the Securities. Unless otherwise provided in the appointment, an authenticating agent may authenticate the Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Issuer and Affiliates of the Issuers. Each Paying Agent is designated as an authenticating agent for purposes of this Indenture.

The Securities shall be issuable only in registered form without coupons in denominations of $5,000 and any integral multiples of $1,000, in the case of Dollar Securities, and £5,000 and any integral multiples of £1,000, in the case of Sterling Securities.

SECTION 2.04. Registrar and Paying Agent.

The Issuer shall maintain (a) an officer or agency where Securities may be presented for registration of transfer or for exchange (the "**Registrar**"), (b) an office or agency in the Borough of Manhattan, The City of New York, the State of New York, where Dollar Securities may be presented for payment (the "**Dollar Paying Agent**") (c) an office or agency in the Borough of Manhattan, The City of New York, the State of New York, and London, England where Sterling Securities may be presented for payment (the "**Sterling Paying Agent**"), (d) so long as the Sterling Securities are listed on the Luxembourg Stock Exchange, an office or agency in Luxembourg where Sterling Securities may be presented for payment (the "**Luxembourg Paying Agent**") and (e) an office or agency where notices and demands to or upon the Issuer, if any, in respect of the Securities and this Indenture may be served. The Registrar shall keep a register of the Securities and of their transfer and exchange. The Registrar shall provide a copy of such register. The Issuer may have on or more co-registrars and one or more additional Paying Agents. The term "**Registrar**" includes any co-registrars. The Issuer shall maintain a co-registrar in London, England and, so long as the Sterling Securities are listed on the Luxembourg Stock Exchange and if required by the rules of the Luxembourg Stock Exchange, in Luxembourg where Sterling Securities may be presented for registration of transfer or for exchange. The term "**Paying Agents**" means the Dollar Paying Agent, the Sterling Paying Agent, the Luxembourg Paying Agent (if any) and any additional Paying Agents. The Issuer or any Affiliate thereof may act as Registrar or Paying Agent.

The Issuer shall enter into an appropriate agency agreement, which shall incorporate the provisions of the TIA, with any Agent that is not a party to this Indenture; *provided* that any such agency agreement with the Luxembourg Paying Agent need not incorporate the provisions of the TIA. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Issuer shall notify the Trustee of the name and address of any such Agent. If the Issuer fails to maintain a Registrar or any required co-registrar or Paying Agent, or fails to give the foregoing notice, the Trustee shall act as such and shall be entitled to appropriate compensation in accordance with Section 7.07.

The Issuer initially appoints the Trustee as Registrar, Dollar Paying Agent and Agent for service of notices and demands in connection with the Securities and this Indenture. The Issuer initially appoints HSBC Bank plc, as a co-registrar and as Sterling Paying Agent.

If the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 is implemented, the Issuer will use its best efforts to maintain a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to any European

Union Directive on the taxation of savings implementing such conclusions or any law implementing or complying with, or introduced to conform to, such directive.

The Issuer may change the paying agents, the registrars or the transfer agents without prior notice to the Holders. If, and for so long as, the Sterling Securities are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will publish a notice of any change of paying agent, registrar or transfer agent in a newspaper having a general circulation in Luxembourg. The Issuer or any of its Subsidiaries may act as a paying agent or registrar.

The Issuer may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however,* that no such designation or rescission shall in any manner relieve the Issuer of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York and London, England for such purposes. The Registrar shall keep a register of the Securities and of their transfer and exchange. The Issuer, upon notice to the Trustee, may have one or more co-Registrars and one or more additional paying agents reasonably acceptable to the Trustee. The term "Paying Agent" includes any additional paying agent.

SECTION 2.05. Paying Agent To Hold Assets in Trust.

Each Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of principal of or premium or interest on the Securities (whether such money has been paid to it by the Issuer, one or more of the Guarantors or any other obligor on the Securities), and the Issuer and each Paying Agent shall notify the Trustee of any Default by the Issuer (or any other obligor on the Securities) in making any such payment. Money held in trust by a Paying Agent need not be segregated except as required by law and in no event shall a Paying Agent be liable for any interest on any money received by it hereunder. The Issuer at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed and the Trustee may at any time during the continuance of any Event of Default specified in Section 6.01(1) or (2), upon written request to a Paying Agent, require such Paying Agent to pay forthwith all money so held by it to the Trustee and to account for any funds disbursed. Upon making such payment, such Paying Agent shall have no further liability for the money delivered to the Trustee

SECTION 2.06. Holder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Issuer shall furnish to the Trustee at least two (2) Business Days prior to each Interest Payment Date and at such other times as the Trustee may request in writing a list in

such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders, which list may be conclusively relied upon by the Trustee.

SECTION 2.07. Transfer and Exchange.

Subject to Sections 2.16 and 2.17, when Securities are presented to the Registrar or a co-Registrar with a request to register the transfer of such Securities or to exchange such Securities for an equal principal amount of Securities of other authorized denominations, the Registrar or co-Registrar shall promptly register the transfer or make the exchange as requested if its requirements for such transaction are met; *provided*, *however*, that the Securities surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Registrar or co-Registrar, duly executed by the Holder thereof or his or her attorney duly authorized in writing. To permit registrations of transfers and exchanges, the Issuer shall execute and the Trustee shall authenticate Securities at the Registrar's or co-Registrar's request. No service charge shall be made for any registration of transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

The Registrar or co-Registrar shall not be required to register the transfer of or exchange of any Security (i) during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Securities and ending at the close of business on the day of such mailing, (ii) selected for redemption in whole or in part pursuant to Article Three, except the unredeemed portion of any Security being redeemed in part, and (iii) during a Change of Control Offer, an Alternate Offer or an Asset Sale Offer if such Security is tendered pursuant to such Change of Control Offer, Alternate Offer or Asset Sale Offer and not withdrawn.

Any Holder of a beneficial interest in a Global Security shall, by acceptance of such beneficial interest, agree that transfers of beneficial interests in such Global Securities may be effected only through a book-entry system maintained by the Holder of such Global Security (or its agent), and that ownership of a beneficial interest in the Security shall be required to be reflected in a book-entry system.

SECTION 2.08. Replacement Securities.

If a mutilated Security is surrendered to the Registrar or the Trustee, or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall authenticate a replacement Security (and the Guarantors, if any, shall execute the guarantee thereon) if the Holder of such Security furnishes to the Issuer and the Trustee evidence reasonably acceptable to them of the ownership and the destruction, loss or theft of such Security and if the requirements of Section 8-405 of the New York Uniform Commercial Code as in effect on the date of this Indenture are met. If required

by the Trustee or the Issuer, an indemnity bond shall be posted, sufficient in the judgment of all to protect the Issuer, the Guarantors, if any, the Trustee or any Paying Agent from any loss that any of them may suffer if such Security is replaced. The Issuer may charge such Holder for the Issuer's reasonable out-of-pocket expenses in replacing such Security and the Trustee may charge the Issuer for the Trustee's expenses (including, without limitation, attorneys' fees and disbursements) in replacing such Security. Every replacement Security shall constitute a contractual obligation of the Issuer.

SECTION 2.09. Outstanding Securities.

The Securities outstanding at any time are all the Securities that have been authenticated by the Trustee except (a) those canceled by it, (b) those delivered to it for cancellation, (c) to the extent set forth in Sections 9.01 and 9.02, on or after the date on the conditions set forth in Section 9.01 or 9.02 have been satisfied and (d) these Securities theretofore authenticated by the Trustee hereunder and those described in this Section as not outstanding. A Security does not cease to be outstanding because the Issuer or any of its Affiliates holds the Security (subject to the provisions of Section 2.10).

If a Security is replaced pursuant to Section 2.08 (other than a mutilated Security surrendered for replacement), it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a *bona fide* purchaser in whose hands such Security is a legal, valid and binding obligation of the Issuer. A mutilated Security ceases to be outstanding upon surrender of such Security and replacement thereof pursuant to Section 2.08.

If the principal amount of any Security is considered paid under Section 4.01, it ceases to be outstanding and interest ceases to accrue. If on a Redemption Date or the Maturity Date the Trustee or Paying Agent (other than the Issuer or an Affiliate thereof) holds U.S. Legal Tender or U.S. Government Securities sufficient to pay all of the principal and interest due on the Dollar Securities payable on that date, or U.K. Legal Tender or U.K. Government Securities sufficient to pay all of the principal and interest due on the Sterling Securities payable on that date, then on and after that date such Dollar Securities and/or Sterling Securities cease to be outstanding and interest on them ceases to accrue.

SECTION 2.10. Treasury Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Issuer or any of its Affiliates shall be disregarded, except that, for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities that a Responsible Officer of the Trustee actually knows are so owned shall be disregarded.

SECTION 2.11. Temporary Securities.

Until definitive Securities are ready for delivery, the Issuer may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Issuer considers appropriate for temporary Securities. Without unreasonable delay, the Issuer shall prepare and the Trustee shall authenticate definitive Securities in exchange for temporary Securities. Until such exchange, temporary Securities shall be entitled to the same rights, benefits and privileges as definitive Securities. Notwithstanding the foregoing, so long as the Securities are represented by a Global Security, such Global Security may be in typewritten form.

SECTION 2.12. Cancellation.

The Issuer at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange or payment. The Trustee or, at the direction of the Trustee, the Registrar or the Paying Agent (other than the Issuer or a Subsidiary), and no one else, shall cancel and, at the written direction of the Issuer, shall dispose of all Securities surrendered for transfer, exchange, payment or cancellation in accordance with its customary procedures. Subject to Section 2.08, the Issuer may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation. If the Issuer or any Guarantor shall acquire any of the Securities, such acquisition shall not operate as a redemption or satisfaction of the Indebtedness represented by such Securities unless and until the same are surrendered to the Trustee for cancellation pursuant to this Section 2.12.

SECTION 2.13. Defaulted Interest.

If the Issuer defaults in a payment of interest on the Dollar Securities or the Sterling Securities, it shall, unless the Trustee fixes another record date pursuant to Section 6.10, pay the defaulted interest then borne by the Dollar Securities or Sterling Securities, as the case may be, plus (to the extent lawful) any interest payable on the defaulted interest, in accordance with the terms hereof. The Issuer may pay the defaulted interest to the persons who are Holders on a subsequent special record date, which special record date shall be the fifteenth day next preceding the date fixed by the Issuer for the payment of defaulted interest or the next succeeding Business Day if such date is not a Business Day. At least 15 days before any such subsequent special record date, the Issuer shall mail to each Holder, with a copy to the Trustee, a notice that states the subsequent special record date, the payment date and the amount of defaulted interest, and interest payable on such defaulted interest, if any, to be paid. The Issuer may make payment of any defaulted interest in any other lawful manner not inconsistent with the requirements (if applicable) of any securities exchange on which the Dollar Securities or the Sterling Securities may be listed and, upon such notice as may be required by such exchange, if, after written notice given by the Issuer to the Trustee of the proposed payment

pursuant to this sentence, such manner of payment shall be deemed practicable by the Trustee.

SECTION 2.14. CUSIP, ISIN and “Common Code” Numbers.

The Issuer in issuing the Securities may use CUSIP numbers, ISINs and “Common Code” numbers (if then generally in use) and, if so, the Trustee shall use, as applicable, CUSIP numbers, ISINs and “Common Code” numbers in notices of redemption as a convenience to Holders; *provided*, *however*, that any such notice may state that no representation is made as to the correctness or accuracy of such numbers, either as printed on the Securities or as contained in any notice of a redemption, that reliance may be placed only on the other identification number(s) printed on the Securities. The Issuer shall advise the Trustee of any change in the CUSIP numbers, ISINs and “Common Code” numbers.

SECTION 2.15. Deposit of Moneys.

Prior to 10:00 a.m. New York City time, in the case of the Dollar Securities, and 10:00 a.m. London time, in the case of the Sterling Securities, on each Interest Payment Date, Maturity Date, Redemption Date, Change of Control Payment Date and Asset Sale Offer Payment Date, the Issuer shall have deposited with the Paying Agent in immediately available funds U.S. Legal Tender, in the case of the Dollar Securities, or U.K. Legal Tender, in the case of the Sterling Securities, sufficient to make cash payments, if any, due on such Interest Payment Date, Maturity Date, Redemption Date, Change of Control Payment Date and Asset Sale Offer Payment Date, as the case may be, in a timely manner which permits the Paying Agent to remit payment to the Holders on such Interest Payment Date, Maturity Date, Redemption Date, Change of Control Payment Date and Asset Sale Offer Payment Date, as the case may be. The principal and interest on Global Securities shall be payable to the Depository or the Common Depositary, as applicable or its nominee, as the case may be, as the sole registered owner and the sole Holder of the Global Securities represented thereby. The principal and interest on Physical Securities shall be payable, either in person or by mail, at the office of the applicable Paying Agent.

SECTION 2.16. Book-Entry Provisions for Global Securities.

(a) Rule 144A Securities that are Dollar Securities (“Rule 144A Dollar Securities”) initially shall be represented by one or more Securities in registered, global form without interest coupons (collectively, the “Rule 144A Global Dollar Securities”). Rule 144A Securities that are Sterling Securities (“Rule 144A Sterling Security”) initially shall be represented by one or more Securities in registered, global form without interest coupons (collectively, the “Rule 144A Global Sterling Security” and, together with the Rule 144A Global Dollar Security, the “Rule I44A Global Securities”). Regulation S Securities that are Dollar Securities (“Regulation S Dollar Securities”) initially shall be represented by one or more Securities in registered, global form without interest coupons (collectively, the “Regulation S

Global Dollar Security”). Regulation S Securities that are Sterling Securities (“Regulation S Sterling Securities”) initially shall be represented by one or more Securities in registered, global form without interest coupons (collectively, the “Regulation S Global Sterling Security” and, together with the Regulation S

Global Dollar Security, the "Regulation S Global Securities"). The term "Global Dollar Securities" means the Rule 144A Global Dollar Security and the Regulation S Global Dollar Security. The term "Global Sterling Securities" means, collectively, the Rule 144A Global Sterling Security and the Regulation S Sterling Security. The term "Global Securities" means, collectively, the Rule 144A Global Securities and the Regulation S Global Securities. The Global Securities shall bear legends as set forth in Exhibit E-1 in the case of Global Dollar Securities and Exhibit E-2 in the case of Global Sterling Securities. The Global Securities initially shall (i) be registered in the name of the Depositary or the Common Depositary, in the case of the Sterling Securities or the nominee of such Depositary or the Common Depositary, in the case of the Sterling Securities, in each case for credit to an account of an Agent Member, (ii) be delivered to the Trustee as custodian for such Depositary or the Common Depositary, in the case of the Sterling Securities and (iii) bear legends as set forth in Exhibit C-1 with respect to Restricted Global Dollar Securities, Exhibit C-2 with respect to Global Sterling Securities and Exhibit D with respect to Regulation S Global Securities.

Members of, or direct or indirect participants in, the Depositary or the Common Depositary, in the case of the Sterling Securities ("**Agent Members**") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary or the Common Depositary, in the case of the Sterling Securities, or the Trustee as its custodian, or under the Global Securities, and the Depositary or the Common Depositary, in the case of the Sterling Securities, may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner of the Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or the Common Depositary, in the case of the Sterling Securities or impair, as between the Depositary or the Common Depositary, in the case of the Sterling Securities and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any Security.

(b) Transfers of Global Dollar Securities shall be limited to transfer in whole, but not in part, to the Depositary, its successors or their respective nominees. Transfers of Global Sterling Securities shall be limited to transfer in whole, but not in part, to the Common Depositary, its successors or their respective nominees. Interests of beneficial owners in the Global Securities may be transferred or exchanged for Physical Securities in accordance with the rules and procedures of the Depositary or the Common Depositary, as the case may be, and the provisions of Section 2.17. In addition, a Global Security shall be exchangeable for Physical Securities if (i) in the case of a Global Dollar Security, the Depositary (x) notifies the Issuer that it is unwilling or unable to continue as depository for such Global Security

and the Issuer thereupon fail to appoint a successor depository or (y) has ceased to be a clearing agency registered under the Exchange Act, (ii) in the case of a Global Sterling Security, (x) Euroclear or Clearstream notifies the Company that it is unwilling or unable to continue as clearing agency or (y) the Common Depository notifies the Company that it is unwilling or unable to continue as common depository for such Global Sterling Note and the Company fails to appoint a successor common depository within 120 days of such notice, (iii) the Issuer, at its option, notifies the Trustee in writing that it elects to cause the issuance of such Physical Securities or (iv) in the case of any GIobal Note, there shall have occurred and be continuing an Event of Default with respect to such Global Note. In all cases, Physical Securities delivered in exchange for any Global Security or beneficial interests therein shall be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depositary or the Common Depositary, as applicable, in accordance with its customary procedures.

(c) In connection with any transfer or exchange of a portion of the beneficial interest in any Global Security to beneficial owners pursuant to paragraph (b), the Registrar shall (if one or more Physical Securities are to be issued) reflect on its books and records the date and a decrease in the principal amount of the Global Security in an amount equal to the principal amount of the beneficial interest in the Global Security to be transferred, and the Issuer shall execute, and the Trustee shall upon receipt of a written order from the Issuer authenticate and make available for delivery, one or more Physical Securities of like tenor and amount.

(d) In connection with the transfer of Global Securities as an entirety to beneficial owners pursuant to paragraph (b), the Global Securities shall be deemed to be surrendered to the Trustee for cancellation, and the Issuer shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary or the Common Depositary, in the case of the Sterling Securities in writing in exchange for its beneficial interest in the Global Securities, an equal aggregate principal amount of Physical Securities of authorized denominations.

(e) Any Physical Security constituting a Restricted Security delivered in exchange for an interest in a Global Security pursuant to paragraph (b), (c) or (d) shall, except as otherwise provided by paragraphs (a)(i)(x) and (c) of Section 2.17, bear the Private Placement Legend or, in the case of the Regulation S Global Security, the legend set forth in Exhibit D, in each case, unless the Issuers determine otherwise in compliance with applicable law.

(f) On or prior to the 40th day after the later of the commencement of the offering of the Securities represented by the Regulation S Global Security and the issue date of such Securities (such period through and including such 40th day, the "**Restricted Period**"), a beneficial interest in a Regulation S Global Security may be transferred to a Person

who takes delivery in the form of an interest in the corresponding Restricted Global Security only upon receipt by the Trustee of a written certification from the transferor to the effect that such transfer is being made (i)(a) to a Person that the transferor reasonably believes is a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A or (b) pursuant to another exemption from the registration requirements under the Securities Act which is accompanied by an Opinion of Counsel regarding the availability of such exemption and (ii) in accordance with all applicable securities laws of any state of the United States or any other jurisdiction.

(g) Beneficial interests in the Restricted Global Security may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Security, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Trustee a written certificate to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available).

(h) Any beneficial interest in one of the Global Securities that is transferred to a Person who takes delivery in the form of an interest in another Global Security shall, upon transfer, cease to be an interest in such Global Security and become an interest in such other Global Security and, accordingly, shall thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Security for as long as it remains such an interest.

(i) The Holder of any Global Security may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

SECTION 2.17. Special Transfer Provisions.

(a) Transfers to Non-QIB Institutional Accredited Investors and Non-U.S. Persons. The following provisions shall apply with respect to the registration of any proposed transfer of a Security constituting a Restricted Security to any Institutional Accredited Investor which is not a QIB or to any Non-U.S. Person:

(i) the Registrar shall register the transfer of any Security constituting a Restricted Security, whether or not such Security bears the Private Placement Legend, if (x) the requested transfer is after the second anniversary of the date of original issuance thereof or such other date as such Security shall be freely transferable under Rule 144 as certified in an Officers' Certificate or (y) (1) in the case of a transfer to an Institutional Accredited Investor which is not a QIB (excluding Non-U.S. Persons), the proposed transferee has delivered to the Registrar a certificate substantially in the form of Exhibit F hereto or (2) in the case of a transfer to a Non-U.S. Person (including a QIB), the proposed transferor has delivered to the Registrar a certificate substantially

in the form of Exhibit G hereto; *provided* that in the case of any transfer of a Security bearing the Private Placement Legend for a Security not bearing the Private Placement Legend, the Registrar has received an Officers' Certificate authorizing such transfer; and

(ii) if the proposed transferor is an Agent Member holding a beneficial interest in a Global Security, upon receipt by the Registrar of (x) the certificate, if any, required by paragraph (i) above and (y) instructions given in accordance with the Depositary's and the Registrar's procedures,

whereupon (a) the Registrar shall reflect on its books and records the date and (if the transfer does not involve a transfer of outstanding Physical Securities) a decrease in the principal amount of a Global Security in an amount equal to the principal amount of the beneficial interest in a Global Security to be transferred, and (b) the Registrar shall reflect on its books and records the date and an increase in the principal amount of a Global Security in an amount equal to the principal amount of the beneficial interest in the Global Security transferred or the Issuers shall execute and the Trustee shall authenticate and make available for delivery one or more Physical Securities of like tenor and amount.

(b) Transfers to QIBs. The following provisions shall apply with respect to the registration or any proposed registration of transfer of a Security constituting a Restricted Security to a QIB (excluding transfers to Non-U.S. Persons):

(i) the Registrar shall register the transfer if such transfer is being made by a proposed transferor who has checked the box provided for on such Holder's Security stating, or to a transferee who has advised the Issuers and the Registrar in writing, that it is purchasing the Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a QIB within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as it has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A; and

(ii) if the proposed transferee is an Agent Member, and the Securities to be transferred consist of Physical Securities which after transfer are to be evidenced by an interest in the Global Security, upon receipt by the Registrar of instructions given in accordance with the Depositary's and the Registrar's procedures, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the Global Security in an amount equal to the principal amount of the Physical Securities to be transferred, and the Trustee shall cancel the Physical Securities so transferred.

(c) Private Placement Legend. Upon the registration of transfer, exchange or replacement of Securities not bearing the Private Placement Legend, the Registrar shall deliver Securities that do not bear the Private Placement Legend. Upon the registration of transfer, exchange or replacement of Securities bearing the Private Placement Legend, the Registrar shall deliver only Securities that bear the Private Placement Legend unless (i) it has received the Officers' Certificate required by paragraph (a)(i)(y) of this Section 2.17, (ii) there is delivered to the Registrar an Opinion of Counsel reasonably satisfactory to the Issuers and the Trustee to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act or (iii) such Security has been sold pursuant to an effective registration statement under the Securities Act and the Registrar has received an Officers' Certificate from the Issuer to such effect.

(d) General. By its acceptance of any Security bearing the Private Placement Legend, each Holder of such Security acknowledges the restrictions on transfer of such Security set forth in this Indenture and in the Private Placement Legend and agrees that it will transfer such Security only as provided in this Indenture.

The Registrar shall retain for a period of two years copies of all letters, notices and other written communications received pursuant to Section 2.16 or this Section 2.17. The Issuer shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable notice to the Registrar.

SECTION 2.18. Computation of Interest.

Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months and actual days elapsed.

SECTION 2.19. Calculation of Principal Amount of Securities.

The aggregate principal amount of the Securities, at any date of determination, shall be the sum of (1) the principal amount of the Dollar Securities at such date of determination plus (2) the U.S. Dollar Equivalent, at such date of determination, of the principal amount of the Sterling Securities at such date of determination. With respect to any matter requiring consent, waiver, approval or other action of the Holders of a specified percentage of the principal amount of all the Securities (and not solely the Dollar Securities or the Sterling Securities as provided for in the proviso to the first sentence of Section 9.02(a)), such percentage shall be calculated, on the relevant date of determination, by dividing (a) the principal amount, as of such date of determination, of Securities, the Holders of which have so consented, by (b) the aggregate principal amount, as of such date of determination, of the Securities then outstanding, in each case, as determined in accordance with the preceding sentence, and Section 2.09 of this Indenture. Any such calculation made pursuant to this Section 2.19 shall be made by the Issuer and delivered to the Trustee pursuant to an Officers' Certificate.

ARTICLE THREE

REDEMPTION

SECTION 3.01. Notices to Trustee.

If the Issuer elects to redeem Securities pursuant to Section 5 or Section 6 of the Securities, it shall notify the Trustee in writing of the Redemption Date, the Redemption Price and the principal amount of Securities to be redeemed. The Issuer shall give notice of redemption to the Paying Agent and Trustee at least 30 days but not more than 60 days before the Redemption Date (unless a shorter notice shall be agreed to by the Trustee in writing), together with an Officers' Certificate stating that such redemption will comply with the conditions contained herein.

SECTION 3.02. Selection of Securities To Be Redeemed.

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

(1) if the Securities are listed on a national securities exchange, in compliance with the requirements of the principal national securities exchange (including the Luxembourg Stock Exchange) on which the Securities are listed; or

(2) if the Securities are not listed on any securities exchange, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate.

No Dollar Securities of $5,000 or less or Sterling Securities of £5,000 or less shall be redeemed in part.

If a partial redemption is made with the proceeds of an Equity Offering in accordance with Section 6 of the Securities, forms of which are attached hereto as Exhibit A and Exhibit B, the Trustee will select the applicable Securities on a pro rata basis or on as nearly a pro rata basis as is practicable (subject to DTC procedures).

SECTION 3.03. Notice of Redemption.

At least 30 days but not more than 60 days before a Redemption Date, the Issuer shall mail a notice of redemption by first class mail, postage prepaid, to each Holder whose Securities are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a Redemption Date if the notice is issued in connection with a defeasance of the Securities or a satisfaction and discharge of this Indenture. At the Issuer's request, the Trustee shall forward the notice of redemption in the Issuer's

name and at the Issuer's expense; *provided* that in such case, the Trustee has received notice from the Issuer at least 31 days, but not more than 60 days, before a Redemption Date (unless a shorter notice shall be agreed to in writing by the Trustee). Securities called for redemption become due on the date fixed for redemption. On and after the Redemption Date, interest ceases to accrue on Securities or portions of them called for redemption. Each notice of redemption shall identify the Securities (including the CUSIP number) to be redeemed and shall state:

(1) the Redemption Date;

(2) the Redemption Price and the amount of accrued interest, if any, to be paid;

(3) the name and address of the Paying Agent;

(4) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price, plus accrued interest, if any;

(5) that, unless the Issuer defaults in making the redemption payment, interest on Securities called for redemption ceases to accrue on and after the Redemption Date, and the only remaining right of the Holders of such Securities is to receive payment of the Redemption Price upon surrender to the Paying Agent of the Securities redeemed;

(6) if any Security is being redeemed in part, the portion of the principal amount of such Security to be redeemed and that, after the Redemption Date, and upon surrender of such Security, a new Security or Securities in aggregate principal amount equal to the unredeemed portion thereof will be issued;

(7) if fewer than all the Securities are to be redeemed, the identification of the particular Securities (or portion thereof) to be redeemed, as well as the aggregate principal amount of Securities to be redeemed and the aggregate principal amount of Securities to be outstanding after such partial redemption;

(8) the CUSIP Number, ISIN and/or "Common Code" number, if any, printed on the Securities being redeemed;

(9) that no representation is made as to the correctness or accuracy of the CUSIP number or ISIN and/or "Common Code" number, if any, listed in such notice or printed on the Securities; and

(10) the Section of the Securities pursuant to which the Securities are to be redeemed.

The notice, if mailed in a manner herein provided, shall be conclusively presumed to have been given, whether or not the Holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the Holder of any Security designated for redemption in whole or in part shall not affect the validity of the proceedings for the redemption of any other Security. Notices of redemption may not be conditional.

SECTION 3.04. Effect of Notice of Redemption.

Once notice of redemption is mailed in accordance with Section 3.03, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price plus accrued interest, if any. Upon surrender to the Trustee or Paying Agent, such Securities called for redemption shall be paid at the Redemption Price (which shall include accrued interest thereon to the Redemption Date), but installments of interest, the maturity of which is on or prior to the Redemption Date, shall be payable to Holders of record at the close of business on the relevant Record Dates. On and after the Redemption Date interest shall cease to accrue on Securities or portions thereof called for redemption.

SECTION 3.05. Deposit of Redemption Price.

With respect to the Dollar Securities, prior to 10:00 a.m., New York time, on the Redemption Date, the Issuer shall deposit with the Dollar Paying Agent (or, if the Issuer or a Wholly Owned Subsidiary is a Paying Agent, shall segregate and hold in trust) U.S. Legal Tender and/or U.S. Government Securities sufficient to pay the redemption price of and accrued interest on all Dollar Securities or portions thereof to be redeemed on that date other than Dollar Securities or portions of Dollar Securities called for redemption that have been delivered by the Issuer to the Trustee for cancellation. On and after the Redemption Date, interest shall cease to accrue on Dollar Securities or portions thereof called for redemption so long as the Issuer has deposited with the Dollar Paying Agent funds sufficient to pay the principal of, plus accrued and unpaid interest on, the Dollar Securities.

With respect to the Sterling Securities, prior to 10:00 a.m., London time, on the Redemption Date, the Issuer shall deposit with the Sterling Paying Agent (or, if the Issuer or a Wholly Owned Subsidiary is a Paying Agent, shall segregate and hold in trust) U.K. Legal Tender and/or U.K. Government Securities sufficient to pay the redemption price of and accrued interest on all Sterling Securities or portions thereof to be redeemed on that date other than Sterling Securities or portions of Sterling Securities called for redemption that have been delivered by the Issuer to the Trustee for cancellation. On and after the Redemption Date, interest shall cease to accrue on Sterling Securities or portions thereof called for redemption so long as the Issuer has deposited with the Sterling Paying Agent funds sufficient to pay the principal of, plus accrued and unpaid interest on, the Sterling Securities.

SECTION 3.06. Securities Redeemed in Part.

If any Security is to be redeemed in part only, the notice of redemption that relates to such Security shall state the portion of the principal amount thereof to be redeemed. A new Security in principal amount equal to the unredeemed portion of the original Security shall be issued in the name of the Holder thereof upon cancellation of the original Security.

ARTICLE FOUR

COVENANTS

SECTION 4.01. Payment of Securities.

(a) The Issuer shall pay the principal of (and premium, if any) and interest on the Securities on the dates and in the manner provided in the Securities and this Indenture. An installment of principal of or interest on the Securities shall be considered paid on the date it is due if the Trustee or Paying Agent (other than the Issuer or an Affiliate thereof) holds on that date U.S. Legal Tender, U.K. Legal Tender, U.S. Government Securities and/or U.K. Government Securities designated for and sufficient to pay the installment. Interest on the Securities will be computed on the basis of a 360-day year comprised of twelve 30-day months.

(b) The Issuer shall pay interest on overdue principal (including, without limitation, post petition interest in a proceeding under any Bankruptcy Law), and overdue interest, to the extent lawful, at the same rate *per annum* borne by the Securities.

SECTION 4.02. Maintenance of Office or Agency.

(a) The Issuer shall maintain the offices or agencies required under Section 2.04. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such offices or agencies. If at any time the Issuer shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 12.02.

(b) The Issuer may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Issuer will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) The Issuer hereby initially designates the Corporate Trust Office of the Trustee as one such office or agency of the Issuer in accordance with Section 2.04.

SECTION 4.03. Corporate Existence.

Except as otherwise permitted by Article Five, the Issuer shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence in accordance with its organizational documents and the rights (charter and statutory) and material franchises of the Issuer.

SECTION 4.04. Payment of Taxes and Other Claims.

The Issuer shall, and shall cause each of its Subsidiaries to, pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (a) all material taxes, assessments and governmental charges levied or imposed upon it or any of its respective Subsidiaries or upon the income, profits or property of it or any of its respective Subsidiaries and (b) all lawful claims for labor, materials and supplies which, in each case, if unpaid, might by law become a material liability or Lien upon the property of it or any of its Restricted Subsidiaries; *provided, however,* that the Issuer shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 4.05. Maintenance of Properties and Insurance.

(a) The Issuer shall cause all material properties owned by or leased by it or any of its Restricted Subsidiaries used or useful to the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in normal condition, repair and working order and supplied with all necessary equipment and shall cause to be made all repairs, renewals, replacements, and betterments thereof, all as in its judgment may be necessary, so that the business carried on in connection therewith may be properly and advantageously conducted at all times; *provided, however,* that nothing in this Section 4.05 shall prevent the Issuer or any of its Restricted Subsidiaries from discontinuing the use, operation or maintenance of any of such properties, or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Board of Directors of the Issuer or any such Restricted Subsidiary desirable in the conduct of the business of the Issuer or any such Restricted Subsidiary; *provided, further,* that nothing in this Section 4.05 shall prevent the Issuer or any of its Restricted Subsidiaries from discontinuing or disposing of any properties to the extent otherwise permitted by this Indenture.

(b) The Issuer shall maintain, and shall cause its Restricted Subsidiaries to maintain, insurance with responsible carriers against such risks and in such amounts, and with such deductibles, retentions, self insured amounts and co-insurance provisions, as are appropriate

for a business of this type and size as determined in good faith by the Issuer, including property and casualty loss, workers' compensation and interruption of business insurance.

SECTION 4.06. Compliance Certificate; Notice of Default.

(a) The Issuer shall deliver to the Trustee, within 90 days after the close of each fiscal year commencing with the fiscal year ending November 30, 2004, an Officers' Certificate stating that a review of the activities of the Issuer and its Restricted Subsidiaries has been made under the supervision of the signing Officers with a view to determining whether the Issuer has kept, observed, performed and fulfilled its obligations under this Indenture and further stating, as to each such Officer signing such certificate, that to the best of such Officer's knowledge, the Issuer during such preceding fiscal year has kept, observed, performed and fulfilled each and every such covenant and no Default occurred during such year and at the date of such certificate there is no Default that has occurred and is continuing or, if such signers do know of such Default, the certificate shall describe its status with particularity. The Officers' Certificate shall also notify the Trustee should the Issuer elect to change the manner in which it fixes its fiscal year end.

(b) The Issuer shall deliver to the Trustee as soon as possible, and in any event within five days after the Issuer becomes aware of the occurrence of any Default, an Officers' Certificate specifying the Default and describing its status with particularity and the action proposed to be taken thereto.

(c) The Issuer's fiscal years currently end on November 30. The Issuer will provide written notice to the Trustee of any change in its fiscal year.

SECTION 4.07. Compliance with Laws.

(a) The Issuer shall comply, and shall cause each of its Restricted Subsidiaries to comply, with all applicable statutes, rules, regulations, orders and restrictions of the United States, all states and municipalities thereof, and of any governmental department, commission, board, regulatory authority, bureau, agency and instrumentality of the foregoing, in respect of the conduct of their respective businesses and the ownership of their respective properties, except, in any such case, to the extent the failure to so comply would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of the Issuer and its Restricted Subsidiaries taken as a whole.

SECTION 4.08. Waiver of Stay, Extension or Usury Laws.

The Issuer covenants (to the extent permitted by applicable law) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive

the Issuer from paying all or any portion of the principal of and/or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture, and (to the extent permitted by applicable law) the Issuer hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.09. Change of Control.

(a) If a Change of Control occurs, each Holder will have the right to require the Issuer to repurchase all or any part (equal to $5,000 or £5,000 or an integral multiple of $1,000 or £1,000, as applicable) of that Holder's Securities pursuant to a Change of Control Offer (the "**Change of Control Offer**") on the terms set forth in this Indenture. In the Change of Control Offer, the Issuer will offer to pay an amount in cash (the "**Change of Control Payment**") equal to 101% of the aggregate principal amount of Securities repurchased, plus accrued and unpaid interest and Additional Interest thereon, if any, on the Securities re-purchased to the date of purchase.

(b) Within 30 days following any Change of Control, the Issuer will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Securities on the date (the "**Change of Control Payment Date**") specified in such notice, which date shall be a Business Day no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by this Indenture and described in such notice. Such notice shall state:

(1) that the Change of Control Offer is being made pursuant to this Section 4.09 and that all Securities tendered and not withdrawn will be accepted for payment;

(2) the purchase price (including the amount of accrued interest) and the Change of Control Payment Date;

(3) that any Security not tendered will continue to accrue interest;

(4) that, unless the Issuer defaults in making payment therefor, any Security accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have a Security purchased pursuant to a Change of Control Offer will be required to surrender the Security, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Security completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day prior to the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the second Business Day prior to the Change of Control Payment Date, a telegram, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Securities the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Security purchased;

(7) that Holders whose Securities are purchased only in part will be issued new Securities in a principal amount equal to the unpurchased portion of the Securities surrendered; and

(8) the circumstances and relevant facts regarding such Change of Control.

