Warner Music Group Corp.
Form DEFM14A
June 13, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

The Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

WARNER MUSIC GROUP CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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¨ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14(a)-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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WARNER MUSIC GROUP CORP.

75 Rockefeller Plaza

New York, NY 10019

June 13, 2011

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Warner Music Group Corp., a Delaware corporation (WMG or the Company), to be held on July 6, 2011, at 8:00 a.m., local time, at 66 East 55th Street, New York, NY 10022.

At the special meeting, you will be asked to (i) adopt an Agreement and Plan of Merger, dated as of May 6, 2011 (as it may be amended, the merger agreement), by and among the Company, Airplanes Music LLC (Buyer), a Delaware limited liability company and an affiliate of Access Industries, Inc., and Airplanes Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Buyer (Merger Sub), pursuant to which Merger Sub will be merged with and into the Company (the merger) with the Company surviving as a wholly owned subsidiary of Buyer and (ii) cast an advisory (non-binding) vote to approve certain agreements or understandings with and items of compensation that are based on or otherwise related to the merger payable to certain WMG named executive officers under agreements with the Company (the golden parachute compensation).

If the merger is completed, each share of WMG common stock, par value $0.001 per share, that you own immediately prior to the effective time of the merger, other than as provided below, will be converted into the right to receive $8.25 in cash (the per share merger consideration), without interest and less applicable withholding taxes. The following shares of WMG common stock will not be converted into the right to receive the per share merger consideration in connection with the merger: (i) shares of common stock owned by the Company and its wholly owned subsidiaries, (ii) shares of common stock owned by Buyer and its affiliates, (iii) shares of common stock whose holders have not voted in favor of adopting the merger agreement and have demanded and perfected their appraisal rights under Section 262 of the General Corporation Law of the State of Delaware or (iv) shares of unvested restricted stock granted under the Company s equity plan. Following the completion of the merger, Buyer will own all of the Company s issued and outstanding capital stock and the Company will continue its operations as a wholly owned subsidiary of Buyer. As a result, the Company will no longer have its stock listed on the New York Stock Exchange and will no longer be required to file periodic and other reports with the Securities and Exchange Commission with respect to WMG common stock. After the merger, you will no longer have an equity interest in the Company and will not participate in any potential future earnings of the Company.

Certain stockholders of the Company have entered into a voting agreement with Buyer that covers approximately 56% of the outstanding shares of WMG common stock, pursuant to which each such stockholder has agreed to, among other things, vote, or cause to be voted, its shares of WMG common stock in favor of the adoption of the merger agreement and any related proposal in furtherance of the transactions contemplated by the merger agreement.

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The Company s Board of Directors has approved and authorized the merger agreement and the transactions contemplated by the merger agreement, including the merger, determined that the merger agreement is advisable and in the best interest of our stockholders, and recommends that you vote FOR adoption of the merger agreement. In arriving at its recommendations, the Company s Board of Directors carefully considered a number of factors described in the accompanying proxy statement.

The Company s Board of Directors also recommends that you vote FOR advisory (non-binding) approval of the golden parachute compensation. Adoption of the merger agreement and approval of the golden parachute compensation are subject to separate votes by the Company s stockholders, and approval of the golden parachute compensation is not a condition to completion of the merger.

In considering the recommendation of the Company s Board of Directors, you should be aware that some of the Company s directors and its executive officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally.

If your shares are held in street name by your broker, bank or other nominee, your broker, bank or other nominee will be unable to vote your shares without receiving instructions from you. You should instruct your broker, bank or other nominee to vote your shares, and you should do so following the procedures provided by your broker, bank or other nominee. Failure to instruct your broker, bank or other nominee to vote your shares will have the same effect as voting against adoption of the merger agreement. However, failure to instruct your broker, bank or other nominee to vote your shares will have no effect on the proposal to approve the golden parachute compensation.

If you do not hold your shares in street name and you complete, sign and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of adoption of the merger agreement and approval of the golden parachute compensation. If you fail to return your proxy card and fail to vote at the special meeting, the effect will be the same as a vote against adoption of the merger agreement. However, your failure to vote will have no effect on the proposal to approve golden parachute compensation. Returning the proxy card does not deprive you of your right to attend the special meeting and vote your shares in person.

Your proxy may be revoked at any time before it is voted by submitting a later-dated proxy to the Company by Internet, by telephone or by mail, by submitting a written revocation to the Company s corporate secretary prior to the vote at the special meeting, or by attending and voting in person at the special meeting. For shares held in street name, you may revoke or change your vote by submitting instructions to your bank, broker or other nominee.

Any holder of WMG common stock who does not vote in favor of the adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares of WMG common stock in lieu of the per share merger consideration if the merger is completed, but only if they submit a written demand for appraisal of their shares before the taking of the vote on the merger agreement at the special meeting and they comply with all requirements of Section 262 of the General Corporation Law of the State of Delaware for exercising appraisal rights, which are summarized in the accompanying proxy statement.

The merger cannot be completed unless the holders of a majority of the outstanding shares of WMG common stock adopt the merger agreement. Whether or not you plan to attend the special meeting, please complete, sign and return the enclosed proxy card or submit your proxy by following the instructions on the proxy card.

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Thank you for your continued support.

Sincerely,

Edgar Bronfman, Jr.
Chairman of the Board and Chief Executive Officer

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger, passed upon the merits or fairness of the merger agreement or the transactions contemplated thereby, including the proposed merger, or passed upon the adequacy or accuracy of the information contained in this document or the accompanying proxy statement. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated June 13, 2011 and is first being mailed to the Company s stockholders on or about June 14, 2011.

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON JULY 6, 2011

WARNER MUSIC GROUP CORP.

To the Stockholders of Warner Music Group Corp.:

Notice is hereby given that a special meeting of stockholders of Warner Music Group Corp., a Delaware corporation (WMG or the Company), will be held on July 6, 2011 at 8:00 a.m., local time, at 66 East 55th Street, New York, NY 10022, for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of May 6, 2011 (as it may be amended, the merger agreement), by and among the Company, Airplanes Music LLC (Buyer), a Delaware limited liability company and an affiliate of Access Industries, Inc., and Airplanes Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Buyer (Merger Sub), providing for the merger of Merger Sub with and into the Company (the merger), with the Company surviving the merger as a wholly owned subsidiary of Buyer;

2. To consider and cast an advisory (non-binding) vote on a proposal to approve certain agreements or understandings with and items of compensation payable to the Company s named executive officers that are based on or otherwise related to the merger (the golden parachute compensation);

3. To consider and vote upon a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement; and

4. To consider and vote upon any other matters that properly come before the special meeting or any adjournment or postponement thereof.

Only holders of record of WMG common stock, par value $0.001 per share, at the close of business on June 10, 2011, the record date of the special meeting, are entitled to notice of, and to vote at, the special meeting or any adjournments or postponements of the special meeting.

The merger agreement, the merger and the golden parachute compensation arrangements are more fully described in the accompanying proxy statement, which the Company urges you to read carefully and in its entirety. A copy of the merger agreement is attached as Appendix A to the accompanying proxy statement, which the Company also urges you to read carefully and in its entirety.

The merger cannot be completed unless the holders of a majority of the outstanding shares of WMG common stock approve the merger agreement. The approval of the golden parachute compensation is advisory (non-binding) and is not a condition to completion of the merger. Whether or not you plan to attend the special meeting, please complete, sign and return the enclosed proxy card or submit your proxy by Internet, by telephone or by mail following the instructions on the proxy card.

The affirmative vote of the holders of a majority of the shares of WMG common stock outstanding and entitled to vote is necessary to adopt the merger agreement. In connection with the merger agreement, certain stockholders of the Company have entered into a voting agreement with Buyer that covers approximately 56% of the outstanding shares of WMG common stock, pursuant to which such stockholders have agreed to, among other things, vote, or cause to be voted, their shares of common stock in favor of adoption of the merger agreement any related proposal in furtherance of the transactions contemplated by the merger agreement.

The Company s Board of Directors has approved and authorized the merger agreement, and recommends that you vote FOR adoption of the merger agreement. The Company s Board of Directors recommends that you vote FOR approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to the Company s named executive officers in connection with the merger.

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Under the Delaware General Corporation Law, the Company s stockholders may exercise appraisal rights in connection with the merger. Stockholders who do not vote in favor of the proposal to adopt the merger agreement and who comply with all of the other necessary procedural requirements under the Delaware General Corporation Law will have the right to dissent from the merger and to seek appraisal of the fair value of their WMG shares in lieu of receiving the per share merger consideration, as determined by the Delaware Court of Chancery. For a description of appraisal rights and the procedures to be followed to assert them, stockholders should review the provisions of Section 262 of the General Corporation Law of the State of Delaware, a copy of which is included as Appendix B to the accompanying proxy statement.

The affirmative vote of the majority of the shares present in person or represented by proxy and entitled to vote on the proposal is required for the approval of the advisory (non-binding) proposal on golden parachute compensation.

The Company urges you to read the proxy statement and merger agreement carefully and in their entirety.

If you have questions about the merger agreement or the merger, including the procedures for voting your shares, you should contact Trent N. Tappe via telephone at (212) 275-2045 or via email at trent.tappe@wmg.com. You may also call the Company s proxy solicitor, MacKenzie Partners, Inc., toll-free at (800) 322-2885.

BY ORDER OF THE BOARD OF DIRECTORS

Paul M. Robinson
Executive Vice President, General Counsel and Secretary

June 13, 2011

Please do not send your WMG common stock certificates to the Company at this time. If the merger is completed, you will be sent instructions regarding the surrender of your stock certificates.

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WARNER MUSIC GROUP CORP.

75 Rockefeller Plaza

New York, NY 10019

PROXY STATEMENT

This proxy statement contains information related to a special meeting of stockholders of Warner Music Group Corp. to be held on July 6, 2011, at 66 East 55th Street, New York, NY 10022 at 8 a.m., local time, and at any adjournments or postponements thereof. **We are furnishing this proxy statement to our stockholders as part of the solicitation of proxies by our Board of Directors for use at the special meeting.** At the special meeting you will be asked to, among other things, consider and vote on the adoption of the merger agreement. This proxy statement is first being mailed to stockholders on or about June 14, 2011.

SUMMARY TERM SHEET

This following summary term sheet highlights selected information contained in this proxy statement and may not contain all of the information that is important to you. We urge you to read this entire proxy statement carefully, including the appendices, before voting. We have included section references to direct you to a more complete description of the topics described in this summary term sheet. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in Where Stockholders Can Find More Information beginning on page 86. Unless the context requires otherwise, references in this proxy statement to the Company or WMG refer to Warner Music Group Corp., references to Buyer refer to Airplanes Music LLC, a Delaware limited liability company, and references to Merger Sub refer to Airplanes Merger Sub, Inc., a Delaware corporation.

Purpose of Stockholders Vote. You are being asked to:

consider and vote upon a proposal (the merger proposal) to adopt the Agreement and Plan of Merger, dated as of May 6, 2011, by and among the Company, Buyer and Merger Sub, as it may be amended from time to time, which is referred to in this proxy statement as it may so be amended, as the merger agreement . A copy of the merger agreement is attached as Appendix A to this proxy statement. Pursuant to the merger agreement, Merger Sub will be merged with and into the Company (the merger), and the Company will continue as the surviving corporation and become a wholly owned subsidiary of Buyer. If the merger is completed, each issued and outstanding share of WMG common stock, other than as provided below, will be converted into the right to receive $8.25 in cash, without interest and less applicable withholding taxes. The following shares of WMG common stock will not be converted into the right to receive the per share merger consideration in connection with the merger: (i) shares of common stock owned by the Company and its wholly owned subsidiaries, (ii) shares of common stock owned by Buyer and its affiliates, (iii) shares of common stock whose holders have not voted in favor of adopting the merger agreement and have demanded and perfected their appraisal rights under Section 262 of the General Corporation Law of the State of Delaware (the DGCL) or (iv) shares of unvested restricted stock granted under the Company s equity plan. See The Special Meeting beginning on page 17 and The Merger (Proposal 1) beginning on page 21; and

approve on an advisory (non-binding) basis certain agreements and other items of compensation tied to or based on the merger payable to the Company s named executive officers under arrangements with the Company (which is referred to in this

proxy statement as the golden parachute compensation). See Advisory Vote on Golden Parachute Compensation (Proposal 2) beginning on page 78.

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Required Vote of the Company s Stockholders. Under the DGCL, the affirmative vote of the holders of a majority of the shares of WMG common stock outstanding and entitled to vote is necessary to approve the merger agreement. The affirmative vote of the majority of the shares present in person or represented by proxy and entitled to vote on the proposal is required for the approval of the advisory (non-binding) proposal on the golden parachute compensation. **The vote to approve the golden parachute compensation is advisory only and will not be binding on the Company or Buyer and is not a condition to completion of the merger.** If the merger agreement is adopted by the stockholders and completed, the golden parachute compensation may be paid to the Company s named executive officers even if stockholders fail to approve the golden parachute compensation. Abstentions and broker non-votes will have the same effect as a vote against adoption of the merger agreement. Abstentions are treated as a vote against the proposal to approve the golden parachute compensation if your shares are otherwise present in person or otherwise represented in proxy at the special meeting. However, broker non-votes (or other failures to vote) will have no effect on the proposal to approve the golden parachute compensation. The approval of the proposal to adjourn the special meeting if there are not sufficient votes to adopt the merger proposal requires the affirmative vote of stockholders holding a majority of the shares present in person or by proxy at the special meeting and entitled to vote thereon. See The Special Meeting Record Date; Shareholders Entitled to Vote; Quorum; Voting Information beginning on page 18, The Merger (Proposal 1) Voting Agreement beginning on page 46 and Advisory Vote on Golden Parachute Compensation (Proposal 2) beginning on page 78.