(c) On or before the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Securities or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent U.S. Legal Tender, U.K. Legal Tender, U.S. Government Securities and/or U.K. Government Securities sufficient to pay the Change of Control Payment in respect of all Securities or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the Securities properly accepted together with an Officers' Certificate stating the aggregate principal amount of Securities or portions thereof being purchased by the Issuer.

(d) The Paying Agent will promptly mail to each Holder of Securities properly tendered the Change of Control Payment for such Securities, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Security equal in principal amount to any unpurchased portion of the Securities surrendered, if any; *provided* that each such new Security will be in a principal amount of $5,000 or an integral multiple of $1,000 in the case of the Dollar Securities, and in a principal amount of £5,000 or an integral multiple of £1,000 in the case of the Sterling Securities.

Prior to complying with any of the provisions of this Section 4.09, but in any event within 90 days following a Change of Control, to the extent required to permit the Issuer to comply with this Section 4.09, the Issuer will either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt. The Issuer will publicly announce the results of the Change of Control Offer as soon as practicable after the Change of Control Payment Date. However, if the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment

date, any accrued and unpaid interest shall be paid to the Person in whose name a Security is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Securities pursuant to the Change of Control Offer.

(e) Notwithstanding the foregoing, the Issuer shall not be required to make a Change of Control Offer, as provided above, if, in connection with or in contemplation of any Change of Control, it or a third party has made an offer to purchase (an "**Alternate Offer**") any and all Securities

validly tendered at a cash price equal to or higher than the Change of Control Payment and has purchased all Securities properly tendered in accordance with the terms of such Alternate Offer. The Alternate Offer must comply with all the other provisions applicable to the Change of Control Offer, shall remain, if commenced prior to the Change of Control, open for acceptance until the consummation of the Change of Control and must permit Holders to withdraw any tenders of Securities made into the Alternate Offer until the final expiration or consummation thereof.

(f) The Issuer will comply, and will cause any third party making a Change of Control Offer or an Alternate Offer to comply, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with a Change of Control Offer or an Alternate Offer. To the extent the provisions of any applicable securities laws or regulations conflict with the provisions of this Indenture relating to a Change of Control Offer, the Issuer will not be deemed to have breached its obligations under this Indenture by virtue of complying with such laws or regulations.

SECTION 4.10. Incurrence of Indebtedness and Issuance of Preferred Stock.

(a) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly or directly liable, contingently or otherwise, with respect to (collectively "**incur**") any Indebtedness (including Acquired Debt), and the Issuer will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided, however,* that the Issuer and any Restricted Subsidiary that is a Guarantor may incur Indebtedness (including Acquired Debt) and any Restricted Subsidiary that is a Guarantor may issue Preferred Stock if the Fixed Charge Coverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Preferred Stock is issued would have been at least 2.0 to 1, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) (the "**Coverage Ratio Exception**"), as if the additional Indebtedness had been incurred or the Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

(b) Section 4.10(a) will not prohibit the incurrence of any of the following (collectively, "**Permitted Debt**"):

(1) the existence of Indebtedness under the Credit Agreement together with the incurrence of the guarantees thereunder and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof), up to an aggregate principal amount, together with amounts outstanding under a Qualified Securitization Financing incurred pursuant to clause (17) below, of $1,550.0 million outstanding at any one time, less the amount of all mandatory principal payments (with respect to revolving borrowings and letters of credit, only to the extent revolving commitments are correspondingly reduced) actually made by the borrower thereunder in respect of Indebtedness thereunder with Net Proceeds from Asset Sales;

(2) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Securities (including any Guarantee) issued on the Issue Date;

(3) Existing Indebtedness (other than Indebtedness described in clauses (1) and (2) of this Section 4.10(b));

(4) Indebtedness (including Capitalized Lease Obligations) incurred by the Issuer or any Restricted Subsidiary to finance the purchase, lease or improvement of property (real or personal) or equipment that is used or useful in a Permitted Business (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) in an aggregate principal amount that, when aggregated with the principal amount of all other Indebtedness then outstanding and incurred pursuant to this clause (4), does not exceed the greater of (x) $50.0 million and (y) 4.0% of Consolidated Tangible Assets;

(5) Indebtedness incurred by the Issuer or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including without limitation letters of credit in respect of workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other Indebtedness with respect to reimbursement-type obligations regarding workers' compensation claims; *provided, however,* that upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or incurrence;

(6) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; *provided, however,* that (A) such Indebtedness is not reflected on the balance sheet of the Issuer or any Restricted Subsidiary (contingent

obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (A)) and (B) the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds including noncash proceeds (the fair market value of such noncash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by the Issuer and any Restricted Subsidiaries in connection with such disposition;

(7) Indebtedness of the Issuer owed to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owed to and held by the Issuer or any Restricted Subsidiary; *provided, however,* that (A) any subsequent issuance or transfer of any Capital Stock or any other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Indebtedness (except to the Issuer or a Restricted Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Indebtedness by the issuer thereof and (B) if the Issuer is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations of the Issuer with respect to the Securities;

(8) shares of Preferred Stock of a Restricted Subsidiary issued to the Issuer or a Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Issuer or a Restricted Subsidiary) shall be deemed in each case to be an issuance of such shares of Preferred Stock;

(9) Hedging Obligations of the Issuer or any Restricted Subsidiary (excluding Hedging Obligations entered into for speculative purposes) for the purpose of limiting (A) interest rate risk with respect to any Indebtedness that is permitted by the terms of this Indenture to be outstanding or (B) exchange rate risk with respect to any currency exchange;

(10) obligations in respect of performance and surety bonds and performance and completion guarantees provided by the Issuer or any Restricted Subsidiary or obligations in respect of letters of credit related thereto, in each case in the ordinary course of business or consistent with past practice;

(11) Indebtedness of the Issuer or any Restricted Subsidiary or Preferred Stock of any Restricted Subsidiary not otherwise permitted hereunder in an aggregate principal amount or liquidation preference which, when aggregated with the principal amount and liquidation preference of all other Indebtedness and Preferred Stock then outstanding and incurred pursuant to this clause (11), does not at any one time outstanding

exceed $150.0 million (it being understood that any Indebtedness or Preferred Stock incurred pursuant to this clause (11) shall cease to be deemed incurred or outstanding for purposes of this clause (11) but shall be deemed incurred for the purposes of Section 4.10(a) from and after the first date on which the Issuer or such Restricted Subsidiary could have incurred such Indebtedness or Preferred Stock under Section 4.10(a) without reliance on this clause (11));

(12) any guarantee by the Issuer or a Guarantor of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary so long as the incurrence of such Indebtedness incurred by the Issuer or such Restricted Subsidiary is permitted under the terms of this Indenture; *provided* that if such Indebtedness is by its express terms subordinated in right of payment to the Securities or the Guarantee of such Restricted Subsidiary, as applicable, any such guarantee of such Guarantor with respect to such Indebtedness shall be subordinated in right of payment to such Guarantor's Guarantee with respect to the Securities substantially to the same extent as such Indebtedness is subordinated to the Securities or the Guarantee of such Restricted Subsidiary, as applicable;

(13) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness or Preferred Stock that serves to refund or refinance any Indebtedness incurred as permitted by Section 4.10(a) and clauses (2), (3) and (4) above, this clause (13) and clause (14) below or any Indebtedness issued to so refund or refinance such Indebtedness including additional Indebtedness incurred to pay premiums and fees in connection therewith (the "**Refinancing Indebtedness**") prior to its respective maturity; *provided, however,* that such Refinancing Indebtedness (A) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness being refunded or refinanced, (B) to the extent such Refinancing Indebtedness refinances Indebtedness subordinated or *pari passu* to the Securities, such Refinancing Indebtedness is subordinated or *pari passu* to the Securities at least to the same extent as the Indebtedness being refinanced or refunded, (C) shall not include (x) Indebtedness or Preferred Stock of a Subsidiary that is not a Guarantor that refinances Indebtedness or Preferred Stock of the Issuer or (y) Indebtedness or Preferred Stock of the Issuer or a Restricted Subsidiary that refinances Indebtedness or Preferred Stock of an Unrestricted Subsidiary, (D) shall not be in a principal amount in excess of the principal amount of, premium, if any, accrued interest on, and related fees and expenses of, the Indebtedness being refunded or refinanced and (E) shall not have a stated maturity date prior to the Stated Maturity of the Indebtedness being refunded or refinanced; and *provided, further,* that subclauses (A), (B) and (E) of this clause (13) will not apply to any refunding or refinancing of any Senior Debt;

(14) Indebtedness or Preferred Stock of Persons that are acquired by the Issuer or any Restricted Subsidiary or merged into the Issuer or a Restricted Subsidiary in accordance with the terms of this Indenture; *provided* that such Indebtedness or Preferred Stock is not incurred in connection with or in contemplation of such acquisition or merger; and *provided, further,* that after giving effect to such incurrence of Indebtedness either (A) the Issuer would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception or (B) the Fixed Charge Coverage Ratio would be greater than immediately prior to such acquisition;

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

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

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

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

(19) Contribution Indebtedness;

(20) (a) if the Issuer could incur $1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception after giving effect to such borrowing, Indebtedness of Foreign Subsidiaries of the Issuer not otherwise permitted hereunder or (b) if the Issuer could not incur $1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception hereof after giving effect to such borrowing, Indebtedness of Foreign Subsidiaries of the Issuer incurred for working capital purposes, *provided, however*, that the aggregate principal amount of Indebtedness incurred under this clause (20) which, when aggregated with the principal amount of all other Indebtedness then outstanding and incurred pursuant to this clause (20), does not exceed the greater of (x) $100.0 million and (y) 10% of the Consolidated Tangible Assets of the Foreign Subsidiaries; and

(21) Indebtedness consisting of promissory notes issued by the Issuer or any Guarantor to current or former officers, directors and employees or their respective estates,

spouses or former spouses to finance the purchase or redemption of Equity Interests of Holdco permitted by Section 4.11.

(c) For purposes of determining compliance with this Section 4.10, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (21) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer will be permitted to classify and later reclassify such item of Indebtedness in any manner that complies with this covenant, and such item of Indebtedness will be treated as having been incurred pursuant to only one of such categories. Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this covenant. Notwithstanding the foregoing, Indebtedness under the Credit Agreement outstanding on the date on which Securities are first issued and authenticated under this Indenture will be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of the definition of "Permitted Debt" in Section 4.10(b) and the Issuer shall not be permitted to reclassify all or any portion of such Indebtedness. The maximum amount of Indebtedness that the Issuer and its Restricted Subsidiaries may incur pursuant to this covenant shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, solely as a result of fluctuations in the exchange rate of currencies.

SECTION 4.11. Restricted Payments.

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

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

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

(C) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case prior to any scheduled repayment, sinking fund payment or maturity, any Indebtedness subordinated or junior in right of payment to the Securities (or, as applicable, any Guarantees) (other than (x) Indebtedness permitted under clauses (7) and (8) of the definition of "Permitted Debt" in Section 4.10(b) or (y) the purchase, repurchase or other acquisition of Indebtedness subordinated or junior in right of payment to the Securities, purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase or acquisition); or

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

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

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and the Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (3), (4), (5), (6), (8), (10), (11), (12), (13), (16) or (17) of Section 4.11(b)), is less than the sum, without duplication, of

(a) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, in the case such Consolidated Net Income for such period is a deficit, minus 100% of such deficit), plus

(b) 100% of the aggregate net cash proceeds and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of property and marketable securities received by the Issuer after the Issue Date from the issue or sale of (x) Equity Interests of the Issuer (including Retired Capital Stock) (but excluding (i) cash proceeds and marketable securities received

from Equity Offerings to the extent used to redeem Securities in compliance with Section 6 of the Securities, (ii) cash proceeds and marketable securities received from the sale of Equity Interests to members of management, directors or consultants of the Issuer, any direct or indirect parent corporation of the Issuer and its Subsidiaries after the Issue Date to the extent such amounts have been applied to Restricted Payments made in accordance with clause (4) of Section 4.11(b) and, to the extent actually contributed to the Issuer, Equity Interests of the Issuer's direct or indirect parent corporations, (iii) Designated Preferred Stock and (iv) Disqualified Stock) or (y) debt securities of the Issuer that have been converted into such Equity Interests of the Issuer (other than Refunding Capital Stock or Equity Interests or convertible debt securities of the Issuer sold to a Restricted Subsidiary or the Issuer, as the case may be, and other than Disqualified Stock or Designated Preferred Stock or debt securities that have been converted into Disqualified Stock or Designated Preferred Stock), plus

(c) 100% of the aggregate amount of cash and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of property and marketable securities contributed to the capital of the Issuer after the Issue Date (other than (i) net cash proceeds from Equity Offerings to the extent used to redeem Securities in compliance with Section 6 of the Securities, (ii) by a Restricted Subsidiary, (iii) any Excluded Contributions, (iv) any Disqualified Stock, (v) any Designated Preferred Stock and (vi) the Cash Contribution Amount), plus

(d) 100% of the aggregate amount received in cash and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of property and marketable securities received by means of (A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of Restricted Investments made by the Issuer or its Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Issuer or its Restricted Subsidiaries and repayments of loans or advances which constitute Restricted Investments by the Issuer or its Restricted Subsidiaries or (B) the sale (other than to the Issuer or a Restricted Subsidiary) of the Capital Stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary (other than in each case to the extent the Investment in such Unrestricted Subsidiary was made by a Restricted Subsidiary pursuant to clause (7) or (11) of Section 4.11(b) or to the extent such Investment constituted a Permitted Investment) or a dividend from an Unrestricted Subsidiary, plus

(e) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger or consolidation of an Unrestricted Subsidiary

into the Issuer or a Restricted Subsidiary or the transfer of assets of an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary, the fair market value of the Investment in such Unrestricted Subsidiary, as determined by the Board of Directors of the Issuer in good faith at the time of the redesignation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, consolidation or transfer of assets (other than an Unrestricted Subsidiary to the extent the Investment in such Unrestricted Subsidiary was made by a Restricted Subsidiary pursuant to clause (7) or (11) of Section 4.11(b) or to the extent such Investment constituted a Permitted Investment).

(b) Notwithstanding the foregoing, the provisions set forth in Section 4.11(a) do not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of this Indenture;

(2) (A) the redemption, repurchase, retirement or other acquisition of any Equity Interests of the Issuer or any direct or indirect parent corporation **("Retired Capital Stock")** or Indebtedness subordinated to the Securities, in exchange for or out of the proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary or the Issuer) of Equity Interests of the Issuer or any direct or indirect parent corporation thereof or contributions to the equity capital of the Issuer (in each case, other than Disqualified Stock) **("Refunding Capital Stock")** and (B) the declaration and payment of dividends on the Retired Capital Stock out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer or to an employee stock ownership plan or any trust established by the Issuer or any of its Subsidiaries) of Refunding Capital Stock;

(3) the redemption, repurchase or other acquisition or retirement of Indebtedness subordinated to the Securities made by exchange for, or out of the proceeds of the substantially concurrent sale of, new Indebtedness of the borrower thereof, which is incurred in compliance with Section 4.10 so long as (A) the principal amount of such new Indebtedness does not exceed the principal amount of the Indebtedness subordinated to the Securities being so redeemed, repurchased, acquired or retired for value plus related fees and expenses and the amount of any reasonable premium required to be paid under the terms of the instrument governing the Indebtedness subordinated to the Securities being so redeemed, repurchased, acquired or retired, (B) such new Indebtedness is subordinated to such Securities and any Guarantees thereof at least to the same extent as such Indebtedness subordinated to such Securities so purchased, exchanged, redeemed, repurchased, acquired or retired for value, (C) such new Indebtedness has a final scheduled maturity date equal to or later than the final scheduled

maturity date of the Indebtedness subordinated to such Securities being so redeemed, repurchased, acquired or retired and (D) such new Indebtedness has a Weighted Average Life to Maturity equal to or greater than the remaining Weighted Average Life to Maturity of the Indebtedness subordinated to such Securities being so redeemed, repurchased, acquired or retired;

(4) a Restricted Payment to pay for the repurchase, retirement or other acquisition or retirement for value of common Equity Interests of the Issuer or any of its direct or indirect parent corporations held by any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any of its direct or indirect parent corporations pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement; *provided, however*, that the aggregate amount of Restricted Payments made under this clause (4) does not exceed in any calendar year $20.0 million (with unused amounts in any calendar year being carried over to the two succeeding calendar years); and *provided, further*, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds from the sale of Equity Interests (other than Disqualified Stock) of the Issuer and, to the extent contributed to the Issuer, Equity Interests of any of its direct or indirect parent corporations, in each case to members of management, directors or consultants of the Issuer, any of its Subsidiaries or any of its direct or indirect parent corporations that occurs after the Issue Date plus (B) the amount of any cash bonuses otherwise payable to members of

management, directors or consultants of the Issuer or any of its Subsidiaries or any of its direct or indirect parent corporations in connection with the Transactions that are foregone in return for the receipt of Equity Interests of the Issuer or any direct or indirect parent corporation of the Issuer pursuant to a deferred compensation plan of such corporation plus (C) the cash proceeds of key man life insurance policies received by the Issuer or its Restricted Subsidiaries after the Issue Date *(provided* that the Issuer may elect to apply all or any portion of the aggregate increase contemplated by clauses (A), (B) and (C) above in any calendar year) less (D) the amount of any Restricted Payments previously made pursuant to clauses (A), (B) and (C) of this clause (4);

(5) the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Issuer or any Restricted Subsidiary issued or incurred in accordance with this Section 4.11 to the extent such dividends are included in the definition of "Fixed Charges" for such entity;

(6) the declaration and payment of dividends or distributions to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued after the Issue Date and the declaration and payment of dividends to any direct or indirect parent company of the Issuer, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock

(other than Disqualified Stock) of any direct or indirect parent company of the Issuer issued after the Issue Date; *provided, however,* that (A) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock, after giving effect to such issuance (and the payment of dividends or distributions) on a *pro forma* basis, the Issuer would have had a Fixed Charge Coverage Ratio of at least 2.00 to 1.00 and (B) the aggregate amount of dividends declared and paid pursuant to this clause (6) does not exceed the net cash proceeds actually received by the Issuer from any such sale of Designated Preferred Stock (other than Disqualified Stock) issued after the Issue Date;

(7) Investments in Unrestricted Subsidiaries having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (7) that are at the time outstanding, without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash and/or marketable securities, not to exceed the greater of $25.0 million and 2.0% of Consolidated Tangible Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(8) repurchases of Equity Interests deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants;

(9) the payment of dividends on the Issuer's common stock following the first public offering of the Issuer's common stock or the common stock of any of its direct or indirect parent corporations after the Issue Date, of up to 6% per annum of the net cash proceeds received by or contributed to the Issuer in any past or future public offering, other than public offerings with respect to the Issuer's common stock registered on Form S-8 and other than any public sale constituting an Excluded Contribution;

(10) Investments that are made with Excluded Contributions;

(11) other Restricted Payments in an aggregate amount not to exceed $45.0 million;

(12) the declaration and payment of dividends to, or the making of loans to, Holdco in amounts required for it to pay:

(A) franchise taxes and other fees, taxes and expenses required to maintain its corporate existence;

(B) federal, state and local income taxes to the extent such income taxes are attributable to the income of the Issuer and the Restricted Subsidiaries and, to the extent of the amount actually received from the Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of the Unrestricted Subsidiaries, *provided, however,* that in each case the amount of such payments in any fiscal year does not exceed the amount that the Issuer and the Restricted Subsidiaries would be required to pay in respect of federal, state and local taxes for such fiscal year were the Issuer and the Restricted Subsidiaries to pay such taxes as a stand-alone taxpayer;

(C) customary salary, bonus and other benefits payable to officers and employees of any direct or indirect parent corporation of the Issuer to the extent such salaries, bonuses and other benefits are attributable to the ownership or operation of the Issuer and its Restricted Subsidiaries;

(D) general corporate overhead expenses (including professional expenses) for all direct or indirect parent corporations of the Issuer to the extent such expenses are solely attributable to the ownership or operation of the Issuer and its Restricted Subsidiaries; and

(E) fees and expenses other than to Affiliates related to any unsuccessful equity or debt offering permitted by this Indenture;

(13) cash dividends or other distributions on Holdco's, the Issuer's or any Restricted Subsidiary's Capital Stock used to, or the making of loans, the proceeds of which will be used to, fund the payment of fees and expenses incurred in connection with the Transactions, or owed to Affiliates, in each case to the extent permitted by Section 4.14;

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

(15) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness pursuant to Sections 4.09 and 4.13; *provided* that a Change of Control Offer or Asset Sale Offer, as applicable, has been made and all Securities tendered by Holders in connection with a Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed or acquired for value;

(16) any Restricted Payment at any time prior to April 15, 2009 if immediately after giving *pro forma* effect to such Restricted Payment pursuant to this clause (16) and the incurrence of any Indebtedness the net proceeds of which are used to finance such Restricted Payment:

(A) the Net Indebtedness to EBITDA Ratio of the Issuer would not have exceeded 3.75 to 1; and

(B) the Net Senior Indebtedness to EBITDA Ratio of the Issuer would not have exceeded 2.50 to 1; or

(17) the declaration and payment of dividends to Holdco of up to $200.0 million of the net proceeds received by the Issuer from the sale of Securities on the Issue Date, the proceeds of which will be used as described in the Offering Memorandum;

provided, however, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (2), (5), (6), (7), (9), (11), (14), (15) and (16) above, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

(c) The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this Section 4.11 will be determined in good faith by the Board of Directors of the Issuer. The Issuer's determination must be based upon an opinion or appraisal issued by an Independent Financial Advisor if the fair market value exceeds $25.0 million.

(d) As of the Issue Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries. The Issuer will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the second to last sentence of the definition of "Unrestricted Subsidiary." For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding investments by the Issuer and the Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the second paragraph of the definition of "Investments." Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time under this Section 4.11 or the definition of "Permitted Investments" and if such Subsidiary otherwise meets the definition of an "Unrestricted Subsidiary." Unrestricted Subsidiaries will not be subject to any of the restrictive covenants described in this Indenture.

SECTION 4.12. Liens.

(a) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) that secures obligations under any Indebtedness ranking *pari passu* with or subordinated to the Securities or a related Guarantee of the Issuer on any asset or property of the Issuer

or any Restricted Subsidiary, or any income or profits therefrom, or assign or convey any right to receive income therefrom, unless:

(1) in the case of Liens securing Indebtedness subordinated to the Securities, the Securities and any related Guarantees are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens; or

(2) in all other cases, the Securities are equally and ratably secured,

(b) Notwithstanding the foregoing, Section 4.12(a) shall not apply to:

(i) Liens existing on the Issue Date to the extent and in the manner such Liens are in effect on the Issue Date;

(ii) Liens securing the Securities and the related Guarantees, Liens securing Senior Debt and the related guarantees of such Senior Debt; and

(iii) Permitted Liens.

SECTION 4.13. Asset Sales.

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

(1) the Issuer (or such Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of;

(2) in the case of Asset Sales involving consideration in excess of $10.0 million, the fair market value is determined by the Issuer's Board of Directors and evidenced by a Board Resolution set forth in an Officers' Certificate delivered to the Trustee; and

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

For purposes of clause (2) above, the amount of (i) any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto) of the Issuer or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Securities) that are assumed by the

transferee of any such assets and from which the Issuer and all Restricted Subsidiaries have been validly released by all creditors in writing, (ii) any securities received by the Issuer or such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash (to the extent of the cash received)

within 180 days following the closing of such Asset Sale and (iii) any Designated Noncash Consideration received by the Issuer or any of its Restricted Subsidiaries in such Asset Sale having an aggregate fair market value (as determined in good faith by the Board of Directors of the Issuer), taken together with all other Designated Noncash Consideration received pursuant to this clause (iii) that is at that time outstanding, not to exceed the greater of (x) $75.0 million and (y) 5.0% of Consolidated Tangible Assets at the time of the receipt of such Designated Noncash Consideration (with the fair market value of each item of Designated Noncash Consideration being measured at the time received without giving effect to subsequent changes in value), shall be deemed to be cash for purposes of this paragraph and for no other purpose.

(b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer may apply those Net Proceeds at its option:

(1) to permanently reduce Obligations under Senior Debt of the Issuer (and to correspondingly reduce commitments with respect thereto) or Indebtedness of the Issuer that ranks *pari passu* with the Securities *(provided* that if the Issuer shall so reduce Obligations under such Indebtedness of the Issuer that ranks *pari passu* with the Securities, it will equally and ratably reduce Obligations under the Securities by making an offer (in accordance with the procedures set forth below for an Asset Sale Offer) to all Holders to purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, the *pro rata* principal amount of Securities) or Indebtedness of a Restricted Subsidiary, in each case, other than Indebtedness owed to the Issuer or an Affiliate of the Issuer;

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

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

(c) When the aggregate amount of Net Proceeds not applied or invested in accordance with the preceding paragraph ("**Excess Proceeds**") exceeds $20.0 million, the Issuer will make an offer (an "**Asset Sale Offer**") to all Holders and holders of Indebtedness that ranks *pari passu* with the Securities and contains provisions similar to those set forth in

this Indenture with respect to offers to purchase with the proceeds of sales of assets to purchase, on a *pro rata* basis, the maximum principal amount of Securities and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds (the "**Asset Sale Offer Amount**"). The offer price in any Asset Sale Offer will be equal to 100% of principal amount thereof, plus accrued and unpaid interest and Additional Interest, if any, to the date of purchase (the "**Asset Sale Payment**"), and will be payable in cash.

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

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

(f) Upon the commencement of an Asset Sale Offer, the Issuer shall send, by first class mail, a notice to the Trustee and to each Holder at its registered address. The notice shall contain all instructions and materials necessary to enable such Holder to tender Securities pursuant to the Asset Sale Offer. Any Asset Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Asset Sale Offer, shall state:

(1) that the Asset Sale Offer is being made pursuant to this Section 4.13;

(2) the Asset Sale Offer Amount, the Asset Sale Payment and the date on which Securities tendered and accepted for payment shall be purchased, which date shall be at least 30 days and no later than 60 days from the date such notice is mailed (the "**Asset Sale Payment Date**");

(3) that any Securities not tendered or accepted for payment shall continue to accrete or accrue interest;

(4) that, unless the Issuer defaults in making such payment, any Securities accepted for payment pursuant to the Asset Sale Offer shall cease to accrete or accrue interest after the Asset Sale Payment Date;

(5) that Holders electing to have a Security purchased pursuant to the Asset Sale Offer may only elect to have all of such Security purchased and may not elect to have only a portion of such Security purchased;

(6) that Holders electing to have a Security purchased pursuant to any Asset Sale Offer shall be required to surrender the Security, with the form entitled "Option of Holder To Elect Purchase" on the reverse of the Securities completed, or transfer such Security by book-entry transfer, to the Issuer, a depository, if appointed by the Issuer, or the Paying Agent at the address specified in the notice at least three days before the Asset Sale Payment Date;

(7) that Holders shall be entitled to withdraw their election if the Issuer, the Depositary or the Paying Agent, as the case may be, receives, not later than the Asset Sale Payment Date, a notice setting forth the name of the Holder, the principal amount of the Security the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Security purchased;

(8) that, if the aggregate principal amount of Securities surrendered by Holders exceeds the Asset Sale Offer Amount, the Issuer shall select the Securities to be purchased on a *pro rata* basis (with such adjustments as may be deemed appropriate by the Issuer so that only Securities in denominations of $5,000 or £5,000 or integral multiples of $1,000 or £1,000 shall be purchased); and

(9) that Holders whose Securities were purchased only in part shall be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered (or transferred by book-entry transfer); *provided* that such Securities shall be in denominations of $5,000 or £5,000 or integral multiples $1,000 or £1,000.

(g) On the Asset Sale Payment Date, the Issuer shall, to the extent lawful: (1) accept for payment all Securities or portions thereof properly tendered pursuant to the Asset Sale Offer; (2) deposit with the Paying Agent U.S. Legal Tender, U.K. Legal Tender, U.S. Government Securities and/or U.K. Government Securities sufficient to pay the Asset Sale Payment in respect of all Securities or portions thereof so tendered; and (3) deliver or cause to be delivered to the Trustee the Securities so accepted together with an Officers' Certificate stating the aggregate principal amount of Securities or portions thereof being repurchased by the Issuer. The Issuer shall publicly announce the results of the Asset Sale Offer on the Asset Sale Payment Date.

(h) The Paying Agent shall promptly mail to each Holder so tendered the Asset Sale Payment for such Securities, and the Trustee shall promptly authenticate pursuant to an Authentication Order and mail (or cause to be transferred by book entry) to each Holder a new Security equal in principal amount to any unrepurchased portion of the Securities surrendered, if any; *provided* that each such new Security shall be in a principal amount of $5,000 or £5,000 or an integral multiple of $1,000 or £1,000. However, if the Asset Sale Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest shall be paid to the Person in whose name a Security

is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Securities pursuant to the Asset Sale Offer.

(i) The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Securities pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with this Section 4.13, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.13 by virtue of such conflict.

SECTION 4.14. Transactions with Affiliates.

(a) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "**Affiliate Transaction**") involving aggregate consideration in excess of $5.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and

(2) the Issuer delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $15.0 million, a Board Resolution approving such Affiliate Transaction set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this Section 4.14 and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $75.0 million, an opinion as to the fairness to the Issuer of such Affiliate Transaction from a financial point of view issued by an Independent Financial Advisor.

(b) The restrictions set forth in Section 4.14(a) do not apply to:

(1) transactions between or among the Issuer and/or any Restricted Subsidiary or any entity that becomes a Restricted Subsidiary as a result of such transaction;

(2) Restricted Payments (other than pursuant to clause (7) of Section 4.10(b)) and Permitted Investments (other than pursuant to clauses (10), (11) and (15) of the definition thereof) permitted by this Indenture;

(3) the payment to the Sponsors and any of their Affiliates of annual management, consulting, monitoring and advisory fees pursuant to the Management Agreement in an aggregate amount in any fiscal year not to exceed $10.0 million and related reasonable expenses;

(4) the payment of reasonable and customary fees paid to, and indemnities provided on behalf of, officers, directors, employees or consultants of the Issuer, any of its direct or indirect parent corporations or any Restricted Subsidiary;

(5) the payments by the Issuer or any Restricted Subsidiary to the Sponsors and any of their Affiliates made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, which payments are approved by a majority of the members of the Board of Directors of the Issuer in good faith;

(6) transactions in which the Issuer or any Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view;

(7) payments or loans (or cancellations of loans) to employees or consultants of the Issuer or any of its direct or indirect parent corporations or any Restricted Subsidiary which are approved by a majority of the Board of Directors of the Issuer in good faith and which are otherwise permitted under this Indenture;

(8) payments made or performance under any agreement as in effect on the Issue Date (other than the Management Agreement and Stockholders Agreement, but including, without limitation, each of the other agreements entered into in connection with the Transactions) or any amendment thereto (so long as any such amendment is not less advantageous to the Holders in any material respect than the original agreement as in effect on the Issue Date);

(9) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, the Stockholders Agreement (including any registration rights agreement or purchase agreements related thereto to

which it is a party as of the Issue Date and any similar agreement that it may enter into thereafter); *provided*, *however*, that the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under, any future amendment to the Stockholders Agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this clause (9) to the extent that the terms of any such existing agreement, together with all amendments thereto, taken as a whole, or new agreement are not otherwise more disadvantageous to Holders in any material respect than the original agreement as in effect on the Issue Date;

(10) the Transactions and the payment of all fees and expenses related to the Transactions and the prepayment of $10.0 million in management fees for the fiscal year ended November 30, 2004;

(11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of this Indenture that are fair to Holdco or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Issuer or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;

(12) if otherwise permitted hereunder, the issuance of Equity Interests (other than Disqualified Stock) of Holdco to any Permitted Holder or to any director, officer, employee or consultant of the Issuer or Holdco or their Subsidiaries or of the Issuer to Holdco or to any Permitted Holder or to any director, officer, employee or consultant of the Issuer or Holdco or their Subsidiaries; and

(13) any transaction with a Securitization Subsidiary effected as part of a Qualified Securitization Financing.

SECTION 4.15. Dividend and Other Payment Restrictions Affecting Subsidiaries.

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

(1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any of its Restricted Subsidiaries;

(2) make loans or advances to the Issuer or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or any of its Restricted Subsidiaries.

(b) However, the preceding restrictions in Section 4.15(a) will not apply to encumbrances or restrictions existing under or by reason of:

(1) contractual encumbrances or restrictions in effect (x) pursuant to the Credit Agreement or related documents or (y) on the Issue Date, including, without limitation, pursuant to Existing Indebtedness and its related documentation;

(2) this Indenture and the Securities;

(3) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature discussed in clause (3) of Section 4.15(a) on the property so acquired;

(4) applicable law or any applicable rule, regulation or order;

(5) any agreement or other instrument of a Person acquired by the Issuer or any Restricted Subsidiary in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(6) contracts for the sale of assets, including, without limitation, customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary;

(7) secured Indebtedness otherwise permitted to be incurred pursuant to Sections 4.10 and 4.12 that limits the right of the debtor to dispose of the assets securing such Indebtedness;

(8) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(9) other Indebtedness or Preferred Stock (i) of the Issuer or any Restricted Subsidiary that is a Guarantor that is incurred subsequent to the Issue Date pursuant to Section 4.10 or (ii) that is incurred by a Foreign Subsidiary of the Issuer subsequent to the Issue Date pursuant to clause (1), (4), (11) or (20) of Section 4.10(b);

(10) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business;

(11) customary provisions contained in leases, subleases, licenses or asset sale agreements and other agreements;

(12) any encumbrances or restrictions of the type referred to in clauses (1), (2) and (3) of Section 4.15(a) imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (I) through (11) of this Section 4.15(b), *provided* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Issuer's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing;

(13) any encumbrance or restriction of a Securitization Subsidiary effected in connection with a Qualified Securitization Financing; *provided, however,* that such restrictions apply only to such Securitization Subsidiary; or

(14) any encumbrance or restriction in connection with Non-Recourse Product Financing Indebtedness or Non-Recourse Acquisition Financing Indebtedness.

SECTION 4.16. Additional Subsidiary Guarantees.

(a) The Issuer will cause each Restricted Subsidiary that is a Domestic Subsidiary (unless such Subsidiary is a Securitization Subsidiary) that:

(1) guarantees any Indebtedness of the Issuer or any of its Restricted Subsidiaries; or

(2) incurs any Indebtedness or issues any shares of Preferred Stock permitted to be incurred or issued pursuant to clause (1) or (11) of the definition of "Permitted Debt" in Section 4.10(b) or not permitted to be incurred by Section 4.10

to execute and deliver to the Trustee a supplemental indenture pursuant to which such Subsidiary will guarantee payment of the Securities. Each Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by that Restricted Subsidiary without rendering the Guarantee, as it relates to such Restricted Subsidiary, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

(b) Each Guarantee shall be released in accordance with Article Eleven.

SECTION 4.17. Reports to Holders.

(a) Whether or not required by the Commission, so long as any Securities are outstanding, the Issuer will furnish to the Holders, within the time periods specified in the Commission's rules and regulations:

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

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

(b) In addition, whether or not required by the Commission, the Issuer will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition,

the Issuer has agreed that, for so long as any Securities remain outstanding, it will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(c) In addition, if at any time Holdco becomes a Guarantor (there being no obligation of Holdco to do so), holds no material assets other than cash, Cash Equivalents and the Capital Stock of the Issuer (and performs the related incidental activities associated with such ownership) and complies with the requirements of Rule 3-10 of Regulation S-X promulgated by the Commission (or any successor provision), the reports, information and other documents required to be filed and furnished to Holders pursuant to this Section 4.17 may, at the option of the Issuer, be filed by and be those of Holdco rather than the Issuer.

(d) Notwithstanding the foregoing, such requirements shall be deemed satisfied prior to the commencement of the Exchange Offer or the effectiveness of the Shelf Registration Statement (as defined in the Registration Rights Agreement) by the filing with the Commission of the Exchange Offer Registration Statement (as defined in the Registration Rights Agreement) and/or Shelf Registration Statement, and any amendments thereto, with such financial information that satisfies Regulation S-X of the Securities Act.

SECTION 4.18. Limitation on Layering.

The Issuer will not, and will not permit any Restricted Subsidiary that is a Guarantor to, directly or indirectly, incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) contractually subordinated or junior in right of payment to any Senior Debt (including Acquired Debt) of the Issuer or such Restricted Subsidiary, as the case may be, unless such Indebtedness is either

(1) *pari passu* in right of payment with the Securities; or

(2) subordinate in right of payment to the Securities.

SECTION 4.19. Business Activities.

The Issuer will not, and will not permit any Restricted Subsidiary (other than a Securitization Subsidiary) to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Issuer and its Subsidiaries taken as a whole.

SECTION 4.20. Payments for Consent.

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

ARTICLE FIVE

SUCCESSOR CORPORATION

SECTION 5.01. Merger, Consolidation, or Sale of Assets.

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

(1) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance or other disposition has been

made is a corporation organized or existing under the laws of the United States, any state of the United States, the District of Columbia or any territory thereof (the Issuer or such Person, as the case may be, being herein called the "**Successor Company**");

(2) the Successor Company (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Securities, this Indenture and the Registration Rights Agreement;

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

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

(a) the Successor Company or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception; or

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

(5) each Guarantor, unless it is the other party to the transactions described above, shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's obligations under this Indenture and the Securities.

This Section 5.01 will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Issuer and its Restricted Subsidiaries. Notwithstanding the foregoing clauses (3) and (4), (i) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Issuer or to another Restricted Subsidiary and (ii) the Issuer may merge with an Affiliate incorporated solely for the purpose of reincorporating the Issuer in another state of the United States so long as the amount of Indebtedness of the Issuer and its Restricted Subsidiaries is not increased thereby.

In the event of any transaction described in and complying with the conditions listed in the preceding paragraph in which the Issuer is not the continuing corporation, the successor Person formed or remaining shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer and the Issuer will be discharged from all obligations and covenants under this Indenture and the Securities.

(b) The Issuer will deliver to the Trustee prior to the consummation of each proposed transaction an Officers' Certificate certifying that the conditions set forth above are satisfied and an Opinion of Counsel, which opinion may contain customary exceptions and qualifications, that the proposed transaction and the supplemental indenture, if any, comply with this Indenture.

ARTICLE SIX

DEFAULT AND REMEDIES

SECTION 6.01. Events of Default.

Each of the following is an **"Event of Default"**:

(1) the Issuer defaults in payment when due and payable, upon redemption, acceleration or otherwise, of principal of, or premium, if any, on the Securities, whether or not prohibited by Article Ten;

(2) the Issuer defaults in the payment when due of interest or Additional Interest, if any, on or with respect to the Securities and such default continues for a period of 30 days, whether or not prohibited by Article Ten;

(3) the Issuer defaults in the performance of, or breaches any covenant, warranty or other agreement contained in, this Indenture (other than a default in the performance or breach of a covenant, warranty or agreement which is specifically dealt with in clauses (1) or (2) above) and such default or breach continues for a period of 60 days after the notice specified below;

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

of which has been so accelerated, aggregate $25.0 million (or its foreign currency equivalent) or more at any one time outstanding;

(5) the Issuer or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors,

(E) takes any comparable action under any foreign laws relating to incolvency,

(F) generally is not able to pay its debts as they become due, or

(G) takes any corporate action to authorize or effect any of the foregoing;

(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Issuer or any Significant Subsidiary in an involuntary case,

(B) appoints a Custodian of the Issuer or any Significant Subsidiary or for all or substantially all of the property of the Issuer or any Significant Subsidiary, or

(C) orders the liquidation of the Issuer or any Significant Subsidiary, and the order or decree remains unstayed and in effect for 60 days;

(7) the failure by the Issuer or any Significant Subsidiary to pay final judgments (other than any judgments covered by insurance policies issued by reputable and creditworthy insurance companies) aggregating in excess of $25.0 million, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final, and, with respect to any judgments

covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed; or

(8) the Guarantee of a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms thereof) or any Guarantor denies or disaffirms its obligations under this Indenture or any Guarantee and such Default continues for 10 days.

SECTION 6.02. Acceleration.

If an Event of Default specified in Sections 6.01(5) and (6) above occurs with respect to the Issuer and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest on all of the outstanding Securities shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of each Trustee or any Holder.

If any other Event of Default shall occur and be continuing, the Trustee or the Holders of at least 25% in principal amount of outstanding Securities under this Indenture may declare the principal of and accrued interest on such Securities to be due and payable by notice in writing to the Issuer and the Trustee specifying the respective Event of Default and that it is a "notice of acceleration" (the **"Acceleration Notice"**), and the same:

(1) shall become immediately due and payable; or

(2) shall become immediately due and payable upon the first to occur of an acceleration under the Credit Agreement and five Business Days after receipt by the Issuer and the Representative under the Credit Agreement of such Acceleration Notice but only if such Event of Default is then continuing.

At any time after a declaration of acceleration with respect to the Securities as described in the two preceding paragraphs, the Holders of a majority in principal amount of the Securities may rescind and cancel such declaration and its consequences:

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

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

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

(4) if the Issuer has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and advances; and

(5) in the event of the cure or waiver of an Event of Default of the type described in Sections 6.01(5) and (6), if the Trustee shall have received an Officers' Certificate and an Opinion of Counsel that such Event of Default has been cured or waived.

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

SECTION 6.03. Other Remedies.

(a) If a Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

(b) The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon a Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

(c) In the event of any Event of Default specified in clause (4) of Section 6.01, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the Holders, if within 20 days after such Event of Default arose the Issuer delivers an Officers' Certificate to the Trustee stating that (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the Securities as described above be annulled, waived or rescinded upon the happening of any such events.

(d) Holders may not enforce this Indenture or the Securities except as provided in this Indenture and under the TIA. Subject to the provisions of this Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under this Indenture

at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable indemnity. Subject to all provisions of this Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Securities issued under this Indenture have the right to direct the time,

method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

SECTION 6.04. Waiver of Defaults.

Provided the Securities are not then due and payable by reason of a declaration of acceleration, the Holders of a majority in aggregate principal amount of Securities at the time outstanding may on behalf of the Holders of all the Securities waive any Default with respect to such Securities and its consequences by providing written notice thereof to the Issuer and the Trustee, except a Default (1) in the payment of interest on or the principal of any Security or (2) in respect of a covenant or provision hereof which under this Indenture cannot be modified or amended without the consent of the Holder of each outstanding Security affected. In the case of any such waiver, the Issuers, the Trustee and the Holders will be restored to their former positions and rights under this Indenture, respectively; *provided* that no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto. *provided, however,* that if any amendment, waiver or other modification will only affect the Dollar Securities or the Sterling Securities, only the consent of the Holders of at least a majority in principal amount of the then outstanding Dollar Securities or Sterling Securities (and not the consent of at least a majority of all Securities), as the case may be, shall be required.

SECTION 6.05. Control by Majority.

The Holders of not less than a majority in principal amount of the outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. Subject to Section 7.01, however, the Trustee may refuse to follow any direction that conflicts with any law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of another Securityholder, or that may involve the Trustee in personal liability; *provided* that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

In the event the Trustee takes any action or follows any direction pursuant to this Indenture, the Trustee shall be entitled to indemnification against any loss or expense caused by taking such action or following such direction.

SECTION 6.06. Limitation on Suits.

A Holder may not pursue any remedy with respect to this Indenture or the Securities unless:

(1) the Holder gives to the Trustee written notice of a continuing Event of Default;

(2) the Holder or Holders of at least 25% in principal amount of the outstanding Securities make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer and provide to the Trustee indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 45 days after receipt of the request and the offer and the provision of indemnity; and

(5) during such 45-day period the Holder or Holders of a majority in principal amount of the outstanding Securities do not give the Trustee a direction which, in the opinion of the Trustee, is inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over such other Holder.

SECTION 6.07. Rights of Holders To Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and interest on a Security, on or after the respective due dates expressed in such Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

SECTION 6.08. Collection Suit by Trustee.

If a Default in payment of principal or interest specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Issuer or any other obligor on the Securities for the whole amount of principal and accrued interest and fees remaining unpaid, together with interest on overdue principal and, to the extent that payment of such interest is lawful, interest on overdue installments of interest, in each case at the rate *per annum* borne by the Securities and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09. Trustee May File Proofs of Claim.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relating to the Issuer, its creditors or its property and shall be entitled and empowered to collect and receive any monies or

other property payable or deliverable on any such claims and to distribute the same, and any Custodian in any such judicial proceedings is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due the Trustee under Section 7.07. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding. The Trustee shall be entitled to participate as a member of any officer committee of creditors in the matters as it deems necessary or advisable.

SECTION 6.10. Priorities.

Subject to the provisions of Article Ten, if the Trustee collects any money or property pursuant to this Article Six, it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.07;

SECOND: to Holders for interest accrued on the Securities, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for interest;

THIRD: to Holders for principal amounts due and unpaid on the Securities, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal; and

FOURTH: to the Issuer or, if applicable, the Guarantors, as their respective interests may appear.

The Trustee, upon prior notice to the Issuer, may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

SECTION 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a

suit by a Holder or Holders of more than 10% in principal amount of the outstanding Securities.

ARTICLE SEVEN

TRUSTEE

SECTION 7.01. Duties of Trustee.

(a) If a Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Except during the continuance of a Default:

(1) The Trustee need perform only those duties as are specifically set forth herein or in the TIA and no duties, covenants, responsibilities or obligations shall be implied in this Indenture against the Trustee.

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates (including Officers' Certificates) or opinions (including Opinions of Counsel) furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) Notwithstanding anything to the contrary herein, the Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (b) of this Section 7.01.

(2) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(3) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or to take or omit to take any action under this Indenture or take any action at the request or direction of Holders if it shall have reasonable grounds for believing that repayment of such funds is not assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to this Section 7.01.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuer. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) In the absence of bad faith, negligence or willful misconduct on the part of the Trustee, the Trustee shall not be responsible for the application of any money by any Paying Agent other than the Trustee.

SECTION 7.02. Rights of Trustee.

Subject to Section 7.01:

(a) The Trustee may rely conclusively on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate and an Opinion of Counsel, which shall conform to the provisions of Section 12.05. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent (other than an agent who is an employee of the Trustee) appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it reasonably believes to be authorized or within its rights or powers.

(e) The Trustee may consult with counsel of its selection and the advice or opinion of such counsel as to matters of law shall be full and complete authorization

and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate (including any Officers' Certificate), statement, instrument, opinion (including any Opinion of Counsel), notice, request, direction, consent, order, bond, debenture, or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled, upon reasonable notice to the Issuer, to examine the books, records, and premises of the Issuer, personally or by agent or attorney at the sole cost of the Issuer.

(h) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

(i) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as duties.

(j) The Trustee shall not be deemed to have notice of any Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture.

(k) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

SECTION 7.03. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Issuer, its Subsidiaries or their respective Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.04. Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Issuer's use of the proceeds from the Securities, and it shall not be responsible for any statement of the Issuer in this Indenture or any document issued in connection with the sale of Securities or any statement in the Securities other than the Trustee's certificate of authentication. The Trustee makes no representations with respect to the effectiveness or adequacy of this Indenture.

SECTION 7.05. Notice of Default.

If a Default occurs and is continuing and the Trustee receives actual notice of such Default, the Trustee shall mail to each Holder notice of the uncured Default within 60 days after such Default occurs. Except in the case of a Default in payment of principal of, or interest on, any Security, including an accelerated payment and the failure to make payment on the Change of Control Payment Date pursuant to a Change of Control Offer or the Asset Sale Offer Payment Date pursuant to an Asset Sale Offer, the Trustee may withhold the notice if and so long as the Board of Directors, the executive committee, or a trust committee of directors and/or Responsible Officers, of the Trustee in good faith determines that withholding the notice is in the interest of the Holders.

SECTION 7.06. Reports by Trustee to Holders.

Within 60 days after each May 1, beginning with May 1, 2005, the Trustee shall, to the extent that any of the events described in TIA § 313(a) occurred within the previous twelve months, but not otherwise, mail to each Holder a brief report dated as of such date that complies with TIA § 313(a). The Trustee also shall comply with TIA §§ 313(b), 313(c) and 313(d).

A copy of each report at the time of its mailing to Holders shall be mailed to the Issuer and filed with the Commission and each securities exchange, if any, on which the Securities are listed.

The Issuer shall notify the Trustee if the Securities become listed on any securities exchange or of any delisting thereof and the Trustee shall comply with TIA § 313(d).

SECTION 7.07. Compensation and Indemnity.

The Issuer shall pay to the Trustee from time to time such compensation as the Issuer and the Trustee shall from time to time agree in writing for its services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee upon request for all reasonable disbursements,

expenses and advances (including reasonable fees and expenses of counsel) incurred or made by it in addition to the compensation for its services, except any such disbursements, expenses and advances as may be attributable to the Trustee's negligence, bad faith or willful misconduct. Such expenses shall include the reasonable fees and expenses of the Trustee's agents and counsel.

The Issuer shall indemnify each of the Trustee or any predecessor Trustee and its agents, employees, officers, stockholders and directors for, and hold them harmless against, any and all loss, damage, claims including taxes (other than taxes based upon, measured by or determined by the income of the Trustee), liability or expense incurred by them except for such actions to the extent caused by any negligence, bad faith or willful misconduct on their part, arising out of or in connection with the acceptance or administration of this trust including the costs and expenses of enforcing this Indenture or a Guarantee against the Issuer or a Guarantor (including this Section 7.07) and the reasonable costs and expenses of defending themselves against or investigating any claim or liability in connection with the exercise or performance of any of the Trustee's rights, powers or duties hereunder (whether asserted by the Issuer, any Guarantor, any Holder or any other Person). The Trustee shall notify the Issuer promptly of any claim asserted against the Trustee or any of its agents, employees, officers, stockholders and directors for which it may seek indemnity. The Issuer may, subject to the approval of the Trustee (which approval shall not be unreasonably withheld), defend the claim and the Trustee shall cooperate in the defense. The Trustee and its agents, employees, officers, stockholders and directors subject to the claim may have separate counsel and the Issuer shall pay the reasonable fees and expenses of such counsel; *provided, however,* that the Issuer will not be required to pay such fees and expenses if, subject to the approval of the Trustee (which approval shall not be unreasonably withheld), it assumes the Trustee's defense and there is no conflict of interest between the Issuer and the Trustee and its agents, employees, officers, stockholders and directors subject to the claim in connection with such defense as reasonably determined by the Trustee. The Issuer need not pay for any settlement made without its written consent. The Issuer need not reimburse any expense or indemnify against any loss or liability to the extent incurred by the Trustee through its negligence, bad faith or willful misconduct.

To secure the Issuer's and the Guarantors' payment obligations in this Section 7.07, the Trustee shall have a Lien prior to the Securities against all money or property held or collected by the Trustee, in its capacity as Trustee. The obligations of the Issuer and the Guarantors under this Section shall not be subordinated to the payment of Senior Debt pursuant to Article Ten or Section 11.02 except assets or money held in trust to pay principal of or interest on particular Securities.

When the Trustee incurs expenses or renders services after a Default specified in Section 6.01(5) or (6) occurs, such expenses and the compensation for such services shall

be paid to the extent allowed under any Bankruptcy Law and are intended to constitute expenses of administration under any Bankruptcy Law.

Notwithstanding any other provision in this Indenture, the foregoing provisions of this Section 7.07 shall survive the satisfaction and discharge of this Indenture or the appointment of a successor Trustee.

SECTION 7.08. Replacement of Trustee.

The Trustee may resign at any time by so notifying the Issuer in writing. The Holders of a majority in principal amount of the outstanding Securities may remove the Trustee by so notifying the Issuer and the Trustee and may appoint a successor Trustee. The Issuer may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuer shall notify each Holder of such event and shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Issuer.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Immediately after that, the retiring Trustee shall transfer, after payment of all sums then owing to the Trustee pursuant to Section 7.07, all property held by it as Trustee to the successor Trustee, subject to the Lien provided in Section 7.07, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Holder.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of at least 10% in principal amount of the outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee at the expense of the Issuer.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Issuer's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

SECTION 7.09. Successor Trustee by Merger, Etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the resulting, surviving or transferee corporation without any further act shall, if such resulting, surviving or transferee corporation is otherwise eligible hereunder, be the successor Trustee; *provided* that such corporation shall be otherwise qualified and eligible under this Article Seven.

SECTION 7.10. Eligibility; Disqualification.

This Indenture shall always have a Trustee who satisfies the requirement of TIA §§ 3l0(a)(1), 310(a)(2) and 310(a)(5). The Trustee shall have a combined capital and surplus of at least $150,000,000 as set forth in its most recent published annual report of condition. In addition, if the Trustee is a corporation included in a bank holding company system, the Trustee, independently of the bank holding company, shall meet the capital requirements of TIA § 310(a)(2). The Trustee shall comply with TIA § 310(b); *provided, however,* that there shall be excluded from the operation of TIA § 310(b)(1) any indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Issuer are outstanding, if the requirements for such exclusion set forth in TIA § 310(b)(1) are met. The provisions of TIA § 310 shall apply to the Issuer and any other obligor of the Securities.

SECTION 7.11. Preferential Collection of Claims Against the Issuer.

The Trustee, in its capacity as Trustee hereunder, shall comply with TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated.

ARTICLE EIGHT

DISCHARGE OF INDENTURE; DEFEASANCE

SECTION 8.01. Termination of the Issuer's Obligations.

The Issuer may terminate its obligations under the Securities and this Indenture, except those obligations referred to in the penultimate paragraph of this Section 8.01, if all Securities previously authenticated and delivered (other than destroyed, lost or stolen Securities which have been replaced or paid or Securities for whose payment U.S. Legal Tender or U.K. Legal Tender, as applicable, or U.S. Government Securities or U.K. Government Securities, as applicable, or a combination thereof, in such amount as is, in the opinion of a nationally recognized firm of independent public accountants, sufficient without consideration of reinvestment of such interest, to pay principal of, premium, if any, and interest on the outstanding Securities to maturity or redemption, has theretofore been deposited with the Trustee or the Paying Agent in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer, as provided in Section 8.05) have been delivered to the Trustee for cancellation and the Issuer has paid all sums payable by it hereunder, or if:

(a) either (i) pursuant to Article Three, the Issuer shall have given notice to the Trustee and mailed a notice of redemption to each Holder of the redemption of all of the Securities in accordance with the provisions hereof or (ii) all Securities have otherwise become or will become due and payable by reason of the mailing of a notice of redemption or otherwise within one (1) year hereunder;

(b) the Issuer shall have irrevocably deposited or caused to be deposited with the Trustee or a trustee satisfactory to the Trustee, under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee, as trust funds in trust solely for the benefit of the Holders of that purpose, U.S. Legal Tender or U.K. Legal Tender, as applicable, or U.S. Government Securities or U.K. Government Securities, as applicable, or a combination thereof, in such amount as is, in the opinion of a nationally recognized firm of independent public accountants, sufficient without consideration of reinvestment of such interest, to pay principal of, premium, if any, and interest on the outstanding Securities to maturity or redemption; *provided* that the Trustee shall have been irrevocably instructed to apply such U.S. Legal Tender or U.K. Legal Tender, as applicable, or U.S. Government Securities or U.K. Government Securities, as applicable, or a combination thereof; to the payment of said principal, premium, if any, and interest with respect to the Securities; and *provided, further,* that from and after the time of deposit, the U.S. Legal Tender or U.K. Legal Tender, as applicable, or U.S. Government Securities or U.K. Securities, as applicable, or combination thereof; deposited shall not be subject to the rights of holders of Senior Debt pursuant to the provisions of Article Ten;

(c) no Default with respect to this Indenture or the Securities shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit (other than a Default resulting from borrowing of funds to be applied to such deposit) and such deposit will not result in a breach or violation of, or constitute a default under, the Credit Agreement or any other material agreement or instrument to which the Issuer or any of its Subsidiaries is a party or by which it is bound;

(d) the Issuer shall have paid all other sums payable by it hereunder; and

(e) the Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent providing for or relating to the termination of the Issuer's obligations under the Securities and this Indenture have been complied with. Such Opinion of Counsel shall also state that such satisfaction and discharge does not result in a default under the Credit Agreement or any other material agreement or instrument then known to such counsel that binds or affects the Issuer.

Subject to the next sentence and notwithstanding the foregoing paragraph, the Issuer's obligations in Sections 2.06, 2.07, 2.08, 2.09, 4.01, 4.02, 7.07, 8.05 and 8.06 shall survive until the Securities are no longer outstanding pursuant to the last paragraph of Section 2.08. After the Securities are no longer outstanding, the Issuer's obligations in Sections 7.07, 8.05 and 8.06 shall survive.

After such delivery or irrevocable deposit, the Trustee upon request shall acknowledge in writing the discharge of the Issuer's obligations under the Securities and this Indenture except for those surviving obligations specified above.

SECTION 8.02. Legal Defeasance and Covenant Defeasance.

(a) The Issuer may, at its option and at any time, elect to have either paragraph (b) or (c) below applied to all outstanding Dollar Securities and/or Sterling Securities upon compliance with the conditions set forth in Section 8.03.

(b) Upon the Issuer's exercise under paragraph (a) hereof of the option applicable to this paragraph (b), the Issuer and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.03, be deemed to have been discharged from their obligations with respect to all outstanding Dollar Securities and/or Sterling Securities on the date the conditions set forth below are satisfied (hereinafter, **"Legal Defeasance"**). For this purpose, Legal Defeasance means that the Issuer shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Dollar Securities and/or Sterling Securities, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.04 hereof and the other Sections of this Indenture (with respect to such Securities) referred to in (i) and (ii) below, and to have satisfied all its other obligations under such Dollar Securities

and/or Sterling Securities and this Indenture (with respect to such Securities) and the Guarantors shall be deemed to have satisfied all of their obligations under the Subsidiary Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder:

(i) the rights of Holders of outstanding Securities issued hereunder to receive payments in respect of the principal of, or interest or premium and Additional Interest, if any, on such Securities when such payments are due from the trust referred to below;

(ii) the Issuer's obligations with respect to the Securities issued thereunder concerning issuing temporary Securities, registration of Securities, mutilated, destroyed, lost or stolen Securities and the maintenance of an office or agency for payment and money for security payments held in trust;

(iii) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's obligations in connection therewith; and

(iv) this Article Eight.

Subject to compliance with this Article Eight, the Issuer may exercise its option under this Section 8.02(b) notwithstanding the prior exercise of its option under Section 8.02(c) hereof.

(c) Upon the Issuer's exercise under paragraph (a) hereof of the option applicable to this paragraph (c), the Issuer and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.03 hereof, be released from their obligations under the covenants contained in Sections 4.03 (with respect to Restricted Subsidiaries only), 4.04, 4.05, 4.06, 4.07 and 4.09 through 4.20 and clauses (3) and (4) of Section 5.01(a) hereof with respect to the outstanding Dollar Securities and/or Sterling Securities on and after the date the conditions set forth in Section 8.03 are satisfied (hereinafter, **"Covenant Defeasance"**), and the Dollar Securities and/or Sterling Securities shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Securities shall not be deemed outstanding for accounting purposes). For this

purpose, Covenant Defeasance means that, with respect to the outstanding Dollar Securities and/or Sterling Securities, the Issuer may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any other covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute an Event of Default under Section 6.01 hereof, but, except as

specified above, the remainder of this Indenture and such Securities shall be unaffected thereby. In addition, upon the Issuer's exercise under paragraph (a) hereof of the option applicable to this paragraph (c), subject to the satisfaction of the conditions set forth in Section 8.03 hereof, clauses (3), (4), (5), (6) and (7) of Section 6.01 hereof shall not constitute Events of Default.

SECTION 8.03. Conditions to Legal Defeasance or Covenant Defeasance.

The following shall be the conditions to the application of either Section 8.02(b) or 8.02(c) hereof to the outstanding Securities:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the applicable Securities issued thereunder, cash in U.S. Legal Tender or U.K. Legal Tender, as applicable, non-callable U.S. Government Securities or U.K. Government Securities, as applicable, or a combination of cash in U.S. Legal Tender or U.K. Legal Tender, as applicable, and non-callable U.S. Government Securities or U.K. Government Securities, as applicable, in amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or interest and premium and Additional Interest, if any, on the outstanding Securities issued thereunder on the stated maturity or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Securities are being defeased to maturity or to a particular redemption date;

(2) in the case of an election under Section 8.02(b) hereof, the Issuer has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders of the respective outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of an election under Section 8.02(c) hereof, the Issuer has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the holders of the respective outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default resulting from the borrowing of funds or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than this Indenture) to which the Issuer or any of its Restricted Subsidiaries is a party or by which the Issuer or any of its Restricted Subsidiaries is bound;

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

(7) the Issuer must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

SECTION 8.04. Application of Trust Money.

The Trustee or Paying Agent shall hold in trust U.S. Legal Tender or U.K. Legal Tender, as applicable, and U.S. Government Securities or U.K. Government Securities, as applicable, deposited with it pursuant to this Article Eight, and shall apply the deposited U.S. Legal Tender or U.K. Legal Tender, as applicable and the money from U.S. Government Securities or U.K. Government Securities, as applicable, in accordance with this Indenture to the payment of principal of and interest on the Securities. The Trustee shall be under no obligation to invest said U.S. Legal Tender or U.K. Legal Tender, as applicable, and U.S. Government Securities or U.K. Government Securities, as applicable, except as it may agree with the Issuer.

The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Legal Tender or U.K. Legal Tender as applicable, and U.S. Government Securities or U.K. Government Securities, as applicable, deposited pursuant to Section 8.03 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Securities.

Anything in this Article Eight to the contrary notwithstanding, the Trustee shall deliver or pay to the Issuer from time to time upon the Issuer's request any U.S. Legal Tender or U.K. Legal Tender, as applicable, and U.S. Government Securities or U.K. Government Securities, as applicable, held by it as provided in Section 8.03 which, in the opinion

of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.05. Repayment to the Issuer.

Subject to this Article Eight, the Trustee and the Paying Agent shall promptly pay to the Issuer upon request any excess U.S. Legal Tender or U.K. Legal Tender, as applicable, and U.S. Government Securities or U.K. Government Securities, as applicable, held by them at any time and thereupon shall be relieved from all liability with respect to such money. The Trustee and the Paying Agent shall pay to the Issuer upon request any money held by them for the payment of principal or interest that remains unclaimed for two years; *provided* that the Trustee or such Paying Agent, before being required to make any payment, may at the expense of the Issuer cause to be published once in a newspaper of general circulation in the City of New York or mail to each Holder entitled to such money notice that such money remains unclaimed and that after a date specified therein which shall be at least 30 days from the date of such publication or mailing any unclaimed balance of such money then remaining will be repaid to the Issuer. After payment to the Issuer, Holders entitled to such money must look to the Issuer for payment as general creditors unless an applicable law designates another Person.

SECTION 8.06. Reinstatement.

If the Trustee or Paying Agent is unable to apply any U.S. Legal Tender or U.K. Legal Tender, as applicable, and U.S. Government Securities or U.K. Government Securities, as applicable, in accordance with this Article Eight by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article Eight until such time as the Trustee or Paying Agent is permitted to apply all such U.S. Legal Tender or U.K. Legal Tender, as applicable, and U.S. Government Securities or U.K. Government Securities, as applicable, in accordance with this Article Eight; *provided* that if the Issuer has made any payment of interest on or principal of any Securities because of the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Securities to receive such payment from the U.S. Legal Tender or U.K. Legal Tender, as applicable, or U.S. Government Securities or U.K. Government Securities, as applicable, held by the Trustee or Paying Agent.

ARTICLE NINE

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.01. Without Consent of Holders.

Subject to Section 9.03, the Issuer and the Trustee, together, may amend or supplement this Indenture, the Securities or the Guarantees without notice to or consent of any Holder:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Securities in addition to or in place of certificated Securities;

(3) to provide for the assumption of the Issuer's obligations to Holders in the case of a merger or consolidation or sale of all or substantially all of the Issuer's assets;

(4) to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under this Indenture of any Holder;

(5) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA; or

(6) to add a Guarantee of the Securities, including, without limitation, by Holdco;

provided that the Issuer has delivered to the Trustee an Opinion of Counsel and an Officers' Certificate, each stating that such amendment or supplement complies with the provisions of this Section 9.01.

SECTION 9.02. With Consent of Holders.

(a) Subject to Sections 6.07 and 9.03, the Issuer and the Trustee, together, with the written consent of the Holder or Holders of a majority in aggregate principal amount of the outstanding Securities, may amend or supplement this Indenture or the Securities without notice to any other Holders. Subject to Sections 6.07 and 9.03, the Holder or Holders of a majority in aggregate principal amount of then outstanding Securities may waive compliance with any provision of this Indenture or the Securities without notice to any other Holders; *provided, however,* that if any amendment, waiver or other modification will only affect the Dollar Securities or the Sterling Securities, only the consent of the Holders of at least a majority

in principal amount of the then outstanding Dollar Securities or Sterling Securities (and not the consent of at least a majority of all Securities), as the case may be, shall be required.

(b) Notwithstanding Section 9.02(a), without the consent of each Holder affected, an amendment, supplement or waiver, including a waiver pursuant to Section 6.04, may not (with respect to any Securities held by a non-consenting Holder):

(1) reduce the principal amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Security or alter the provisions with respect to the redemption of the Securities (other than provisions of Sections 4.09 and 4.13 and the optional redemption provisions contained in the Securities);

(3) reduce the rate of or change the time for payment of interest on any Security;

(4) waive a Default or Event of Default in the payment of principal, or interest or premium, or Additional Interest, if any, on the Securities (except a rescission of acceleration of the Securities by the Holders of at least a majority in aggregate principal amount of the Securities and a waiver of the payment default that resulted from such acceleration);

(5) make any Security payable in money other than that stated in the Securities other than to the extent the United Kingdom adopts the euro;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of, or interest or premium or Additional Interest, if any, on the Securities;

(7) waive a redemption payment with respect to any Security (other than a payment required by one of the provisions of Section 4.09 or Section 4.13 and the optional redemption provisions contained in the Securities);

(8) make any change in the preceding amendment and waiver provisions; or

(9) modify the Guarantees in any manner adverse to the Holders.

(c) It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment, supplement or waiver but it shall be sufficient if such consent approves the substance thereof.

(d) After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuer shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

SECTION 9.03. Effect on Senior Debt.

No amendment of, or supplement or waiver to, this Indenture shall adversely affect the rights of any holder of Senior Debt under the subordination provisions of this Indenture (including without limitation the provisions of Article Ten and Section 11.02 hereof) and the defined terms as used therein without the consent of such holder or its Representative.

SECTION 9.04. Compliance with TIA.

From the date on which this Indenture is qualified under the TIA, every amendment, waiver or supplement of this Indenture, the Securities or the Subsidiary Guarantees shall comply with the TIA as then in effect.

SECTION 9.05. Revocation and Effect of Consents.

(a) Until an amendment, waiver or supplement becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security or portion of his Security by notice to the Trustee or the Issuer received before the date on which the Trustee receives an Officers' Certificate certifying that the Holders of the requisite principal amount of Securities have consented (and not theretofore revoked such consent) to the amendment, supplement or waiver.

(b) The Issuer may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver which record date shall be at least 30 days prior to the first solicitation of such consent. If a record date is fixed, then notwithstanding the last sentence of the immediately preceding paragraph, those Persons who were Securityholders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date. The Issuer shall inform the Trustee in writing of the fixed record date if applicable.

(c) After an amendment, supplement or waiver becomes effective, it shall bind every Securityholder, unless it makes a change described in any of clauses (1) through

(8) of Section 9.02(b), in which case, the amendment, supplement or waiver shall bind only each Holder of a Security who has consented to it and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security; *provided* that any such waiver shall not impair or affect the right of any Holder to receive payment of principal of and interest on a Security, on or after the respective due dates expressed in such Security, or to bring suit for the enforcement of any such payment on or after such respective dates without the consent of such Holder.

SECTION 9.06. Notation on or Exchange of Securities.

If an amendment, supplement or waiver changes the terms of a Security, the Issuer may require the Holder of the Security to deliver it to the Trustee. The Issuer shall provide the Trustee with an appropriate notation on the Security about the changed terms and cause the Trustee to return it to the Holder at the Issuer's expense. Alternatively, if the Issuer or the Trustee so determines, the Issuer in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms. Failure to make the appropriate notation or issue a new Security shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.07. Trustee To Sign Amendments, Etc.

The Trustee shall execute any amendment, supplement or waiver authorized pursuant to this Article Nine; *provided* that the Trustee may, but shall not be obligated to, execute any such amendment, supplement or waiver which affects the Trustee's own rights, duties or immunities under this Indenture. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel and an Officers' Certificate each stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article Nine is authorized or permitted by this Indenture and constitutes the legal, valid and binding obligations of the Issuer enforceable in accordance with its terms. Such Opinion of Counsel shall be at the expense of the Issuer.

ARTICLE TEN

SUBORDINATION OF SECURITIES

SECTION 10.01. Securities Subordinated to Senior Debt.

Anything herein to the contrary notwithstanding, the Issuer, for itself and its successors, and each Holder, by his or her acceptance of Securities, agrees that the payment of all Obligations owing to the Holders in respect of the Securities is subordinated, to the extent and in the manner provided in this Article Ten, to the prior payment in full in cash or Cash

Equivalents, or such payment duly provided for to the satisfaction of the holders of Senior Debt, of all Obligations on Senior Debt (including the Obligations with respect to the Senior Credit Facility, whether outstanding on the Issue Date or thereafter incurred). Notwithstanding the foregoing, payments and distributions made relating to the Securities from the trust established pursuant to Article Eight shall not be so subordinated in right of payment, so long as (i) the conditions specified in Article Eight (without any waiver or modification of the requirement that the deposits pursuant thereto do not conflict with the teens of the Credit Agreement or any other Senior Debt) are satisfied on the date of any deposit pursuant to said trust and (ii) such payments and distributions did not violate the provisions of this Article Ten or Section 11.02 when made.

This Article Ten shall constitute a continuing offer to all Persons who become holders of, or continue to hold, Senior Debt, and such provisions are made for the benefit of the holders of Senior Debt and such holders are made obligees hereunder and any one or more of them may enforce such provisions.

SECTION 10.02. Suspension of Payment When Designated Senior Debt Is in Default.

(a) If any default occurs and is continuing beyond any applicable grace period and is continuing when payment is due, whether at maturity, upon any redemption, by declaration or otherwise, of any principal of, interest on, unpaid drawings for letters of credit issued in respect of, or regularly accruing fees with respect to, any Designated Senior Debt (a **"Payment Default"**), then no payment or distribution of any kind or character shall be made by or on behalf of the Issuer or any other Person on its or their behalf with respect to any Obligations on or relating to the Securities or to acquire any of the Securities for cash or assets or otherwise unless the default has been cured or waived; provided, however, that the Issuer may pay the Securities without regard to the foregoing if the Issuer and the Trustee receive written notice approving such payment from the representative of the holders of such Designated Senior Debt.

(b) If any other event of default (other than a Payment Default) occurs and is continuing with respect to any Designated Senior Debt (as such event of default is defined in the instrument creating or evidencing such Designated Senior Debt) permitting the holders of such Designated Senior Debt then outstanding to accelerate the maturity thereof (a **"Non-payment Default"**) and if the Representative for the respective issue of Designated Senior Debt gives notice of the event of default to the Trustee stating that such notice is a payment blockage notice (a **"Payment Blockage Notice"**), then during the period (the **"Payment Blockage Period"**) beginning upon the delivery of such Payment Blockage Notice and ending on the earlier of the 179th day after such delivery and the date on which (x) all events of default with respect to all Designated Senior Debt have been cured or waived or cease to exist, (y) all Designated Senior Debt with respect to which any such event of default has occurred and is continuing is discharged or paid in full in cash or cash equivalents, or (z) the Trustee

receives notice thereof from the Representative for the respective issue of Designated Senior Debt terminating the Payment Blockage Period, neither the Issuer nor any other Person on its behalf shall (x) make any payment of any kind or character with respect to any Obligations on or with respect to the Securities or (y) acquire any of the Securities for cash or assets or otherwise. Notwithstanding anything herein to the contrary, (x) in no event will a Payment Blockage Period extend beyond 179 days from the date the applicable Payment Blockage Notice is received by the Trustee and (y) only one such Payment Blockage Period may be commenced within any 360 consecutive days. For all purposes of this Section 10.02(b), no event of default which existed or was continuing on the date of the commencement of any Payment Blockage Period with respect to the Designated Senior Debt shall be, or be made, the basis for the commencement of a second Payment Blockage Period by the Representative of such Designated Senior Debt whether or not within a period of 360 consecutive days, unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days (it being acknowledged that any subsequent action, or any breach of any financial covenants for a period ending after the date of commencement of such Payment Blockage Period that, in either case, would give rise to an event of default pursuant to any provisions under which an event of default previously existed or was continuing shall constitute a new event of default for this purpose).