Voting Agreement. Certain stockholders of the Company have entered into a voting agreement with Buyer that covers approximately 56% of the outstanding shares of WMG common stock, pursuant to which each such stockholder has agreed to, among other things, vote, or cause to be voted, its shares of WMG common stock in favor of the adoption of the merger agreement and any related proposal in furtherance of the transactions contemplated by the merger agreement. The voting agreement will terminate automatically at the earlier of (i) the effective time of the merger and (ii) the date of termination of the merger agreement in accordance with its terms. See The Merger (Proposal 1) Voting Agreement beginning on page 46.

Parties Involved in the Proposed Transaction. The Company, a Delaware corporation headquartered in New York, New York, is one of the world s major music content companies, and is composed of two businesses: recorded music and music publishing. Buyer is a Delaware limited liability company and an affiliate of Access Industries, Inc., a privately held, U.S.-based industrial group with long-term holdings worldwide (Access Industries). Merger Sub is a Delaware corporation and a wholly owned subsidiary of Buyer. Both Buyer and Merger Sub were formed for the sole purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. See The Companies beginning on page 15.

Special Meeting. The stockholders vote will take place at a special meeting to be held on July 6, 2011 at 8:00 a.m., local time, at 66 East 55th Street, New York, NY 10022. See The Special Meeting beginning on page 17.

Conditions to the Merger. The completion of the merger is subject to the satisfaction or waiver of conditions, which are described in The Merger Agreement Conditions to the Completion of the Merger beginning on page 73. These conditions include, among others:

- the adoption of the merger agreement by the holders of a majority of the outstanding shares of WMG common stock;
- the expiration or termination of the regulatory waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act) and the receipt of merger approval under Council Regulation (EC) No 139/2004 (the EU Merger Regulation);
- the absence of certain orders or laws that restrain, enjoin or otherwise prohibit the consummation of the merger;

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the absence of a material adverse effect on the Company;

the Company s, Buyer s and Merger Sub s performance in all material respects of their agreements and covenants in the merger agreement; and

the accuracy of the representations and warranties of the Company (subject to certain qualifications).

Regulatory Approvals. The merger cannot be completed until the Company and Buyer each (i) file a notification and report form under the HSR Act and the applicable waiting period has expired or been terminated and (ii) file the report form under the EU Merger Regulation and merger approval thereunder has been received. The filing required under the HSR Act was made on May 20, 2011 and termination of the applicable waiting period under the HSR Act was granted on May 27, 2011. The filing required under the EU Merger Regulation was made on June 8, 2011 and merger approval is expected to be obtained by July 14, 2011. See The Merger (Proposal 1) Regulatory Approvals beginning on page 40.

Record Date. You are entitled to vote at the special meeting if you owned shares of WMG common stock at the close of business on June 10, 2011, which is the record date for the special meeting. On the record date, 155,965,179 shares of WMG common stock were outstanding and entitled to vote at the special meeting. See The Special Meeting Record Date; Shareholders Entitled to Vote; Quorum; Voting Information beginning on page 18.

Voting Information. You will have one vote for each share of WMG common stock that you owned at the close of business on the record date. If your shares are held in street name by a broker, you will need to provide your broker with instructions on how to vote your shares. Before voting your shares of WMG common stock, you should read this proxy statement in its entirety, including its appendices, and carefully consider how the merger affects you. Then, submit your completed, dated and signed proxy by Internet, by telephone or by mail, as soon as possible so that your shares can be voted at the special meeting. For more information on how to vote your shares, please refer to The Special Meeting Record Date; Shareholders Entitled to Vote; Quorum; Voting Information beginning on page 18.

Board Recommendation. The Company s Board of Directors, after careful consideration, has approved and authorized the merger agreement and the transactions contemplated by the merger agreement, including the merger, determined that the merger agreement is advisable and in the best interests of the stockholders of the Company, and recommends that you vote FOR adoption of the merger agreement. The Company s Board of Directors also recommends that you vote FOR approval of the golden parachute compensation. See The Merger (Proposal 1) Recommendation of the Company s Board of Directors beginning on page 28 and see Advisory Vote on Golden Parachute Compensation (Proposal 2) beginning on page 78.

Opinion of Goldman Sachs. Goldman, Sachs & Co. (Goldman Sachs) delivered its opinion to the Company s Board of Directors that, as of May 6, 2011 and based upon and subject to the factors and assumptions set forth therein, the $8.25 per share of WMG common stock in cash to be paid to the holders (other than Buyer and its affiliates) of outstanding shares of WMG common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The full text of the written opinion of Goldman Sachs, dated May 6, 2011, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix C to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of the Company s Board of Directors in connection with its consideration of the merger. The Goldman Sachs opinion is not a recommendation as to how any holder of WMG common stock should vote with respect to the merger or any other matter. Pursuant to an engagement letter between the Company and Goldman Sachs, the Company has agreed to pay Goldman Sachs a transaction fee of approximately $20 million, all of which is payable upon consummation of the merger.

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Financing of the Merger. Buyer and Merger Sub have obtained equity and debt financing commitments for the transactions contemplated by the merger agreement, the aggregate proceeds of which (together with cash on hand of the Company at closing) are expected to be sufficient for Buyer and Merger Sub to pay the aggregate merger consideration, the amounts payable with respect to the Company s stock options and the Company s restricted stock, and the related fees and expenses of the transactions contemplated by the merger agreement. The consummation of the merger is not subject to any financing conditions (although funding of the equity and debt financing is subject to the satisfaction of the conditions set forth in the commitment letters under which the financing will be provided). See The Merger (Proposal 1) Merger Financing beginning on page 41.

Limited Guarantees. In connection with the merger agreement, AI Investments Holdings LLC, an affiliate of Buyer, has executed a limited guarantee and a limited performance guarantee in favor of the Company to guarantee, subject to the limitations described therein, the payment of certain payment obligations that may be owed by Buyer and/or Merger Sub pursuant to the merger agreement, including the payment of any reverse termination fee that may become payable by Buyer and Merger Sub following a termination of the merger agreement by the Company in specified circumstances and payment by Buyer of its equity commitment if Access Industries Holdings LLC (the Sponsor), an affiliate of Access Industries, fails to capitalize Buyer pursuant to the equity commitment letter. The Company is contractually entitled to require such affiliate to perform under the guarantees. See The Merger Agreement Merger Financing beginning on page 41.

Interests of the Company s Directors and Executive Officers in the Merger. No stockholder is entitled to receive any special merger consideration. However, in considering the recommendation of the Company s Board of Directors, you should be aware that some of the Company s named executive officers and directors have interests in the merger that may be different from your interests as a stockholder and that may present actual or potential conflicts of interest. These interests are discussed in The Merger (Proposal 1) Interests of the Company s Directors and Executive Officers in the Merger beginning on page 43 and Advisory Vote on Golden Parachute Compensation (Proposal 2) beginning on page 78.

Material U.S. Federal Income Tax Consequences of the Merger. The merger will be a taxable event for U.S. federal income tax purposes. Each U.S. holder (as defined in this proxy statement) will recognize a taxable gain or loss equal to the difference between the consideration received (prior to reduction for any applicable withholding taxes) in the merger and the U.S. holder s adjusted tax basis in the shares of WMG common stock surrendered. See The Merger (Proposal 1) Material U.S. Federal Income Tax Consequences beginning on page 50 for a discussion of the material U.S. federal income tax consequences of the merger to certain U.S. holders and certain non-U.S. holders.

Treatment of Outstanding Options and Restricted Stock. Unless otherwise agreed upon between Buyer and any such stock option holder, immediately prior to the effective time of the merger, each stock option issued under the Company s equity compensation plans or programs, whether or not then exercisable or vested, will be cancelled and converted into the right to receive an amount in cash equal to, without interest and less applicable withholding taxes, the product of (i) the excess, if any, of $8.25 (the per share merger consideration) over the per share exercise price of the applicable stock option and (ii) the aggregate number of shares of common stock that may be acquired upon exercise of such stock option immediately prior to the effective time of the merger. Also at the effective time of the merger, unless otherwise agreed upon between Buyer and any such holder, each restricted share of common stock granted under the Company s equity compensation plans or programs will either vest (to the extent not already vested) or be forfeited, in each case in accordance with its terms. Further, in connection with the action approving the merger and the merger agreement, the Company s Board of Directors authorized the accelerated vesting of the service conditions applicable to restricted stock outstanding immediately prior to the consummation of the merger. Under the merger agreement, the Company may not accelerate or waive any performance condition with respect to shares of restricted stock without Buyer s consent. Accordingly, unless otherwise agreed upon between Buyer and any

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such holder, all shares of restricted stock for which the performance vesting condition is satisfied (determined based on the $8.25 per share merger consideration) will vest immediately prior to the consummation of the merger, and all shares of restricted stock subject to a performance condition that is not satisfied at the effective time of the merger will be forfeited. At the effective time of the merger, each vested restricted share of common stock will be converted into the right to receive an amount in cash equal to $8.25 (the per share merger consideration), without interest and less applicable withholding taxes.

Appraisal Rights. Stockholders who oppose the merger may exercise their right to seek appraisal of the fair value of their shares of WMG common stock as determined by the Court of Chancery of the State of Delaware if the merger is completed, but only if they do not vote in favor of adopting the merger agreement and otherwise comply with the procedures of Section 262 of the DGCL, which is the appraisal rights statute applicable to Delaware corporations. A copy of Section 262 of the DGCL is included as Appendix B to this proxy statement and the procedures are summarized in this proxy statement. See The Merger (Proposal 1) Appraisal Rights beginning on page 47 and Appendix B to this proxy statement. This appraisal amount could be more than, the same as or less than the $8.25 per share merger consideration. Your failure to follow exactly the procedures specified under DGCL will result in the loss of your appraisal rights.

Anticipated Closing of the Merger. The merger will be completed after all of the conditions to the merger are satisfied or waived, including, as detailed above, the expiration or termination of the regulatory waiting period under the HSR Act (which termination of the applicable waiting period was granted on May 27, 2011), the receipt of merger approval under the EU Merger Regulation (which approval is expected to be obtained by July 14, 2011), the adoption of the merger agreement by stockholders holding a majority of the outstanding shares of WMG common stock, the absence of certain orders or laws that restrain, enjoin or otherwise prohibit the consummation of the merger, the absence of a material adverse effect on the Company, the Company s, Buyer s and Merger Sub s performance in all material respects of their agreements and covenants in the merger agreement, and the accuracy of the representations and warranties of the Company, Buyer and Merger Sub (subject to certain qualifications). The Company currently expects the merger to be completed in the third calendar quarter of 2011, although the Company cannot assure completion by any particular date, if at all. The Company will issue a press release once the merger has been completed. See The Merger Agreement Conditions to the Completion of the Merger beginning on page 73.

Limitations on Solicitations of Other Offers. The Company has agreed to cease and terminate any previous discussions or negotiations with respect to takeover proposals. Under the merger agreement, the Company is subject to a no-shop restriction that prohibits the Company, its subsidiaries and their respective representatives from soliciting offers or proposals relating to a takeover proposal or providing information to or engaging in discussions or negotiations with third parties regarding a takeover proposal. Prior to the adoption of the merger agreement by the Company s stockholders, the no-shop restriction is subject to a fiduciary out provision that allows the Company to provide information and participate in discussions with respect to an unsolicited written takeover proposal that the Company s Board of Directors has determined in good faith constitutes or would reasonably be expected to lead to a superior proposal and, subject to compliance with the terms of the merger agreement (including providing Buyer and Merger Sub with prior notice and allowing Buyer certain matching rights), to change its recommendation due to an intervening event or to approve, recommend or declare advisable, and authorize the Company to enter into, an acquisition agreement with respect to a superior proposal. See The Merger Agreement Covenants of the Company No Solicitation of Takeover Proposals; Fiduciary Out beginning on page 66 and The Merger Agreement Effect of Termination; Fees and Expenses beginning on page 76.

Termination. The merger agreement may be terminated before the completion of the merger in certain circumstances. See The Merger Agreement Termination beginning on page 74.

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Termination Fees. The merger agreement contains certain termination rights for both the Company and Buyer. The merger agreement provides that, upon termination under specified circumstances, the Company would be required to pay Buyer or its designee a termination fee in an amount equal to $56,000,000. The merger agreement also provides that Buyer will be required to pay the Company a reverse termination fee of $60,000,000 under certain specified circumstances, and a reverse termination fee of $140,000,000 under certain specified circumstances if a willful breach by Buyer of its material representations, warranties, covenants or agreements under the merger agreement that materially contributes to the failure of the merger to occur. In addition, subject to certain limitations, either party may terminate the merger agreement if the merger is not consummated by November 7, 2011. See The Merger Agreement Effect of Termination; Fees and Expenses beginning on page 76.