(c) The foregoing Sections 10.02(a) and (b) shall not apply to payments and distributions made relating to the Securities from the trust established pursuant to Article Eight, so long as (i) the conditions specified in Article Eight (without any waiver or modification of the requirement that the deposits pursuant thereto do not conflict with the terms of the Credit Agreement or any other Senior Debt) are satisfied on the date of any deposit pursuant to said trust and (ii) such payments and distributions did not violate the provisions of this Article Ten when made. In addition, Holders may also receive and retain Permitted Junior Securities.

(d) In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee or any Holder when such payment is prohibited by the foregoing provisions of this Section 10.02, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Debt *(pro rata* to such holders on the basis of the respective amount of Senior Debt held by such holders) or their respective Representatives, as their respective interests may appear. The Trustee shall be entitled to rely on information regarding amounts then due and owing on the Senior Debt, if any, received from the holders of Senior Debt (or their Representatives) or, if such information is not received from such holders or their Representatives, from the Issuer and only amounts included in the information provided to the Trustee shall be paid to the holders of Senior Debt.

Nothing contained in this Article Ten shall limit the right of the Trustee or the Holders of Securities to take any action to accelerate the maturity of the Securities pursuant to Section 6.02 or to pursue any rights or remedies hereunder; *provided* that all Senior Debt

thereafter due or declared to be due shall first be paid in full in cash or cash equivalents before the Holders are entitled to receive any payment of any kind or character with respect to Obligations on the Securities.

SECTION 10.03. Securities Subordinated to Prior Payment of All Senior Debt on Dissolution, Liquidation or Reorganization of the Issuer.

(a) Upon any payment or distribution of assets of the Issuer of any kind or character, whether in cash, assets or securities, to creditors upon any total or partial liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors or marshaling of assets and liabilities of the Issuer or in a bankruptcy, reorganization, insolvency, receivership or other similar proceeding relating to the Issuer or its assets, whether voluntary or involuntary, all Obligations due or to become due upon all Senior Debt shall first be paid in full in cash or cash equivalents, or such payment duly provided for to the satisfaction of the holders of Senior Debt, before any payment or distribution of any kind or character is made on account of any Obligations on or relating to the Securities, or for the acquisition of any of the Securities for cash or assets or otherwise. Upon any such dissolution, winding-up, liquidation, reorganization, receivership or similar proceeding, any payment or distribution of assets of the Issuer of any kind or character, whether in cash, assets or securities, to which the Holders or the Trustee under this Indenture would be entitled, except for the provisions hereof, shall be paid by the Issuer or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders or by the Trustee under this Indenture if received by them, directly to the holders of Senior Debt *(pro rata* to such holders on the basis of the respective amounts of Senior Debt held by such holders) or their respective Representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Debt may have been issued, as their respective interests may appear, for application to the payment of Senior Debt remaining unpaid until all such Senior Debt has been paid in full in cash or cash equivalents after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of Senior Debt.

(b) To the extent any payment of Senior Debt (whether by or on behalf of the Issuer, as proceeds of security or enforcement of any right of setoff or otherwise) is declared to be fraudulent or preferential, set aside or required to be paid to any receiver, trustee in bankruptcy, liquidating trustee, agent or other similar Person under any bankruptcy, insolvency, receivership, fraudulent conveyance or similar law, then, if such payment is recovered by, or paid over to, such receiver, trustee in bankruptcy, liquidating trustee, agent or other similar Person, the Senior Debt or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

It is further agreed that any diminution (whether pursuant to court decree or otherwise, including without limitation for any of the reasons described in the preceding sentence) of the Issuer’s obligation to make any distribution or payment pursuant to any Senior

Debt, except to the extent such diminution occurs by reason of the repayment (which has not been disgorged or returned) of such Senior Debt in cash or cash equivalents, shall have no force or effect for purposes of the subordination provisions contained in this Article Ten, with any turnover of payments as otherwise calculated pursuant to this Article Ten to be made as if no such diminution had occurred.

(c) In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Issuer of any kind or character, whether in cash, assets or securities, shall be received by any Holder when such payment or distribution is prohibited by this Section 10.03, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Debt *(pro rata* to such holders on the basis of the respective amount of Senior Debt held by such holders) or their respective Representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Debt may have been issued, as their respective interests may appear, for application to the payment of Senior Debt remaining unpaid until all such Senior Debt has been paid in full in cash or Cash Equivalents, after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of such Senior Debt.

(d) The consolidation of the Issuer with, or the merger of the Issuer with or into, another corporation, partnership, trust or limited liability company or the liquidation or dissolution of the Issuer following the conveyance or transfer of all or substantially all of its assets, to another corporation, partnership, trust or limited liability company upon the terms and conditions provided in Article Five hereof and as long as permitted under the terms of the Senior Debt shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, assume the Issuer’s obligations hereunder in accordance with Article Five hereof.

SECTION 10.04. Payments May Be Made Prior to Dissolution.

Nothing contained in this Article Ten or elsewhere in this Indenture shall prevent (i) the Issuer, except under the conditions described in Sections 10.02 and 10.03, from making payments at any time for the purpose of making payments of principal of and interest on the Securities, or from

depositing with the Trustee any moneys for such payments, or (ii) in the absence of actual knowledge by the Trustee that a given payment would be prohibited by Section 10.02 or 10.03, the application by the Trustee of any moneys deposited with it for the purpose of making such payments of principal of, and interest on, the Securities to the Holders entitled thereto unless at least two Business Days prior to the date upon which such payment would otherwise become due and payable a Responsible Officer of the Trustee shall have actually received the written notice provided for in the first sentence of Section 10.02(b) or in Section 10.07 *(provided* that, notwithstanding the foregoing, the Holders receiving any payments made in contravention of Section 10.02 and/or 10.03 (and the respective such payments)

shall otherwise be subject to the provisions of Section 10.02 and Section 10.03). The Issuer shall give prompt written notice to the Trustee of any dissolution, winding-up, liquidation or reorganization of the Issuer, although any delay or failure to give any such notice shall have no effect on the subordination provisions contained herein.

SECTION 10.05. Holders To Be Subrogated to Rights of Holders of Senior Debt.

Subject to the payment in full in cash or cash equivalents of all Senior Debt, the Holders of the Securities shall be subrogated to the rights of the holders of Senior Debt to receive payments or distributions of cash, assets or securities of the Issuer applicable to the Senior Debt until the Securities shall be paid in full; and, for the purposes of such subrogation, no such payments or distributions to the holders of the Senior Debt by or on behalf of the Issuer, or by or on behalf of the Holders by virtue of this Article Ten, which otherwise would have been made to the Holders shall, as between the Issuer and the Holders, be deemed to be a payment by the Issuer to or on account of the Senior Debt, it being understood that the provisions of this Article Ten are and are intended solely for the purpose of defining the relative rights of the Holders, on the one hand, and the holders of Senior Debt, on the other hand.

SECTION 10.06. Obligations of the Issuer Unconditional.

Nothing contained in this Article Ten or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Issuer, its creditors other than the holders of Senior Debt, and the Holders, the obligation of the Issuer, which is absolute and unconditional, to pay to the Holders the principal of and any interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders and creditors of the Issuer other than the holders of the Senior Debt, nor shall anything herein or therein prevent the Holder of any Security or the Trustee on its behalf from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, in respect of cash, assets or securities of the Issuer received upon the exercise of any such remedy.

SECTION 10.07. Notice to Trustee.

The Issuer shall give prompt written notice to the Trustee of any fact known to the Issuer which would prohibit the making of any payment to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Ten, although any delay or failure to give any such notice shall have no effect on the subordination provisions contained herein. Regardless of anything to the contrary contained in this Article Ten or elsewhere in this Indenture, the Trustee shall not be charged with knowledge of the existence of any default or event of default with respect to any Senior Debt or of any other facts which would prohibit the making of any payment to or by the Trustee unless and until the Trustee shall have received notice in writing from the Issuer, or from a holder of Senior Debt or a Representative therefor and, prior to the receipt of any such written notice, the Trustee shall be entitled to assume (in

the absence of actual knowledge to the contrary) that no such facts exist. The Trustee shall be entitled to rely on the delivery to it of any notice pursuant to this Section 10.07 to establish that such notice has been given by a holder of Senior Debt (or a trustee thereof).

In the event that the Trustee determines in good faith that any evidence is required with respect to the right of any Person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Article Ten, the Trustee may request such Person to furnish evidence to the satisfaction of the Trustee as to the amounts of Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article Ten, and if such evidence is not furnished the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 10.08. Reliance on Judicial Order or Certificate of Liquidating Agent.

Upon any payment or distribution of assets of the Issuer referred to in this Article Ten, the Trustee, subject to the provisions of Article Seven hereof, and the Holders of the Securities shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which any insolvency, bankruptcy, receivership, dissolution, winding-up, liquidation, reorganization or similar case or proceeding is pending, or upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, assignee for the benefit of creditors, agent or other person making such payment or distribution, delivered to the Trustee or the Holders, for the purpose of ascertaining the persons entitled to participate in such payment or distribution, the holders of the Senior Debt and other Indebtedness of the Issuer, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Ten.

SECTION 10.09. Trustee’s Relation to Senior Debt.

The Trustee and any agent of the Issuer or the Trustee shall be entitled to all the rights set forth in this Article Ten with respect to any Senior Debt which may at any time be held by it in its individual or any other capacity to the same extent as any other holder of Senior Debt and nothing in this Indenture shall deprive the Trustee or any such agent of any of its rights as such holder.

With respect to the holders of Senior Debt, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article Ten, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt.

Whenever a distribution is to be made or a notice given to holders or owners of Senior Debt, the distribution may be made and the notice may be given to their Representative, if any.

SECTION 10.10. Subordination Rights Not Impaired by Acts or Omissions of the Issuer or Holders of Senior Debt.

No right of any present or future holders of any Senior Debt to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Issuer or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Issuer with the terms of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Debt may, at any time and from time to time, without the consent of or notice to the Trustee, without incurring responsibility to the Trustee or the Holders and without impairing or releasing the subordination provided in this Article Ten or the obligations hereunder of the Holders to the holders of the Senior Debt, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Debt, or otherwise amend or supplement in any manner Senior Debt, or any instrument evidencing the same or any agreement under which Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Debt; (iii) release any Person liable in any manner for the payment or collection of Senior Debt; and (iv) exercise or refrain from exercising any rights against the Issuer and any other Person.

SECTION 10.11. Securityholders Authorize Trustee To Effectuate Subordination of Securities.

Each Holder by its acceptance of them authorizes and expressly directs the Trustee on its behalf to take such action as may be necessary or appropriate to effectuate, as between the holders of Senior Debt and the Holders, the subordination provided in this Article Ten, and appoints the Trustee its attorney-in-fact for such purposes, including, in the event of any dissolution, winding-up, liquidation or reorganization of the Issuer (whether in bankruptcy, insolvency, receivership, reorganization or similar proceedings or upon an assignment for the benefit of credits or otherwise) tending towards liquidation of the business and assets of the Issuer, the filing of a claim for the unpaid balance of its Securities and accrued interest in the form required in those proceedings.

If the Trustee does not file a proper claim or proof of debt in the form required in such proceeding prior to 30 days before the expiration of the time to file such claim or claims, then the holders of the Senior Debt or their Representative are or is hereby authorized to have the right to file and are or is hereby authorized to file an appropriate claim for and on

behalf of the Holders of said Securities. Nothing herein contained shall be deemed to authorize the Trustee or the holders of Senior Debt or their Representative to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee or the holders of Senior Debt or their Representative to vote in respect of the claim of any Holder in any such proceeding.

SECTION 10.12. This Article Ten Not To Prevent Events of Default.

The failure to make a payment on account of principal of or interest on the Securities by reason of any provision of this Article Ten will not be construed as preventing the occurrence of an Event of Default.

SECTION 10.13. Trustee’s Compensation Not Prejudiced.

Nothing in this Article Ten will apply to amounts due to the Trustee (other than payments of Obligation owing to Holders in respect of Securities) pursuant to other sections of this Indenture.

ARTICLE ELEVEN

GUARANTEES

SECTION 11.01. Unconditional Guarantee.

Subject to the provisions of this Article Eleven, each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably guarantees, on a senior subordinated basis to each Holder of a Security authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Securities or the obligations of the Issuer or any other Guarantors to the Holders or the Trustee hereunder or thereunder: (a) (x) the due and punctual payment of the principal of, premium, if any, and interest on the Securities when and as the same shall become due and payable, whether at maturity, upon redemption or repurchase, by acceleration or otherwise, (y) the due and punctual payment of interest on the overdue principal and (to the extent permitted by law) interest, if any, on the Securities and (z) the due and punctual payment and performance of all other obligations of the Issuer and all other obligations of the other Guarantors (including under the Guarantees), in each case, to the Holders or the Trustee hereunder or thereunder (including amounts due the Trustee under Section 7.07 hereof), all in accordance with the terms hereof and thereof (collectively, the “**Guarantee Obligations**”); and (b) in case of any extension of time of payment or renewal of any Securities or any of such other obligations, the due and punctual payment and performance of Guarantee Obligations in

accordance with the terms of the extension or renewal, whether at maturity, upon redemption or repurchase, by acceleration or otherwise. Failing payment when due of any amount so guaranteed, or failing performance of any other obligation of the Issuer to the Holders under this Indenture or under the Securities, for whatever reason, each Guarantor shall be obligated to pay, or to perform or cause the performance of, the same immediately. An Event of

Default under this Indenture or the Securities shall constitute an event of default under the Subsidiary Guarantees, and shall entitle the Holders to accelerate the obligations of the Guarantors thereunder in the same manner and to the same extent as the obligations of the Issuer.

Each of the Guarantors hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Securities or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, any release of any other Guarantor, the recovery of any judgment against the Issuer, any action to enforce the same, whether or not a Guarantee is affixed to any particular Security, or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each of the Guarantors hereby waives the benefit of diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest, notice and all demands whatsoever and covenants that its Subsidiary Guarantee shall not be discharged except by complete performance of the obligations contained in the Securities, this Indenture and the Guarantee. The Guarantee is a guarantee of payment and not of collection. If any Holder or the Trustee is required by any court or otherwise to return to the Issuer or to any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or such Guarantor, any amount paid by the Issuer or such Guarantor to the Trustee or such Holder, the Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor further agrees that, as between it, on the one hand, and the Holders of Securities and the Trustee, on the other hand, (a) subject to this Article Eleven, the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six for the purposes of the Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (b) in the event of any acceleration of such obligations as provided in Article Six hereof, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Guarantee.

SECTION 11.02. Subordination of Guarantee.

The obligations of each Guarantor under its Guarantee pursuant to this Article Eleven shall be junior and subordinated to the prior payment in full in cash or Cash Equivalents of the Senior Debt of such Guarantor on the same basis as the Securities are junior and subordinated to Senior Debt of the Issuer. For the purposes of the foregoing sentence, the Trustee and the Holders shall have the right to receive and/or retain payments by any of the

Guarantors only at such times as they may receive and/or retain payments in respect of the Securities pursuant to this Indenture, including Article Ten hereof.

SECTION 11.03. Limitation on Guarantor Liability.

Each Guarantor, and by its acceptance of Securities, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor under its Guarantee and this Article Eleven shall be limited to the maximum amount as will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article Eleven, result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent transfer or conveyance.

SECTION 11.04. Execution and Delivery of Subsidiary Guarantee for Future Guarantors.

To further evidence its Guarantee set forth in Section 11.01, each Subsidiary and other Person that is required to become a Guarantor hereby agrees to execute a supplement to this Indenture or a Guarantee, substantially in the form of Exhibit H hereto, and deliver it to the Trustee. Such Guarantee or supplement to this Indenture shall be executed on behalf of each Guarantor by either manual or facsimile signature of one Officer or other person duly authorized by all necessary corporate action of each Guarantor who shall have been duly authorized to so execute by all requisite corporate action. The validity and enforceability of any Guarantee shall not be affected by the fact that it is not affixed to any particular Security.

Each of the Guarantors hereby agrees that its Guarantee set forth in Section 11.01 shall remain in full force and effect notwithstanding any failure to endorse on each Security a notation of such Guarantee.

If an Officer of a Guarantor whose signature is on this Indenture or a Guarantee no longer holds that office at the time the Trustee authenticates the Security on which such Guarantee is endorsed or at any time thereafter, such Guarantor's Guarantee of such Security shall nevertheless be valid.

The delivery of any Security by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of any Guarantee set forth in this Indenture on behalf of each Guarantor.

SECTION 11.05. Release of a Guarantor.

The Guarantee of a Guarantor will be released:

(1) (a) upon the sale, disposition or other transfer (including through merger or consolidation) of all of the Capital Stock (or any sale, disposition or other transfer of Capital Stock following which the applicable Guarantor is no longer a Restricted Subsidiary), or all or substantially all the assets, of the applicable Guarantor if such sale, disposition or other transfer is made in compliance with the applicable provisions of this Indenture,

(b) if the Issuer designates any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with Section 4.11 and the definition of "Unrestricted Subsidiary," or

(c) in the case of any Restricted Subsidiary which after the Issue Date is required to guarantee the Securities pursuant to Section 4.16, upon the release or discharge of the guarantee by such Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer or *such* Restricted Subsidiary or the repayment of the Indebtedness or Disqualified Stock, in each case, which resulted in the obligation to guarantee the Securities; and

(2) in the case of clause (1)(a) above, if such Guarantor is released from its guarantee, if any, of, and all pledges and security, if any, granted in connection with, the Credit Agreement and any other Indebtedness of the Issuer or any Restricted Subsidiary;

provided, *however*, in any case that any such termination shall occur only to the extent that all obligations of such Guarantor under all of its Guarantees of any Indebtedness of the Issuer or any Indebtedness of any other Guarantor shall also terminate upon such release and none of its Equity Interests are pledged for the benefit of any holder of any Indebtedness of the Issuer or any Indebtedness of any Restricted Subsidiary of the Issuer.

The Trustee shall execute an appropriate instrument prepared by the Issuer evidencing the release of a Guarantor from its obligations under its Guarantee upon receipt of a request by the Issuer or such Guarantor accompanied by an Officers' Certificate and an Opinion of Counsel certifying as to the compliance with this Section 11.05; *provided*, *however*, that the legal counsel delivering such Opinion of Counsel may rely as to matters of fact on one or more Officers' Certificates of the Issuer.

Except as set forth in Articles Four and Five and this Section 11.05, nothing contained in this Indenture or in any of the Securities shall prevent any consolidation or merger of a Guarantor with or into the Issuer or another Guarantor or shall prevent any sale or

conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Issuer or another Guarantor.

SECTION 11.06. Waiver of Subrogation.

Until this Indenture is discharged and all of the Securities are discharged and paid in full, each Guarantor hereby irrevocably waives and agrees not to exercise any claim or other rights which it may now or hereafter acquire against the Issuer that arise from the existence, payment, performance or enforcement of the Issuer's obligations under the Securities or this Indenture and such Guarantor's obligations under the Guarantee and this Indenture, in any such instance including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, and any right to participate in any claim or remedy of the Holders against the Issuer, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer, directly or indirectly, in cash or other assets or by set-off or in any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and any amounts owing to the Trustee or the Holders under the Securities, this Indenture, or any other document or instrument delivered under or in connection with such agreements or instruments, shall not have been paid in full, such amount shall have been deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Trustee or the Holders and shall forthwith be paid to the Trustee for the benefit of itself or such Holders to be credited and applied to the obligations in favor of the Trustee or the Holders, as the case may be, whether matured or unmatured, in accordance with the terms of this Indenture. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Indenture and that the waiver set forth in this Section 11.06 is knowingly made in contemplation of such benefits.

SECTION 11.07. Immediate Payment.

Each Guarantor agrees to make immediate payment to the Trustee on behalf of the Holders of all Guarantee Obligations owing or payable to the respective Holders upon receipt of a demand for payment therefor by the Trustee to such Guarantor in writing.

SECTION 11.08. No Setoff.

Each payment to be made by a Guarantor hereunder in respect of the Guarantee Obligations shall be payable in the currency or currencies in which such Guarantee Obligations are denominated, and shall be made without set-off, counterclaim, reduction or diminution of any kind or nature.

SECTION 11.09. Guarantee Obligations Absolute.

Subject to the provisions of Section 11.02, the obligations of each Guarantor hereunder are and shall be absolute and unconditional and any monies or amounts expressed to be owing or payable by each Guarantor hereunder which may not be recoverable from such Guarantor on the basis of a Guarantee shall be recoverable from such Guarantor as a primary obligor and principal debtor in respect thereof.

SECTION 11.10. Guarantee Obligations Continuing.

The obligations of each Guarantor hereunder shall be continuing and shall remain in full force and effect until all such obligations have been paid and satisfied in full. Each Guarantor agrees with the Trustee that it will from time to time deliver to the Trustee suitable acknowledgments of this continued liability hereunder and under any other instrument or instruments in such form as counsel to the Trustee may advise and as will prevent any action brought against it in respect of any default hereunder being barred by any statute of limitations now or hereafter in force and, in the event of the failure of a Guarantor so to do, it hereby irrevocably appoints the Trustee the attorney and agent of such Guarantor to make, execute and deliver such written acknowledgment or acknowledgments or other instruments as may from time to time become necessary or advisable, in the judgment of the Trustee on the advice of counsel, to fully maintain and keep in force the liability of such Guarantor hereunder.

SECTION 11.11. Guarantee Obligations Not Reduced.

The obligations of each Guarantor hereunder shall not be satisfied, reduced or discharged solely by the payment of such principal, premium, if any, interest, fees and other monies or amounts as may at any time prior to discharge of this Indenture pursuant to Article Eight be or become owing or

payable under or by virtue of or otherwise in connection with the Securities or this Indenture.

SECTION 11.12. Guarantee Obligations Reinstated.

The obligations of each Guarantor hereunder shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment which would otherwise have reduced the obligations of any Guarantor hereunder (whether such payment shall have been made by or on behalf of the Issuer or by or on behalf of a Guarantor) is rescinded or reclaimed from any of the Holders upon the insolvency, bankruptcy, liquidation or reorganization of the Issuer or any Guarantor or otherwise, all as though such payment had not been made. If demand for, or acceleration of the time for, payment by the Issuer or any other Guarantor is stayed upon the insolvency, bankruptcy, liquidation or reorganization of the Issuer or such Guarantor, all such Indebtedness otherwise subject to demand for payment or acceleration shall nonetheless be payable by each Guarantor as provided herein.

SECTION 11.13. Guarantee Obligations Not Affected.

The obligations of each Guarantor hereunder shall not be affected, impaired or diminished in any way by any act, omission, matter or thing whatsoever, occurring before, upon or after any demand for payment hereunder (and whether or not known or consented to by any Guarantor or any of the Holders) which, but for this provision, might constitute a whole or partial defense to a claim against any Guarantor hereunder or might operate to release or otherwise exonerate any Guarantor from any of its obligations hereunder or otherwise affect such obligations, whether occasioned by default of any of the Holders or otherwise, including, without limitation:

(a) any limitation of status or power, disability, incapacity or other circumstance relating to the Issuer or any other Person, including any insolvency, bankruptcy, liquidation, reorganization, readjustment, composition, dissolution, winding-up or other proceeding involving or affecting the Issuer or any other Person;

(b) any irregularity, defect, unenforceability or invalidity in respect of any indebtedness or other obligation of the Issuer or any other Person under this Indenture, the Securities or any other document or instrument;

(c) any failure of the Issuer or any other Guarantor, whether or not without fault on its part, to perform or comply with any of the provisions of this Indenture, the Securities or any Guarantee, or to give notice thereof to a Guarantor;

(d) the taking or enforcing or exercising or the refusal or neglect to take or enforce or exercise any right or remedy from or against the Issuer or any other Person or their respective assets or the release or discharge of any such right or remedy;

(e) the granting of time, renewals, extensions, compromises, concessions, waivers, releases, discharges and other indulgences to the Issuer or any other Person;

(f) any change in the time, manner or place of payment of, or in any other term of, any of the Securities, or any other amendment, variation, supplement, replacement or waiver of, or any consent to departure from, any of the Securities or this Indenture, including, without limitation, any increase or decrease in the principal amount of or premium, if any, or interest on any of the Securities;

(g) any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of the Issuer or a Guarantor;

(h) any merger or amalgamation of the Issuer or a Guarantor with any Person or Persons;

(i) the occurrence of any change in the laws, rules, regulations or ordinances of any jurisdiction by any present or future action of any governmental authority or court amending, varying, reducing or otherwise affecting, or purporting to amend, vary, reduce or otherwise affect, any of the Guarantee Obligations or the obligations of a Guarantor under its Guarantee; and

(j) any other circumstance, including release of the Guarantor pursuant to Section 11.05 (other than by complete, irrevocable payment) that might otherwise constitute a legal or equitable discharge or defense of the Issuer under this Indenture or the Securities or of a Guarantor in respect of its Guarantee hereunder.

SECTION 11.14. Waiver.

Without in any way limiting the provisions of Section 11.01, each Guarantor hereby waives notice of acceptance hereof, notice of any liability of any Guarantor hereunder, notice or proof of reliance by the Holders upon the obligations of any Guarantor hereunder, and diligence, presentment, demand for payment on the Issuer, protest, notice of dishonor or non-payment of any of the Guarantee Obligations, or other notice or formalities to the Issuer or any Guarantor of any kind whatsoever.

SECTION 11.15. No Obligation To Take Action Against the Issuer.

Neither the Trustee nor any other Person shall have any obligation to enforce or exhaust any rights or remedies against the Issuer or any other Person or any property of the Issuer or any other Person before the Trustee is entitled to demand payment and performance by any or all Guarantors of their liabilities and obligations under their Guarantees or under this Indenture.

SECTION 11.16. Dealing with the Issuer and Others.

The Holders, without releasing, discharging, limiting or otherwise affecting in whole or in part the obligations and liabilities of any Guarantor hereunder and without the consent of or notice to any Guarantor, may

(a) grant time, renewals, extensions, compromises, concessions, waivers, releases, discharges and other indulgences to the Issuer or any other Person;

(b) take or abstain from taking security or collateral from the Issuer or from perfecting security or collateral of the Issuer;

(c) release, discharge, compromise, realize, enforce or otherwise deal with or do any act or thing in respect of (with or without consideration) any and all collateral,

mortgages or other security given by the Issuer or any third party with respect to the obligations or matters contemplated by this Indenture or the Securities;

(d) accept compromises or arrangements from the Issuer;

(e) apply all monies at any time received from the Issuer or from any security upon such part of the Guarantee Obligations as the Holders may see fit or change any such application in whole or in part from time to time as the Holders may see fit; and

(f) otherwise deal with, or waive or modify their right to deal with, the Issuer and all other Persons and any security as the Holders or the Trustee may see fit.

SECTION 11.17. Default and Enforcement.

If any Guarantor fails to pay in accordance with Section 11.07 hereof, the Trustee may proceed in its name as trustee hereunder in the enforcement of the Subsidiary Guarantee of any such Guarantor and such Guarantor's obligations thereunder and hereunder by any remedy provided by law, whether by legal proceedings or otherwise, and to recover from such Guarantor the obligations.

SECTION 11.18. Amendment, Etc.

No amendment, modification or waiver of any provision of this Indenture relating to any Guarantor or consent to any departure by any Guarantor or any other Person from any such provision will in any event be effective unless it is signed by such Guarantor and the Trustee.

SECTION 11.19. Acknowledgment.

Each Guarantor, if any, hereby acknowledges communication of the terms of this Indenture and the Securities and consents to and approves of the same.

SECTION 11.20. Costs and Expenses.

Each Guarantor shall pay on demand by the Trustee any and all costs, fees and expenses (including, without limitation, legal fees on a solicitor and client basis) incurred by the Trustee, its agents, advisors and counsel or any of the Holders in enforcing any of their rights under any Guarantee.

SECTION 11.21. No Merger or Waiver; Cumulative Remedies.

No Guarantee shall operate by way of merger of any of the obligations of a Guarantor under any other agreement, including, without limitation, this Indenture. No failure

to exercise and no delay in exercising, on the part of the Trustee or the Holders, any right, remedy, power or privilege hereunder or under this Indenture or the Securities, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under this Indenture or the Securities preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges in the Guarantee and under this Indenture, the Securities and any other document or instrument between a Guarantor and/or the Issuer and the Trustee are cumulative and not exclusive of any rights, remedies, powers and privilege provided by law.

SECTION 11.22. Survival of Guarantee Obligations.

Without prejudice to the survival of any of the other obligations of each Guarantor hereunder, the obligations of each Guarantor under Section 11.01 shall survive the payment in full of the Guarantee Obligations and shall be enforceable against such Guarantor without regard to and without giving effect to any defense, right of offset or counterclaim available to or which may be asserted by the Issuer or any Guarantor.

SECTION 11.23. Guarantee in Addition to Other Guarantee Obligations.

The obligations of each Guarantor under its Guarantee and this Indenture are in addition to and not in substitution for any other obligations to the Trustee or to any of the Holders in relation to this Indenture or the Securities and any guarantees or security at any time held by or for the benefit of any of them.

SECTION 11.24. Severability.

Any provision of this Article Eleven which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction unless its removal would substantially defeat the basic intent, spirit and purpose of this Indenture and this Article Eleven.

SECTION 11.25. Successors and Assigns.

Each Guarantee shall be binding upon and inure to the benefit of each Guarantor and the Trustee and the other Holders and their respective successors and permitted assigns, except that no Guarantor may assign any of its obligations hereunder or thereunder.

ARTICLE TWELVE

MISCELLANEOUS

SECTION 12.01. TIA Controls.

If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required or deemed to be included in this Indenture by the TIA, such required or deemed provision shall control.

SECTION 12.02. Notices.

Any notices or other communications required or permitted hereunder shall be in writing, and shall be sufficiently given if made by hand delivery, by telex, by nationally recognized overnight courier service, by telecopier or registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

if to the Issuer:

WMG Acquisition Corp.
c/o Warner Music Group, Inc.
75 Rockefeller Plaza,
New York, NY 10019
Attention: General Counsel

Telephone: (212) 275-2030
Facsimile: (212) 258-3092

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
Attention: Edward P. Tolley III

Telephone: (212) 455-2000
Facsimile: (212) 455-2502

if to the Trustee:

Wells Fargo Bank, National Association
Corporate Trust Department
Sixth Street and Marquette Avenue
N9303-120
Minneapolis, MN 55179
Attention: Jeffery Rose

Telephone: (612) 667-0337
Facsimile: (612) 667-9825

Each of the Issuer and the Trustee by written notice to each other such Person may designate additional or different addresses for notices to such Person. Any notice or communication to the Issuer and the Trustee, shall be deemed to have been given or made as of the date so delivered if personally delivered; when answered back; when receipt is acknowledged, if telecopied; five (5) calendar days after mailing if sent by registered or certified mail, postage prepaid (except that a notice of change of address shall not be deemed to have been given until actually received by the addressee); and next Business Day if by nationally recognized overnight courier service.

Any notice or communication mailed to a Securityholder shall be mailed to him by first class mail or other equivalent means at his address as it appears on the registration books of the Registrar and shall be sufficiently given to him if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 12.03. Communications by Holders with Other Holders.

Securityholders may communicate pursuant to TIA § 312(b) with other Securityholders with respect to their rights under this Indenture, the Securities or the Subsidiary Guarantees. The Issuer, the Trustee, the Registrar and any other Person shall have the protection of TIA § 312(c).

SECTION 12.04. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Issuer to the Trustee to take any action under this Indenture, the Issuer shall furnish to the Trustee at the request of the Trustee:

(1) an Officers' Certificate, in form and substance satisfactory to the Trustee, stating that, in the opinion of the signers, all conditions precedent to be performed or effected by the Issuer, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, any and all such conditions precedent have been complied with.

SECTION 12.05. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture, other than the Officers' Certificate required by Section 4.06, shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with or satisfied; and

(4) a statement as to whether or not, in the opinion of each such Person, such condition or covenant has been complied with; *provided, however,* that with respect to matters of fact an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

SECTION 12.06. Rules by Trustee, Paying Agent, Registrar.

The Trustee, Paying Agent or Registrar may make reasonable rules for its functions.

SECTION 12.07. Legal Holidays.

If a payment date is not a Business Day, payment may be made on the next succeeding day that is a Business Day.

SECTION 12.08. Governing Law.

This Indenture, the Securities and the Guarantees, if any, will be governed by and construed in accordance with the laws of the State of New York.

SECTION 12.09. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Issuer or any of its Subsidiaries. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 12.10. No Recourse Against Others.

No director, officer, employee, incorporator or stockholder of the Issuer or any direct or indirect parent corporation or of any Guarantor, as such, shall have any liability for any obligations of the Issuer or the Guarantors under the Securities or this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. Such waiver and release are part of the consideration for issuance of the Securities.

SECTION 12.11. Successors.

All agreements of the Issuer in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 12.12. Duplicate Originals.

All parties may sign any number of copies of this Indenture. Each signed copy or counterpart shall be an original, but all of them together shall represent the same agreement.

SECTION 12.13. Severability.

In case any one or more of the provisions in this Indenture or in the Securities shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

SECTION 12.14. Currency of Account; Conversion of Currency; Foreign Exchange Restrictions.

(a) U.S. Dollars are the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Dollar Securities,

the Guarantees of the Dollar Securities or this Indenture to the extent it relates to the Dollar Securities, including damages related thereto, and pounds sterling are the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Sterling Securities, the Guarantees of the Sterling Securities or this Indenture to the extent it relates to the Sterling Securities, including damages related thereto. Any amount received or recovered in a currency other than U.S. Dollars by a Holder of Dollar Securities or pounds sterling by a Holder of Sterling Securities (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the U.S. Dollar or pounds sterling amount, as the case may be, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. Dollar or pounds sterling amount is less than the U.S. Dollar or pounds sterling amount expressed to be due to the recipient under the applicable Securities, the Issuer shall indemnify it against any loss sustained by it as a result as set forth in Section 12.14(b). In any event, the Issuer and the Guarantors shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Section 12.14, it will be sufficient for the Holder of a Security to certify in a satisfactory manner (indicating sources of information used) that it would have suffered a loss had an actual purchase of U.S. Dollars or pounds sterling, as the case may be, been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. Dollars or pounds sterling, as applicable, on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). The indemnities set forth in this Section 12.14 constitute separate and independent obligations from other obligations of the Issuer and the Guarantors, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of the Securities and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Securities.

(b) The Issuer and the Guarantors, jointly and severally, covenant and agree that the following provisions shall apply to conversion of currency in the case of the Securities, the Guarantees and this Indenture:

(1) (A) If for the purpose of obtaining judgment in, or enforcing the judgment of, any court in any country, it becomes necessary to convert into a currency (the "**Judgment Currency**") an amount due in any other currency (the "**Base Currency**"), then the conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which the judgment is given or the order of enforcement is made, as the case may be (unless a court shall otherwise determine).

(B) If there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given or an order of enforcement is made, as the case may be (or such other date as a court shall determine), and the date of receipt of the amount due, the Issuer and the Guarantors will pay such additional (or, as the case may be, such lesser) amount, if any, as may be necessary so that the amount paid in the Judgment Currency when converted at the rate of exchange prevailing on the date of receipt will produce the amount in the Base Currency originally due.