Specific Performance. Under certain circumstances, a party may seek specific performance to require the other party to complete the merger. Additionally, the Company is contractually entitled to require an affiliate of Buyer to specifically perform the obligation to fund the equity commitment to Buyer in certain circumstances under one of the guarantees described above. If a termination fee or a reverse termination fee is due and payable to a party, such party is not entitled to require the other party to complete the merger. See The Merger Agreement Effect of Termination; Fees and Expenses beginning on page 76 and see The Merger (Proposal 1) Merger Financing beginning on page 41.

Additional Information. You can find more information about the Company in the periodic reports and other information the Company files with the Securities and Exchange Commission (the SEC). This information is available at the SEC s public reference facilities and at the website maintained by the SEC at www.sec.gov and on the Company s website at www.wmg.com. For a more detailed description of the additional information available, see Where Stockholders Can Find More Information beginning on page 86.

QUESTIONS AND ANSWERS ABOUT THE MERGER, THE GOLDEN PARACHUTE COMPENSATION AND THE SPECIAL MEETING

The following questions and answers, which are for your convenience only, briefly address some commonly asked questions about the merger, the golden parachute compensation and the special meeting and are qualified in their entirety by the more detailed information contained elsewhere in this proxy statement. These questions and answers may not address all questions that may be important to you as a stockholder of WMG. You should still carefully read this entire proxy statement, including the attached appendices.

Q: Why am I receiving these materials?

A: You are receiving this proxy statement and proxy card because you own shares of WMG common stock. The Company s Board of Directors is providing these proxy materials to give you information to determine how to vote in connection with the special meeting of the Company s stockholders.

Q: When and where is the special meeting?

A: The special meeting will be held at 8:00 a.m. local time on July 6, 2011 at 66 East 55th Street, New York, NY 10022.

Q: Upon what am I being asked to vote on at the special meeting?

A: You are being asked to consider and vote upon the following proposals:

1. to consider and vote upon the adoption of the merger agreement, pursuant to which Merger Sub will merge with and into the Company and the Company will continue as the surviving corporation and become a wholly owned subsidiary of Buyer;

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2. to consider and cast an advisory (non-binding) vote to approve the golden parachute compensation payable to the Company s named executive officers in connection with the merger;

3. to consider and vote upon a proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement; and

4. to consider and vote upon any other matters that properly come before the special meeting or any adjournment or postponement thereof.

Q: Why is the merger being proposed?

A: The Company s purpose in proposing the merger is to enable stockholders to receive, upon completion of the merger, $8.25 per share in cash, without interest and less applicable withholding taxes. After careful consideration, the Company s Board of Directors has (i) approved and declared advisable the merger agreement, the merger and the transactions contemplated by the merger agreement, (ii) declared that it is in the best interests of the stockholders of the Company that the Company enter into the merger agreement and consummate the merger on the terms and subject to the conditions set forth in the merger agreement, (iii) directed that the adoption of the merger agreement be submitted to a vote at a meeting of the stockholders of the Company and (iv) recommended that the stockholders of the Company vote FOR the adoption of the merger agreement. For a more detailed discussion of the conclusions, determinations and reasons of the Company s Board of Directors for recommending that the Company undertake the merger on the terms of the merger agreement, see The Merger (Proposal 1) Recommendation of the Company s Board of Directors, beginning on page 28.

Q: What will happen in the merger?

A: In the merger, Merger Sub will be merged with and into the Company and the Company will continue as the surviving corporation and become a wholly owned subsidiary of Buyer. As a result of the merger, WMG common stock will no longer be publicly traded, and you will no longer have any interest in the Company s future earnings or growth. In addition, WMG common stock will be delisted from the NYSE and deregistered under the Securities Exchange Act of 1934, as amended, and the Company will no longer be required file periodic reports with the SEC with respect to WMG common stock.

Q: What will I receive in the merger?

A: If the merger is completed, you will be entitled to receive $8.25 in cash, without interest and less any applicable withholding taxes, for each share of WMG common stock that you own immediately prior to the effective time of the merger. For example, if you own 100 shares of WMG common stock, you will receive $825.00 in cash in exchange for your shares of WMG common stock, without giving effect to any applicable withholding taxes. This does not apply to (i) shares of common stock owned by the Company and its wholly owned subsidiaries, (ii) shares of common stock owned by Buyer and its affiliates, (iii) shares of common stock whose holders have not voted in favor of adopting the merger agreement and have demanded and perfected their appraisal rights under Section 262 of the DGCL or (iv) shares of unvested restricted stock granted under the Company s equity plan. You will not own any shares of the capital stock in the surviving corporation.

Q: How does the per share merger consideration compare to the market price of WMG common stock prior to announcement of the merger?

A:

The $8.25 per share merger consideration represents a premium of approximately 34.4% over the volume-weighted average share price of $6.14 over the six months ended May 5, 2011.

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Q: What is the recommendation of the Company s Board of Directors?

A: Based on the factors described in The Merger (Proposal 1) Recommendation of the Company s Board of Directors, the Company s Board of Directors has approved the merger agreement and recommends that you vote FOR the merger agreement. In the opinion of the Company s Board of Directors, the merger agreement and the terms and conditions of the merger are in the best interests of the Company and its stockholders. The Company s Board of Directors also recommends that you vote FOR approval of the golden parachute compensation. See The Merger (Proposal 1) Recommendation of the Company s Board of Directors beginning on page 28 and Advisory Vote on Golden Parachute Compensation (Proposal 2) beginning on page 78.

Q: Who will own the Company after the merger?

A: After the merger, the Company will be a wholly owned subsidiary of Buyer.

Q: What are the consequences of the merger to present members of management and the Company s Board of Directors?

A: Shares of common stock owned by members of management and the Company s Board of Directors will be treated the same as shares held by other stockholders. Options and restricted stock owned by members of management and the Company s Board of Directors will be treated the same as outstanding options and restricted stock held by other employees. See Treatment of Outstanding Options and Restricted Stock in the Summary Term Sheet section above. For other payments and benefits to the Company s named executive officers that are tied to or based on the merger, see Advisory Vote on Golden Parachute Compensation (Proposal 2) beginning on page 78.

Q: Is the merger subject to the satisfaction of any conditions?

A: Yes. The completion of the merger is subject to the satisfaction or waiver of the conditions described in The Merger Agreement Conditions to the Completion of the Merger beginning on page 73. These conditions include, among others:

- the adoption of the merger agreement by stockholders holding a majority of the outstanding shares of WMG common stock;
- the expiration or termination of the regulatory waiting period under the HSR Act (which termination of the applicable waiting period was granted on May 27, 2011) and the receipt of merger approval under the EU Merger Regulation (which approval is expected to be obtained by July 14, 2011);
- the absence of certain orders or laws that restrain, enjoin or otherwise prohibit the consummation of the merger;
- the absence of a material adverse effect on the Company;
- the Company s, Buyer s and Merger Sub s performance in all material respects of their agreements and covenants in the merger agreement; and

the accuracy of the representations and warranties of the Company (subject to certain qualifications).

Q: Who can attend and vote at the special meeting?

A: All holders of WMG common stock at the close of business on June 10, 2011, the record date for the special meeting, will be entitled to vote (in person or by proxy) on the merger agreement at the special meeting or any adjournments or postponements of the special meeting.

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Q: What vote is required to approve the merger agreement?

A: The merger agreement must be adopted by the affirmative vote of a majority of the shares of WMG common stock outstanding on the record date. Because the required vote is based on the number of shares of WMG common stock outstanding rather than on the number of votes cast, failure to vote your shares (including as a result of broker non-votes) and abstentions will have the same effect as voting against the adoption of the merger agreement. The Company urges you to either complete, execute and return the enclosed proxy card or submit your proxy or voting instructions by Internet, by telephone or by mail to assure the representation of your shares of WMG common stock at the special meeting. A broker non-vote occurs when a broker does not have discretion to vote on the matter and has not received instructions from the beneficial holder as to how such holder s shares are to be voted on the matter.

As noted below, certain stockholders of the Company have entered into a voting agreement with Buyer that covers approximately 56% of the outstanding shares of WMG common stock, pursuant to which each such stockholder has agreed to, among other things, vote its shares FOR the adoption of the merger agreement and the approval of the merger and any related proposal in furtherance of the transactions contemplated by the merger agreement.

Q: Have any stockholders already agreed to approve the merger?

A: Yes. In connection with the merger agreement, certain of the Company s stockholders have entered into a voting agreement with Buyer, dated as of May 6, 2011, that covers approximately 56% of the outstanding shares of WMG common stock, pursuant to which those stockholders have agreed to vote their shares of WMG common stock in favor of the adoption of the merger agreement. For more information, please see The Merger (Proposal 1) Voting Agreement beginning on page 46.

Q: Why am I being asked to cast an advisory (non-binding) vote to approve golden parachute compensation payable to certain of the Company s named executive officers in connection with the merger?

A: The SEC recently has adopted new rules that require the Company to seek an advisory (non-binding) vote with respect to certain payments that will be made to the Company s named executive officers in connection with the merger.

Q: What is the golden parachute compensation?

A: The golden parachute compensation is certain compensation that is tied to or based on the merger and payable to certain of the Company s named executive officers. See Advisory Vote on Golden Parachute Compensation (Proposal 2) beginning on page 78.

Q: What vote is required to approve the golden parachute compensation payable to certain of the Company s named executive officers in connection with the merger?

A: The affirmative vote of the majority of the shares present in person or represented by proxy and entitled to vote on the proposal is required for approval of the advisory (non-binding) proposal on golden parachute compensation.

Q: What will happen if stockholders do not approve the golden parachute compensation at the special meeting?

A:

Approval of the golden parachute compensation is not a condition to completion of the merger. The vote with respect to the golden parachute compensation is an advisory vote and will not be binding on the Company or Buyer. If the merger agreement is adopted by the stockholders and completed, the golden parachute compensation may be paid to the Company s named executive officers even if stockholders fail to approve the golden parachute compensation.

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Q: What is a quorum?

A: A quorum will be present if holders of a majority of the outstanding shares of common stock entitled to vote on a matter at the special meeting are present in person or represented by proxy at the special meeting. If a quorum is not present at the special meeting, the special meeting may be adjourned or postponed from time to time until a quorum is obtained. If you submit a proxy, your shares will be counted to determine whether the Company has a quorum even if you abstain or fail to provide voting instructions on any of the proposals listed on the proxy card. If your shares are held in the name of a nominee, and you do not tell the nominee how to vote your shares, these shares will be counted for purposes of determining the presence or absence of a quorum for the transaction of business.

Certain stockholders of the Company have entered into a voting agreement with Buyer that covers approximately 56% of the outstanding shares of WMG common stock, pursuant to which each such stockholder has agreed to appear at the special meeting (or have its shares of WMG common stock be counted present thereat) for the purposes of determining a quorum.

Q: How many votes do I have?

A: You have one vote for each share of WMG common stock that you own as of the record date.

Q: How are votes counted?

A: Votes will be counted by the inspector of election appointed for the special meeting, who will separately count FOR and AGAINST votes, abstentions and broker non-votes and separately count votes in respect of each proposal. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not receive instructions from the beneficial owner with respect to the merger proposal, or the proposal for golden parachute compensation, or the adjournment proposal, counted separately.

Because Delaware law requires the affirmative vote of holders of a majority of the outstanding shares of WMG common stock to approve the adoption of the merger agreement, the failure to vote, broker non-votes and abstentions will have the same effect as voting AGAINST the merger proposal.

Because the advisory vote to approve the golden parachute compensation and approval of the adjournment proposal require the affirmative vote of the majority of the shares present in person or represented by proxy and entitled to vote thereon and thereat, abstentions will have the same effect as a vote AGAINST the golden parachute compensation and adjournment proposal, and broker non-votes will have no effect on the outcome of the golden parachute compensation and adjournment proposal. See Adjournment of the Special Meeting (Proposal 3), beginning on page 82.

Q: How do I vote my WMG common stock?

A: Before you vote, you should read this proxy statement carefully and in its entirety, including the appendices, and carefully consider how the merger and the golden parachute compensation affects you. Then, mail your completed, dated and signed proxy card in the enclosed return envelope or submit your proxy by Internet or by telephone as soon as possible so that your shares can be voted at the special meeting. For more information on how to vote your shares, see The Special Meeting Record Date; Shareholders Entitled to Vote; Quorum; Voting Information beginning on page 18.

Q: What happens if I do not vote?

A:

The vote to adopt the merger agreement is based on the total number of shares of WMG common stock outstanding on the record date, and not just the shares that are voted. If you do not vote, it will have the same effect as a vote AGAINST the merger proposal. If the merger is completed, whether or not you vote for the merger proposal, you will be paid the merger consideration for your shares of WMG common stock upon completion of the merger, unless you properly exercise your appraisal rights. See The Special

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Meeting and The Merger (Proposal 1) Appraisal Rights beginning on pages 17 and 47, respectively, and Appendix B to this proxy statement.

The vote to approve the golden parachute compensation is advisory only and will not be binding on the Company or Buyer and is not a condition to completion of the merger. If the merger agreement is adopted by the stockholders and completed, the golden parachute compensation may be paid to the Company s named executive officers even if stockholders fail to approve the golden parachute compensation.