(2) In the event of the winding-up of the Issuer or any Guarantor at any time while any amount or damages owing under the Securities, the Guarantees and this Indenture, or any judgment or order rendered in respect thereof, shall remain outstanding, the Issuer and the Guarantors shall indemnify and hold the Holders and the Trustee harmless against any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which the U.S. Dollar Equivalent or equivalent amount in pounds sterling, as applicable, of the amount due or contingently due under the Securities, the Guarantees and this Indenture (other than under this subsection (b)(2)) is calculated for the purposes of such winding-up and (ii) the final date for the filing of proofs of claim in such winding-up. For the purpose of this subsection (b)(2), the final date for the filing of proofs of claim in the winding-up of the Issuer or any Guarantor shall be the date fixed by the liquidator or otherwise in accordance with the relevant provisions of applicable law as being the latest practicable date as at which liabilities of the Issuer or such Guarantor may be ascertained for such winding-up prior to payment by the liquidator or otherwise in respect thereto.

(c) The obligations contained in subsections (a), (b)(1)(B) and (b)(2) of this Section 12.14 shall constitute separate and independent obligations from the other obligations of the Issuer and the Guarantors under this Indenture, shall give rise to separate and independent causes of action against the Issuer and the Guarantors, shall apply irrespective of any waiver or extension granted by any Holder or the Trustee or either of them from time to time and shall continue in full force and effect notwithstanding any judgment or order or the filing of any proof of claim in the winding-up of the Issuer or any Guarantor for a liquidated sum in respect of amounts due hereunder (other than under subsection (b)(2) above) or under any such judgment or order. Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Holders or the Trustee, as the case may be, and no proof or evidence of any actual loss shall be required by the Issuer or any Guarantor or the liquidator or otherwise or any of them. In the case of subsection (b)(2) above, the amount of such deficiency shall not be deemed to be reduced by any variation in rates of exchange occurring between the said final date and the date of any liquidating distribution.

(d) The term "**rate(s) of exchange**" shall mean the rate of exchange quoted by Reuters at 10:00 a.m. (New York time) for spot purchases of the Base Currency with the

Judgment Currency other than the Base Currency referred to in subsections (b)(1) and (b)(2) above and includes any premiums and costs of exchange payable.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed all as of the date first written above.

WMG ACQUISITION CORP.,
as the Issuer

By: /s/ Paul Robinson
Name: Paul Robinson
Title: Vice President

By each of the Subsidiaries listed on Schedule I hereto:

By: /s/ Paul Robinson
Name: Paul Robinson
Title: Vice President

WELLS FARGO BANK,
NATIONAL ASSOCIATION,
as Trustee

By: /s/ Frank McDonald
Name: Frank McDonald
Title: Vice President

EXHIBIT A

[FORM OF INITIAL DOLLAR SECURITY]

WMG ACQUISITION CORP.
7 3/8% Senior Subordinated Notes due 2014

CUSIP No.
ISIN No.

No. $[ ]

WMG ACQUISITION CORP., a Delaware corporation (the "Company," which term includes any successor corporation), for value received promises to pay to CEDE & CO. or its registered assigns, the principal sum of [ ] dollars ($[ ]) on April 15, 2014.

Interest Payment Dates: April 15 and October 15, commencing October 15, 2004.

Record Dates: April 1 and October 1.

Reference is made to the further provisions of this Dollar Security contained herein, which will for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officers.

WMG ACQUISITION CORP.

By: _____

Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the 7 3/8% Senior Subordinated Notes due 2014 described in the within-mentioned Indenture.

Dated:

WELLS FARGO BANK,
NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

(Reverse of Dollar Security)
WMG Acquisition Corp.

7 3/8% Senior Subordinated Notes due 2014

[Insert the Global Security Legend, if applicable pursuant to the provisions of the Indenture]

[Insert the Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

SECTION 1. Interest. WMG Acquisition Corp., a Delaware corporation (the **"Company**"), promises to pay interest on the principal amount of this Dollar Security at 7 3/8% per annum from April 8, 2004 until maturity. The Company will pay interest semiannually on April 15 and October 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an **"Interest Payment Date**"). Interest on the Dollar Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; *provided* that if there is no existing Default in the payment of interest, and if this Dollar Security is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided, further,* that the first Interest Payment Date shall be October 15, 2004. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand to the extent lawful at the interest rate applicable to the Dollar Securities; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30 day months.

SECTION 2. Method of Payment. The Company will pay interest on the Dollar Securities (except defaulted interest) to the Persons who are registered Holders of Dollar Securities at the close of business on the April 1 or October 1 next preceding the Interest Payment Date, even if such Dollar Securities are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.13 of the Indenture with respect to defaulted interest. The Dollar Securities will be issued in denominations of $5,000 and integral multiples of $1,000. The Company shall pay principal, premium, if any and interest on the Dollar Securities in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts (**"U.S. Legal Tender"**). Principal, premium, if any, and interest on the Dollar Securities will be payable at the office or agency of the Company maintained for such purpose or, at the option of the

Company, payment of interest may be made by check mailed to the Holders at their respective addresses set forth in the register of Holders; *provided* that all payments of principal, premium and interest with respect to Dollar Securities the Holders of which have given wire transfer instructions to the Company prior to the Record Date will be required to be made by wire transfer of immediately available funds to the accounts specified by the Holders thereof. Until otherwise designated by the Company, the Company's office or agency in New York will be the office of the Trustee maintained for such purpose.

SECTION 3. Paying Agent and Registrar. Initially, Wells Fargo Bank, National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any Affiliate may act in any such capacity.

SECTION 4. Indenture and Subordination. The Company issued the Securities under an Indenture dated as of April 8, 2004 ("**Indenture**") between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code §§ 77aaa-77bbbb) (the **"TIA"**). The Securities are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of such terms. To the extent any provision of this Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The payment of the Securities will, to the extent set forth in the Indenture, be subordinated in right of payment to the prior payment in full in cash or Cash Equivalents of all Senior Debt.

SECTION 5. Optional Redemption. (a) The Securities may be redeemed, in whole or in part, at any time prior to April 15, 2009, at the option of the Company upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each Holder's registered address, at a

redemption price equal to 100% of the principal amount of the Securities redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Additional Interest, if any, to, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

For purposes of the preceding paragraph, the following terms will have the following definitions:

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

(1) 1.0% of the then outstanding principal amount of the Security; and

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Security at April 15, 2009, as applicable (such redemption price being set forth in the table appearing under paragraph (b)) plus (ii) all required

interest payments due on the Dollar Security through April 15, 2009, as applicable (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(b) the then outstanding principal amount of the Security.

"Treasury Rate" means, as of the applicable redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to such redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to April 15, 2009; *provided, however,* that if the period from such redemption date to April 15, 2009 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

(b) On or after April 15, 2009, the Dollar Securities will be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Additional Interest thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning *on* April 15 of the years indicated below:

Year	Percentage
2009	103.688%
2010	102.458%
2011	101.229%
2012 and thereafter	100.000%

SECTION 6. Optional Redemption upon Equity Offering. At any time on or prior to April 15, 2007, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Dollar Securities issued under the Indenture (calculated after giving effect to the issuance of Additional Dollar Securities) at a redemption price equal to 107.375% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest thereon, if any, to the redemption date, with the net cash proceeds of Equity Offerings; *provided* that (i) at least 65% of the aggregate principal amount of Dollar Securities issued under the Indenture (calculated after giving effect to the issuance of Additional Dollar Securities) remains outstanding immediately after the occurrence of such redemption (exclud*ing* Dollar Securities held by the Company and its Subsidiaries) and (ii) such redemption shall occur within 90 days of the date of the closing of such Equity Offering (disregarding the date of the closing of any over-allotment option with respect thereto).

SECTION 7. Mandatory Redemption. For the avoidance of doubt, an offer to purchase pursuant to Section 8 hereof shall not be deemed a redemption. The Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Securities.

SECTION 8. Offers To Purchase. The Indenture provides that upon the occurrence of a Change of Control or an Asset Sale and subject to further limitations contained therein, the Company shall make an offer to purchase outstanding Securities in accordance with the procedures set forth in the Indenture.

SECTION 9. Notice of Redemption. Notice of redemption will be mailed by first class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at its registered address. Dollar Securities in denominations larger than $5,000 may be redeemed in part. If any Security is to be redeemed in part only, the notice of redemption that relates to such Security shall state the portion of the principal amount thereof to be redeemed. A new Security in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Security. On and after the redemption date interest ceases to accrue on Securities or portions thereof called for redemption.

SECTION 10. Denominations, Transfer, Exchange. The Dollar Securities are in registered form without coupons in denominations of $5,000 and integral multiples of $1,000. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company or the Registrar is not required to transfer or exchange any Security selected for redemption. Also, the Company or the Registrar is not required to transfer or exchange any Securities for a period of 15 days before a selection of Securities to be redeemed.

SECTION 11. Persons Deemed Owners. The registered Holder of a Security may be treated as its owner for all purposes.

SECTION 12. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture and the Securities may be amended or supplemented with the written consent of the Holders of at least a majority in aggregate principal amount of the Securities then outstanding, and any existing Default or compliance with any provision may be waived with the consent of the Holders of a majority in aggregate principal amount of the Securities then outstanding. Without notice to or consent of any Holder, the parties thereto may amend or supplement the Indenture and the Securities to, among other things, cure any ambiguity, defect or inconsistency in the Indenture, provide for uncertificated Securities in addition to certificated Securities, comply with any requirements of the Commission in connection with the qualification of the Indenture under the TIA, or make any change that does not adversely affect the rights of any Holder of a Security; *provided, however,* that if any amendment,

waiver or other modification will only affect the Dollar Securities or the Sterling Securities, only the consent of the Holders of at least a majority in principal amount of the then outstanding Dollar Securities or Sterling Securities (and not the consent of at least a majority of all Securities), as the case may be, shall be required.

SECTION 13. Defaults and Remedies. If a Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Securities generally may declare all the Securities to be due and payable immediately. Notwithstanding the foregoing, in the case of a Default arising from certain events of bankruptcy or insolvency as set forth in the Indenture, with respect to the Company, all outstanding Securities will become due and payable without further action or notice. Holders of the Securities may not enforce the Indenture or the Securities except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default (except a Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Securities then outstanding by notice to the Trustee may on behalf of the Holders of all of the Securities waive any Default and its consequences under the Indenture except a continuing Default in the payment of interest on, or the principal of the Securities or in respect of certain covenants set forth in the Indenture.

SECTION 14. Restrictive Covenants. The Indenture contains certain covenants that, among other things, limit the ability of the Company and its Restricted Subsidiaries to make restricted payments, to incur indebtedness, to create liens, to sell assets, to permit restrictions on dividends and other payments by Restricted Subsidiaries of the Company, to consolidate, merge or sell all or substantially all of its assets or to engage in transactions with affiliates. The limitations are subject to a number of important qualifications and exceptions. The Company must annually report to the Trustee on compliance with such limitations.

SECTION 15. No Recourse Against Others. No director, officer, employee, incorporator or stockholder of the Company or any direct or indirect parent corporation or any Guarantor, as such, shall have any liability for any obligations of the Company or the Guarantors under the Securities, the Indenture, the Guarantors' Subsidiary Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Securities by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Securities.

SECTION 16. Trustee Dealings with the Company. The Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company, its Subsidiaries or their respective Affiliates as if it were not the Trustee.

SECTION 17. Authentication. This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

SECTION 18. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entirety), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

SECTION 19. Additional Rights of Holders of Restricted Global Securities and Restricted Definitive Securities. Pursuant to, but subject to the exceptions in, the Registration Rights Agreement, the Company and the Guarantors, if any, will be obligated to consummate an exchange offer pursuant to which the Holder of this Security shall have the right to exchange this Initial Security for a 7 3/8% Senior Subordinated Note due 2014 of the Company which shall have been registered under the Securities Act, in like principal amount and having terms identical in all material respects to this Initial Security (except that such note shall not be entitled to Additional Interest). The Holders shall be entitled to receive certain Additional Interest in the event such exchange offer is not consummated or the Securities are not offered for resale and upon certain other conditions, all pursuant to and in accordance with the terms of the Registration Rights Agreement.(a)

(a) This Section not to appear on Exchange Securities.

SECTION 20. Guarantees. The Securities will be entitled to the benefits of certain Guarantees made for the benefit of the Holders. Reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and obligations thereunder of the Guarantors, the Trustee and the Holders.

SECTION 21. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Securities and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

SECTION 22. Governing Law. **This Security shall be governed by, and construed in accordance with, the laws of the State of New York**

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture.

ASSIGNMENT FORM

I or we assign and transfer this Security to:

_____

(Insert assignee's social security or tax I.D. number)

_____

(Print or type name, address and zip code of assignee)

and irrevocably appoint:

Agent to transfer this Security on the books of the Company. The Agent may substitute another to act for him.

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: _____

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 4.09 or Section 4.13 of the Indenture, check the appropriate box:

Section 4.09 o Section 4.13 o

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 4.09 or Section 4.13 of the Indenture, state the amount: $

Dated: _____ Signed: _____

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: _____

Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor program reasonably acceptable to the Trustee)

EXHIBIT B

[FORM OF INITIAL STERLING SECURITY]

WMG ACQUISITION CORP.
8 1/8% Senior Subordinated Notes due 2014

CUSIP No.
ISIN No.
Common Code

No. £ [ ]

WMG ACQUISITION CORP., a Delaware corporation (the "Company," which term includes any successor corporation), for value received promises to pay to HSBC ISSUER SERVICES COMMON DEPOSITARY NOMINEE (UK) LIMITED or its registered assigns, the principal sum of [ ] pounds sterling (£[ ]) on April 15, 2014.

Interest Payment Dates: April 15 and October 15 commencing October 15, 2004.

Record Dates: April 1 and October 1.

Reference is made to the further provisions of this Sterling Security contained herein, which will for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officers.

WMG ACQUISITION CORP.

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the 8 1/8% Senior Subordinated Notes due 2014 described in the within-mentioned Indenture.

Dated:

WELLS FARGO BANK,
NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

(Reverse of Sterling Security)
WMG Acquisition Corp.

8 1/8% Senior Subordinated Notes due 2014

[Insert the Global Security Legend, if applicable pursuant to the provisions of the Indenture]

[Insert the Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

SECTION 1. Interest. WMG Acquisition Corp., a Delaware corporation (the **"Company"**), promises to pay interest on the principal amount of this Sterling Security at 8 1/8% per annum from April 8, 2004 until maturity. The Company will pay interest semiannually on April 15 and October 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "**Interest Payment Date**"). Interest on the Sterling Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; *provided* that if there is no existing Default in the payment of interest, and if this Sterling Security is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided, further,* that the first Interest Payment Date shall be October 15, 2004. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand to the extent lawful at the interest rate applicable to the Sterling Securities; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30 day months.

SECTION 2. Method of Payment. The Company will pay interest on the Sterling Securities (except defaulted interest) to the Persons who are registered Holders of Sterling Securities at the close of business on the April 1 or October 1 next preceding the Interest Payment Date, even if such Securities are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.13 of the Indenture with respect to defaulted interest. The Sterling Securities will be issued in denominations of £5,000 and integral multiples of £1,000. The Company shall pay principal, premium, if any and interest on the Sterling Securities in such coin or currency of the United Kingdom as at the time of payment is legal tender for payment of public and private debts ("**U.K. Legal Tender**"). Principal, premium, if any, and interest on the Sterling Securities will be payable at the office or agency of the Company maintained for such purpose or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their respective addresses set

forth in the register of Holders; *provided* that all payments of principal, premium and interest with respect to Securities the Holders of which have given wire transfer instructions to the Company prior to the Record Date will be required to be made by wire transfer of immediately available funds to the accounts specified by the Holders thereof. Until otherwise designated by the Company, the Company's office or agency in New York will be the office of the Trustee maintained for such purpose.

SECTION 3. PayingAgent and Registrar. Initially, HSBC Bank plc will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any Affiliate may act in any such capacity.

SECTION 4. Indenture and Subordination. The Company issued the Securities under an Indenture dated as of April 8, 2004 ("**Indenture**") between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code §§ 77aaa-77bbbb) (the "**TIA**"). The Securities are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of such terms. To the extent any provision of this Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The payment of the Securities will, to the extent set forth in the Indenture, be subordinated in right of payment to the prior payment in full in cash or Cash Equivalents of all Senior Debt.

SECTION 5. Optional Redemption. (a) The Securities may be redeemed, in whole or in part, at any time prior to April 15, 2009, at the option of the Company upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each Holder's registered address, at a redemption price equal to 100% of the principal amount of the Securities redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Additional Interest, if any, to, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

For purposes of the preceding paragraph, the following terms will have the following definitions:

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

(1) 1.0% of the then outstanding principal amount of the Security; and

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Security at April 15, 2009, as applicable (such redemption price being set forth in the table appearing under paragraph (b)) plus (ii) all required interest payments due on the Security through April 15, 2009, as applicable (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(b) the then outstanding principal amount of the Security.

"Treasury Rate" means the yield to maturity as of such redemption date of U.K. Government Securities with a constant maturity (as compiled by the Office for National Statistics and published in the most recent financial statistics that have become publicly available at least two business days in London prior to such redemption date (or, if such financial statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to April 15, 2009; *provided, however,* that if the period from such redemption date to April 15, 2009 is less than one year, the weekly average yield on actually traded U.K. Government Securities adjusted to a constant maturity of one year shall be used.

(b) On or after April 15, 2009, the Sterling Securities will be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Additional Interest thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on April 15 of the years indicated below:

Year	Percentage
2009	104.063%
2010	102.708%
2011	101.354%
2012 and thereafter	100.000%

SECTION 6. Optional Redemption upon Equity Offering. At any time on or prior to April 15, 2007, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Sterling Securities issued under the Indenture (calculated after giving effect to the issuance of Additional Sterling Securities) at a redemption price equal to 108.125% of the principal amount thereof, plus accrued and unpaid interest and Additional Interest thereon, if any, to the redemption date, with the net cash proceeds of Equity Offerings; *provided* that (i) at least 65% of the aggregate principal amount of Sterling Securities issued under the Indenture (calculated after giving effect to the issuance of Additional Sterling Securities) remains outstanding

immediately after the occurrence of such redemption (excluding Sterling Securities held by the Company and its Subsidiaries) and (ii) such redemption shall occur within 90 days of the date of the closing of such Equity Offering (disregarding the date of the closing of any over-allotment option with respect thereto).

SECTION 7. Mandatory Redemption. For the avoidance of doubt, an offer to purchase pursuant to Section 8 hereof shall not be deemed a redemption. The Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Securities.

SECTION 8. Offers To Purchase. The Indenture provides that upon the occurrence of a Change of Control or an Asset Sale and subject to further limitations contained therein, the Company shall make an offer to purchase outstanding Securities in accordance with the procedures set forth in the Indenture.

SECTION 9. Notice of Redemption. Notice of redemption will be mailed by first class mail at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at its registered address. Sterling Securities in denominations larger than £5,000 may be redeemed in part. If any Security is to be redeemed in part only, the notice of redemption that relates to such Security shall state the portion of the principal amount thereof to be redeemed. A new Security in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Security. On and after the redemption date interest ceases to accrue on Securities or portions thereof called for redemption.

SECTION 10. Denominations, Transfer, Exchange. The Sterling Securities are in registered form without coupons in denominations of £5,000 and integral multiples of £1,000. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company or the Registrar is not required to transfer or exchange any Security selected for redemption. Also, the Company or the Registrar is not required to transfer or exchange any Securities for a period of 15 days before a selection of Securities to be redeemed.

SECTION 11. Persons Deemed Owners. The registered Holder of a Security may be treated as its owner for all purposes.

SECTION 12. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture and the Securities may be amended or supplemented with the written consent of the Holders of at least a majority in aggregate principal amount of the Securities then outstanding, and any existing Default or compliance with any provision may be waived with the consent of the Holders of a majority in aggregate principal amount of the Securities then outstanding. Without notice to or consent of any Holder, the parties thereto may amend or supplement the Indenture and the Securities to, among other things, cure any ambiguity, defect or inconsistency in the Indenture, provide for uncertificated Securities in addition to certificated Securities, comply with any requirements of the Commission in connection with the qualification of the Indenture under the TIA, or make any change that does not adversely affect the rights of any Holder of a Security; *provided, however,* that if any amendment, waiver or other modification will only affect the Dollar Securities or the Sterling Securities, only the consent of the Holders of at least a majority in principal amount of the then outstanding Dollar Securities or Sterling Securities (and not the consent of at least a majority of all Securities), as the case may be, shall be required.

SECTION 13. Defaults and Remedies. If a Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Securities generally may declare all the Securities to be due and payable immediately. Notwithstanding the foregoing, in the case of a Default arising from certain events of bankruptcy or insolvency as set forth in the Indenture, with respect to the Company, all outstanding Securities will become due and payable without further action or notice. Holders of the Securities may not enforce the Indenture or the Securities except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default (except a Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Securities then outstanding by notice to the Trustee may on behalf of the Holders of all of the Securities waive any Default and its consequences under the Indenture except a continuing Default in the payment of interest on, or the principal of the Securities or in respect of certain covenants set forth in the Indenture.

SECTION 14. Restrictive Covenants. The Indenture contains certain covenants that, among other things, limit the ability of the Company and its Restricted Subsidiaries to make restricted payments, to incur indebtedness, to create liens, to sell assets, to permit restrictions on dividends and other payments by Restricted Subsidiaries of the Company, to consolidate, merge or sell all or substantially all of its assets or to engage in transactions with affiliates. The limitations are subject to a number of important qualifications and exceptions. The Company must annually report to the Trustee on compliance with such limitations.

SECTION 15. No Recourse Against Others. No director, officer, employee, incorporator or stockholder of the Company or any direct or indirect parent corporation or any Guarantor, as such, shall have any liability for any obligations of the Company or the Guarantors under the Securities, the Indenture, the Guarantors' Subsidiary Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Securities by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Securities.

SECTION 16. Trustee Dealings with the Company. The Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company, its Subsidiaries or their respective Affiliates as if it were not the Trustee.

SECTION 17. Authentication. This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

SECTION 18. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entirety), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

SECTION 19. Additional Rights of Holders of Restricted Global Securities and Restricted Definitive Securities. Pursuant to, but subject to the exceptions in, the Registration Rights Agreement, the Company and the Guarantors, if any, will be obligated to consummate an exchange offer pursuant to which the Holder of this Security shall have the right to exchange this Initial Security for a 8 1/8% Senior Subordinated Note due 2014 of the Company which shall have been registered under the Securities Act, in like principal amount and having terms identical in all material respects to this Initial Security (except that such note shall not be entitled to Additional Interest). The Holders shall be entitled to receive certain Additional Interest in the event such exchange offer is not consummated or the Securities are not offered for resale and upon certain other conditions, all pursuant to and in accordance with the terms of the Registration Rights Agreement. (a)

(a) This Section not to appear on Exchange Securities.

SECTION 20. Guarantees. The Securities will be entitled to the benefits of certain Guarantees made for the benefit of the Holders. Reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and obligations thereunder of the Guarantors, the Trustee and the Holders.

SECTION 21. CUSIP Numbers, ISINs and Common Codes. The Company has caused CUSIP numbers and ISINs and, in the case of the Sterling Securities, Common Codes to be printed on the Securities and has directed the Trustee to use CUSIP numbers and ISINs and, in the case of the Sterling Securities, Common Codes in notices of redemption as a convenience to the Holders. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

SECTION 22. Governing Law. **This Security shall be governed by, and construed in accordance with, the laws of the State of New York.**

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture.

ASSIGNMENT FORM

I or we assign and transfer this Security to:

(Insert assignee's social security or tax I.D. number)

(Print or type name, address and zip code of assignee)

and irrevocably appoint:

Agent to transfer this Security on the books of the Company. The Agent may substitute another to act for him.

Date: _____ Your Signature: _____
(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee: _____

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 4.09 or Section 4.13 of the Indenture, check the appropriate box:

Section 4.09 o Section 4.13 o

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 4.09 or Section 4.13 of the Indenture, state the amount: £

Dated: _____ Signed: _____

(Sign exactly as name appears on the other side of this Security)

Signature Guarantee: _____

Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor program reasonably acceptable to the Trustee)

EXHIBIT C-1

[FORM OF LEGEND FOR DOLLAR 144A SECURITIES AND
OTHER DOLLAR SECURITIES THAT ARE RESTRICTED SECURITIES]

The Securities evidenced hereby have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold, pledged or otherwise transferred except (a) (1) to a person who the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (2) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act, (3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (4) to an institutional accredited investor in a transaction exempt from the registration requirements of the Securities Act or (5) pursuant to an effective registration statement under the Securities Act and (b) in accordance with all applicable securities laws of the United States and other jurisdictions.

EXHIBIT C-2

[FORM OF LEGEND FOR STERLING 144A SECURITIES AND
OTHER STERLING SECURITIES THAT ARE RESTRICTED SECURITIES]

THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (B) IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS *[IN THE CASE OF RULE 144A SECURITIES:* TWO YEARS] *[IN THE CASE OF REGULATION S SECURITIES:* 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM

PRINCIPAL AMOUNT OF THE SECURITIES OF THE POUNDS STERLING EQUIVALENT OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR

OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

Each Definitive Sterling Security shall bear the following additional legend:

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

[FORM OF ASSIGNMENT FOR 144A SECURITIES
AND OTHER SECURITIES THAT ARE RESTRICTED SECURITIES]

I or we assign and transfer this Security to:

_____

(Insert assignee's social security or tax I.D. number)

_____

(Print or type name, address and zip code of assignee)

and irrevocably appoint:

Agent to transfer this Security on the books of the Issuers. The Agent may substitute another to act for him.

[Check One]

o (a) this Security is being transferred in compliance with the exemption from registration under the Securities Act provided by Rule 144A thereunder.

or

o (b) this Security is being transferred other than in accordance with (a) above and documents are being furnished which comply with the conditions of transfer set forth in this Security and the Indenture.

If none of the foregoing boxes is checked, the Trustee or Registrar shall not be obligated to register this Security in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Sections 2.16 and 2.17 of the Indenture shall have been satisfied.

Date: _____ Your Signature: _____

(Sign exactly as your name
appears on the face of this Security)

Signature Guarantee: _____

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

TO BE COMPLETED BY TRANSFEROR IF (a) ABOVE IS CHECKED

The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act, and, accordingly, the Transferor hereby further certifies that the beneficial interest or certificated Security is being Transferred to a Person that the Transferor reasonably believed and believes is purchasing the beneficial interest or certificated Security for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the Transferred beneficial interest or certificated Security will be subject to the restrictions on transfer enumerated on the Rule 144A Securities and/or the certificated Security and in the Indenture and the Securities Act.

Dated: _____ _____

NOTICE: To be executed by an executive officer

[FORM OF LEGEND FOR REGULATION S SECURITY]

This Security has not been registered under the U.S. Securities Act of 1933, as amended (the "Act"), and, unless so registered, may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, U.S. Persons unless registered under the Act or except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Act.

In connection with any transfer, the holder will deliver to the Registrar and Transfer Agent such certificates and other information as such Transfer Agent may reasonably require to confirm that the transfer complies with the foregoing restrictions.

[FORM OF ASSIGNMENT FOR REGULATION S SECURITY]

I or we assign and transfer this Security to:

_____

(Insert assignee's social security or tax I.D. number)

_____

(Print or type name, address and zip code of assignee)

and irrevocably appoint:

Agent to transfer this Security on the books of the Issuers. The Agent may substitute another to act for him.

[Check One]

o (a) this Security is being transferred in compliance with the exemption from registration under the Securities Act provided by Regulation S thereunder.

or

o (b) this Security is being transferred other than in accordance with (a) above and documents are being furnished which comply with the conditions of transfer set forth in this Security and the Indenture.

If none of the foregoing boxes is checked, the Trustee or Registrar shall not be obligated to register this Security in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Sections 2.16 and 2.17 of the Indenture shall have been satisfied.

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the face of this Security)

Signature Guarantee: _____

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

TO BE COMPLETED BY TRANSFEROR IF (a) ABOVE IS CHECKED

The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed Transfer is being made prior to the expiration of the restricted period under Regulation S, the Transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an initial purchaser). Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the Transferred beneficial interest or certificated Security will be subject to the restrictions on Transfer enumerated on the Regulation S Securities and/or the certificated Security and in the Indenture and the Securities Act.

Dated: _____ _____

NOTICE: To be executed by an executive officer

EXHIBIT E-1

[FORM OF LEGEND FOR GLOBAL DOLLAR SECURITY]

Any Global Security authenticated and delivered hereunder shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Security) in substantially the following form:

This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. This Security is not exchangeable for Securities registered in the name of a person other than the Depository or its nominee except in the limited circumstances described in the Indenture, and no transfer of this Security (other than a transfer of this Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in the limited circumstances described in the Indenture.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company (a New York corporation) ("DTC") to the issuer or its agent for registration of transfer, exchange, or payment, and any Certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as is requested by an authorized representative of DTC), any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

EXHIBIT E-2

[FORM OF LEGEND FOR GLOBAL STERLING SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF [ ] TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN A NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF [ ] (AND ANY PAYMENT IS MADE TO SUCH ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF [ ]), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO THE COMMON DEPOSITORY, TO NOMINEES OF THE COMMON DEPOSITORY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

EXHIBIT F

Form of Certificate To Be
Delivered in Connection with
Transfers to Non-01B Accredited Investors

[ ], [ ]

Wells Fargo Bank, National Association
Sixth Street and Marquette Avenue
N9303-120
Minneapolis, MN 55179

Ladies and Gentlemen:

In connection with our proposed purchase of U.S. Dollar-denominated 7 3/8% Senior Subordinated Notes due 2014 and Sterling-denominated 8 1/8% Senior Subordinated Notes due 2014 (the "Securities") of WMG ACQUISITION CORP., a Delaware corporation ("the Issuer"), we confirm that:

1. We have received a copy of the Offering Memorandum (the "Offering Memorandum"), dated April 1, 2004, relating to the Securities and such other information as we deem necessary in order to make our investment decision. We acknowledge that we have read and agreed to the matters stated in the section entitled "Notice to Investors" of such Offering Memorandum, including the restrictions on duplication and circulation of the Offering Memorandum.

2. We understand that any subsequent transfer of the Securities is subject to certain restrictions and conditions set forth in the Indenture relating to the Securities (the "Indenture") as described in the Offering Memorandum and the undersigned agrees to be bound by, and not to resell,

pledge or otherwise transfer the Securities except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "Securities Act"), and all applicable State securities laws.

3. We understand that the offer and sale of the Securities have not been registered under the Securities Act, and that the Securities may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell any Securities, we will do so only (i) to the Issuer or any of its subsidiaries, (ii) inside the United States in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act), (iii) inside the United States to an institutional

"accredited investor" (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to the Trustee (as defined in the Indenture) a signed letter containing certain representations and agreements relating to the restrictions on transfer of the Securities (the form of which letter can be obtained from the Trustee), (iv) outside the United States in accordance with Regulation S promulgated under the Securities Act to non-U.S. persons, (v) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (vi) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the Issuer so requests) or (vii) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any person purchasing any of the Securities from us a notice advising such purchaser that resales of the Securities are restricted as stated herein.

4. We are not acquiring the Securities for or on behalf of, and will not transfer the Securities to, any pension or welfare plan (as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended) or plan (as defined in Section 4975 of the Internal Revenue Code of 1986, as amended), except as permitted in the section entitled "Notice to Investors" of the Offering Circular.

5. We understand that, on any proposed resale of any Securities, we will be required to furnish to the Trustee and the Issuer such certification, legal opinions and other information as the Trustee and the Issuer may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Securities purchased by us will bear a legend to the foregoing effect.

6. We are an institutional "accredited investor" (as defined in Rule 501(a)(l), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Securities, and we and any accounts for which we are acting are each able to bear the economic risk of our or their investment, as the case may be.

7. We are acquiring the Securities purchased by us for our account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion.

You, the Issuer, the Trustee and others are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferee]

By: _____
Name:
Title:

EXHIBIT G

Form of Certificate To Be Delivered
in Connection with Transfers
Pursuant to Regulation S

Wells Fargo Bank, National Association
Sixth Street and Marquette Avenue
N9303-120
Minneapolis, MN 55179

Re: WMG Acquisition Corp. ("the Issuer") U.S. Dollar-denominated 7 3/8% Senior Subordinated Notes due 2014 and Sterling-denominated 8 1/8% Senior Subordinated Notes due 2014 (the "Securities")

Ladies and Gentlemen:

In connection with our proposed sale of $[ ] or £[ ] aggregate principal amount of the Securities, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(1) the offer of the Securities was not made to a person in the United States;

(2) either (a) at the time the buy offer was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States, or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither we nor any person acting on our behalf knows that the transaction has been prearranged with a buyer in the United States;

(3) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable;

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(5) we have advised the transferee of the transfer restrictions applicable to the Securities.

You, the Issuer and counsel for the Issuer are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By: _____
Authorized Signature

EXHIBIT H

GUARANTEE

Each of the undersigned (the "Guarantors") hereby jointly and severally unconditionally guarantees, to the extent set forth in the Indenture dated as of April 8, 2004 by and among WMG Acquisition Corp., a Delaware corporation, as issuer (the "Company"), the Guarantors, as guarantors, and Wells Fargo Bank, National Association, as Trustee (as amended, restated or supplemented from time to time, the "Indenture"), and subject to the provisions of the Indenture, (a) the due and punctual payment of the principal of, and premium, if any, and interest on the Securities, when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on overdue principal of, and premium and, to the extent permitted by law, interest, and the due and punctual performance of all other obligations of the Issuer to the Holders or the Trustee, all in accordance with the terms set forth in Article Eleven of the Indenture, and (b) in case of any extension of time of payment or renewal of any Securities or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of the Guarantors to the Holders and to the Trustee pursuant to this Guarantee and the Indenture are expressly set forth in Article Eleven of the Indenture, and reference is hereby made to the Indenture for the precise terms and limitations of this Guarantee. Each Holder of the Security to which this Guarantee is endorsed, by accepting such Security, agrees to and shall be bound by such provisions.

[Signatures on Following Pages]

IN WITNESS WHEREOF, each of the Guarantors has caused this Guarantee to be signed by a duly authorized officer.

[ ]

By: _____
Name:
Title:

WMG ACQUISITION CORP.
Issuer

THE SUBSIDIARY GUARANTORS PARTIES HERETO

And

WELLS FARGO BANK, NATIONAL ASSOCIATION,

Trustee

FIRST SUPPLEMENTAL INDENTURE

Dated as of November 16, 2004

TO

INDENTURE

Dated as of April 8, 2004

U.S. Dollar-denominated $7^{3}/_{8}$% Senior Subordinated Notes due 2014

Sterling-denominated $8^{1}/_{8}$% Senior Subordinated Notes due 2014

This FIRST SUPPLEMENTAL INDENTURE is dated as of this 16th day of November, 2004 (the "First Supplemental Indenture"), among WMG ACQUISITION CORP., a Delaware corporation (the "Issuer"), the Subsidiary Guarantors parties hereto (as listed below) and WELLS FARGO BANK, NATIONAL ASSOCIATION, as indenture trustee (the "Trustee").

WHEREAS, the Issuer, the Subsidiary Guarantors and the Trustee entered into an Indenture dated as of April 8, 2004 (the "Indenture") for the benefit of each other and for the equal and ratable benefit of the Holders of the U.S. Dollar-denominated $7^{3}/_{8}$% Senior Subordinated Notes due 2014 and the Sterling-denominated $8^{1}/_{8}$% Senior Subordinated Notes due 2014 (the "Notes"). Capitalized terms used herein without definition have the meanings ascribed to such terms in the Indenture.

WHEREAS, Section 4.16 of the Indenture requires the Issuer to cause certain Restricted Subsidiaries to execute and deliver a supplemental indenture to the Indenture providing for issuance by such Restricted Subsidiary of a Subsidiary Guarantee of payment of the Notes.

WHEREAS, the foregoing amendment is permitted under Section 9.01(6) of the Indenture.

WHEREAS, the Issuer and the Subsidiary Guarantors desire and have requested the Trustee to join with it in the execution and delivery of this First Supplemental Indenture,

NOW, THEREFORE, in consideration of the addition of the Subsidiary Guarantors named below as Subsidiary Guarantors hereunder, the Issuer and the Guarantors named below covenant and agree with the Trustee as follows:

1. The following Subsidiary Guarantors shall become Subsidiary Guarantors as of the date of this First Supplemental Indenture by execution and delivery of this First Supplemental Indenture:

WEA Rock LLC
WEA Urban LLC

2. The Indenture, as supplemented and amended by this First Supplemental Indenture, is in all respects ratified and confirmed, and the Indenture and this First Supplemental Indenture shall be read, taken and construed as one and the same instrument.