As noted below, certain stockholders of the Company have entered into a voting agreement with Buyer that covers approximately 56% of the outstanding shares of WMG common stock, pursuant to which each such stockholder has agreed to vote its shares FOR the adoption of the merger agreement and the approval of the merger and any related proposal in furtherance of the transactions contemplated by the merger agreement.

Q: If the merger is completed, how will I receive cash for my shares?

A: If the merger agreement is adopted and the merger is consummated, and if you are the record holder of your shares of WMG common stock immediately prior to the effective time of the merger (i.e., you have a stock certificate), you will be sent a letter of transmittal to complete and return to a paying agent to be designated by Buyer, referred to herein as the paying agent. In order to receive the $8.25 per share in cash, without interest and less any applicable withholding taxes, you must send the paying agent, according to the instructions provided, your validly completed letter of transmittal together with your WMG stock certificates and other required documents as instructed in the separate mailing. Once you have properly submitted a completed letter of transmittal, you will receive cash for your shares. If your shares of WMG common stock are held in street name by your broker, bank or other nominee, you will receive instructions after the effective time of the merger from your broker, bank or other nominee as to how to effect the surrender of your street name shares and receive cash for those shares.

Q: What happens to my stock options awards if the merger is completed?

A: Immediately prior to the effective time of the merger, unless otherwise agreed upon in writing between Buyer and any such holder, each stock option issued under the Company s equity compensation plans, whether or not then exercisable or vested, will be cancelled and converted into the right to receive an amount in cash equal to, without interest and less applicable withholding taxes, the product of (i) the excess of $8.25 (the per share merger consideration) over the per share exercise price of the applicable stock option and (ii) the aggregate number of shares of common stock that may be acquired upon exercise of such stock option immediately prior to the effective time of the merger.

Q: What happens to my restricted stock awards if the merger is completed?

A: Immediately prior to the effective time of the merger, unless otherwise agreed upon in writing between Buyer and any such holder, each restricted share of common stock granted under the Company s equity compensation plans, will either be vested (to the extent not already vested) or forfeited, in each case in accordance with its terms. Further, in connection with the action approving the merger and the merger agreement, the Company s Board of Directors authorized the accelerated vesting of the service conditions applicable to restricted stock outstanding immediately prior to the consummation of the merger. Under the merger agreement, the Company may not accelerate or waive any performance condition with respect to shares of restricted stock without Buyer s consent. Accordingly, unless otherwise agreed upon between Buyer and any such holder, all shares of restricted stock for which the performance vesting condition is satisfied (determined based on the $8.25 per share merger consideration) will vest as of immediately prior to the consummation of the merger, and all shares of restricted stock subject to a performance condition that is not satisfied at the effective time of the merger will be forfeited. At the effective time of the merger, each vested restricted share of common stock will be converted into the right to receive an amount in cash equal to $8.25 (the per share merger consideration), without interest and less applicable withholding taxes.

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Q: What happens if the merger is not completed?

A: If the merger agreement is not adopted by the stockholders of the Company or if the merger is not completed for any other reason, the stockholders of the Company will not receive any payment for their shares of WMG common stock in connection with the merger. Instead, WMG will remain an independent public company, WMG common stock will continue to be listed and traded on the NYSE and registered under the Exchange Act and the Company will continue to file periodic reports with the SEC with respect to WMG common stock. Under specified circumstances, the Company may be required to pay to Buyer, or may be entitled to receive from Buyer, a fee with respect to the termination of the merger agreement, as described under The Merger Agreement Effect of Termination; Fees and Expenses beginning on page 76.

Q: When should I send in my stock certificates?

A: You should send your stock certificates together with the letter of transmittal after the merger is consummated and not now. You will receive the letter of transmittal following the consummation of the merger.

Q: I do not know where my stock certificate is how will I get my cash?

A: The materials you are sent after the completion of the merger will include the procedures that you must follow if you cannot locate your stock certificate. This will include an affidavit that you will need to sign attesting to the loss of your stock certificate. The Company may also require that you provide a customary indemnity agreement to the Company in order to cover any potential loss.

Q: What happens if I sell my shares of WMG common stock before the special meeting?

A: The record date for stockholders entitled to vote at the special meeting is earlier than the consummation of the merger. If you transfer your shares of WMG common stock after the record date but before the special meeting you will, unless special arrangements are made, retain your right to vote at the special meeting, but will transfer the right to receive the merger consideration to the person to whom you transfer your shares.

Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?

A: Your broker will *not* vote your shares on your behalf unless you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct it to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting AGAINST the adoption of the merger agreement for purposes of the Company stockholder approval, but will have no effect for purposes of the other proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies or on the outcome of the advisory (non-binding) vote on golden parachute compensation. The instructions set forth below apply to stockholders of record (also referred to as registered holders) only and not those whose shares are held in the name of a nominee.

Q: Will my shares held in street name or another form of record ownership be combined for voting purposes with shares I hold of record?

A: No. Because any shares you may hold in street name will be deemed to be held by a different stockholder than any shares you hold of record, any shares so held will not be combined for voting purposes with shares you hold of record. Similarly, if you own shares in various registered forms, such as jointly with your spouse, as trustee of a trust or as custodian for a minor, you will receive, and will need to sign and return, a separate proxy card for those shares because they are held in a different form of record ownership. Shares held by a corporation or business entity must be voted by an authorized officer of the entity. Shares held in an Individual Retirement Account must be voted under the rules governing the account.

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Q: What does it mean if I receive more than one set of proxy materials?

A: This means you own shares of WMG common stock that are registered under different names or are in more than one account. For example, you may own some shares directly as a stockholder of record and other shares through a broker or you may own shares through more than one broker. In these situations, you will receive multiple sets of proxy materials. You must vote, sign and return all of the proxy cards or follow the instructions for any alternative voting procedure on each of the proxy cards that you receive in order to vote all of the shares you own. Each proxy card you receive comes with its own prepaid return envelope. If you submit your proxy by mail, make sure you return each proxy card in the return envelope that accompanies that proxy card.

Q: What if I fail to instruct my broker?

A: Without instructions, your broker will not vote any of your shares held in street name. Broker non-votes will be counted for purposes of determining the presence or absence of a quorum. Broker non-votes will have exactly the same effect as a vote AGAINST the merger proposal, but will have no effect on the outcome of the advisory (non-binding) vote on golden parachute compensation or the vote on the adjournment proposal.

Q: When do you expect the merger to be completed?

A: The parties to the merger agreement are working to complete the merger as quickly as possible. In order to complete the merger, the Company must obtain the stockholder approval described in this proxy statement, and the other closing conditions under the merger agreement must be satisfied or waived. The parties to the merger agreement currently expect to complete the merger in the third calendar quarter of 2011**,** although the Company cannot assure completion by any particular date, if at all. Because the merger is subject to a number of conditions, the exact timing of the merger cannot be determined at this time.

Q: What are the U.S. federal income tax consequences of the merger?

A: The merger will be a taxable event for U.S. federal income tax purposes. Each U.S. holder (as defined in this proxy statement) will recognize a taxable gain or loss in an amount equal to the difference between the consideration received in the merger (prior to reduction for any applicable withholding taxes) and the U.S. holder s adjusted tax basis in the shares of WMG common stock surrendered. See The Merger (Proposal 1) Material U.S. Federal Income Tax Consequences beginning on page 50 for a discussion of the material U.S. federal income tax consequences of the merger to certain U.S. holders and certain non-U.S. holders. **The tax consequences of the merger to you will depend on the facts of your own situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you**.

Q: What happens if I do not return a proxy card?

A: Your failure to return your proxy card will have the same effect as a vote AGAINST adoption of the merger agreement.

Q: May I vote in person?

A: Yes. You may attend the special meeting and vote your shares in person whether or not you sign and return your proxy card. If your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy from such record holder.

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Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. You may revoke and change your vote at any time before your proxy card is voted at the special meeting. You can do this in one of three ways:

First, you can send a written notice to the Company s corporate secretary stating that you would like to revoke your proxy;

Second, you can complete and submit a new proxy by Internet, by telephone or by mail; or

Third, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy.

If you have instructed a broker, bank or other nominee to vote your shares, you must follow directions received from your broker, bank or other nominee to change those instructions.

Q: What rights do I have to seek a valuation of my shares?

A: Under Delaware law, stockholders who do not vote in favor of the merger may exercise appraisal rights, but only if they do not vote in favor of the merger proposal and they otherwise comply with the procedures of Section 262 of the DGCL, which is the appraisal statute applicable to Delaware corporations. A copy of Section 262 of the DGCL is included as Appendix B to this proxy statement.

Q: What do I need to do now?

A: You should carefully read this proxy statement, including the appendices in their entirety, and consider how the merger and the golden parachute compensation would affect you. Please complete, sign, date and mail your proxy card in the enclosed postage prepaid envelope as soon as possible so that your shares may be represented at the special meeting.

Q: Who can help answer my questions?

A: If you have questions about the merger agreement or the merger, including the procedures for voting your shares, you should contact Trent N. Tappe via telephone at (212) 275-2045 or via email at trent.tappe@wmg.com. You may also call the Company s proxy solicitor, MacKenzie Partners, Inc. (MacKenzie), toll-free at (800) 322-2885.

INTRODUCTION

This proxy statement and the accompanying form of proxy are being furnished to the Company s stockholders in connection with the solicitation of proxies by the Company s Board of Directors for use at the special meeting to be held on July 6, 2011 at 8:00 a.m. local time at 66 East 55th Street, New York, NY 10022.

The Company is asking its stockholders to (i) vote on the adoption of the merger agreement, dated as of May 6, 2011, by and among the Company, Buyer and Merger Sub and (ii) cast an advisory (non-binding) vote to approve golden parachute compensation payable under existing agreements to certain of the Company s named executive officers in connection with the merger.

If the merger is completed, the Company will continue as the surviving corporation and become a wholly owned subsidiary of Buyer, and each share of WMG common stock owned by the Company s stockholders immediately prior to the effective time of the merger, other than as

provided below, will be converted into the right to receive $8.25 per share in cash, without interest and less any applicable withholding taxes. The following shares of WMG common stock will not be converted into the right to receive the per share merger consideration in connection with the merger: (i) shares of common stock owned by the Company and its wholly owned

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subsidiaries, (ii) shares of common stock owned by Buyer and its affiliates, (iii) shares of common stock whose holders have not voted in favor of adopting the merger agreement and have demanded and perfected their appraisal rights under Section 262 of the DGCL or (iv) shares of unvested restricted stock granted under the Company s equity plan.

THE COMPANIES

Warner Music Group Corp.

Warner Music Group Corp. is one of the world s major music content companies. The Company is composed of two businesses: recorded music and music publishing. The Company is the world s third-largest recorded music company and also the world s third-largest music publishing company. The Company is a global company, generating over half of its revenue in more than 50 countries outside of the U.S. The Company generated revenue of $2.984 billion during its fiscal year ended September 30, 2010.

The Company s recorded music business produces revenue primarily through the marketing, sale and licensing of recorded music in various physical (such as CDs, LPs and DVDs) and digital (such as downloads and ringtones) formats. The Company s recorded music business has also expanded its participation in image and brand rights associated with artists, including merchandising, sponsorships, touring and artist management. The Company often refers to these rights as expanded rights and to the recording agreements that provide the Company with participations in such rights as expanded-rights deals. Prior to intersegment eliminations, the Company s recorded music business generated revenues of $2.455 billion during its fiscal year ended September 30, 2010.

The Company s music publishing business owns and acquires rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use. The Company publishes music across a broad range of musical styles. Prior to intersegment eliminations, the Company s music publishing business generated revenue of $556 million during its fiscal year ended September 30, 2010.

Warner Music Group Corp.

75 Rockefeller Plaza

New York, New York 10019

Telephone: (212) 275-2000

Airplanes Music LLC

Buyer is a Delaware limited liability company that was formed solely for the purpose of effecting the merger. Buyer is an affiliate of Access Industries, a privately-held, U.S.-based industrial group with long-term holdings worldwide, whose industrial focus spans three key sectors: natural resources and chemicals; telecommunications and media; and real estate. Access Industries holdings in the digital media sector currently include significant stakes in Perform Group (the online sports broadcaster), Acision (the leading mobile broadband and value added services provider), ICEnet (mobile broadband services provider in Scandinavia), ViKi (the international video site, translating the best of TV and movies into over 150 languages) and Mendeley Research Networks (the social Web application for sharing research papers, discovering research data and collaborating).

At the effective time of the merger, Buyer will be the direct parent of the surviving company resulting from the merger of Merger Sub into the Company. Buyer has not conducted any activities other than those incidental to its formation and the transactions contemplated by the merger agreement.

Airplanes Music LLC

c/o Access Industries Management, LLC

730 Fifth Avenue

New York, New York 10019

Telephone: (212) 247-6400

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Airplanes Merger Sub, Inc.

Merger Sub, a wholly owned subsidiary of Buyer, is a Delaware corporation that was formed solely for the purpose of effecting the merger. At the effective time of the merger, Merger Sub will be merged with and into the Company and the name of the surviving company will be Warner Music Group Corp. Merger Sub has not conducted any activities other than those incidental to its formation and the transactions contemplated by the merger agreement. Upon the completion of the merger, Merger Sub will cease to exist.