3. If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this First Supplemental Indenture by any of the provisions of the Trust Indenture Act, such required provision shall control.

4. All covenants and agreements in this First Supplemental Indenture by the Company and the Guarantors shall bind their respective successors and assigns, whether so expressed or not.

5. In case any provision in this First Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

6. Nothing in this First Supplemental Indenture, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Holders any benefit or any legal or equitable right, remedy or claim under this First Supplemental Indenture.

7. THIS FIRST SUPPLEMENTAL INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

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8. All terms used in this First Supplemental Indenture not otherwise defined herein that are defined in the Indenture shall have the meanings set forth therein.

9. This First Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

10. The recitals contained herein shall be taken as statements of the Issuer and the Subsidiary Guarantors, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of the Indenture, this First Supplemental Indenture or of the Notes and shall not be accountable for the use or application by the Company of the Notes or the proceeds thereof.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have executed this First Supplemental Indenture as of the date first written above.

WMG ACQUISITION CORP.

By: /s/ Paul M. Robinson
Name: Paul M. Robinson
Title: Sr. Vice President, Deputy General Counsel

WEA ROCK LLC

By: /s/ Paul M. Robinson
Name: Paul M. Robinson
Title: Vice President

WEA URBAN LLC

By: /s/ Paul M. Robinson
Name: Paul M. Robinson
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Indenture Trustee

By: _____
Name:
Title:

Exhibit 4.3

REGISTRATION RIGHTS AGREEMENT

Dated as of April 8, 2004

Among

WMG ACQUISITION CORP.

and

THE GUARANTORS NAMED HEREIN

as Issuers,

and

DEUTSCHE BANK SECURITIES INC.,
BANC OF AMERICA SECURITIES LLC,
LEHMAN BROTHERS INC.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

as Dollar Initial Purchasers

DEUTSCHE BANK AG LONDON
BANC OF AMERICA SECURITIES LIMITED
LEHMAN BROTHERS INTERNATIONAL
MERRILL LYNCH INTERNATIONAL

as the Sterling Initial Purchasers

$465,000,000 $7^{3}/_{8}$% Senior Subordinated Notes due 2014

£100,000,000 $8^{1}/_{8}$ % Senior Subordinated Notes due 2014

TABLE OF CONTENTS

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is dated as of April 8, 2004, among WMG ACQUISITION CORP., a Delaware corporation (the "Company"), and the subsidiaries of the Company listed on the signature pages hereto (collectively, and together with any entity that in the future executes a supplemental indenture pursuant to which such entity agrees to guarantee the Notes (as hereinafter defined), the "Guarantors," and together with the Company, the "Issuers"), DEUTSCHE BANK SECURITIES INC, BANC OF AMERICA SECURITIES LLC, LEHMAN BROTHERS INC. and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (the "Dollar Initial Purchasers") and DEUTSCHE BANK AG LONDON, BANC OF AMERICA SECURITIES LIMITED, LEHMAN BROTHERS INTERNATIONAL and MERRILL LYNCH INTERNATIONAL (the "Sterling Initial Purchasers" and, together with the Dollar Initial Purchasers, the "Initial Purchasers") as initial purchasers.

This Agreement is entered into in connection with the Purchase Agreement by and among the Issuers and the Initial Purchasers, dated as of April 1, 2004 (the "Purchase Agreement"), which provides for, among other things, the sale by the Company to the Initial Purchasers of (i) $465,000,000 aggregate principal amount of the Company's 7 3/8% Senior Subordinated Notes due 2014 (the "Dollar Notes") and (ii) £100,000,000 aggregate principal amount of the Company's 8 1/8% Senior Subordinated Notes due 2014 (the "Sterling Notes" and, together with the Dollar Notes, the "Notes") each guaranteed on an unsecured senior subordinated basis by the Guarantors (the "Guarantees"). References herein to the "Securities" refer to the Notes and the Guarantees, collectively. In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Issuers have agreed to provide the registration rights set forth in this Agreement for the benefit of the Initial Purchasers and any subsequent holder or holders of the Notes. The execution and delivery of this Agreement is a condition to the Initial Purchasers' obligation to purchase the Notes under the Purchase Agreement.

The parties hereby agree as follows:

1. Definitions

As used in this Agreement, the following terms shall have the following meanings:

Additional Interest: See Section 4(a) hereof.

Advice: See the last paragraph of Section 5 hereof.

Agreement: See the introductory paragraphs hereto.

Applicable Period: See Section 2(b) hereof.

Business Day: Any day that is not a Saturday, Sunday or a day on which banking institutions in New York are authorized or required by law to be closed.

Company: See the introductory paragraphs hereto.

Dollar Initial Purchasers: Shall have the meaning set forth in the preamble hereto.

Dollar Notes: Shall have the meaning set forth in the preamble hereto.

Effectiveness Period: See Section 3(a) hereof.

Event Date: See Section 4(b) hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

Exchange Notes: See Section 2(a) hereof.

Exchange Offer: See Section 2(a) hereof.

Exchange Offer Registration Statement: See Section 2(a) hereof.

Exchange Securities: shall mean the Exchange Notes together with the unconditional guarantees of the Exchange Notes made by the Guarantors.

Guarantees: See the introductory paragraphs hereto.

Guarantors: See the introductory paragraphs hereto.

Holder: Any holder of a Registrable Note or Registrable Securities.

Indenture: The Indenture, dated as of April 8, 2004, by and among the Company, the Guarantors, and Wells Fargo Bank, National Association, as Trustee, pursuant to which the Notes are being issued, as amended or supplemented from time to time in accordance with the terms thereof.

Information: See Section 5(o) hereof.

Initial Purchasers: See the introductory paragraphs hereto.

Initial Shelf Registration: See Section 3(a) hereof.

Inspectors: See Section 5(o) hereof.

Issue Date: April 8, 2004, the date of original issuance of the Notes.

Issuers: See the introductory paragraphs hereto.

Company: See the introductory paragraphs hereto.

NASD: See Section 5(s) hereof.

Notes: See the introductory paragraphs hereto.

Participant: See Section 7(a) hereof.

Participating Broker-Dealer: See Section 2(b) hereof.

Person: An individual, trustee, corporation, partnership, limited liability company, joint stock company, trust, unincorporated association, union, business association, firm or other legal entity.

Prospectus: The prospectus included in any Registration Statement (including, without limitation, any prospectus subject to completion and a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Securities Act and any term sheet filed pursuant to Rule 434 under the Securities Act), as amended or supplemented by any prospectus supplement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

Purchase Agreement: See the introductory paragraphs hereof.

Records: See Section 5(o) hereof.

Registrable Securities: shall mean each Security, upon its original issuance and at all times subsequent thereto and each Exchange Security as to which Section 2(c)(iv) hereof is applicable upon original issuance and at all times subsequent thereto; provided, however, that the Securities and Exchange Securities shall cease to be Registrable Securities (i) when, in the case of a Holder of such Securities who was entitled to participate in the Exchange Offer, an Exchange Offer Registration Statement with respect to the Securities shall have been declared effective under the 1933 Act and either (a) such Securities shall have been exchanged pursuant to the Exchange Offer for Exchange Securities or (b) the Securities were not tendered by the Holder thereof in the Exchange Offer, (ii) when a Shelf Registration Statement with respect to the Securities shall have been declared effective under the 1933 Act and the Securities shall have been disposed of pursuant to such Shelf Registration Statement,

(iii) when the Securities are able to be sold to the public pursuant to Rule 144(k) (or any similar provision then in force, but not Rule 144A) under the 1933 Act, (iv) such Securities are sold pursuant to Rule 144 under circumstances in which any legend borne by such Securities relating to restrictions on transferability thereof, under the Securities Act or otherwise, is removed by the Company or pursuant to the Indenture or (v) when the Securities shall have ceased to be outstanding.

Registration Statement: Any registration statement of the Company that covers any of the Notes or the Exchange Notes (and the related Guarantees) filed with the SEC under the Securities Act, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

Rule 144: Rule 144 under the Securities Act.

Rule 144A: Rule 144A under the Securities Act.

Rule 405: Rule 405 under the Securities Act.

Rule 415: Rule 415 under the Securities Act.

Rule 424: Rule 424 under the Securities Act.

SEC: The U.S. Securities and Exchange Commission.

Securities: Shall have the meaning set forth in the preamble hereto.

Securities Act: The Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

Shelf Notice: See Section 2(c) hereof.

Shelf Registration: See Section 3(b) hereof.

Shelf Registration Statement: Any Registration Statement relating to a Shelf Registration.

Shelf Suspension Period: See Section 3(a) hereof.

Sterling Initial Purchasers: Shall have the meaning set forth in the preamble hereto.

Sterling Notes: Shall have the meaning set forth in the preamble hereto.

Subsequent Shelf Registration: See Section 3(b) hereof.

TIA: The Trust Indenture Act of 1939, as amended.

Trustee: The trustee under the Indenture and the trustee (if any) under any in-denture governing the Exchange Notes (and the related Guarantees).

Underwritten registration or underwritten offering: A registration in which securities of the Company is sold to an underwriter for reoffering to the public.

Except as otherwise specifically provided, all references in this Agreement to acts, laws, statutes, rules, regulations, releases, forms, no-action letters and other regulatory requirements (collectively, "Regulatory Requirements") shall be deemed to refer also to any amendments thereto and all subsequent Regulatory Requirements adopted as a replacement thereto having substantially the same effect therewith; provided that Rule 144 shall not be deemed to amend or replace Rule 144A.

2. Exchange Offer

(a) Unless the Exchange Offer would violate applicable law or any applicable interpretation of the staff of the SEC, the Issuers shall use their reasonable best efforts to file with the SEC a Registration Statement (the "Exchange Offer Registration Statement") on an appropriate registration form with respect to a registered offer (the "Exchange Offer") to exchange any and all of the Registrable Securities for a like aggregate principal amount of debt securities of the Company (the "Exchange Notes"), guaranteed on an unsecured senior subordinated basis by the Guarantors, that are identical in all material respects to the Securities, except that (i) the Exchange Securities shall contain no restrictive legend thereon and (ii) interest thereon shall accrue from the last date on which interest was paid on the Securities or, if no such interest has been paid, from the Issue Date, and which are entitled to the benefits of the Indenture or a trust indenture which is identical in all material respects to the Indenture (other than such changes to the Indenture or any such identical trust indenture as are necessary to comply with the TIA) and which, in either case, has been qualified under the TIA. The Exchange Offer shall comply with all applicable tender offer rules and regulations under the Exchange Act and other applicable laws. The Issuers shall (x) use their reasonable best efforts to cause the Exchange Offer Registration Statement to be declared effective under the Securities Act; (y) keep the Exchange Offer open for at least 20 Business Days (or longer if required by applicable law) after the date that notice of the Exchange Offer is mailed to Holders; and (z) consummate the Exchange Offer on or prior to the 360th day following the Issue Date.

Each Holder (including, without limitation, each Participating Broker-Dealer) who participates in the Exchange Offer will be required to represent to the Issuers in writing (which may be contained in the applicable letter of transmittal) that: (i) any Exchange Securities acquired in exchange for Registrable Securities tendered are being acquired in the ordinary

course of business of the Person receiving such Exchange Securities, whether or not such recipient is such Holder itself; (ii) at the time of the commencement or consummation of the, Exchange Offer neither such Holder nor, to the actual knowledge of such Holder, any other Person receiving Exchange Securities from such Holder has an arrangement or understanding with any Person to participate in the distribution of the Exchange Securities in violation of the provisions of the Securities Act; (iii) neither the Holder nor, to the actual knowledge of such Holder, any other Person receiving Exchange Securities from such Holder is an "affiliate" (as defined in Rule 405) of the Company or, if it is an affiliate of the Company, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable and will provide information to be included in the Shelf Registration Statement in accordance with Section 5 hereof in order to have their Securities included in the Shelf Registration Statement and benefit from the provisions regarding Additional Interest in Section 4 hereof; (iv) neither such Holder nor, to the actual knowledge of such Holder, any other Person receiving Exchange Securities from such Holder is engaging in or intends to engage in a distribution of the Exchange Securities; and (v) if such Holder is a Participating Broker-Dealer, such Holder has acquired the Registrable Securities as a result of market-making activities or other trading activities and that it will comply with the applicable provisions of the Securities Act (including, but not limited to, the prospectus delivery requirements thereunder).

Upon consummation of the Exchange Offer in accordance with this Section 2, the provisions of this Agreement shall continue to apply, mutatis mutandis, solely with respect to Registrable Securities that are Exchange Securities as to which Section 2(c)(iv) is applicable and Exchange Securities held by Participating Broker-Dealers, and the Company shall have no further obligation to register Registrable Securities (other than Exchange Securities as to which clause 2(c)(iv) hereof applies) pursuant to Section 3 hereof.

No securities other than the Exchange Securities shall be included in the Ex-change Offer Registration Statement.

(b) The Issuers shall include within the Prospectus contained in the Exchange Offer Registration Statement a section entitled "Plan of Distribution," which shall contain a summary statement of the positions taken or policies made by the staff of the SEC with respect to the potential "underwriter" status of any broker-dealer that is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of Exchange Securities received by such broker-dealer in the Exchange Offer (a "Participating Broker-Dealer"), whether such positions or policies have been publicly disseminated by the staff of the SEC or such positions or policies represent the prevailing views of the staff of the SEC. Such "Plan of Distribution" section shall also expressly permit, to the extent permitted by applicable policies and regulations of the SEC, the use of the Prospectus by all Persons subject to the prospectus delivery requirements of the Securities Act, including, to the extent permitted by applicable policies and regulations of the SEC, all Participating Broker-Dealers, and include a statement

describing the means by which Participating Broker-Dealers may resell the Exchange Securities in compliance with the Securities Act.

The Issuers shall use their reasonable best efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the Prospectus contained therein in order to permit such Prospectus to be lawfully delivered by all Persons subject to the prospectus delivery requirements of the Securities Act for such period of time as is necessary to comply with applicable law in connection with any resale of the Exchange Securities; provided, however, that such period shall not be required to exceed 90 days or such longer period if extended pursuant to the last paragraph of Section 5 hereof or such time as such Participating Broker-Dealer no longer owns any Registrable Securities (the "Applicable Period").

If any Initial Purchaser determines that it is not eligible to participate in the Exchange Offer with respect to the exchange of Securities constituting any portion of an unsold allotment, at the request of such Initial Purchaser prior to the commencement of the Exchange Offer, the Issuers shall issue and deliver to such Initial Purchaser or the person purchasing Securities registered under a Shelf Registration Statement as contemplated by Section 3 hereof from such Initial Purchaser, in exchange for such Securities, a like principal amount of Registrable Securities or Exchange Securities, as applicable. The Issuers shall use their commercially reasonable efforts to cause the CUSIP Service Bureau to issue the same CUSIP number and International Securities Identification Number ("ISIN") for such Securities as for any Exchange Securities issued pursuant to the Exchange Offer.

In connection with the Exchange Offer, the Issuers shall:

(1) mail, or cause to be mailed, to each Holder of record entitled to participate in the Exchange Offer a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(2) use their respective reasonable best efforts to keep the Exchange Offer open for not less than 20 Business Days after the date that notice of the Exchange Offer is mailed to Holders (or longer if required by applicable law);

(3) utilize the services of a depositary for the Exchange Offer with an address in the Borough of Manhattan, The City of New York or, in the case of the Sterling Notes, Amsterdam, London or Luxembourg, which may be the Trustee or an Affiliate of the Trustee;

(4) permit Holders to withdraw tendered Notes at any time prior to the close of business, New York time, on the last Business Day on which the Exchange Offer remains open; and

(5) otherwise comply in all material respects with all applicable laws, rules and regulations.

As soon as practicable after the close of the Exchange Offer, the Issuers shall:

(1) accept for exchange all Registrable Securities validly tendered and not validly withdrawn pursuant to the Exchange Offer;

(2) deliver to the Trustee for cancellation all Registrable Securities so accepted for exchange; and

(3) cause the Trustee to authenticate and deliver promptly to each Holder of Securities or Exchange Securities, as the case may be, equal in principal amount to the Securities of such Holder so accepted for exchange; provided that, in the case of any Securities held in global form by a depositary, authentication and delivery to such depositary of one or more replacement Securities in global form in an equivalent principal amount thereto for the account of such Holders in accordance with the Indenture shall satisfy such authentication and delivery requirement.

The Exchange Offer shall not be subject to any conditions, other than that (i) the Exchange Offer does not violate applicable law or any applicable interpretation of the staff of the SEC; (ii) no action or proceeding shall have been instituted or threatened in any court or by any governmental agency which might materially impair the ability of the Issuers to proceed with the Exchange Offer, and no material adverse development shall have occurred in any existing action or proceeding with respect to the Issuers; and (iii) all governmental approvals shall have been obtained, which approvals the Issuers deem necessary for the consummation of the Exchange Offer.

The Exchange Securities shall be issued under (i) the Indenture or (ii) an indenture identical in all material respects to the Indenture and which, in either case, has been qualified under the TIA or is exempt from such qualification and shall provide that the Exchange Securities shall not be subject to the transfer restrictions set forth in the Indenture. The Indenture or such indenture shall provide that the Exchange Securities and the Securities shall vote and consent together on all matters as one class and that none of the Exchange Securities or the Securities will have the right to vote or consent as a separate class on any matter.

(c) If, (i) because of any change in law or in currently prevailing interpretations of the staff of the SEC, the Issuers are not permitted to effect the Exchange Offer, (ii) the Exchange Offer is not consummated within 360 days of the Issue Date, (iii) the Initial Purchasers or any other holder of Securities not able to participate in the Exchange Offer due to applicable law so requests in writing to the Company at any time prior to the commencement of the Exchange Offer, or (iv) in the case of any Holder that participates in the Exchange

Offer, such Holder does not receive Exchange Securities on the date of the exchange that may be sold without restriction under state and federal securities laws (other than due solely to the status of such Holder as an affiliate of the Company within the meaning of the Securities Act) and so notifies the Company within 15 days after such Holder first becomes aware of such restrictions, in the case of each of clauses (i) to and including (iv) of this sentence, then the Issuers shall promptly deliver to the Trustee (to deliver to the Holders) written notice thereof (the "Shelf Notice") and shall file a Shelf Registration pursuant to Section 3 hereof.

3. Shelf Registration

If at any time a Shelf Notice is delivered as contemplated by Section 2(c) hereof, then:

(a) Shelf Registration. The Issuers shall as promptly as practicable file with the SEC a Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415 covering all of the Registrable Securities (the "Initial Shelf Registration"). The Issuers shall use their reasonable best efforts to file with the SEC the Initial Shelf Registration. The Initial Shelf Registration shall be on Form S-1 or another appropriate form permitting registration of such Registrable Securities for resale by Holders in the manner or manners designated by them (including, without limitation, one underwritten offering).

The Issuers shall use their respective reasonable best efforts to cause the Shelf Registration to be declared effective under the Securities Act within 360 days of the Issue Date and to keep the Initial Shelf Registration continuously effective under the Securities Act until the date that is two years from the Issue Date or such shorter period ending when all Registrable Securities covered by the Initial Shelf Registration have been sold in the manner set forth and as contemplated in the Initial Shelf Registration or, if applicable, a Subsequent Shelf Registration (the "Effectiveness Period"); provided, however, that the Effectiveness Period in respect of the Initial Shelf Registration shall be extended to the extent required to permit dealers to comply with the applicable prospectus delivery requirements of Rule 174 under the Securities Act and as otherwise provided herein and shall be subject to reduction to the extent that the applicable provisions of Rule 144(k) are amended or revised to reduce the two year holding period set forth therein. Notwithstanding anything to the contrary in this Agreement, at any time, the Company may delay the filing of any Initial Shelf Registration Statement or delay or suspend the effectiveness thereof, for a reasonable period of time, but not in excess of an aggregate of 60 consecutive days, three (3) times during any calendar year (each, a "Shelf Suspension Period"), if the Board of Directors of the Company determines reasonably and in good faith that the filing of any such Initial Shelf Registration Statement or the continuing effectiveness thereof would require the disclosure of non-public material information that, in the reasonable judgment of the

Board of Directors of the Company, would be detrimental to the Company if so disclosed or would otherwise materially adversely affect a financing, acquisition, disposition, merger or other material transaction or such action is required by applicable law; provided, however, that any Shelf Registration Suspension Period shall extend the number of days the Shelf Registration Statement or Prospectus is available by an amount equal to the number of days in such Shelf Suspension Period.

(b) Withdrawal of Stop Orders; Subsequent Shelf Registrations. If the Initial Shelf Registration or any Subsequent Shelf Registration ceases to be effective for any reason at any time during the Effectiveness Period (other than because of the sale of all of the Notes registered thereunder), the Issuers shall use their respective reasonable best efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof, and in any event shall within 60 days of such cessation of effectiveness amend such Shelf Registration Statement in a manner to obtain the withdrawal of the order suspending the effectiveness thereof, or file an additional Shelf Registration Statement pursuant to Rule 415 covering all of the Registrable Securities covered by and not sold under the Initial Shelf Registration or an earlier Subsequent Shelf Registration (each, a "Subsequent Shelf Registration"). If a Subsequent Shelf Registration is filed, the Issuers shall use their respective reasonable best efforts to cause the Subsequent Shelf Registration to be declared effective under the Securities Act as soon as practicable after such filing and to keep such subsequent Shelf Registration continuously effective for a period equal to the number of days in the Effectiveness Period less the aggregate number of days during which the Initial Shelf Registration or any Subsequent Shelf Registration was previously continuously effective. As used herein the term "Shelf Registration" means the Initial Shelf Registration and any Subsequent Shelf Registration.

(c) Supplements and Amendments. The Issuers shall promptly supplement and amend the Shelf Registration if required by the rules, regulations or instructions applicable to the registration form used for such Shelf Registration, if required by the Securities Act, or if reasonably requested by the Holders of a majority in aggregate principal amount of the Registrable Securities (or their counsel) covered by such Registration Statement with respect to the information included therein with respect to one or more of such Holders, or if reasonably requested by any underwriter of such Registrable Securities with respect to the information included therein with respect to such underwriter.

4. Additional Interest

(a) The Issuers and the Initial Purchasers agree that the Holders will suffer damages if the Issuers fail to fulfill their obligations under Section 2 or Section 3 hereof and that it would not be feasible to ascertain the extent of such damages with precision.

Accordingly, the Issuers agree to pay, jointly and severally, as liquidated damages, additional interest on the Notes ("Additional Interest") under the circumstances and to the extent set forth below (each of which shall be given independent effect):

(i) if (a) neither (x) the Exchange Offer is completed, nor (y) if required, the Shelf Registration Statement is declared effective, within, in each case, 360 days of the Issue Date, then Additional Interest shall accrue on the Notes at a rate of 0.25% per annum on the principal amount of such Notes for the first 90 days from and including such specified date and increasing by an additional 0.25% per annum at the beginning of each subsequent 90-day period thereafter; provided that Additional Interest in the aggregate under this Section 4 may not exceed 1.00% per annum of the principal amount of such Notes; or

(ii) notwithstanding that the Issuers have consummated or will consummate an Exchange Offer, if the Issuers are required to file a Shelf Registration Statement and such Shelf Registration Statement is not declared effective on or prior to the 360th day following the date the filing of such Shelf Registration Statement is required or requested pursuant to Section 3(a), then Additional Interest shall accrue on the Notes at a rate of 0.25% per annum of the principal amount of such Notes for the first 90 days from and including such specified date and increasing by an additional 0.25% per annum at the beginning of each subsequent 90-day period thereafter; provided that Additional Interest in the aggregate under this Section 4 may not exceed 1.00% per annum of the principal amount of such Notes; or

(iii) if the Shelf Registration Statement required by Section 3(a) of this Agreement has been declared effective but thereafter ceases to be effective at any time at which it is required to be effective under this Agreement and such failure to remain effective exists for more than the number of days permitted by the second paragraph of Section 3(a), then commencing on the applicable day, following the date on which such Shelf Registration Statement ceases to be effective, Additional Interest shall accrue on the Notes at a rate of 0.25% per annum of the principal amount of such Notes for the first 90 days from and including such day, as applicable, following the date on which such Shelf Registration Statement ceases to be effective and increasing by an additional 0.25% per annum at the beginning of each subsequent 90-day period thereafter; provided that Additional Interest in the aggregate under this Section 4 may not exceed 1.00% per annum of the principal amount of such Notes.

(b) The Issuers shall notify the Trustee within one business day after each and every date on which an event occurs in respect of which Additional Interest is required to be paid (an "Event Date"). Any amounts of Additional Interest due pursuant to (a)(i), (a)(ii) or (a)(iii) of this Section 4 will be payable in cash semiannually on each April 15 and October 15 (to the holders of record on the April 1 and October 1 immediately preceding such

dates), commencing with the first such date occurring after any such Additional Interest commences to accrue. The amount of Additional Interest will be determined by multiplying the applicable Additional Interest rate by the principal amount of the Registrable Securities, multiplied by a fraction, the numerator of which is the number of days such Additional Interest rate was applicable during such period (determined on the basis of a 360 day year comprised of twelve 30 day months and, in the case of a partial month, the actual number of days elapsed), and the denominator of which is 360.

5. Registration Procedures

In connection with the filing of any Registration Statement pursuant to Section 2 or 3 hereof, the Issuers shall effect such registrations to permit the sale of the securities covered thereby in accordance with the intended method or methods of disposition thereof, and pursuant thereto and in connection with any Registration Statement filed by the Company hereunder each of the Issuers shall:

(a) Prepare and file with the SEC a Registration Statement or Registration Statements as prescribed by Section 2 or 3 hereof, and use their respective reasonable best efforts to cause each such Registration Statement to become effective and remain effective as provided herein; provided, however, that if (1) such filing is pursuant to Section 3 hereof or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period relating thereto from whom the Company has received prior written notice that it will be a Participating Broker-Dealer in the Exchange Offer, before filing any Registration Statement or Prospectus or any amendments or supplements thereto, the Issuers shall furnish to and afford the Holders of the Registrable Securities covered by such Registration Statement (with respect to a Registration Statement filed pursuant to Section 3 hereof) or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, their counsel and the managing underwriters, if any, a reasonable opportunity to review copies of all such documents (including copies of any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed (in each case at least two business days prior to such filing).

(b) Prepare and file with the SEC such amendments and post-effective amendments to each Shelf Registration Statement or Exchange Offer Registration Statement, as the case may be, as may be necessary to keep such Registration Statement continuously effective for the Effectiveness Period, the Applicable Period or until consummation of the Exchange Offer, as the case may be; cause the related Prospectus to be supplemented by any Prospectus supplement required by applicable law, and as so supplemented to be filed pursuant to Rule 424; and comply with the

provisions of the Securities Act and the Exchange Act applicable to it with respect to the disposition of all securities covered by such Registration Statement as so amended or in such Prospectus as so supplemented and with respect to the subsequent resale of any securities being sold by an Participating Broker-Dealer covered by any such Prospectus. The Company shall be deemed not to have used its reasonable best efforts to keep a Registration Statement effective if such Issuer voluntarily takes any action that would result in selling Holders of the Registrable Securities covered thereby or Participating Broker-Dealers seeking to sell Exchange Notes not being able to sell such Registrable Securities or such Exchange Notes during that period unless such action is required by applicable law or permitted by this Agreement.

(c) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period relating thereto from whom the Company has received written notice that it will be a Participating Broker-Dealer in the Exchange Offer, notify the selling Holders of Registrable Securities (with respect to a Registration Statement filed pursuant to Section 3 hereof), or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, their counsel and the managing underwriters, if any, promptly (but in any event within one business day), and confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective under the Securities Act (including in such notice a written statement that any Holder may, upon request, obtain, at the sole expense of the Company, one conformed copy of such Registration Statement or post-effective amendment including financial statements and schedules, documents incorporated or deemed to be incorporated by reference and exhibits), (ii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any preliminary prospectus or the initiation of any proceedings for that purpose, (iii) if at any time when a prospectus is required by the Securities Act to be delivered in connection with sales of the Registrable Securities or resales of Exchange Notes by Participating Broker-Dealers the representations and warranties of the Issuers contained in any agreement (including any underwriting agreement) contemplated by Section 5(n) hereof cease to be true and correct, (iv) of the receipt by any Issuer of any notification with respect to the suspension of the qualification or exemption from qualification of a Registration Statement or any of the Registrable Securities or the Exchange Notes to be sold by any Participating Broker-Dealer for offer or sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, (v) of the happening of any event, the existence of any condition or any information becoming known that makes any statement made in such Registration Statement or related Prospectus or any document incorporated

or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in or amendments or supplements to such Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (vi) of the Issuers' determination that a post-effective amendment to a Registration Statement would be appropriate.

(d) Use their respective reasonable best efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of a Prospectus or suspending the qualification (or exemption from qualification) of any of the Registrable Securities or the Exchange Notes to be sold by any Participating Broker-Dealer, for sale in any jurisdiction, and, if any such order is issued, to use their respective reasonable best efforts to obtain the withdrawal of any such order at the earliest practicable moment.

(e) If a Shelf Registration is filed pursuant to Section 3 and if requested during the Effectiveness Period by the managing underwriter or underwriters (if any), the Holders of a majority in aggregate principal amount of the Registrable Securities being sold in connection with an underwritten offering or any Participating Broker-Dealer, (i) as promptly as practicable incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters (if any), such Holders, any Participating Broker-Dealer or counsel for any of them reasonably request to be included therein, (ii) make all required filings of such prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such prospectus supplement or post-effective amendment, and (iii) supplement or make amendments to such Registration Statement.

(f) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, furnish to each selling Holder of Registrable Securities (with respect to a Registration Statement filed pursuant to Section 3 hereof) and to each such Participating Broker-Dealer who so requests in writing (with respect to any such Registration Statement) and to their respective counsel and each managing underwriter, if any, at the sole expense of the Company, one conformed copy of the Registration Statement or Registration

Statements and each post-effective amendment thereto, including financial statements and schedules, and, if requested, all documents incorporated or deemed to be incorporated therein by reference and all exhibits.

(g) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, deliver to each selling Holder of Registrable Securities (with respect to a Registration Statement filed pursuant to Section 3 hereof), or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, their respective counsel, and the underwriters, if any, at the sole expense of the Company, as many copies of the Prospectus or Prospectuses (including each form of preliminary prospectus) and each amendment or supplement thereto and any documents incorporated by reference therein as such Persons may reasonably request in writing; and, subject to the last paragraph of this Section 5, the Issuers hereby consent to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders of Registrable Securities or each such Participating Broker-Dealer, as the case may be, and the underwriters or agents, if any, and dealers, if any, in connection with the offering and sale of the Registrable Securities covered by, or the sale by Participating Broker-Dealers of the Exchange Notes pursuant to, such Prospectus and any amendment or supplement thereto.

(h) Prior to any public offering of Registrable Securities or any delivery of a Prospectus contained in the Exchange Offer Registration Statement by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, use their respective reasonable best efforts to register or qualify, and to cooperate with the selling Holders of Registrable Securities or each such Participating Broker-Dealer, as the case may be, the managing underwriter or underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any selling Holder, Participating Broker-Dealer, or the managing underwriter or underwriters reasonably request in writing; provided, however, that where Exchange Notes held by Participating Broker-Dealers or Registrable Securities are offered other than through an underwritten offering, the Issuers agree to cause their counsel to perform Blue Sky investigations and file registrations and qualifications required to be filed pursuant to this Section 5(h), keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Exchange Notes held by Participating Broker-Dealers or the Registrable Securities covered by the applicable Registration

Statement; provided, however, that no Issuer shall be required to (A) qualify generally to do business in any jurisdiction where it is not then so qualified, (B) take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject or (C) subject itself to taxation in excess of a nominal dollar amount in any such jurisdiction where it is not then so subject.

(i) If a Shelf Registration is filed pursuant to Section 3 hereof, cooperate with the selling Holders of Registrable Securities and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, which certificates shall not bear any restrictive legends and shall be in a form eligible for deposit with The Depository Trust Company and, in the case of the Sterling Notes, the common depositary for Euroclear and Clearstream Banking; and enable such Registrable Securities to be in such denominations (subject to applicable requirements contained in the Indenture) and registered in such names as the managing underwriter or underwriters, if any, or Holders may request.

(j) Use their respective commercially reasonable efforts to cause the Registrable Securities denominated in pounds sterling covered by the Registration Statement to be registered with or approved by the Luxembourg Stock Exchange and such other governmental agencies or authorities as may be required in connection with such approval.

(k) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, upon the occurrence of any event contemplated by paragraph 5(c)(v) or 5(c)(vi) hereof, as promptly as practicable prepare and (subject to Section 5(a) hereof) file with the SEC, at the sole expense of the Company, a supplement or post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated

therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder (with respect to a Registration Statement filed pursuant to Section 3 hereof) or to the purchasers of the Exchange Notes to whom such Prospectus will be delivered by a Participating Broker-Dealer (with respect to any such Registration Statement), any such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) Use their respective reasonable best efforts to cause the Registrable Securities covered by a Registration Statement or the Exchange Notes, as the case may be, to be rated with the appropriate rating agencies, if so requested by the Holders of a majority in aggregate principal amount of Registrable Securities covered by such Registration Statement or the Exchange Notes, as the case may be, or the managing underwriter or underwriters, if any.

(m) Prior to the effective date of the first Registration Statement relating to the Registrable Securities, (i) provide the Trustee with certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and, in the case of the Sterling Notes, the common depositary for Euroclear and Clearstream Banking and (ii) provide a CUSIP number for the Registrable Securities.

(n) In connection with any underwritten offering of Registrable Securities pursuant to a Shelf Registration, enter into an underwriting agreement as is customary in underwritten offerings of debt securities similar to the Securities, and take all such other actions as are reasonably requested by the managing underwriter or underwriters in order to expedite or facilitate the registration or the disposition of such Registrable Securities and, in such connection, (i) make such representations and warranties to, and covenants with, the underwriters with respect to the business of the Issuers (including any acquired business, properties or entity, if applicable), and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, as are customarily made by issuers to underwriters in underwritten offerings of debt securities similar to the Securities, and confirm the same in writing if and when requested; (ii) obtain the written opinions of counsel to the Issuers, and written updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters, addressed to the underwriters covering the matters customarily covered in opinions reasonably requested in underwritten offerings; (iii) obtain "cold comfort" letters and updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters from the independent certified public accountants of the Issuers (and, if necessary, any other independent certified public accountants of the Issuers, or of any business acquired by the Issuers, for which financial statements and financial data are, or are required to be, included or incorporated by reference in the Registration Statement), addressed to each of the underwriters, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings of debt securities similar to the Securities; and (iv) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures no less favorable to the sellers and underwriters, if any, than those set forth in Section 7 hereof (or such other provisions and procedures reasonably acceptable to Holders of a majority in aggregate principal amount of Registrable Securities covered by such Registration Statement and the managing underwriter or underwriters

or agents, if any). The above shall be done at each closing under such under-writing agreement, or as and to the extent required thereunder.

(o) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, make available for inspection by any Initial Purchaser, any selling Holder of such Registrable Securities being sold (with respect to a Registration Statement filed pursuant to Section 3 hereof), or each such Participating Broker-Dealer, as the case may be, any underwriter participating in any such disposition of Registrable Securities, if any, and any attorney, accountant or other agent retained by any such selling Holder or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, or underwriter (any such Initial Purchasers, Holders, Participating Broker-Dealers, underwriters, attorneys, accountants or agents, collectively, the "Inspectors"), upon written request, at the offices where normally kept, during reasonable business hours, all pertinent financial and other records, pertinent corporate documents and instruments of the Company and subsidiaries of the Company (collectively, the "Records"), as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the officers, directors and employees of the Company and any of its subsidiaries to supply all information ("Information") reasonably requested by any such Inspector in connection with such due diligence responsibilities. Each Inspector shall agree in writing that it will keep the Records and Information confidential and that it will not disclose any of the Records or Information that the Company determines, in good faith, to be confidential and notifies the Inspectors in writing are confidential unless (i) the disclosure of such Records or Information is necessary to avoid or correct a misstatement or omission in such Registration Statement or Prospectus, (ii) the release of such Records or Information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, (iii) disclosure of such Records or Information is necessary or advisable, in the opinion of counsel for any Inspector, in connection with any action, claim, suit or proceeding, directly or indirectly, involving or potentially involving such Inspector and arising out of, based upon, relating to, or involving this Agreement or the Purchase Agreement, or any transactions contemplated hereby or thereby or arising hereunder or thereunder, or (iv) the information in such Records or Information has been made generally available to the public other than by an Inspector or an "affiliate" (as defined in Rule 405) thereof; provided, however, that prior notice shall be provided as soon as practicable to the Company of the potential disclosure of any information by such Inspector pursuant to clauses (i) or (ii) of this sentence to permit the Company to obtain a protective order (or waive the provisions of this paragraph (o)) and that such Inspector shall take such actions as are reasonably necessary to protect the confidentiality of such information (if practicable) to the extent such action is otherwise not inconsistent

with, an impairment of or in derogation of the rights and interests of the Holder or any Inspector.