Airplanes Merger Sub, Inc.

c/o Access Industries Management, LLC

730 Fifth Avenue

New York, New York 10019

Telephone: (212) 247-6400

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, the documents incorporated by reference, as well as oral statements made or to be made includes and incorporates by reference statements that are not historical facts. These forward-looking statements are based on the Company s current estimates and assumptions and, as such, involve uncertainty and risk. Forward-looking statements include the information concerning the Company s possible or assumed future results of operations and the Company s plans, intentions and expectations to complete the merger and also include those preceded or followed by the words anticipates, believes, could, estimates, expects, intends, may, should, plans, targets and/or expressions. They include statements relating to future revenue and expenses, the expected growth of the Company s business and trends and opportunities in the Company s markets.

These forward-looking statements include, among other things, whether and when the proposed merger will close and whether conditions to the proposed merger will be satisfied. These forward-looking statements also involve known and unknown risks, uncertainties and other factors that include, among others, the failure of the merger to be completed, the time at which the merger is completed, adoption of the merger agreement by the Company s stockholders, and failure by the Company or by Buyer or Merger Sub to satisfy conditions to the merger.

The forward-looking statements are not guarantees of future performance or that the merger will be completed as planned, and actual results may differ materially from those contemplated by these forward-looking statements. In addition to the factors discussed elsewhere in this proxy statement, other factors that could cause actual results to differ materially include industry performance, general business, economic, regulatory and market and financial conditions, all of which are difficult to predict. The risk factors discussed herein are also discussed in the documents that are incorporated by reference into this proxy statement. These factors may cause the Company s actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Additionally, important factors could cause the Company s actual results to differ materially from such forward-looking statements. Such risk, uncertainties and other important factors include, among others:

- the failure of the Company s stockholders to approve the merger;
- the risk that required consents to the merger will not be obtained;
- the risk that the merger may not be completed on the expected timetable, or at all;

litigation in respect of the merger;

disruption from the merger making it more difficult to maintain certain strategic relationships;

risks relating to recent or future ratings agency actions or downgrades as a result of the announcement of the merger;

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

the impact of the Company s substantial leverage, including any increase associated with additional indebtedness to be incurred in connection with the merger, on the Company s ability to raise additional capital to fund its operations, on its ability to react to changes in the economy or the Company s industry and on its ability to meet its obligations under its indebtedness; and

differences between the Company s currently expected pro forma capital structure following consummation of the merger and the Company s actual capital structure following consummation of the merger.

These factors may cause the Company s actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Except to the extent required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on the Company s behalf are expressly qualified in their entirety by the cautionary statements contained throughout this proxy statement.

All information contained in this proxy statement concerning Buyer and Merger Sub has been supplied by Buyer and Merger Sub and has not been independently verified by the Company.

THE SPECIAL MEETING

Time, Place and Purpose of the Special Meeting

The enclosed proxy is solicited on behalf of the Company s Board of Directors for use at a special meeting of the Company s stockholders to be held on July 6, 2011 at 8:00 a.m., local time, or at any adjournments or postponements thereof, for the purposes set forth in this proxy statement and in the accompanying notice of special meeting. The special meeting will be held at 66 East 55th Street, New York, NY 10022.

At the special meeting, the Company s stockholders are being asked to consider and vote upon a proposal to adopt the merger agreement. The Company s stockholders are also being asked to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement.

Further, the Company s stockholders are being asked to cast an advisory (non-binding) vote to approve golden parachute compensation payable under existing agreements to of the Company s named executive officers in connection with the merger.

The Company does not expect a vote to be taken on any other matters at the special meeting or any adjournment or postponement thereof. If any other matters are properly presented at the special meeting or any adjournment or postponement thereof for consideration, however, the holders of the proxies will have discretion to vote on these matters in accordance with their best judgment.

Board Recommendation

The Company s Board of Directors (i) approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement, including the merger and the voting agreement, (ii) determined that the merger agreement and the transactions contemplated by the merger agreement, including

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the merger, are in the best interests of the Company and the stockholders of the Company and (iii) resolved to recommend that the stockholders of the Company adopt the merger agreement. For a discussion of the material factors considered by the Company s Board of Directors in reaching its conclusions, see The Merger (Proposal 1) Recommendation of the Company s Board of Directors beginning on page 28.

The Company s Board of Directors recommends that you vote FOR the proposal to adopt the merger agreement, FOR the proposal to approve the golden parachute compensation and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Record Date; Shareholders Entitled to Vote; Quorum; Voting Information

Only holders of record of WMG common stock at the close of business on June 10, 2011 are entitled to notice of and to vote at the special meeting. At the close of business on June 10, 2011, 155,965,179 shares of WMG common stock were outstanding and entitled to vote. A list of the Company s stockholders will be available for review at the Company s executive offices during regular business hours after the date of this proxy statement and through the date of the special meeting. Each holder of record of WMG common stock on the record date will be entitled to one vote for each share held by such holder. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of WMG common stock entitled to vote at the special meeting is necessary to constitute a quorum for the transaction of business at the special meeting.

All votes will be tabulated by the inspector of election appointed for the special meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes, if any.

If a stockholder s shares are held of record by a broker, bank or other nominee and the stockholder wishes to vote at the special meeting, the stockholder must obtain from the record holder a proxy issued in the stockholder s name. Brokers who hold shares in street name for clients typically have the authority to vote on routine proposals when they have not received instructions from beneficial owners. Absent specific instructions from the beneficial owner of the shares, however, brokers are not allowed to exercise their voting discretion with respect to the approval of non-routine matters, such as the merger agreement. Proxies submitted without a vote by brokers on these matters are referred to as broker non-votes. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the special meeting.

Proxies received at any time before the special meeting and not revoked or superseded before being voted will be voted at the special meeting. If the proxy indicates a specification, it will be voted in accordance with the specification. If no specification is indicated, the proxy will be voted FOR adoption of the merger agreement, FOR the approval of the golden parachute compensation, FOR the approval of the proposal to adjourn the special meeting if there are not sufficient votes to adopt the merger agreement, and in the discretion of the persons named in the proxy with respect to any other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

Stockholders may also vote in person by ballot at the special meeting.

The affirmative vote of holders of a majority of the outstanding shares of WMG common stock is required to adopt the merger agreement. Because adoption of the merger agreement requires the approval of stockholders representing a majority of the outstanding shares of WMG common stock, failure to vote your shares of WMG common stock (including failure to provide voting instructions if you hold through a broker, bank or other nominee) will have exactly the same effect as a vote against the merger agreement. However, failure to vote your shares (including failure to provide voting instructions if you hold through a broker, bank or other nominee) will have no effect on the vote to approve the golden parachute compensation.

The vote to approve the golden parachute compensation is advisory only and will not be binding on the Company or Buyer and is not a condition to consummation of the merger. If the merger agreement is adopted by

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the stockholders and completed, the golden parachute compensation may be paid to the Company s named executive officers even if stockholders fail to approve the golden parachute compensation.

The approval of the proposal to adjourn the special meeting if there are not sufficient votes to adopt the merger agreement requires the affirmative vote of stockholders holding a majority of the shares present in person or by proxy at the special meeting and entitled to vote thereon. The persons named as proxies may propose and vote for one or more adjournments of the special meeting, including adjournments to permit further solicitations of proxies.

Certain stockholders of the Company have entered into a voting agreement with Buyer that covers approximately 56% of the outstanding shares of WMG common stock, pursuant to which each such stockholder has agreed to vote its shares FOR the adoption of the merger agreement and the approval of the merger and any related proposal in furtherance of the transactions contemplated by the merger agreement.

Please do not send in stock certificates at this time. If the merger is completed, you will be sent a letter of transmittal regarding the procedures for exchanging the existing Company s stock certificates for the payment of $8.25 per share in cash, without interest and less any applicable withholding taxes.

How You Can Vote

Each share of WMG common stock outstanding on June 10, 2011, the record date for stockholders entitled to vote at the special meeting, is entitled to one vote at the special meeting. The affirmative vote of holders of a majority of the outstanding shares of WMG common stock is required to adopt the merger agreement. Because adoption of the merger agreement requires the approval of stockholders representing a majority of the outstanding shares of WMG common stock, failure to vote your shares of WMG common stock (including failure to provide voting instruction if you hold through a broker, bank or other nominee) will have exactly the same effect as a vote against the merger agreement.

You may vote your shares in any of the following ways:

Submitting a Proxy by Mail. If you choose to have your shares voted at the special meeting by submitting a proxy by mail, simply mark your proxy, date and sign it, and return it in the postage-paid envelope provided.

Submitting a Proxy by Telephone. You can have your shares voted at the special meeting by submitting a proxy by telephone by calling the toll-free number on the proxy card until 11:59 p.m. New York City Time on July 5, 2011. You will then be prompted to enter the control number printed on your proxy card and to follow the subsequent instructions. Submitting a proxy by telephone is available 24 hours a day. If you submit a proxy by telephone with respect to a proxy card, do not return that proxy card.

Submitting a Proxy by Internet. You can also have your shares voted at the special meeting by submitting a proxy via the Internet until 11:59 p.m. New York City Time on July 5, 2011. The website for submitting a proxy via the Internet is www.proxyvote.com, and is available 24 hours per day. Instructions on how to submit a proxy via the Internet are located on the proxy card enclosed with this proxy statement. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and create an electronic voting form. If you submit a proxy via the Internet with respect to a proxy card, you should not return that proxy card.

Voting in Person. You can also vote by appearing and voting in person at the special meeting.

If you choose to have your shares of WMG common stock voted at the special meeting by submitting a proxy, your shares will be voted at the special meeting as you indicate on your proxy card. If no instructions are indicated on your signed proxy card, all of your shares of WMG common stock will be voted FOR the

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adoption of the merger agreement, FOR the approval of the golden parachute compensation and FOR the approval of the proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement. You should return a proxy even if you plan to attend the special meeting in person.

Proxies; Revocation

Any person giving a proxy pursuant to this solicitation has the power to revoke and change it any time before it is voted. It may be revoked and/or changed at any time before it is voted at the special meeting by:

- giving written notice of revocation to the Company s corporate secretary;
- submitting another proper proxy by Internet, by telephone or by a later-dated written proxy; or
- attending the special meeting and voting by paper ballot in person. Your attendance at the special meeting alone will not revoke your proxy.

If your WMG shares are held in the name of a bank, broker, trustee or other holder of record, including the trustee or other fiduciary of an employee benefit plan, you must obtain a proxy, executed in your favor from the holder of record, to be able to vote at the special meeting.

Expenses of Proxy Solicitation

The Company will pay the costs of soliciting proxies for the special meeting. Officers, directors and employees of the Company may solicit proxies; however, they will not be paid for soliciting proxies. The Company will also request that individuals and entities holding shares in their names, or in the names of their nominees, that are beneficially owned by others, send proxy materials to and obtain proxies from, those beneficial owners, and will reimburse those holders for their reasonable expenses in performing those services. MacKenzie has been retained by the Company to assist it in the solicitation of proxies, using the means referred to above, and will receive a fee of $15,000. The Company will reimburse MacKenzie for reasonable expenses and costs incurred by MacKenzie in connection with its services and will indemnify MacKenzie for certain losses.

Adjournments and Postponements

Although the Company does not expect to do so, if the Company has not received sufficient proxies to constitute a quorum or sufficient votes for adoption of the merger agreement, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. The proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the shares of WMG common stock present or represented by proxy at the special meeting and entitled to vote on the matter. Any signed proxies received by the Company that approve the proposal to adjourn or postpone the special meeting will be voted in favor of an adjournment or postponement in these circumstances. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow stockholders who have already sent in their proxies to revoke them at any time prior to their use.

Rights of Shareholders Who Object to the Merger

Stockholders are entitled to statutory appraisal rights under the DGCL in connection with the merger. This means that holders of WMG common stock who do not vote in favor of the adoption of the merger agreement may be entitled to have the value of their shares determined by the Court of Chancery of the State of Delaware, and to receive payment based on that valuation instead of receiving the $8.25 per share merger consideration. The ultimate amount received in an appraisal proceeding may be more than, the same as or less than the amount that would have been received under the merger agreement.

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To exercise appraisal rights, a dissenting holder of WMG common stock must submit a written demand for appraisal to the Company before the vote is taken on the merger agreement and must NOT vote in favor of the adoption of the merger agreement. Failure to follow exactly the procedures specified under the DGCL will result in the loss of appraisal rights. See The Merger (Proposal 1) Appraisal Rights beginning on page 47 and Appendix B to this proxy statement.

Other Matters

The Company s Board of Directors is not aware of any business to be brought before the special meeting other than that described in this proxy statement. If, however, other matters are properly presented at the special meeting, the persons named as proxies will vote in accordance with their best judgment with respect to those matters.

Questions and Additional Information

If you have questions about the special meeting or the merger after reading this proxy, or if you would like additional copies of this proxy statement or the proxy card, you should contact the Company s proxy solicitor, MacKenzie, toll-free at (800) 322-2885.

THE MERGER (PROPOSAL 1)

Background of the Merger

From time to time, the Company s Board of Directors and senior management have evaluated strategic alternatives relating to the Company s business, including prospects for mergers and acquisitions and the sale of individual business segments, stock repurchases, special dividends, debt refinancing and other potential strategic transactions, each with a view towards maximizing stockholder value.

In connection with its ongoing evaluation of strategic alternatives relating to the Company, at regularly scheduled meetings, the Company s Board of Directors has received financial updates from the Company s senior management. During such meetings, the Company s Board of Directors has discussed significant items that impacted the Company s results of operations, including in particular the decline in the physical business, the impact of the digital transformation, the potential for major digital distribution initiatives and other emerging technologies, results of operations of the Company s music publishing business, the trends in non-traditional recorded music and licensing revenue, industry and general economic conditions, A&R spend and management s outlook for the Company s business and the industry, including the retail environment.

During the fall of 2010, representatives of the Company received inquiries from, and held separate preliminary discussions with, Bidder A and Bidder B (which are both industry participants) regarding a potential strategic transaction primarily focused on the Company s music publishing business.

Also from time to time, the Company s Board of Directors considered the possible acquisition of, and the Company submitted proposals to acquire (including as recently as December 2010), one of the Company s major competitors. The Company s Board of Directors evaluated the benefits as well as the continued delays, risks and uncertainties associated with such a potential acquisition. The Company received no response to its December 2010 proposal.

Given the inquiries and considerations referred to above, the ongoing decline in the recorded music industry and the slow growth of the music publishing business, beginning in early November 2010 the Company and its financial advisors began a more concrete process to explore strategic alternatives for the Company. At a meeting of the Company s Board of Directors on November 16, 2010, at which representatives from Goldman Sachs and

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AGM Partners LLC (AGM and together with Goldman Sachs, the Financial Advisors) participated, the Company s Board of Directors discussed potential strategic alternatives (including remaining as a stand-alone company) and determined that the Company should consider a potential sale of the entire Company or of its recorded music business or its music publishing business, and the Company s Board of Directors authorized the Company s senior management and advisors to commence a strategic transaction process, which would include contacting potential purchasers and preparing a confidential information memorandum describing the Company (the CIM). In making its determination regarding financial advisors, the Company s Board of Directors determined that retaining two advisors would be in the best interests of the Company. The Company s Board of Directors retained Goldman Sachs because of its substantial experience in transactions similar to the strategic transactions contemplated by the Company and knowledge of the industry and financial markets, and retained AGM as a second advisor because of its specialized expertise in media and entertainment matters.

Following the meeting of the Company s Board of Directors on November 16, 2010, Bidder A continued to pursue discussions with the Company, and the Company engaged Paul, Weiss, Rifkind, Wharton & Garrison LLP (Paul, Weiss) as its outside legal counsel. The Company instructed Paul, Weiss to draft a confidentiality agreement for Bidder A and to assist the Company in considering various transactions, including a potential transaction with Bidder A. On December 24, 2010, a senior executive of Bidder A sent the Company a list of preliminary due diligence questions.

On January 7, 2011, representatives of the Company met with representatives of Bidder A to further discuss a potential transaction between Bidder A and the Company, after which, on January 8, 2011, the Company s Board of Directors was updated on the discussions with Bidder A.

On January 10, 2011, the Company entered into a confidentiality agreement with Bidder A and provided Bidder A with a copy of the Company s CIM. The CIM included financial projections that reflected the Company s potential growth through digital distribution initiatives and other emerging technologies and expanded-rights, or so-called 360 degree , deals. These projections are those more fully described as Forecast B under The Merger (Proposal 1) Projected Financial Information beginning on page 37.

Beginning on January 14, 2011, representatives of the Financial Advisors contacted approximately 70 bidders, including representatives of Access Industries, Bidder C, Bidder D, Bidder E, Bidder F and Bidder G (which are non-strategic bidders) and Bidder B, Bidder H and Bidder I (which are strategic bidders). Additionally, the Financial Advisors received unsolicited communications from approximately 17 parties, including Bidder J, Bidder K, Bidder L and Bidder M (which are non-strategic bidders) and Bidder N (which is a strategic bidder), expressing interest in a potential transaction with the Company. The Financial Advisors distributed confidentiality agreements to approximately 37 bidders that expressed potential interest in a strategic transaction with the Company.

Between January 14, 2011 and April 1, 2011, the Company entered into confidentiality agreements with approximately 27 parties and, upon execution thereof, the Financial Advisors provided each of those parties with the CIM. The Company approached Access Industries, which had expressed an interest in a potential transaction with the Company, to enter into a confidentiality agreement but Access Industries declined to execute a confidentiality agreement at that time and submitted its preliminary bid on February 25, 2011 based on publicly available information. Following the submission of its preliminary bid, Access Industries and the Company entered into a confidentiality agreement on March 22, 2011, at which time Access Industries received access to the CIM and other confidential information.

During the course of January 2011, the Financial Advisors and Paul, Weiss coordinated with members of the Company s management the process of gathering due diligence materials to be made available to potential buyers. On January 15, 2011, an electronic dataroom was established and opened to allow bidders who had entered into confidentiality agreements with the Company to conduct due diligence on the Company.

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On January 27, 2011, the Company s Board of Directors held an in-person meeting at which, among other things, the Company s senior management provided a financial update on the preliminary results of the first quarter of fiscal year 2011 and an updated outlook for fiscal year 2011. The Company s Board of Directors discussed significant items that impacted the results, including the decline in the physical business, the impact of the digital transformation, the potential of major digital distribution initiatives and other emerging technologies, results of operations of the Company s music publishing business, the trends in non-traditional recorded music and licensing revenue, industry and general economic conditions, A&R spend and management s outlook for the Company s business and the industry, including the retail environment. Thereafter, representatives from the Financial Advisors joined the meeting to discuss the strategic transaction process then underway and the recent trading performance of the Company s stock in light of, among other things, reports in the press about the possibility of a sale of the Company. The Company s Board of Directors expressed its continued agreement with the plan to proceed with the strategic transaction process.

On February 10, 2011, the Company s Board of Directors held a telephonic meeting at which the Company s Board of Directors was provided information regarding the status of the strategic transaction process, including the parties currently in the bidding process, the background of the discussions with such parties and the information the Financial Advisors had learned about the various bidders. During the meeting, the Company s Board of Directors, the Company s senior management and the Company s advisors discussed potential next steps for the strategic transaction process, including the distribution of first-round bid process letters to bidders. Following this meeting, the Financial Advisors distributed first-round process letters to the 22 parties that were in the process at that time, inviting each such party to submit its preliminary proposal for a transaction with the Company by February 22, 2011.

During the period between February 10, 2011 and February 22, 2011, the Company and its advisors worked with bidders (other than Access Industries which had not yet executed a confidentiality agreement) to provide responses to their due diligence inquiries and updated information in the electronic data room.

Between February 22, 2011 and February 27, 2011, preliminary bids were submitted by 10 parties, including a bid submitted by Access Industries on February 25, 2011.

On February 27, 2011, the Company s Board of Directors held a telephonic meeting to receive an update on the strategic process and to review the 10 preliminary bids that were submitted ahead of the meeting. The Company s Board of Directors was presented with a summary of the preliminary bids submitted by the 10 bidders and other relevant information concerning the bidders. It was noted that of the 10 bidders, four (including Access Industries) submitted bids for the acquisition of the entire Company, three submitted bids for the Company s recorded music business and three submitted bids for the Company s music publishing business. The bidders for the Company s recorded music business or music publishing business made their proposals on a cash-free, debt-free basis. Bids for the entire Company included a low bid with a range of $6.00 to $6.50 per share, a high bid with a range of $7.25 to $8.25 per share, and Access Industries bid with a range of $6.00 to $7.00 per share. Bids for the Company s music publishing business included a low bid with a range of $1.45 billion to $1.5 billion and a high bid with a range of up to $2.0 billion. Bids for the Company s recorded music business included a low bid with a range of $0.7 billion to $0.9 billion and a high bid with a range of $0.9 billion to $1.1 billion. The Company also received a letter from an individual proposing to acquire the Company s music publishing business without a definitive price, but suggesting a valuation of up to 10 times net publishers share (NPS). It was also noted by the Financial Advisors that Bidder I had submitted a bid for the Company s recorded music business with a range of $1.1 billion to $1.3 billion which was received by the Financial Advisors after the presentation materials for the meeting had been prepared and Bidder I s bid was also discussed. Representatives from the Financial Advisors reviewed with the Company s Board of Directors the information they had learned about various bidders during the process and provided information to the Company s Board of Directors regarding the respective strengths and weaknesses and the credibility of the bids received. The Financial Advisors then reviewed with the Company s Board of Directors preliminary financial information and financial analyses and discussed potential next steps for the strategic process. The Company s Board of Directors discussed with management and its advisors with which bidders it should continue to have discussions.

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Following the February 27, 2011 meeting, the Company received a proposal from Bidder C to acquire the entire Company at a price of $6.75 to $7.50 per share. In addition, the Company received revised separate proposals from Bidder D (to acquire the Company s recorded music business at an increased offer price of $1.0 billion to $1.1 billion) and Bidder F (to acquire either the entire Company at an increased offer price of $7.25 to $7.75 per share, or the Company s recorded music business at a price ranging from $1.05 billion to $1.1 billion). The Company also received a revised proposal from Bidder A regarding a potential acquisition of the Company s music publishing business and selected recorded music assets, an acquisition of select European music publishing assets, as well as an alternative bid for the entire Company at a price of $6.50 to $7.00 per share.

Beginning on March 3, 2011, the Company s senior management gave management presentations to, and/or held due diligence discussions with, 11 bidders including Access Industries, which meeting was held on March 31, 2011.

On March 9, 2011, the independent directors of the Company s Board of Directors engaged Wachtell, Lipton, Rosen & Katz as their outside legal counsel in connection with their evaluation of a potential strategic transaction involving the Company and the process related to such potential transaction. Wachtell, Lipton, Rosen & Katz reviewed materials related to the strategic process including materials presented to the Company s Board of Directors and transaction agreements, attended meetings of the Company s Board of Directors and provided ongoing advice to the independent directors.

On March 28, 2011, second-round process letters were sent to 12 bidders, including Access Industries, inviting each such bidder to submit a bid, or in certain cases a revised bid, for a potential transaction with the Company. The second-round process letters instructed that bid proposals were to be submitted by April 7, 2011.

Beginning on or about March 29, 2011, initial transaction documents were sent to 10 bidders, including Access Industries, which excluded two of the bidders that received second-round process letters (as one such bidder informed representatives of the Financial Advisors that it was no longer interested in pursuing a potential transaction, and the other such bidder was only in the preliminary stage of reviewing a potential transaction).

Following distribution of initial transaction documents, Bidder A expressed its desire to team up with Bidder H in order to improve its bid. The Company consented to such collaboration and entered into a confidentiality agreement with Bidder H on April 1, 2011 and Bidder H was provided with confidential information relating to the Company. Subsequently, Bidder H requested, and was granted, permission to explore potential collaborations with Bidder B and Bidder I.

Between April 7, 2011 and April 9, 2011, second-round bids were submitted by eight parties including Access Industries.

On April 12, 2011, the Company s Board of Directors held an in-person meeting at the offices of Paul, Weiss to review the second-round bids. Paul, Weiss gave the Company s directors a presentation regarding their fiduciary duties and legal obligations to the Company and its stockholders in considering a sale of the Company or its recorded music business or music publishing business. The Financial Advisors then gave the Company s Board of Directors a presentation on the eight second-round bids received: three of which were for the acquisition of the entire Company, one of which was for the acquisition of the recorded music business, two of which were for the acquisition of the music publishing business, one of which was for selected assets of the Company s recorded music business and the music publishing business and one of which was for either the purchase of the recorded music business or the entire Company. Bids for the entire Company (including that of Access Industries) generally reflected a price of $7.50 per share, other than one bidder (Bidder M) offering $8.00 to $8.25 per share. Access Industries also indicated its willingness to consider an alternative transaction involving the purchase of 49.9% of the Company s outstanding common stock at a price of $8.25 per share. Bids for the Company s recorded music business indicated a purchase price of $1.1 billion. Bids for the Company s music publishing business included a low bid with a range of $1.55 billion to $1.65 billion and a high bid of $1.85 billion. After

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discussions with its advisors, the Company s Board of Directors recognized that while separate bids for the music publishing business and recorded music business could yield a combined bid at an attractive valuation, this alternative had significant downsides, including among others, significant restructuring and tax costs and complexity associated with the separation of the two businesses and other execution uncertainties (including significant antitrust risks and the complexity and uncertainty arising from negotiations among multiple independent parties acquiring different assets of the Company). Accordingly, the Company s Board of Directors concluded that pursuing a sale of the entire Company to a single bidder was likely the best way to maximize value.

Also at the April 12, 2011 meeting, the Company s Board of Directors reviewed and approved financial projections for the Company s business developed by the Company s senior management, and the Company s Board of Directors, the Company s senior management and the Company s advisors discussed the various bids in light of those financial projections. It was agreed that the Company would share these financial projections with the bidders prior to the signing of a definitive transaction agreement. These projections are those more fully described as Forecast A under The Merger (Proposal 1) Projected Financial Information beginning on page 37. The Company s Board of Directors also determined to form a committee consisting of Edgar Bronfman, Jr., Scott Sperling, Mark Nunnelly and Shelby Bonnie to receive updates on the sale process in between meetings of the Company s Board of Directors and to provide interim guidance to management and the Company s advisors as needed. The committee received updates but did not make a separate recommendation to the Company s Board of Directors.