(p) Provide an indenture trustee for the Registrable Securities or the Exchange Notes, as the case may be, and cause the Indenture or the trust indenture provided for in Section 2(a) hereof, as the case may be, to be qualified under the TIA not later than the effective date of the first Registration Statement relating to the Registrable Securities; and in connection therewith, cooperate with the trustee under any such indenture and

the Holders of the Registrable Securities, to effect such changes (if any) to such indenture as may be required for such indenture to be so qualified in accordance with the terms of the TIA; and execute, and use its reasonable best efforts to cause such trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable such indenture to be so qualified in a timely manner.

(q) Comply with all applicable rules and regulations of the SEC and make generally available to its securityholders with regard to any applicable Registration Statement, a consolidated earning statement satisfying the provisions of Section 11 (a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any fiscal quarter (or 90 days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm commitment or best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of the Company, after the effective date of a Registration Statement, which statements shall cover said 12-month periods.

(r) Upon consummation of the Exchange Offer, obtain an opinion of counsel to the Issuers, in a form customary for underwritten transactions, addressed to the Trustee for the benefit of all Holders of Registrable Securities participating in the Exchange Offer that the Exchange Notes, the related guarantee and the related indenture constitute legal, valid and binding obligations of the Issuers, enforceable against the Issuers in accordance with their respective terms, subject to customary exceptions and qualifications. If the Exchange Offer is to be consummated, upon delivery of the Registrable Securities by Holders to the Company (or to such other Person as directed by the Company), in exchange for the Exchange Notes, the Issuers shall mark, or cause to be marked, on such Registrable Securities that such Registrable Securities are being cancelled in exchange for the Exchange Notes; in no event shall such Registrable Securities be marked as paid or otherwise satisfied.

(s) Cooperate with each seller of Registrable Securities covered by any Registration Statement and each underwriter, if any, participating in the disposition of

such Registrable Securities and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the "NASD").

(t) Use their respective reasonable best efforts to take all other steps necessary to effect the registration of the Exchange Notes and/or Registrable Securities covered by a Registration Statement contemplated hereby.

The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish to the Company such information regarding such seller and the distribution of such Registrable Securities as the Company may, from time to time, reasonably request. The Company may exclude from such registration the Registrable Securities of any seller so long as such seller fails to furnish such information within a reasonable time after receiving such request and no penalty (including any Additional Interest) shall be payable by the Issuers as a result of such exclusion. Each seller as to which any Shelf Registration is being effected agrees to furnish promptly to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such seller not materially misleading.

If any such Registration Statement refers to any Holder by name or otherwise as the holder of any securities of any Issuer, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance reasonably satisfactory to such Holder, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Issuers, or (ii) in the event that such reference to such Holder by name or otherwise is not required by the Securities Act or any similar federal statute then in force, the deletion of the reference to such Holder in any amendment or supplement to the Registration Statement filed or prepared subsequent to the time that such reference ceases to be required.

Each Holder of Registrable Securities and each Participating Broker-Dealer agrees by its acquisition of such Registrable Securities or Exchange Notes to be sold by such Participating Broker-Dealer, as the case may be, that, upon actual receipt of any notice from the Company of the happening of any event of the kind described in Section 5(c)(ii), 5(c)(iv), 5(c)(v), or 5(c)(vi) hereof, such Holder will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus or Exchange Notes to be sold by such Holder or Participating Broker-Dealer, as the case may be, until such Holder's or Participating Broker-Dealer's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 5(k) hereof, or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto. In the event that the Issuers shall give any

such notice, each of the Applicable Period and the Effectiveness Period shall be extended by the number of days during such periods from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered by such Registration Statement or Exchange Notes to be sold by such Participating Broker-Dealer, as the case may be, shall have received (x) the copies of the supplemented or amended Prospectus contemplated by Section 5(k) hereof or (y) the Advice.

6. Registration Expenses

All fees and expenses incident to the performance of or compliance with this Agreement by the Issuers shall be borne by the Company, whether or not the Exchange Offer Registration Statement or any Shelf Registration Statement is filed or becomes effective or the Exchange Offer is consummated, including, without limitation, (i) all registration and filing fees (including, without limitation, (A) fees with respect to filings required to be made with the NASD in connection with an underwritten offering and (B) fees and expenses of compliance with state securities or Blue Sky laws (including, without limitation, fees and disbursements of counsel in connection with Blue Sky qualifications of the Registrable Securities or Exchange Notes and determination of the eligibility of the Registrable Securities or Exchange Notes for investment under the laws of such jurisdictions (x) where the holders of Registrable Securities are located, in the case of the Exchange Notes, or (y) as provided in Section 5(h) hereof, in the case of Registrable Securities or Exchange Notes to be sold by a Participating Broker-Dealer during the Applicable Period)), (ii) printing expenses, including, without limitation, expenses of printing certificates for Registrable Securities or Exchange Notes in a form eligible for deposit with The Depository Trust Company and, in the case of the

Sterling Notes, the common depositary for Euroclear and Clearstream Banking and of printing prospectuses if the printing of prospectuses is requested by the managing underwriter or underwriters, if any, by the Holders of a majority in aggregate principal amount of the Registrable Securities included in any Registration Statement or in respect of Registrable Securities or Exchange Notes to be sold by any Participating Broker-Dealer during the Applicable Period, as the case may be, (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Issuers and, in the case of a Shelf Registration, reasonable fees and disbursements of one special counsel for all of the sellers of Registrable Securities selected by the Holder of a majority in aggregate principal amount of Registrable Securities covered by such Shelf Registration retained in connection with such Shelf Registration (which counsel shall be reasonably satisfactory to the Company) (exclusive of any counsel retained pursuant to Section 7 hereof), (v) fees and disbursements of all independent certified public accountants referred to in Section 5(n)(iii) hereof (including, without limitation, the expenses of any "cold comfort" letters required by or incident to such performance), (vi) Securities Act liability insurance, if the Issuers desire such insurance, (vii) fees and expenses of all other Persons retained by the Issuers, (viii) internal expenses of the Issuers (including, without limitation, all salaries and expenses of officers and employees of the Issuers performing legal or accounting duties), (ix) the expense of any annual audit, (x) any fees and expenses incurred in connection

with the listing of the securities to be registered on any securities exchange, and the obtaining of a rating of the securities, in each case, if applicable and (xi) the expenses relating to printing, word processing and distributing all Registration Statements, underwriting agreements, indentures and any other documents necessary in order to comply with this Agreement.

7. Indemnification and Contribution.

(a) Each of the Issuers agree jointly and severally, to indemnify and hold harmless each Holder of Registrable Securities and each Participating Broker-Dealer selling Exchange Notes during the Applicable Period, and each Person, if any, who controls such Person or its affiliates within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each, a **"Participant")** against any losses, claims, damages or liabilities to which any Participant may become subject under the Securities Act, the Exchange Act or otherwise, insofar as any such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon:

(i) any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if any of the Issuers shall have furnished any amendments or supplements thereto) or any preliminary prospectus; or

(ii) the omission or alleged omission to state, in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if any of the Issuers shall have furnished any amendments or supplements thereto) or any preliminary prospectus or any amendment or supplement thereto, a material fact required to be stated therein or necessary to make the statements therein not misleading;

and will reimburse, as incurred, the Participant for any reasonable legal or other expenses incurred by the Participant in connection with investigating, defending against or appearing as a third-party witness in connection with any such loss, claim, damage, liability or action; provided, however, none of the Issuers will be liable in any such case to the extent that any such loss, claim, damage, or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if any of the Issuers shall have furnished any amendments or supplements thereto) or any preliminary prospectus or any amendment or supplement thereto in reliance upon and in conformity with information relating to any Participant furnished to the Issuers by such Participant specifically for use therein; provided, further, that with respect to any untrue statement or omission from any preliminary prospectus, the indemnity agreement contained in this paragraph (a) shall not inure to the benefit of any Participant to the extent that the sale to the person asserting any such loss, claim, damage or liability was an initial resale by such Participant and any such loss, claim, damage or liability of or with respect to such Participant results from the fact that both (i) a copy of the Prospectus was not sent or given to such person at or prior to the written

confirmation of the sale of such Securities to such person and (ii) the untrue statement in or omission from such preliminary prospectus was corrected in the Prospectus unless, in either case, such failure to deliver the Prospectus was a result of non-compliance by the Issuer with its obligations under this Agreement. The indemnity provided for in this Section 7 will be in addition to any liability that the Issuers may otherwise have to the indemnified parties. The Issuers shall not be liable under this Section 7 for any settlement of any claim or action effected without their prior written consent, which shall not be unreasonably withheld.

(b) Each Participant, severally and not jointly, agrees to indemnify and hold harmless the Issuers, their directors, their officers and each person, if any, who controls the Issuers within the meaning of Section 15 of the Act or Section 20 of the Exchange Act against any losses, claims, damages or liabilities to which the Issuers or any such director, officer or controlling person may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement or Prospectus, any amendment or supplement thereto, or any preliminary prospectus, or (ii) the omission or the alleged omission to state therein a material fact necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Participant, furnished to the Issuers by the Participant, specifically for use therein; and subject to the limitation set forth immediately preceding this clause, will reimburse, as incurred, any reasonable legal or other expenses incurred by the Issuers or any such director, officer or controlling person in connection with investigating or defending against or appearing as a third party witness in connection with any such loss, claim, damage, liability or action in respect thereof. The indemnity provided for in this Section 7 will be in addition to any liability that the Participants may otherwise have to the indemnified parties. The Participants shall not be liable under this Section 7 for any settlement of any claim or action effected without their consent, which shall not be unreasonably withheld. The Issuers shall not, without the prior written consent of such Participant, effect any settlement or compromise of any pending or threatened proceeding in respect of which such Participant is or could have been a party, or indemnity could have been sought hereunder by such Participant, unless such settlement (A) includes an unconditional written release of such Participant, in form and substance reasonably satisfactory to such Participant, from all liability on claims that are the subject matter of such proceeding and (B) does not include any statement as to an admission of fault, culpability or failure to act by or on behalf of such Participant.

(c) Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action for which such indemnified party is entitled to indemnification under this Section 7, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 7, notify the indemnifying party of the commencement thereof in writing; but the omission to so notify the indemnifying party

(i) will not relieve it from any liability under paragraph (a) or (b) above unless and to the extent such failure results in the forfeiture by the indemnifying party of material rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraphs (a) and (b) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; provided, however, that if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have been advised by counsel that there may be one or more legal defenses available to it and/or other indemnified parties that are different from or additional to those available to the indemnifying party, or (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after receipt by the indemnifying party of notice of the institution of such action, then, in each such case, the indemnifying party shall not have the right to direct the defense of such action on behalf of such indemnified party or parties and such indemnified party or parties shall have the right to select separate counsel to defend such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and approval by such indemnified party of counsel appointed to defend such action, the indemnifying party will not be liable to such indemnified party under this Section 7 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof, unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the immediately preceding sentence (it being understood, however, that in connection with such action the indemnifying party shall not be liable for the expenses of more than one separate counsel in any one action or separate but substantially similar actions arising out of the same general allegations or circumstances, designated by Participants who sold a majority in interest of the Registrable Securities and Exchange Securities sold by all such Participants in the case of paragraph (a) of this Section 7 or the Issuers in the case of paragraph (b) of this Section 7, representing the indemnified parties under such paragraph (a) or paragraph (b), as the case may be, who are parties to such action or actions) or (ii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party. All fees and expenses reimbursed pursuant to this paragraph (c) shall be reimbursed as they are incurred. After such notice from the indemnifying party to such indemnified party, the indemnifying party will not be liable for the costs and expenses of any settlement of such action effected by such indemnified party without the prior written consent of the indemnifying party (which consent shall not be unreasonably withheld), unless such indemnified party waived in writing its rights under this Section 7, in which case the indemnified party may effect such a settlement without such consent.

(d) In circumstances in which the indemnity agreement provided for in the preceding paragraphs of this Section 7 is unavailable to, or insufficient to hold harmless, an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof), each indemnifying party, in order to provide for just and equitable contribution, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect (i) the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the offering of the Notes or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, not only such relative benefits but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions or alleged statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof). The relative benefits received by the Company on the one hand and such Participant on the other shall be deemed to be in the same proportion as the total proceeds from the offering (before deducting expenses) of the Notes received by the Company bear to the proceeds (which shall include any expenses paid by the Issuers) received by such Participant in connection with the sale of the Notes. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand, or the Participants on the other, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or alleged statement or omission, and any other equitable considerations appropriate in the circumstances. The parties agree that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the first sentence of this paragraph (d). Notwithstanding any other provision of this paragraph (d), no Participant shall be obligated to make contributions hereunder that in the aggregate exceed the proceeds (which shall include any expenses paid by the Issuers) received by such Participant in connection with the sale of the Notes, less the aggregate amount of any damages that such Participant has otherwise been required to pay by reason of the untrue or alleged untrue statements or the omissions or alleged omissions to state a material fact, and no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls a Participant within the meaning of Section 15 of the Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Participants, and each director of the Issuers, each officer of the Issuers and each person, if any, who controls the Issuers within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, shall have the same rights to contribution as the Issuers.

8. Rules 144 and 144A

The Issuers covenant and agree that they will file the reports required to be filed by them under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder in a timely manner in accordance with the requirements of the Securities Act and the Exchange Act and, if at any time the Company or any Guarantor is not required to file such reports, the Company or such Guarantor, as the case may be, will, upon the request of any Holder or beneficial owner of Registrable Securities, make available such information necessary to permit sales pursuant to Rule 144A. The Issuers further covenant and agree, for so long as any Registrable Securities remain outstanding that they will take such further action as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144(k) under the Securities Act and Rule 144A.

9. Underwritten Registrations

If any of the Registrable Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Holders of a majority in aggregate principal amount of such Registrable Securities included in such offering; provided that such investment banker or investment bankers and manager or managers is or are reasonably acceptable to the Company.

No Holder of Registrable Securities may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Registrable Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, custody agreements, lock-up agreements and other documents required under the terms of such underwriting arrangements.

10. Miscellaneous

(a) No Inconsistent Agreements. None of the Issuers has, as of the date hereof, and none of the Issuers shall, after the date of this Agreement, enter into any agreement with respect to any of its securities that is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Issuers' other issued and outstanding securities under any such agreements. None of the Issuers will enter into any agreement with respect to any of their securities which will grant to any Person piggy-back registration rights with respect to any Exchange Offer Registration Statement.

(b) Adjustments Affecting Registrable Securities. The Issuers shall not, directly or indirectly, take any action with respect to the Registrable Securities as a class that would adversely affect the ability of the Holders of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement.

(c) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, otherwise than with the prior written consent of (I) the Issuers, and (II) (A) the Holders of not less than a majority in aggregate principal amount of the then outstanding Registrable Securities and (B) in circumstances that would adversely affect the Participating Broker-Dealers, the Participating Broker-Dealers holding not less than a majority in aggregate principal amount of the Exchange Notes held by all Participating Broker-Dealers; provided, however, that Section 7 and this Section 10(c) may not be amended, modified or supplemented without the prior written consent of each Holder and each Participating Broker-Dealer (including any person who was a Holder or Participating Broker-Dealer of Registrable Securities or Exchange Notes, as the case maybe, disposed of pursuant to any Registration Statement) affected by any such amendment, modification or supplement. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders of Registrable Securities whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Holders of Registrable Securities may be given by Holders of at least a majority in aggregate principal amount of the Registrable Securities being sold pursuant to such Registration Statement.

(d) Notices. All notices and other communications (including, without limitation, any notices or other communications to the Trustee) provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, next-day air courier or facsimile:

(i) if to a Holder of the Registrable Securities or any Participating Broker-Dealer, at the most current address of such Holder or Participating Broker-Dealer, as the case maybe, set forth on the records of the registrar under the Indenture, with a copy in like manner to the Initial Purchasers as follows:

Deutsche Bank Securities Inc.
60 Wall Street
New York, New York 10005
Facsimile No.: (646) 324-7467
Attention: Corporate Finance Department

with a copy to:

Cahill Gordon & Reindel LLP
80 Pine Street
New York, New York 10005
Facsimile No.: (212) 269-5420
Attention: William M. Hartnett, Esq.

(ii) if to the Initial Purchasers, at the address specified in Section 10(d)(i);

(iii) if to the Issuers, at the address as follows:

WMG Acquisition Corp.
75 Rockefeller Plaza
New York, New York 10019
Attention: General Counsel

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Facsimile No.: (212) 455-2502
Attention: Edward P. Tolley III, Esq.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; one Business Day after being timely delivered to a next-day air courier; and upon written confirmation, if sent by facsimile.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address and in the manner specified in such Indenture.

(e) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto, the Holders and the Participating Broker-Dealers; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of the Purchase Agreement or the Indenture.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so

executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(i) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(j) Notes Held by the Issuers or Their Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Issuers or their affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(k) Third-Party Beneficiaries. Holders of Registrable Securities and Participating Broker-Dealers are intended third-party beneficiaries of this Agreement, and this Agreement may be enforced by such Persons.

(1) Entire Agreement. This Agreement, together with the Purchase Agreement and the Indenture, is intended by the parties as a final and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein and any and all prior oral or written agreements, representations, or warranties, contracts, understandings, correspondence, conversations and memoranda between the Holders on the one hand and the Issuers on the other, or between or among any agents, representatives, parents, subsidiaries, affiliates, predecessors in interest or successors in interest with respect to the subject matter hereof and thereof are merged herein and replaced hereby.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

WMG ACQUISITION CORP.

By: /s/ Paul Robinson
Name: Paul Robinson
Title: Vice President

By each of the Subsidiaries listed on Schedule I hereto:

By: /s/ Paul Robinson
Name: Paul Robinson
Title: Vice President

The foregoing Agreement is hereby
confirmed and accepted as of the date
first above written.

By: DEUTSCHE BANK SECURITIES INC.,
on its own behalf and on behalf of the Dollar
Initial Purchasers

DEUTSCHE BANK SECURITIES INC.

By: /s/ David Flannery
Name: David Flannery
Title: Managing Director

By: /s/ Thomas Cole
Name: Thomas Cole
Title: Managing Director

By: DEUTSCHE BANK AG LONDON, on
its own behalf and on behalf of the Sterling
Initial Purchasers

DEUTSCHE BANK AG LONDON

By: /s/ R. Thomas
Name: R. Thomas
Title: Director

By: /s/ Karen Donohue
Name: Karen Donohue
Title: VP & Legal Counsel

SCHEDULE I

Subsidiaries of the Company

A.P. SCHMIDT CO.
ATLANTIC/143 L.L.C.
ATLANTIC/MR VENTURES INC.
ATLANTIC/MR II INC.
ATLANTIC RECORDING CORPORATION
BERNA MUSIC, INC.
BIG BEAT RECORDS INC.
BIG TREE RECORDING CORPORATION
BUTE SOUND LLC
CAFE AMERICANA INC.
CHAPPELL & INTERSONG MUSIC GROUP (AUSTRALIA) LIMITED
CHAPPELL AND INTERSONG MUSIC GROUP (GERMANY) INC.
CHAPPELL MUSIC COMPANY, INC.
COTA MUSIC, INC.
COTILLION MUSIC, INC. CPP/BELWIN, INC.
CRK MUSIC, INC.
E/A MUSIC, INC.
ELEKSYLUM MUSIC, INC.
ELEKTRA/CHAMELEON VENTURES INC.
ELEKTRA ENTERTAINMENT GROUP INC.
ELEKTRA GROUP VENTURES INC.
FHK, INC.
FIDDELBACK MUSIC PUBLISHING COMPANY, INC.
FOSTER FREES MUSIC, INC.
FOZ MAN MUSIC LLC
INSIDE JOB, INC.
INTERSONG U.S.A., INC.
JADAR MUSIC CORP.
LAVA TRADEMARK HOLDING COMPANY LLC
LEM AMERICA, INC.

LONDON-SIRE RECORDS INC.
MCGUFFIN MUSIC INC.
MIXED BAG MUSIC, INC.
NC HUNGARY HOLDINGS INC.

NEW CHAPPELL INC.
NONESUCH RECORDS INC.
NVC INTERNATIONAL INC.
OCTA MUSIC, INC.
PENALTY RECORDS, L.L.C.
PEPAMAR MUSIC CORP.
REVELATION MUSIC PUBLISHING CORPORATION
RHINO ENTERTAINMENT COMPANY
RICK'S MUSIC INC.
RIGHTSONG MUSIC INC.
RODRA MUSIC, INC.
SEA CHIME MUSIC, INC.
SR/MDM VENTURE INC.
SUMMY-BIRCHARD, INC.
SUPER HYPE PUBLISHING, INC.
T-BOY MUSIC, L.L.C.
T-GIRL MUSIC, L.L.C.
THE RHYTHM METHOD INC.
TOMMY BOY MUSIC, INC.
TOMMY VALANDO PUBLISHING GROUP, INC.
TRI-CHAPPELL MUSIC INC.
TW MUSIC HOLDINGS INC.
UNICHAPPELL MUSIC INC.
W.B.M. MUSIC CORP.
WALDEN MUSIC INC.
WARNER ALLIANCE MUSIC INC.
WARNER BRETHREN INC.
WARNER BROS. MUSIC INTERNATIONAL INC.
WARNER BROS. PUBLICATIONS U.S. INC.
WARNER BROS. RECORDS INC.
WARNER/CHAPPELL MUSIC, INC.
WARNER/CHAPPELL MUSIC (SERVICES), INC.
WARNER CUSTOM MUSIC CORP.
WARNER DOMAIN MUSIC INC.
WARNER-ELEKTRA-ATLANTIC CORPORATION
WARNER MUSIC BLUESKY HOLDING INC.
WARNER MUSIC DISCOVERY INC.
WARNER MUSIC DISTRIBUTION INC.
WARNER MUSIC GROUP INC.
WARNER MUSIC LATINA INC.
WARNER SOJOURNER MUSIC INC.
WARNERSONGS, INC.

WARNER MUSIC SP INC.
WARNER SPECIAL PRODUCTS INC.
WARNER STRATEGIC MARKETING INC.
WARNER-TAMERLANE PUBLISHING CORP.
WARPRISE MUSIC INC.
WB GOLD MUSIC CORP.
WB MUSIC CORP.
WBM/HOUSE OF GOLD MUSIC, INC.
WBPI HOLDINGS LLC
WBR MANAGEMENT SERVICES INC.
WBR/QRI VENTURE, INC.
WBR/RUFFNATION VENTURES, INC.
WBR/SIRE VENTURES INC.
WE ARE MUSICA INC.
WEA EUROPE INC.
WEA INC.
WEA INTERNATIONAL INC.
WEA LATINA MUSICA INC.
WEA MANAGEMENT SERVICES INC.
WIDE MUSIC, INC.

Exhibit 5.1

_____ __, 2004

WMG Acquisition Corp.
75 Rockefeller Plaza
New York, NY 10019

Ladies and Gentlemen:

We have acted as counsel to WMG Acquisition Corp., a Delaware corporation (the "Company"), and to the guarantors listed on Schedule 1 hereto (individually, a "Guarantor" and collectively, the "Guarantors") in connection with the Registration Statement on Form S-4 (the "Registration Statement") filed by the Company and the Guarantors with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, relating to the issuance by the Company of $465,000,000 aggregate principal amount of $7^3/_8$% Senior Subordinated Notes due 2014 and £100,000,000 aggregate principal amount of $8^1/_8$% Senior Subordinated Notes due 2014 (the "Exchange Securities") and the issuance by the Guarantors of guarantees (the "Guarantees") with respect to the Exchange Securities. The Exchange Securities and the Guarantees will be issued under an indenture dated as of April 8, 2004 (the "Indenture") among the Company, the Guarantors and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Exchange Securities will be offered by the Company in exchange for $465,000,000 aggregate principal amount of its outstanding $7^1/_8$% Senior Subordinated Notes due 2014 and £100,000,000 aggregate principal amount of its outstanding $8^1/_8$% Senior Subordinated Notes due 2014 (the "Securities").

We have examined the Registration Statement and the Indenture, which has been filed with the Commission as an exhibit to the Registration Statement. We also have examined the originals, or duplicates or certified or conformed copies, of such corporate records, agreements, documents and other instruments and have made such other investigations as we have deemed relevant and necessary in connection with the opinions hereinafter set forth. As to questions of fact material to this opinion, we have relied upon certificates or comparable documents of public officials and of officers and representatives of the Company and the Guarantors.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates

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or certified or conformed copies and the authenticity of the originals of such latter documents. We also have assumed that the Indenture is the valid and legally binding obligation of the Trustee.

We have assumed further that (1) the Guarantors listed on Schedule 2 hereto have duly authorized, executed and delivered the Indenture and (2) execution, delivery and performance by the Guarantors listed on Schedule 2 hereto of the Indenture and the Securities and the Guarantees do not and will not violate the law of the respective states in which such Guarantors are incorporated or any other applicable law (excepting the law of the State of New York and the federal laws of the United States).

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that:

1. When the Exchange Securities have been duly executed, authenticated, issued and delivered in accordance with the provisions of the Indenture upon the exchange, the Exchange Securities will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms.

2. When (a) the Exchange Securities have been duly executed, authenticated, issued and delivered in accordance with the provisions of the Indenture upon the exchange and (b) the Guarantees have been duly issued, the Guarantees will constitute valid and legally binding obligations of the Guarantors enforceable against the Guarantors in accordance with their terms.

Our opinions set forth above are subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing.

We do not express any opinion herein concerning any law other than the law of the State of New York, the federal law of the United States and the Delaware General Corporation Law (including the statutory provisions, all applicable provisions of the Delaware Constitution and reported judicial decisions interpreting the foregoing).

We hereby consent to the filing of this opinion letter as Exhibit 5 to the Registration Statement and to the use of our name under the caption Legal Matters in the Prospectus included in the Registration Statement.

Very truly yours,

SIMPSON THACHER & BARTLETT LLP

EXHIBIT 12.1

Warner Music Group
(Otherwise known as WMG Acquisition Corp.)
Computation of Ratio of Earnings to Fixed Charges
(Unaudited)

	Historical							Pro Forma
	Predecessor						Successor	
	Years Ended November 30,				Ten Months Ended September 30,	Three Months Ended February 28,	Seven Months Ended September 30,	Twelve Months Ended September 30,
(Dollars in millions)	2000	2001	2002	2003	2003	2004	2004	2004
Loss before Income taxes	$ (365)	$ (1,066)	$ (1,570)	$ (1,317)	$ (268)	$ (15)	$ (74)	$ (1,161)
Add:								
Fixed charges	74	89	78	65	50	8	99	151
Income as adjusted before income taxes	$ (291)	$ (977)	$ (1,492)	$ (1,252)	$ (218)	$ (7)	$ 25	$ (1,010)
Fixed Charges								
Interest expense	$ 56	$ 71	$ 59	$ 47	$ 36	$ 4	$ 91	135
Portion of rental expense representative of interest(1)	18	18	19	18	14	4	8	16
Total fixed charges	$ 74	$ 89	$ 78	$ 65	$ 50	$ 8	$ 99	$ 151
Deficiency in earnings over fixed charges	$ (365)	$ (1,066)	$ (1,570)	$ (1,317)	$ (268)	$ (15)	$ (74)	$ (1,161)

(1) Estimated at 1/3 of total rent expense.

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Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" in the Registration Statement Form S-4 and related Prospectus of Warner Music Group for the registration of $465,000,000 aggregate principal amount of 7 3/8% Senior Subordinated Notes due 2014 and £100,000,000 aggregate principal amount of 8 1/8% Senior Subordinated Notes due 2014 and to the use of our reports dated December 13, 2004 and July 8, 2004, with respect to the consolidated and combined financial statements of Warner Music Group.

/s/ ERNST & YOUNG LLP

December 16, 2004

QuickLinks

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Dave Johnson and Paul Robinson and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, in any and all capacities, to sign any and all amendments (including post-effective amendments) to the registration statement on Form S-4 relating to the Issuer's offers to exchange $465,000,000 in principal amount of its 7 3/8% Senior Subordinated Notes due 2014 for its outstanding 7 3/8% Senior Subordinated Notes due 2014 and £100,000,000 in principal amount of its 8 1/8% Senior Subordinated Notes due 2014 for its outstanding 8 1/8% Senior Subordinated Notes due 2014, including any filings pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and anything necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute, or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on December 16, 2004.

Signature	Title
/s/ Paul-Rene Albertini Paul-Rene Albertini	Chairman and President of WEA Europe Inc.
/s/ Leslie Bider Leslie Bider	Chief Executive Officer of A.P. Schmidt Company President of Berna Music, Inc. President and CEO of Cafe Americana Inc. President of Chappell & Intersong Music Group (Australia) Limited President of Chappell Music Company, Inc. President of Cota Music, Inc. President of Cotillion Music, Inc. Chairman of the Board of Directors of CPP/Belwin, Inc. President of CRK Music Inc. President of E/A Music, Inc. President of Eleksylum Music, Inc. President of Elektra/Chameleon Ventures Inc. President of FHK, INC. President of Fiddleback Music Publishing Company, Inc.

Signature	Title
	President of Foster Frees Music, Inc. Chief Executive Officer and President of Intersong U.S.A., INC. Chief Executive Officer of Jadar Music Corp. President of LEM America, INC. President of McGuffin Music Inc. President of Mixed Bag Music, Inc. President of NC Hungary Holdings Inc. Chief Executive Officer and President of New Chappell Inc. President of Octa Music, Inc. President and Chairman of the Board of Directors of Pepamar Music Corp. President of Revelation Music Publishing Corporation Chief Executive Officer and President of Rick's Music Inc. Chief Executive Officer of Rightsong Music Inc. President of Rodra Music, Inc. President of Sea Chime Music, Inc. Chairman of the Board of Directors of Summy-Birchard, Inc. President of Super Hype Publishing, Inc. Chairman of the Board of Directors of Tommy Valando Publishing Group, Inc. Chief Executive Officer of Tri-Chappell Music Inc. Chief Executive Officer and President of Unichappell Music Inc. President of W.B.M. Music Corp. President of Walden Music, Inc. President of Warner Alliance Music Inc. Chief Executive Officer of Warner Brethren Inc. President of Warner Bros. Music International Inc.

Chairman of the Board of Directors of Warner Bros. Publications U.S. Inc.
President of Warner Domain Music Inc.
President of Warner Sojourner Music Inc.
Chief Executive Officer of Warner Songs Inc.
President of Warner-Tamerlane Publishing Corp.
Chief Executive Officer and President of Warner/Chappell Music (Services), Inc.
Chief Executive Officer and Chairman of the Board of Directors of Warner/Chappell Music, Inc.

Signature	Title
	President of Warprise Music Inc. President of WB Gold Music Corp. President of WB Music Corp. President of WBM/House of Gold Music, Inc. Chairman of the Board of Directors of WBPI Holdings LLC on behalf of Warner Bros. Publications Inc. President of We Are Musica Inc. President of Wide Music, Inc. President of WEA Latina Musica Inc.
/s/ Edgar Bronfman, Jr. Edgar Bronfman, Jr.	Director of A.P. Schmidt Company Director of Atlantic Recording Corporation Director of Atlantic/MR II INC. Director of Atlantic/MR Ventures Inc. Director of Berna Music, Inc. Director of Big Beat Records Inc. Director of Big Tree Recording Corporation Director of Cafe Americana Inc. Director of Chappell & Intersong Music Group (Australia) Limited Director of Chappell and Intersong Music Group (Germany) Inc. Director of Chappell Music Company, Inc. Director of Cota Music, Inc. Director of Cotillion Music, Inc. Director of CPP/Belwin, Inc. Director of CRK Music Inc. Director of E/A Music, Inc. Director of Eleksylum Music, Inc. Director of Elektra Entertainment Group Inc. Director of Elektra Group Ventures Inc. Director of Elektra/Chameleon Ventures Inc. Director of FHK, INC. Director of Fiddleback Music Publishing Company, Inc.

Signature	Title
	Director of Foster Frees Music, Inc. Director of Inside Job, Inc. Director of Intersong U.S.A., INC. Director of Jadar Music Corp. Director of LEM America, INC. Director of London-Sire Records Inc. Director of McGuffin Music Inc. Director of Mixed Bag Music, Inc. Director of NC Hungary Holdings Inc. Director of New Chappell Inc. Director of Nonesuch Records Inc. Director of NVC International Inc. Director of Octa Music, Inc. Director of Pepamar Music Corp. Director of Revelation Music Publishing Corporation Director of Rhino Entertainment Company Director of Rick’s Music Inc. Director of Rightsong Music Inc.

Director of Rodra Music, Inc.
Director of Sea Chime Music, Inc.
Director of SR/MDM Venture Inc.
Director of Summy-Birchard, Inc.
Director of Super Hype Publishing, Inc.
Director of The Rhythm Method Inc.
Director of Tommy Boy Music, Inc.
Chief Executive Officer of Nonesuch Records
Director of Tommy Valando Publishing Group, Inc.
Director of Tri-Chappell Music Inc.
Director of TW Music Holdings Inc.
Director of Unichappell Music Inc.
Director of W.B.M. Music Corp.
Director of Walden Music, Inc.
Director of Warner Alliance Music Inc.
Director of Warner Brethren Inc.
Director of Warner Bros. Music International Inc.
Director of Warner Bros. Publications U.S. Inc.
Director of Warner Bros. Records Inc.
President and Director of Warner Custom Music Corp.
Director of Warner Domain Music Inc.
President and Director of Warner Music Bluesky Holding Inc.
Director of Warner Music Discovery Inc.
Director of Warner Music Distribution Inc.
Chief Executive Officer and Director of

Signature	Title
	Warner Music Group Inc. Director of Warner Music Latina Inc. Director of Warner Music SP Inc. Director of Warner Sojourner Music Inc. Director of Warner Special Products Inc. Director of WarnerSongs Inc. Director of Warner Strategic Marketing Inc. Director of Warner-Elektra-Atlantic Corporation Director of Warner-Tamerlane Publishing Corp. Director of Warner/Chappell Music (Services), Inc. Director of Warner/Chappell Music, Inc. Director of Warprise Music Inc. Director of WB Gold Music Corp. Director of WB Music Corp. Director of WBM/House of Gold Music, Inc. Director of WBR Management Services Inc. Director of WBR/QRI Venture, Inc. Director of WBR/Ruffnation Ventures, Inc. Director of WBR/Sire Ventures Inc. Director of We Are Musica Inc. Director of WEA Europe Inc. Director of WEA Inc. President and Director of WEA International Inc. Director of WEA Latina Musica Inc. Director of WEA Management Services Inc. Director of Wide Music, Inc. President and Director of WMG Management Services Inc. Chief Executive Officer of WMG Trademark Holding Company LLC, on behalf of Warner Music Group Inc.
/s/ Anthony Bown Anthony Bown	Assistant Treasurer of Elektra Group Ventures Inc. Treasurer of Warner Music Latina Inc.
/s/ Lyor Cohen Lyor Cohen	President of London-Sire Records Inc. Chief Executive Officer of Warner Music SP Inc.