Finally, at the April 12, 2011 meeting, after considering the financial and legal issues presented to the Company s Board of Directors by its advisors, the Company s Board of Directors instructed the Company s senior management and its advisors to continue negotiations with three bidders proposing to purchase the entire Company and to continue to explore whether certain bids for the music publishing business could be combined with bids for the recorded music business in order to create an attractive alternative to compete with the bids for the entire Company.

Over the next several weeks, the Company and its advisors engaged with Bidder A, Bidder B, Bidder H, Bidder J, Bidder K and Bidder L to encourage them to explore various potential collaborations in order to come up with such an alternative.

Between April 12, 2011 and April 25, 2011, the Company s senior management held further due diligence sessions with each of Access Industries, Bidder B, Bidder F, Bidder H, Bidder J and Bidder M.

On April 19, 2011, a consortium of bidders (the Bidder B Consortium), consisting of Bidder B, Bidder J and Bidder L, submitted a proposal to acquire the entire Company at a price of $8.71 per share, subject to additional due diligence. However, the bid was subsequently revised downward as described below.

On April 24, 2011, the Company distributed final-round process letters to Access Industries, the Bidder B Consortium, Bidder F and Bidder M, inviting each to submit their best and final proposal for a transaction with the Company, first by submitting revised drafts of the transaction documents and financing commitment letters on April 29, 2011 and second by submitting best and final financial terms on May 2, 2011.

On April 28, 2011, representatives from the Financial Advisors and Paul, Weiss discussed with representatives from Access Industries and its counsel, Debevoise & Plimpton LLP (Debevoise), the structure of and Access Industries ability to fund the equity portion of Access Industries bid. Also on April 28, 2011, representatives of Bidder M informed representatives of the Financial Advisors that it would not be submitting a final bid.

On April 29, 2011, the Company and its advisors received revised markups of the draft merger agreements and financing commitment letters relating to the sale of the entire Company from Access Industries and Bidder F, as well as a markup of the draft agreement relating to the sale of the music publishing business from Bidder B and a

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markup of the draft agreement relating to the sale of the recorded music business from Bidder J. The Company and its advisors discussed those revised draft agreements with representatives of Access Industries, the Bidder B Consortium and Bidder F on April 30, 2011 and May 1, 2011 and asked each bidder to clarify its positions on certain key contractual issues when submitting their final offers on May 2, 2011. The Bidder B Consortium never responded to such request. The Company and its advisors also discussed the financing commitment letters with Access Industries and Bidder F and asked each bidder to work with its financing sources to improve the terms therein prior to submitting its final offers on May 2, 2011.

On May 2, 2011, the Company received two final bids for the acquisition of the entire Company. Access Industries submitted a final bid for the entire Company at a price of $8.06 per share, which bid stated that it would expire on May 4, 2011, at midnight. Bidder F submitted a final bid for the entire Company at a price of $7.65 per share, which bid was conditioned on a 72-hour exclusivity period. In addition, the Company received two conditional bids. The Bidder B Consortium submitted a conditional bid to acquire the Company at a price of $8.07 per share (subject to a price reduction to reflect significant transaction costs), which bid was subject to due diligence, Bidder B board approvals, antitrust risks and conditionality on the Company s ability to concurrently sell the recorded music business to Bidder J for $1.1 billion. In addition, Bidder H submitted a conditional bid for selected assets of the Company s recorded music business without a definitive price for such assets, but indicated that the price would be based on a valuation for the entire recorded music business of $1.45 billion. This bid was subject to due diligence, preparation of carve-out financial statements (which would take at least several weeks) and Bidder H board approvals.

On the evening of May 2, 2011, the Company s Board of Directors held a telephonic meeting to discuss the status of the strategic transaction process. A representative of the Financial Advisors updated the Company s Board of Directors on the status of the active bids. A representative of Paul, Weiss also gave a summary of the legal issues relating to the then-current drafts of the merger agreements and ancillary agreements, including conditions to closing, representations and warranties, termination provisions, termination fees and the limited guarantees and equity commitments. After these presentations, the Company s Board of Directors discussed at length the merits of the proposals, including in light of the extensive strategic process engaged in by the Company to seek potential acquirors. At the conclusion of the discussion, the Company s Board of Directors instructed the senior management of the Company and the Company s advisors to seek a higher price from Access Industries, the Bidder B Consortium and Bidder F, whereupon representatives of the Financial Advisors reached out to each such bidder.

In subsequent negotiations with Access Industries, Access Industries indicated a willingness to increase its proposed price conditioned on the Company ceasing discussions with other bidders in order to complete negotiations with Access Industries as soon as reasonably practicable and providing Access Industries with a greater level of deal certainty, including either (i) providing in the merger agreement that the Voting Stockholders would act by written consent to adopt the merger agreement immediately following its execution by the Company, and that the Company s Board of Directors would not be permitted to exercise a fiduciary out in response to a superior proposal to acquire the Company or intervening event, or (ii) the Voting Stockholders agreeing to pay Access Industries 50% of any consideration to be received by them in excess of the merger consideration provided in an agreement with Buyer in the event of either a subsequent increase in the price to be paid by Access Industries or the termination of the merger agreement in connection with the Company entering into a superior proposal, and moving quickly to reach agreement on a transaction. On May 3, 2011, May 4, 2011 and May 5, 2011, the Company and its advisors continued negotiations with Access Industries and Debevoise on the draft merger agreement and ancillary agreements.

On May 3, 2011, Bidder F confirmed its $7.65 per share offer but also indicated its willingness to offer the current stockholders of the Company the option to retain a 10-15% continuing interest in the Company in lieu of cash. Also on May 3, 2011, the Company s Board of Directors received an update from the Financial Advisors on the status of the active bids and determined that the Company and its advisors should continue discussions with Access Industries, the Bidder B Consortium and Bidder F.

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On May 4, 2011, Bidder F indicated it would increase its bid to $8.00 per share (while continuing to offer current stockholders of the Company the option to retain a 10-15% interest in the Company in lieu of cash). Also on May 4, 2011, the Bidder B Consortium indicated that it might be willing to increase its bid above $8.00 a share, but without a deduction for transaction costs as indicated in its previous bid.

On May 5, 2011, prior to the meeting of the Company s Board of Directors referred to below, the Bidder B Consortium indicated it might be willing to increase its bid to $8.31 per share but noted that its bid was still conditioned upon satisfactory completion of its due diligence and obtaining approval of Bidder B s senior management, its board and a third party.

On May 5, 2011, prior to the meeting of the Company s Board of Directors referred to below, a representative of the Company spoke with a representative of Access Industries, at which point Access Industries indicated it would be prepared to increase its bid to $8.25 per share but reiterated the need for a greater level of deal certainty as described above. Access Industries also indicated that its offer would expire on May 6, whereupon, if a definitive merger agreement was not executed, it would no longer be willing to continue its participation in the process.

On the afternoon of May 5, 2011, the Company s Board of Directors held a telephonic meeting, which was also attended by representatives of the Financial Advisors and Paul, Weiss. At that meeting, the Financial Advisors reviewed the status of the remaining bids. The Company s Board of Directors then reviewed the terms of the draft merger agreement and ancillary documents being negotiated with Access Industries and Access Industries request that the Voting Stockholders act by written consent (with no fiduciary out for the Company s Board of Directors) or agree to the 50% sharing of any subsequent increase in consideration. Representatives of Paul, Weiss advised the Company s Board of Directors on its fiduciary duties with respect to these requested terms. After these discussions, the Company s Board of Directors authorized the Company s senior management, together with its advisors, to continue and seek to complete negotiations with Access Industries and its counsel as soon as reasonably practicable, subject to approval by the Company s Board of Directors of the final terms. In order to obtain the price of $8.25 per share, the Company and the Voting Stockholders agreed to offer to Access Industries that the Voting Stockholders would share with Buyer 50% of the increased consideration received by the Voting Stockholders in the case of termination of the merger agreement by the Company to enter into a superior proposal.

On the evening of May 5, 2011, the Bidder B Consortium indicated that it might be willing to increase its bid to up to $8.50 per share subject to additional diligence. Representatives of the Company had subsequent calls with representatives of the Bidder B Consortium during which the Bidder B Consortium noted that its bid was still conditioned upon satisfactory completion of due diligence (including with respect to certain balance sheet items), and obtaining approvals of its senior management, Bidder B s board and a third party.

On May 6, 2011, the Company s Board of Directors held another telephonic meeting to consider entering into a merger agreement with Buyer. The Financial Advisors reviewed with the Company s Board of Directors the events that transpired since the last meeting of the Company s Board of Directors. Representatives of Paul, Weiss reviewed again with the Company s Board of Directors its fiduciary duties in the context of such a transaction. Representatives of Paul, Weiss also discussed the final merger agreement and other transaction documents in detail with the Company s Board of Directors. Goldman Sachs delivered its opinion to the Company s Board of Directors that, as of May 6, 2011 and based upon and subject to the factors and assumptions set forth in its opinion, the $8.25 per share of WMG common stock in cash to be paid to the holders (other than Buyer and its affiliates) of outstanding shares of WMG common stock pursuant to the merger agreement was fair from a financial point of view to such holders. After discussion of the terms of the draft merger agreement and other transaction documents, consideration of the relevant issues, including the status and conditionality of other bids (including the bid from the Bidder B Consortium), and the delivery of the fairness opinion, the Company s Board of Directors determined that it was advisable and in the best interests of the Company and its stockholders to approve the merger with Buyer and resolved to recommend to the Company s stockholders that they vote in favor of the merger and the adoption of the merger agreement with Buyer.

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Following this meeting of the Company s Board of Directors, the Company and Buyer entered into the merger agreement and other transaction documents, and the merger agreement was publicly announced on May 6, 2011.

Recommendation of the Company s Board of Directors

After careful consideration, the Company s Board of Directors, on May 6, 2011, (i) approved and declared advisable the merger agreement, the merger and the transactions contemplated by the merger agreement, (ii) declared that it is in the best interests of the stockholders of the Company that the Company enter into the merger agreement and consummate the merger on the terms and subject to the conditions set forth in the merger agreement, (iii) directed that the adoption of the merger agreement be submitted to a vote at a meeting of the stockholders of the Company and (iv) recommended to the stockholders of the Company that they vote FOR the adoption of the merger agreement.

In reaching its determination, the members of the Company s Board of Directors consulted with the Company s management, as well as the Company s outside financial and legal advisors, considered the short-term and long-term interests and prospects of the Company and its stockholders, and considered a number of factors, including, among others, the following:

- the Company s historical and current financial performance and results of operations, the Company s prospects and long-term strategy, the Company s competitive position and general economic and stock market conditions;

- the Company s Board of Directors knowledge of the Company s businesses, assets, financial condition, results of operations and prospects (as well as the risks involved in achieving those prospects), the nature of the Company s businesses and the industries in which the Company competes and the market for WMG common stock;

- the extensive efforts made by the Company and its advisors to consider and evaluate a broad range of possible alternatives to the sale of the Company, including prospects for mergers and acquisitions and the sale of individual business segments, stock repurchases, special dividends, debt refinancing and other potential strategic transactions or continuing to operate the Company on a stand-alone basis and the risks associated with those alternatives and the Financial Advisors efforts to secure potential acquirors. See Background of the Merger beginning on page 21;

- the Company s financial and strategic plan and the initiatives and the potential execution risks associated with such plan, and the effects of the economic downturn on the Company specifically, and on the Company s industries generally, and in connection with these considerations, the attendant risk that, if the Company did not enter into the merger agreement, the price that might be received by the Company s stockholders selling stock of the Company in the open market, both from a short-term and long-term perspective, could be less than the merger consideration;

- the current condition of the financial markets, including the availability of committed financing (subject to limited restrictions) for the merger, and the risk, in the future, of deterioration in such conditions;

- the historical market prices of WMG common stock and recent trading activity, including the fact that the merger consideration represents a premium of 34.4% over the volume-weighted average share price of $6.14 over the six months ended May 5, 2011;

- the Board of Directors belief, based on the factors described above, that the $8.25 in cash per share merger consideration would result in greater value to the Company s stockholders than the available alternatives of other transactions, including potential acquisitions or dispositions of a portion of the Company s assets or remaining a stand-alone, independent company and not entering into a transaction at this time or otherwise selling either the Company s recorded music business or the music publishing business, on a stand-alone basis;