Signature	Title

/s/ Jos de Raaij Jos de Raaij	Senior VP, Controller and Treasurer of Nonesuch Records, Inc. Vice President of London-Sire Records Inc. Vice President of NC Hungary Holdings Inc. Vice President of NVC International Inc. Vice President and Treasurer of Penalty Records L.L.C., on behalf of Tommy Boy Music, Inc. Vice President and Treasurer of T-Boy Music L.L.C., on behalf of Tommy Boy Music, Inc. Vice President and Treasurer of T-Girl Music L.L.C., on behalf of Tommy Boy Music, Inc. Vice President and Treasurer of The Rhythm Method Inc. Vice President and Treasurer of Tommy Boy Music, Inc. Vice President and Treasurer of TW Music Holdings Inc. Vice President and Treasurer of Warner Music Discovery Inc. Vice President and Treasurer of Warner Music Distribution Inc. Senior Vice President, Treasurer and Controller of Warner Music Group Inc. Vice President of Warner Music SP Inc. Vice President and Treasurer of Warner Special Products Inc. Vice President of WBR/Ruffnation Ventures, Inc. Vice President of WEA Europe Inc. Vice President of WEA Inc. Vice President of WEA International Inc. Vice President and Treasurer of WEA Management Services Inc. Vice President and Treasurer of WMG Management Services Inc. Senior Vice President, Treasurer, and Controller of WMG Trademark Holding Company LLC, on behalf of Warner Music Group Inc.
/s/ Bernd Dopp Bernd Dopp	President and Chief Executive Officer of Chappell and Intersong Group (Germany) Inc.
/s/ John Esposito John Esposito	President of Warner-Elektra-Atlantic Corporation

Signature	Title
	President of WEA Inc. President of WEA Management Services Inc. President of WEA Rock LLC President of WEA Urban LLC
/s/ Jason Flom Jason Flom	Chief Executive Officer of Atlantic Recording Corporation Chief Executive Officer of Atlantic/143 L.L.C., on behalf of Atlantic Recording Corp. Chief Executive Officer of Bute Sound LLC, on behalf of Atlantic Recording Corp. Chief Executive Officer of Elektra Entertainment Group Inc. Chief Executive Officer of Foz Man Music LLC, on behalf of Atlantic Recording Corp. Chief Executive Officer of Lava Trademark Holding Company LLC, on behalf of Atlantic Recording Corp.
/s/ Susan Genco Susan Genco	President of WBR/QRI Venture, Inc. President of WBR/Ruffnation Ventures, Inc.
/s/ Dave Johnson Dave Johnson	Director of A.P. Schmidt Company Director of Atlantic Recording Corporation Director of Atlantic/MR II INC. Director of Atlantic/MR Ventures Inc. Director of Berna Music, Inc. Director of Big Beat Records Inc. Director of Big Tree Recording Corporation Director of Cafe Americana Inc. Director of Chappell & Intersong Music Group (Australia) Limited Director of Chappell and Intersong Music Group (Germany) Inc. Director of Chappell Music Company, Inc.

Director of Cota Music, Inc.
Director of Cotillion Music, Inc.
Director of CPP/Belwin, Inc.
Director of CRK Music Inc.
Director of E/A Music, Inc.

Signature | Title

Director of Eleksylum Music, Inc.
Director of Elektra Entertainment Group Inc.
Director of Elektra Group Ventures Inc.
Director of Elektra/Chameleon Ventures Inc.
Director of FHK, INC.

Signature | Title

Director of Fiddleback Music Publishing Company, Inc.
Director of Foster Frees Music, Inc.
Director of Inside Job, Inc.
Director of Intersong U.S.A., INC.
Director of Jadar Music Corp. Director of LEM America, INC.
Director of London-Sire Records Inc.
Director of McGuffin Music Inc.
Director of Mixed Bag Music, Inc.
Director of NC Hungary Holdings Inc.
Director of New Chappell Inc.
Director of Nonesuch Records Inc.
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Director of SR/MDM Venture Inc.
Director of Summy-Birchard, Inc.
Director of Super Hype Publishing, Inc.
Director of The Rhythm Method Inc.
Director of Tommy Boy Music, Inc.
Director of Tommy Valando Publishing Group, Inc.
Director of Tri-Chappell Music Inc.
Vice President and Director of TW Music Holdings Inc.
Director of Unichappell Music Inc.
Director of W.B.M. Music Corp.
Director of Walden Music, Inc.
Director of Warner Alliance Music Inc.
Director of Warner Brethren Inc.
Director of Warner Bros. Music International Inc.
Director of Warner Bros. Publications U.S. Inc.
Director of Warner Bros. Records Inc.
Director of Warner Custom Music Corp.
Director of Warner Domain Music Inc.
Director of Warner Music Bluesky Holding Inc.
Director of Warner Music Discovery Inc.
Vice President and Director of Warner Music Distribution Inc.
Director of Warner Music Group Inc.

Signature | Title

Director of Warner Music Latina Inc.
Director of Warner Music SP Inc.
Director of Warner Sojourner Music Inc.

	Director of Warner Special Products Inc. Director of WarnerSongs Inc. Director of Warner Strategic Marketing Inc. Director of Warner-Elektra-Atlantic Corporation Director of Warner-Tamerlane Publishing Corp. Director of Warner/Chappell Music (Services), Inc. Director of Warner/Chappell Music, Inc. Director of Warprise Music Inc. Director of WB Gold Music Corp. Director of WB Music Corp. Director of WBM/House of Gold Music, Inc. Director of WBR Management Services Inc. Director of WBR/QRI Venture, Inc. Director of WBR/Ruffnation Ventures, Inc. Director of WBR/Sire Ventures Inc. Director of We Are Musica Inc. Director of WEA Europe Inc. Director of WEA Inc. Director of WEA International Inc. Director of WEA Latina Musica Inc. Director of WEA Management Services Inc. Director of Wide Music, Inc. Director of WMG Management Services Inc.
/s/ Craig Kallman Craig Kallman	President of Atlantic/MR II INC. President of Atlantic/MR Ventures Inc. President of Big Beat Records Inc. President of Big Tree Recording Corporation President of Elektra Group Ventures Inc. President of Inside Job, Inc.
/s/ Gillian Kellie Gillian Kellie	Chief Financial Officer of Warner-Elektra-Atlantic Corporation Chief Financial Officer of WEA Rock LLC Chief Financial Officer of WEA Urban LLC

Signature	Title
/s/ Norbert Masch Norbert Masch	Treasurer of Chappell and Intersong Music Group (Germany) Inc.
/s/ Scott Pascucci Scott Pascucci	President of NVC International Inc. President of Penalty Records L.L.C., on behalf of Tommy Boy Music, Inc. President of Rhino Entertainment Company President of T-Boy Music L.L.C., on behalf of Tommy Boy Music, Inc. President of T-Girl Music L.L.C., on behalf of Tommy Boy Music, Inc. President of The Rhythm Method Inc. President of Tommy Boy Music, Inc. President of Warner Music Discovery Inc. President and Chief Executive Officer of Warner Special Products Inc. President of Warner Strategic Marketing Inc.
/s/ Colin Reef Colin Reef	Vice President and Chief Financial Officer of Rhino Entertainment Company Chief Financial Officer of Warner Strategic Marketing Inc.
/s/ Paul Robinson Paul Robinson	Director of A.P. Schmidt Company Director of Atlantic Recording Corporation Director of Atlantic/MR II INC. Director of Atlantic/MR Ventures Inc. Director of Berna Music, Inc. Director of Big Beat Records Inc. Director of Big Tree Recording Corporation Director of Cafe Americana Inc.

Director of Chappell & Intersong Music Group (Australia) Limited
Director of Chappell and Intersong Music Group (Germany) Inc.
Director of Chappell Music Company, Inc.
Director of Cota Music, Inc.
Director of Cotillion Music, Inc.
Director of CPP/Belwin, Inc.
Director of CRK Music Inc.
Director of E/A Music, Inc.
Director of Eleksylum Music, Inc.
Director of Elektra Entertainment Group

Signature	Title
	Inc. Director of Elektra Group Ventures Inc. Director of Elektra/Chameleon Ventures Inc. Director of FHK, INC. Director of Fiddleback Music Publishing Company, Inc. Director of Foster Frees Music, Inc. Director of Inside Job, Inc. Director of Intersong U.S.A., INC. Director of Jadar Music Corp. Director of LEM America, INC. Director of London-Sire Records Inc. Director of McGuffin Music Inc. Director of Mixed Bag Music, Inc. Director of NC Hungary Holdings Inc. Director of New Chappell Inc. Director of Nonesuch Records Inc. Director of NVC International Inc. Director of Octa Music, Inc. Director of Pepamar Music Corp. Director of Revelation Music Publishing Corporation Director of Rhino Entertainment Company Director of Rick's Music Inc. Director of Rightsong Music Inc. Director of Rodra Music, Inc. Director of Sea Chime Music, Inc. Director of SR/MDM Venture Inc. Director of Summy-Birchard, Inc. Director of Super Hype Publishing, Inc. Director of The Rhythm Method Inc. Director of Tommy Boy Music, Inc. Director of Tommy Valando Publishing Group, Inc. Director of Tri-Chappell Music Inc. Director of TW Music Holdings Inc. Director of Unichappell Music Inc. Director of W.B.M. Music Corp. Director of Walden Music, Inc. Director of Warner Alliance Music Inc. Director of Warner Brethren Inc. Director of Warner Bros. Music International Inc. Director of Warner Bros. Publications U.S. Inc. Director of Warner Bros. Records Inc. Vice President and Director of Warner Custom Music Corp. Director of Warner Domain Music Inc. Vice President and Director of Warner

Signature	Title
	Music Bluesky Holding Inc. Director of Warner Music Discovery Inc. Director of Warner Music Distribution Inc. Director of Warner Music Group Inc. Director of Warner Music Latina Inc. Director of Warner Music SP Inc. Director of Warner Sojourner Music Inc.

	Director of Warner Special Products Inc. Director of WarnerSongs Inc. Director of Warner Strategic Marketing Inc. Director of Warner-Elektra-Atlantic Corporation Director of Warner-Tamerlane Publishing Corp. Director of Warner/Chappell Music (Services), Inc. Director of Warner/Chappell Music, Inc. Director of Warprise Music Inc. Director of WB Gold Music Corp. Director of WB Music Corp. Director of WBM/House of Gold Music, Inc. Director of WBR Management Services Inc. Director of WBR/QRI Venture, Inc. Director of WBR/Ruffnation Ventures, Inc. Director of WBR/Sire Ventures Inc. Director of We Are Musica Inc. Director of WEA Europe Inc. Director of WEA Inc. Director of WEA International Inc. Director of WEA Latina Musica Inc. Director of WEA Management Services Inc. Director of Wide Music, Inc. Director of WMG Management Services Inc.
/s/ Samantha Schwam Samantha Schwam	Chief Financial Officer of Atlantic Recording Corporation Chief Financial Officer of Atlantic/143 L.L.C., on behalf of Atlantic Recording Corp. Senior Vice President and Chief Financial Officer of Atlantic/MR II INC.

Signature	Title
	Senior Vice President and Chief Financial Officer of Atlantic/MR Ventures Inc. Treasurer of Big Beat Records Inc. Treasurer of Big Tree Recording Corporation Chief Financial Officer of Bute Sound LLC, on behalf of Atlantic Recording Corp. Chief Financial Officer of Elektra Entertainment Group Inc. Chief Financial Officer of Foz Man Music LLC, on behalf of Atlantic Recording Corp. Treasurer of Inside Job, Inc. Chief Financial Officer of Lava Trademark Holding Company LLC, on behalf of Atlantic Recording Corp.
/s/ Hildi Snodgrass Hildi Snodgrass	Vice President and Treasurer of SR/MDM Venture Inc. Vice President of Warner Bros. Records Inc. Treasurer of WBR Management Services Inc. Treasurer of WBR/QRI Venture, Inc. Vice President of WBR/Sire Ventures Inc.
/s/ Nick Thomas Nick Thomas	Senior Vice President of A.P. Schmidt Company Chief Financial Officer and Treasurer of Berna Music, Inc. Senior Vice President and Chief Financial Officer of Cafe Americana Inc. Senior Vice President and Treasurer of Chappell Music Company, Inc. Senior Vice President and Treasurer of Chappell & Intersong Music Group (Australia) Limited Senior Vice President and Treasurer of Cota Music, Inc. Senior Vice President and Treasurer of Cotillion Music, Inc. Executive Vice President and Treasurer of CPP/Belwin, Inc. Senior Vice President and Treasurer of CRK Music Inc. Senior Vice President and Treasurer of E/A Music, Inc. Senior Vice President and Treasurer of Eleksylum Music, Inc.

Signature	Title
	Senior Vice President & Treasurer WEA Latina Musica Inc.
	Senior Vice President and Treasurer of Elektra/Chameleon Ventures Inc.
	Senior Vice President and Treasurer of FHK, INC.
	Senior Vice President and Treasurer of Fiddleback Music Publishing Company, Inc.
	Senior Vice President and Treasurer of Foster Frees Music, Inc.
	Senior Vice President and Treasurer of Intersong U.S.A., INC.
	Chief Financial Officer of Jadar Music Corp.
	Senior Vice President and Chief Financial Officer of LEM America, INC.
	Senior Vice President and Treasurer of McGuffin Music Inc.
	Chief Financial Officer and Treasurer of Mixed Bag Music, Inc.
	Senior Vice President and Chief Financial Officer of New Chappell Inc.
	Senior Vice President and Treasurer of Octa Music, Inc.
	Chief Financial Officer and Treasurer of Pepamar Music Corp.
	Senior Vice President and Treasurer of Revelation Music Publishing Corporation
	Senior Vice President and Chief Financial Officer of Rick's Music Inc.
	Chief Financial Officer of Rightsong Music Inc.
	Chief Financial Officer of Rodra Music, Inc.
	Senior Vice President and Treasurer of Sea Chime Music, Inc.
	Senior Vice President and Treasurer of Summy-Birchard, Inc.
	Vice President and Treasurer of Super Hype Publishing, Inc.
	Chief Financial Officer and Treasurer of Tommy Valando Publishing Group, Inc.
	Senior Vice President and Chief Financial Officer of Tri-Chappell Music Inc.
	Senior Vice President and Chief Financial Officer of Unichappell Music Inc.
	Treasurer of W.B.M. Music Corp.
	Vice President and Treasurer of Walden

Signature	Title
	Music, Inc.
	Chief Operating Officer and Chief Financial Officer of Warner Alliance Music Inc.
	Chief Operating Officer and Chief Financial Officer of Warner Brethren Inc.
	Chief Financial Officer and Treasurer of Warner Bros. Music International Inc.
	Chief Financial Officer and Treasurer of Warner Bros. Publications U.S. Inc.
	Senior Vice President and Treasurer of Warner Domain Music Inc.
	Senior Vice President and Treasurer of Warner Sojourner Music Inc.
	Chief Financial Officer of WarnerSongs Inc.
	Chief Financial Officer and Treasurer of Warner-Tamerlane Publishing Corp.
	Chief Financial Officer and Treasurer of Warner/Chappell Music (Services), Inc.
	Chief Operating Officer and Chief Financial Officer of Warner/Chappell Music, Inc.
	Senior Vice President and Treasurer of Warprise Music Inc.
	Treasurer of WB Gold Music Corp.
	Chief Financial Officer and Treasurer of WB Music Corp.
	Senior Vice President and Treasurer of WBM/House of Gold Music, Inc.
	Chief Financial Officer and Treasurer of WBPI Holdings LLC, on behalf of Warner Bros. Publications Inc.
	Senior Vice President and Treasurer of We Are Musica, Inc.
	Senior Vice President and Treasurer of Wide Music, Inc.
/s/ Tom Whalley Tom Whalley	President of SR/MDM Venture Inc.

Chief Executive Officer and Chairman of the Board of Directors of Warner Bros. Records Inc.
President of WBR Management Services Inc.
President of WBR/Sire Ventures Inc.

/s/ Inigo Zabala
Inigo Zabala

President of Warner Music Latina Inc.

Exhibit 25.1

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

__ CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b) (2)

WELLS FARGO BANK, NATIONAL ASSOCIATION
(Exact name of trustee as specified in its charter)

A National Banking Association (Jurisdiction of incorporation or organization if not a U.S. national bank)	**94-1347393** (I.R.S. Employer Identification No.)
101 North Phillips Avenue **Sioux Falls, South Dakota** (Address of principal executive offices)	**57104** (Zip code)

Wells Fargo & Company
Law Department, Trust Section
MAC N9305-175
Sixth Street and Marquette Avenue, 17th Floor
Minneapolis, Minnesota 55479
(612) 667-4608
(Name, address and telephone number of agent for service)

WMG ACQUISITION CORPORATION[1]
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**68-0576630** (I.R.S. Employer Identification No.)
75 Rockefeller Plaza **New York, New York** (Address of principal executive offices)	**10019** (Zip code)

7.375% Senior Subordinated Notes due 2014
8.125% Senior Subordinated Notes due 2014
(Title of the indenture securities)

1 See Table 1 — List of additional obligors

Table 1

Exact Name of Registrant As Specified In Its Charter	State or other Jurisdiction of	IRS Employer Identification Number	Address, Including ZIP Code, Of Registrant's Principal Executive Offices	Phone Number

	Incorporation or Organization			
A.P. Schmidt Company	Delaware	36-2669470	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Atlantic Recording Corporation	Delaware	13-2597725	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Atlantic/143 L.L.C.	Delaware	13-3975703	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Atlantic/MR II INC.	Delaware	13-3845524	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Atlantic/MR Ventures Inc.	Delaware	13-3684268	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Berna Music, Inc.	California	95-2565721	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Big Beat Records Inc.	Delaware	13-3626173	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Big Tree Recording Corporation	Delaware	13-2945275	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Bute Sound LLC	Delaware	13-4032642	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Cafe Americana Inc.	Delaware	13-3246931	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Chappell & Intersong Music Group (Australia) Limited	Delaware	13-3395886	1 Cassins Avenue, North Sydney, Australia	(61) 2 9779 4099
Chappell And Intersong Music Group (Germany) Inc.	Delaware	13-3246911	Hallerstrasse 40, D-20146 Hamburg, Germany	(49) 40-30339-0
Chappell Music Company, Inc.	Delaware	13-3325475	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Cota Music, Inc.	New York	13-3523591	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Cotillion Music, Inc.	Delaware	13-2597937	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
CPP/Belwin, Inc.	Delaware	65-0051018	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
CRK Music Inc.	Delaware	13-3663052	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
E/A Music, Inc.	Delaware	13-3203221	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Eleksylum Music, Inc.	Delaware	13-3174021	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Elektra Entertainment Group Inc.	Delaware	13-4033729	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Elektra Group Ventures Inc.	Delaware	13-3808252	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Elektra/Chameleon Ventures Inc.	Delaware	13-3626113	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
FHK, INC.	Tennessee	62-1548343	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Fiddleback Music Publishing Company, Inc	Delaware	13-2705484	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Foster Frees Music, Inc.	California	95-3297348	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Foz Man Music LLC	Delaware	13-4028790	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600

Inside Job, Inc.	New York	13-2699020	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
Intersong U.S.A., INC.	Delaware	13-3246932	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Jadar Music Corp.	Delaware	13-3246915	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Lava Trademark Holding Company LLC	Delaware	13-4139472	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000
LEM America, INC.	Delaware	94-2741964	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
London-Sire Records Inc.	Delaware	13-3954692	75 Rockefeller Plaza, New York, NY 10019	(212) 275-2000
McGuffin Music Inc. [Big Beat]	Delaware	13-3663051	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Mixed Bag Music, Inc.	New York	13-3111989	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
[NC Hungary Holdings Inc.	Delaware	05-0536079	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000]
New Chappell Inc.	Delaware	13-3246920	1290 Avenue of the Americas, New York NY 10104	(212) 707-2000

Nonesuch Records Inc.	Delaware	[To Come]	3300 Warner Boulevard, Burbank CA 91505, United States	(818) 846-9090
NVC International Inc.	Delaware	51-0267089	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Octa Music, Inc.	New York	13-3523592	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Penalty Records L.L.C.	New York	13-3889367	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Pepamar Music Corp.	New York	13-2512410	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Revelation Music Publishing Corporation	New York	13-2705483	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Rhino Entertainment Company	Delaware	13-3647166	3400 West Olive Avenue, Burbank CA 91505	(818) 238-6100
Rick's Music Inc.	Delaware	13-3246929	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Rightsong Music Inc.	Delaware	13-3246926	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Rodra Music, Inc.	California	95-2561531	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Sea Chime Music, Inc.	California	95-3335535	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
SR/MDM Venture Inc.	Delaware	13-3647169	3300 Warner Boulevard, Burbank CA 91505, United States	(818) 846-9090
Summy-Birchard, Inc.	Wyoming	36-1026750	10585 Santa Monica Blvd., Los Angeles CA 90025	(305) 620-1500
Super Hype Publishing, Inc.	New York	13-2664278	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
T-Boy Music L.L.C.	New York	13-3669372	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
T-Girl Music L.L.C.	New York	13-3669731	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
The Rhythm Method Inc.	Delaware	13-4141258	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Tommy Boy Music, Inc.	New York	13-3070723	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Tommy Valando Publishing Group, Inc.	Delaware	13-2705485	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Tri-Chappell Music Inc.	Delaware	13-3246916	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
TW Music Holdings Inc.	Delaware	20-0769163	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Unichappell Music Inc.	Delaware	13-3246914	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
W.B.M. Music Corp.	Delaware	13-3166007	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Walden Music, Inc.	New York	13-6125056	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600

Warner Alliance Music Inc.	Delaware	95-4391760	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Brethren Inc.	Delaware	95-4391762	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Bros. Music International Inc.	Delaware	13-2839469	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Bros. Publications U.S. Inc.	New York	13-2670425	15800 N.W. 48th Avenue, P.O. Box 4340, Miami FL 33014	(305) 620-1500
Warner Bros. Records Inc.	Delaware	95-1976532	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090
Warner Custom Music Corp.	California	94-2990925	75 Rockefeller Plaza, New York, NY 10019	(212) 275-2000
Warner Domain Music Inc.	Delaware	13-3845523	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Music Bluesky Holding Inc.	Delaware	13-3829389	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Warner Music Discovery Inc.	Delaware	13-3695120	3400 W. Olive Ave., Burbank CA 91505	(818) 238-6200
Warner Music Distribution Inc.	Delaware	13-3713729	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Warner Music Group Inc.	Delaware	13-3565869	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Warner Music Latina Inc.	Delaware	13-3586626	555 Washington Avenue, Fourth Floor, Miami Beach FL 33139	(305) 702-2200
Warner Music SP Inc.	Delaware	13-3802269	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Warner Sojourner Music Inc.	Delaware	62-1530861	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Special Products Inc.	Delaware	13-2788802	3400 W. Olive Ave., Suite 800, Burbank CA 91505	(818) 238-6200
WarnerSongs Inc.	Delaware	13-2793164	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner Strategic Marketing	Delaware	01-0569802	3400 W. Olive Ave., Burbank CA 91505	(818) 238-6200

Inc.				
Warner-Elektra-Atlantic Corporation	New York	13-6170726	75 Rockefeller Plaza, New York, NY 10019	(212) 275-2000
Warner-Tamerlane Publishing Corp.	California	13-6132127	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner/Chappell Music (Services), Inc.	New Jersey	95-2685983	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warner/Chappell Music, Inc.	Delaware	13-3246913	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
Warprise Music Inc.	Delaware	13-3845521	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WB Gold Music Corp.	Delaware	13-3155100	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WB Music Corp.	California	13-6132128	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WBM/House of Gold Music, Inc.	Delaware	13-3146335	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WBPI Holdings LLC	Delaware	[To Come]	15800 N.W. 48th Avenue, P.O. Box 4340, Miami FL 33014	(305) 620-1500
WBR Management Services Inc.	Delaware	13-3032834	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090
WBR/QRI Venture, Inc.	Delaware	13-3647168	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090
WBR/Ruffnation Ventures, Inc.	Delaware	13-4079805	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090
WBR/Sire Ventures Inc.	Delaware	13-2953720	3300 Warner Boulevard, Burbank CA 91505	(818) 846-9090
We Are Musica Inc.	Delaware	13-3713725	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WEA Europe Inc.	Delaware	13-2805638	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
WEA Inc.	Delaware	13-3862485	75 Rockefeller Plaza, New York, NY 10019	(212) 275-2000
WEA International Inc.	Delaware	13-2805420	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000

WEA Latina Musica Inc.	Delaware	13-3713731	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WEA Management Services Inc.	Delaware	52-2280908	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
Wide Music, Inc.	California	95-3500269	10585 Santa Monica Blvd., Los Angeles CA 90025	(310) 441-8600
WEA Rock LLC	Delaware	86-1120258	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
WEA Urban LLC	Delaware	86-1120251	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
WMG Management Services Inc.	Delaware	52-2314190	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000
WMG Trademark Holding Company LLC	Delaware	20-0233769	75 Rockefeller Plaza, New York NY 10019	(212) 275-2000

Item 1. General Information. Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency
Treasury Department
Washington, D.C.

Federal Deposit Insurance Corporation
Washington, D.C.

Federal Reserve Bank of San Francisco
San Francisco, California 94120

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

Item 2. Affiliations with Obligor. If the obligor is an affiliate of the trustee, describe each such affiliation.

None with respect to the trustee.

No responses are included for Items 3-14 of this Form T-1 because the obligor is not in default as provided under Item 13.

Item 15. Foreign Trustee. Not applicable.

Item 16. List of Exhibits. List below all exhibits filed as a part of this Statement of Eligibility.

Exhibit 1.	A copy of the Articles of Association of the trustee now in effect.*
Exhibit 2.	A copy of the Comptroller of the Currency Certificate of Corporate Existence and Fiduciary Powers for Wells Fargo Bank, National Association, dated February 4, 2004.**
Exhibit 3.	See Exhibit 2
Exhibit 4.	Copy of By-laws of the trustee as now in effect.***
Exhibit 5.	Not applicable.
Exhibit 6.	The consent of the trustee required by Section 321(b) of the Act.
Exhibit 7.	A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.****
Exhibit 8.	Not applicable.
Exhibit 9.	Not applicable.

* Incorporated by reference to the exhibit of the same number to the trustee's Form T-1 filed as exhibit 25 to the Form T-3 dated March 3, 2004 of Trans-Lux Corporation file number 022-28721.

** Incorporated by reference to the exhibit of the same number to the trustee's Form T-1 filed as exhibit 25 to the Form T-3 dated March 3, 2004 of Trans-Lux Corporation file number 022-28721.

*** Incorporated by reference to the exhibit of the same number to the trustee's Form T-1 filed as exhibit 25 to the Form T-3 dated March 3, 2004 of Trans-Lux Corporation file number 022-28721.

**** Incorporated by reference to the exhibit of the same number to the trustee's Form T-1 filed as exhibit 25 to the form S-3 dated August 24, 2004 of Digital River, Inc. file number 333-118519.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Minneapolis and State of Minnesota on the 22nd day of November 2004.

WELLS FARGO BANK, NATIONAL ASSOCIATION

/s/ Jeffery T. Rose
Jeffery T. Rose
Corporate Trust Officer

EXHIBIT 6

November 22, 2004

Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

In accordance with Section 321(b) of the Trust Indenture Act of 1939, as amended, the undersigned hereby consents that reports of examination of the undersigned made by Federal, State, Territorial, or District authorities authorized to make such examination may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION

/s/ Jeffery T. Rose
Jeffery T. Rose
Corporate Trust Officer

SIMPSON THACHER & BARTLETT LLP

425 LEXINGTON AVENUE
NEW YORK, N.Y. 10017-3954
(212) 455-2000

FACSIMILE (212) 455-2502

VIA EDGAR

December 16, 2004

Re: WMG Acquisition Corp. and certain of its subsidiaries
Registration Statement on Form S-4

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Ladies and Gentlemen:

On behalf of WMG Acquisition Corp., a Delaware corporation, (the "Issuer") and A.P. Schmidt Company, a Delaware corporation, Atlantic Recording Corporation, a Delaware corporation, Atlantic/143 L.L.C., a Delaware limited liability company, Atlantic/MR II INC., a Delaware corporation, Atlantic/MR Ventures Inc., a Delaware corporation, Berna Music, Inc., a California corporation, Big Beat Records Inc., a Delaware corporation, Big Tree Recording Corporation, a Delaware corporation, Bute Sound LLC, a Delaware limited liability company, Cafe Americana Inc., a Delaware corporation, Chappell & Intersong Music Group (Australia) Limited, a Delaware corporation, Chappell And Intersong Music Group (Germany) Inc., a Delaware corporation, Chappell Music Company, Inc., a Delaware corporation, Cota Music, Inc., a New York corporation, Cotillion Music, Inc., a Delaware corporation, CPP/Belwin, Inc., a Delaware corporation, CRK Music Inc., a Delaware corporation, E/A Music, Inc., a Delaware corporation, Eleksylum Music, Inc., a Delaware corporation, Elektra Entertainment Group Inc., a Delaware corporation, Elektra Group Ventures Inc., a Delaware corporation, Elektra/Chameleon Ventures Inc., a Delaware corporation, FHK, INC., a Tennessee corporation, Fiddleback Music Publishing Company, Inc., a Delaware corporation, Foster Frees Music, Inc., a California corporation, Foz Man Music LLC, a Delaware limited liability company, Inside Job, Inc., a New York corporation, Intersong U.S.A., INC., a Delaware corporation, Jadar Music Corp., a Delaware corporation, Lava Trademark Holding Company LLC, a Delaware limited liability company, LEM America, INC., a Delaware corporation, London-Sire Records Inc., a Delaware corporation, McGuffin Music Inc., a Delaware corporation, Mixed Bag Music, Inc., a New York corporation, NC Hungary Holdings Inc., a Delaware corporation, New Chappell Inc., a Delaware corporation, Nonesuch Records Inc., a Delaware corporation, NVC International Inc., a Delaware corporation, Octa Music, Inc., a New York corporation, Penalty Records L.L.C., a New York limited liability company, Pepamar Music Corp., a New York corporation, Revelation Music Publishing Corporation, a New York corporation, Rhino Entertainment Company, a Delaware corporation, Rick's Music Inc., a Delaware corporation, Rightsong Music Inc., a Delaware corporation, Rodra Music, Inc., a California corporation, Sea Chime Music, Inc., a California corporation, SR/MDM Venture Inc., a Delaware corporation, Summy-Birchard, Inc., a Wyoming corporation, Super Hype Publishing, Inc., a New York corporation, T-Boy Music L.L.C., a New York limited liability company, T-Girl Music L.L.C., a New York limited liability company, The Rhythm Method Inc., a Delaware corporation, Tommy Boy Music, Inc., a New York corporation, Tommy Valando Publishing Group, Inc., a Delaware corporation, Tri-Chappell Music Inc., a Delaware corporation, TW Music Holdings Inc., a Delaware corporation, Unichappell Music Inc., a Delaware corporation, W.B.M. Music Corp., a Delaware corporation, Walden Music, Inc., a New York corporation, Warner Alliance Music Inc., a Delaware corporation, Warner Brethren Inc., a Delaware corporation, Warner Bros. Music International Inc., a Delaware corporation, Warner Bros. Publications U.S. Inc., a New York corporation, Warner Bros. Records Inc., a Delaware corporation, Warner Custom Music Corp., a California corporation, Warner Domain Music Inc., a Delaware corporation, Warner Music Bluesky Holding Inc., a Delaware corporation, Warner Music

Discovery Inc., a Delaware corporation, Warner Music Distribution Inc., a Delaware corporation, Warner Music Group Inc., a Delaware corporation, Warner Music Latina Inc., a Delaware corporation, Warner Music SP Inc., a Delaware corporation, Warner Sojourner Music Inc., a Delaware corporation, Warner Special Products Inc., a Delaware corporation, WarnerSongs Inc., a Delaware corporation, Warner Strategic Marketing Inc., a Delaware corporation, Warner-Elektra-Atlantic Corporation, a New York corporation, Warner-Tamerlane Publishing Corp., a California corporation, Warner/Chappell Music (Services), Inc., a New Jersey corporation, Warner/Chappell Music, Inc., a Delaware corporation, Warprise Music Inc., a Delaware corporation, WB Gold Music Corp., a Delaware corporation, WB Music Corp., a California corporation, WBM/House of Gold Music, Inc., a Delaware corporation, WBPI Holdings LLC, a Delaware limited liability company, WBR Management Services Inc., a Delaware corporation, WBR/QRI Venture, Inc., a Delaware corporation, WBR/Ruffnation Ventures, Inc., a Delaware corporation, WBR/Sire Ventures Inc., a Delaware corporation, We Are Musica Inc., a Delaware corporation, WEA Europe Inc., a Delaware corporation, WEA Inc., a Delaware corporation, WEA International Inc., a Delaware corporation, WEA Latina Musica Inc., a Delaware corporation, WEA Management Services Inc., a Delaware corporation, Wide Music, Inc., a California corporation, WEA Rock LLC, a Delaware limited liability company, WEA Urban LLC, a Delaware limited liability company, WMG Management Services Inc., a Delaware corporation and WMG Trademark Holding Company LLC, a Delaware limited liability company (collectively, the "Guarantors" and together with the Issuer, the "Registrants"), we hereby submit for filing by direct electronic transmission under the Securities Act of 1933, as amended (the "Securities Act"), a registration statement on Form S-4 (the "S-4 Registration Statement"), together with certain exhibits thereto, relating to the Issuer's offers to exchange $465,000,000 in principal amount of its $7^3/_8$% Senior Subordinated Notes due 2014 (the "Exchange Dollar Notes") for its outstanding $7^3/_8$% Senior Subordinated Notes due 2014 (the "Outstanding Dollar Notes") and £100,000,000 in principal amount of its $8^1/_8$% Senior Subordinated Notes due 2014 (the "Exchange Sterling Notes" and, together with the Exchange Dollar Notes, the "Exchange Notes") for its outstanding $8^1/_8$% Senior Subordinated Notes due 2014 (the "Outstanding Sterling Notes" and, together with the Outstanding Dollar Notes, the "Outstanding Notes"), which were offered and sold earlier this year in reliance upon Rule 144A and Regulation S under the Securities Act (the "Private Offering"). The Outstanding Notes are, and the Exchange Notes will be, guaranteed by the Guarantors, who are also registrants under the S-4 Registration Statement.

The Registrants are registering the exchange offers on the S-4 Registration Statement in reliance on the position of the Securities and Exchange Commission (the "Commission") enunciated in *Exxon Capital Holdings Corporation*, available May 13, 1988 ("Exxon Capital"), *Morgan Stanley & Co., Incorporated*, available June 5, 1991 (regarding resales) and *Shearman & Sterling*, available July 2, 1993 (with respect to the participation of broker-dealers.) The Registrants have further authorized us to include the following representations to the Staff of the Commission:

1. The Registrants have not entered into any arrangement or understanding with any person to distribute the Exchange Notes and, to the best of each of the Registrants' information and belief without independent investigation, each person participating in the exchange offers is acquiring the Exchange Notes in its ordinary course of business and is not engaged in, does not intend to engage in, and has no arrangement or understanding with any person to participate in the distribution of the Exchange Notes. In this regard, the Registrants have disclosed to each person participating in the exchange offers that if such person is participating in the exchange offers for the purpose of distributing the Exchange Notes, such person (i) could not rely on the staff position enunciated in *Exxon Capital* or interpretive letters to similar effect and (ii) must comply with registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. Each Registrant acknowledges that such a secondary resale transaction by such person participating in the exchange offers for the purpose of distributing the Exchange Notes should be

covered by an effective registration statement containing the selling securityholder information required by Item 507 of Regulation S-K.

2. No broker-dealer has entered into any arrangement or understanding with the Registrants or an affiliate of the Registrants to distribute the Exchange Notes. The Registrants will disclose to each person participating in the exchange offers (through the exchange offer prospectus) that any broker-dealer who receives the Exchange Notes for its own account pursuant to the exchange offers may be a statutory underwriter and must deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of those Exchange Notes. The Registrants will also include in the letter of transmittal to be executed by each holder participating in the exchange offers that each broker-dealer that receives the Exchange Notes for its own account pursuant to the exchange offers must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of those Exchange Notes and that by so acknowledging and delivering a prospectus, the broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The filing fee for the S-4 Registration Statement in the amount of $77,619 has previously been deposited by wire transfer of same day funds to the Commission's account at Mellon Bank.

Please acknowledge receipt of the filing via electronic mail.

If you have any questions on the above-referenced S-4 Registration Statement, please contact Edward P. Tolley, III at (212) 455-3189 or Mary Kuan at (212) 455-2257.

Very truly yours,

/s/ Simpson Thacher & Bartlett LLP

SIMPSON THACHER & BARTLETT LLP

Attachments