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the negotiations with respect to the merger consideration that, among other things, led to an increase from Buyer s initial proposal of $6.00 7.00 per share of WMG common stock to $8.25 per share of WMG common stock and the Company s Board of Director s determination that, following extensive negotiations between the Company s Board of Directors and Buyer, $8.25 per share was the highest price that Buyer would agree to pay, with the Company s Board of Directors basing its belief on a number of factors, including the duration and tenor of negotiations, assertions made by Buyer during the negotiation process and the experience of the Company s Board of Directors and its advisors;

the relative strength of Buyer s bid compared to other bids for the purchase of the Company s recorded music business or music publishing business on a stand-alone or combined basis;

the fact that the consideration to be paid pursuant to the merger agreement would be all cash, which would provide certainty and immediate value to the Company s stockholders, including because stockholders will not be exposed to the risks and uncertainties relating to the Company s prospects;

the financial analyses and the oral opinion of Goldman Sachs delivered to the Company s Board of Directors that, as of May 6, 2011, and based upon and subject to the factors and assumptions set forth therein, the $8.25 per share of WMG common stock in cash to be paid to the holders (other than Buyer and its affiliates) of outstanding shares of WMG common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The full text of the written opinion of Goldman Sachs, dated May 6, 2011, which sets forth assumptions made, procedures followed, matters considered, and limitations on the review undertaken in connection with such opinion, is attached as Appendix C to this proxy statement. See The Merger (Proposal 1) Opinion of Goldman Sachs beginning on page 31;

the fact that the consideration and negotiation of the merger agreement was conducted through arm s-length negotiations under the oversight of the Company s Board of Directors;

the terms of the merger agreement, including the fact that the merger agreement contains provisions that are designed to ensure that the $8.25 in cash per share price to be provided pursuant to the merger agreement is the best reasonably available to the Company s stockholders, including the right, subject to certain conditions, to respond to unsolicited takeover proposals and to terminate the merger agreement and accept a superior proposal prior to adoption of the merger agreement, subject to payment of a termination fee of $56,000,000 which would not likely be a meaningful deterrent to such a superior proposal;

the fact that Buyer s bid was the best overall bid received after a thorough and competitive auction process based on pricing and other factors;

the view of the Company s Board of Directors that, given the due diligence that Buyer had completed and the commitments Buyer had from its financing sources, Buyer could successfully consummate an acquisition of the Company in a timely manner;

the likelihood that Buyer would be able to finance the merger given Buyer s affiliates financial condition, existing resources, reputation and the strength of the equity and debt financing commitments that it had obtained prior to the signing of the merger agreement;

the limited number and nature of the conditions to funding set forth in the debt commitment letter and the obligation of Buyer and Merger Sub to use their reasonable best efforts to obtain at the completion of the merger the financing on the terms and conditions described in the debt commitment letter (including the flex provisions in the debt facility fee letter) and the equity commitment letter or alternative financing from the same or other sources of financing on terms and conditions (including the flex provisions in the debt

facility fee letter) not materially less favorable to Buyer and Merger Sub than those contained in the debt commitment letter and the equity commitment letter, and in an amount sufficient to timely consummate the transactions contemplated by the merger agreement on the terms and conditions set forth therein;

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the likelihood that the merger will be completed, including the fact that conditions to closing the merger are limited to WMG stockholder approval, receipt of regulatory approvals, the Company not having suffered a material adverse effect and other customary closing conditions; and the likelihood that the regulatory and stockholder approvals necessary to complete the merger will be obtained;

the fact that under certain circumstances the Company is contractually entitled to receive a $60,000,000 reverse termination fee if the merger is not consummated under certain circumstances;

the fact that under certain circumstances the Company is contractually entitled to receive a $140,000,000 breach fee if Buyer and Merger Sub willfully breach the merger agreement, and such willful breach materially contributes to the failure of a condition to closing of the merger or materially breach certain covenants under the guarantees;

the fact that the Company is contractually entitled to require an affiliate of Buyer to perform under the guarantees under certain circumstances; and

the fact that the Company s stockholders have the right to demand appraisal of their shares in accordance with the procedures of Section 262 of the DGCL.

The Company s Board of Directors also considered the following adverse factors associated with the merger, among others:

the fact that the Company s stockholders will have no ongoing equity participation in the surviving corporation following the merger, meaning that the Company s stockholders will cease to participate in the Company s future earnings or growth, or to benefit from any increases in the value of the Company s common stock;

the restrictions on the conduct of the Company s business prior to the completion of the merger, which could delay or prevent the Company from undertaking business opportunities that may arise or certain other action the Company might otherwise take with respect to the operations of the Company pending completion of the merger;

that the sale of shares in the proposed merger will be a taxable transaction to the Company s stockholders;

that if the merger is not completed under certain circumstances, the Company will incur fees and expenses associated with the transaction that will not be reimbursed to the Company by Buyer;

the fact that, under certain circumstances, the Company may be required to pay to Buyer a termination fee of $56,000,000;

the fact that, while the merger is expected to be completed, there is no assurance that all conditions to the parties obligations to complete the merger will be satisfied or waived, and, as a result, it is possible that the merger might not be completed even if it is approved by the Company s stockholders;

the risk that the debt financing contemplated by the debt commitment letter or the equity financing contemplated by the equity commitment letter for the consummation of the merger might not be obtained;

the risks, costs and disruptions to the Company s operations if the merger is not completed, including the diversion of management and employee attention, potential employee attrition, the potential effect on the Company s business and its relationships and the likely negative effect on the trading price of WMG common stock; and

that certain directors and executive officers of the Company have interests in the merger that are different from, or in addition to, the Company s stockholders. See section entitled The Merger (Proposal 1) Interests of the Company s Directors and Executive Officers in the Merger beginning on page 43 and Advisory Vote on Golden Parachute Compensation (Proposal 2) beginning on page 78.

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In reaching the determination described above, the Company s Board of Directors passed resolutions:

- approving and declaring advisable the merger agreement, the merger and the transactions contemplated by the merger agreement;
- declaring that it is in the best interests of the stockholders of the Company that the Company enter into the merger agreement and consummate the merger on the terms and subject to the conditions set forth in the merger agreement;
- directing that the adoption of the merger agreement be submitted to a vote at a meeting of the stockholders of the Company; and
- recommending to the stockholders of the Company that they vote FOR the adoption of the merger agreement.

The foregoing discussion of the information and factors considered by the Company s Board of Directors is not intended to be exhaustive but, the Company believes, includes all material factors considered by the Company s Board of Directors. In view of the wide variety of factors considered and the complexity of these matters, the Company s Board of Directors found it impracticable to, and did not, quantify or otherwise attempt to assign relative weight to each of the specific factors considered in reaching its determination. Rather, the Company s Board of Directors based its judgment on the total mix of information available to it regarding the overall effect of the merger on the Company s stockholders compared to the overall effect of any alternative transaction. Accordingly, the judgments of individual directors may have been influenced to a greater or lesser degree by their individual views with respect to different factors.

The Company s Board of Directors has approved and declared advisable the merger agreement, and recommends that you vote FOR adoption of the merger agreement.

Purpose and Reasons for the Merger

The Company s purpose for engaging in the merger is to enable its stockholders to receive $8.25 per share in cash, without interest and less any applicable withholding taxes, which represents a 34.4% premium over the volume-weighted average share price of $6.14 over the six months ended May 5, 2011. The Company has determined to undertake the merger at this time based on the conclusions, determinations and reasons of the Company s Board of Directors described in detail above under The Merger (Proposal 1) Background of the Merger beginning on page 21 and The Merger (Proposal 1) Recommendation of the Company s Board of Directors beginning on page 28.

Opinion of Goldman Sachs

Goldman Sachs rendered its opinion to the Company s Board of Directors that, as of May 6, 2011 and based upon and subject to the factors and assumptions set forth therein, the $8.25 per share of WMG common stock in cash to be paid to the holders (other than Buyer and its affiliates) of outstanding shares of WMG common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated May 6, 2011, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix C to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of the Company s Board of Directors in connection with its consideration of the merger. The Goldman Sachs opinion is not a recommendation as to how any holder of WMG common stock should vote with respect to the merger, or any other matter.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- the merger agreement;

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annual reports to stockholders and Annual Reports on Form 10-K of the Company for the five fiscal years ended September 30, 2010;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of the Company;

certain other communications from the Company to its stockholders;

certain publicly available research analyst reports for the Company;

certain publicly available industry research reports for the music industry; and

certain internal financial analyses and forecasts for the Company, as prepared by its management and approved for Goldman Sachs use by the Company, which we refer to as Forecast A. See references to Forecast A in The Merger (Proposal 1) Projected Financial Information beginning on page 37.

Goldman Sachs also held discussions with members of the senior management of the Company regarding the past and current business operations, financial condition and future prospects of the Company, reviewed the reported price and trading activity for WMG common stock, compared certain financial and stock market information for the Company with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the music industry and in other industries, and performed such other studies and analyses, and considered such other factors, as it deemed appropriate.

For purposes of rendering the opinion described above, Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by it and it does not assume any responsibility for any such information. In that regard, Goldman Sachs assumed with the consent of the Company s Board of Directors that Forecast A was reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company. Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of the Company or any of its subsidiaries, nor was any evaluation or appraisal of the assets or liabilities of the Company or any of its subsidiaries furnished to Goldman Sachs. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the transactions contemplated by the merger agreement will be obtained without any adverse effect on the expected benefits of the transactions contemplated by the merger agreement in any way meaningful to its analysis. Goldman Sachs has also assumed that the transaction will be consummated on the terms set forth in the merger agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to its analysis.

Goldman Sachs opinion does not address the underlying business decision of the Company to engage in the merger or the relative merits of the merger as compared to any strategic alternatives that may be available to the Company; nor does it address any legal, regulatory, tax or accounting matters. Goldman Sachs opinion addresses only the fairness from a financial point of view, as of the date of the opinion, of the $8.25 per share of WMG common stock in cash to be paid to the holders (other than Buyer and its affiliates) of outstanding shares of WMG common stock pursuant to the merger agreement. Goldman Sachs opinion does not express any view on, and does not address, any other term or aspect of the merger agreement or the merger or any term or aspect of any other agreement or instrument contemplated by the merger agreement or entered into or amended in connection with the merger, including, without limitation, the fairness of the merger to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of the Company; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company, or class of such persons, in connection with the transaction, whether relative to the $8.25 per share of WMG common stock in cash to be paid to the holders (other than Buyer and its affiliates) of outstanding shares of WMG common stock pursuant to the merger agreement or otherwise. Goldman Sachs does not express any opinion as to the impact of the merger on the solvency or viability of the Company or Buyer or the ability of the Company or Buyer to pay their respective

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obligations when they come due. Goldman Sachs opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of, the date of the opinion and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of its opinion. Goldman Sachs advisory services and its opinion were provided for the information and assistance of the Company s Board of Directors in connection with its consideration of the merger and its opinion does not constitute a recommendation as to how any holder of WMG common stock should vote with respect to the merger or any other matter. Goldman Sachs opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the Company s Board of Directors in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before May 5, 2011 and is not necessarily indicative of current market conditions.

Illustrative Analysis at Various Prices. Goldman Sachs analyzed the $8.25 to be paid per share of WMG common stock under the merger agreement in relation to the undisturbed per share price of WMG common stock on January 20, 2011 (the day before public speculation regarding the sale of the Company) and the per share price of WMG common stock on May 5, 2011 (the last trading before the execution of the merger agreement) and in relation to the volume-weighted average trading prices of WMG common stock for the three-month and six-month periods ended May 5, 2011. The following table presents the results of this analysis:

Premium Analysis	Value	Premium
Premium to January 20, 2011 close	$ 4.72	74.8%
Premium to May 5, 2011 close	$ 7.90	4.4%
Premium to 3-month average	$ 6.57	25.6%
Premium to 6-month average	$ 6.14	34.4%

Goldman Sachs also calculated and compared various financial multiples and ratios for the Company based on Forecast A and estimates from the Institutional Brokers Estimate System (IBES). The following ratios were calculated:

- ratios of the implied enterprise value (EV) of the Company on January 20, 2011 (the day before public speculation regarding the sale of the Company), computed by adding the Company s net debt of $1,671 million and minority interest of $50 million to an implied equity value on January 20, 2011 of $723 million, to (i) the Company s estimated Adjusted OIBDA and (ii) the Company s estimated OIBDA provided by IBES, in each case for fiscal year 2011; and

- ratios of the implied EV paid for the Company in the merger, computed by adding the Company s net debt of $1,671 million and minority interest of $50 million to an implied transaction equity value of $1,306 million, to (i) the Company s estimated Adjusted OIBDA and (ii) the Company s estimated OIBDA provided by IBES, in each case for fiscal year 2011.

As used in this section of the proxy statement, OIBDA means operating income before depreciation and amortization and Adjusted OIBDA means OIBDA excluding severance costs for fiscal year 2011.

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The following table presents the results of this analysis:

Enterprise Value/2011E OIBDA	As of January 20, 2011	Implied Transaction Value
Enterprise Value/2011E Adjusted OIBDA (Forecast A)	6.2x	7.7x
Enterprise Value/2011E OIBDA (IBES)	7.5x	9.3x

Illustrative Discounted Cash Flow Analysis. Goldman Sachs performed an illustrative discounted cash flow analysis on the Company using Forecast A. Goldman Sachs calculated indications of net present value of free cash flows for the Company for the second half of fiscal year 2011 through fiscal year 2016. Goldman Sachs then calculated illustrative terminal values in the year 2016 based on perpetuity growth rates ranging from (1.0)% to 1.0% and implied terminal multiples ranging from 5.3x earnings before interest, taxes, depreciation and amortization (EBITDA) to 8.0x EBITDA. For the purpose of calculating illustrative terminal values in the year 2016, Goldman Sachs normalized projected unlevered free cash flow for the year 2016 to account for non-perpetual tax shields that result from the Company s net operating losses, foreign tax credits and basis step-up amortization, which were provided by the Company and which have a finite life and were valued separately. In connection with this analysis, EBITDA was calculated in a manner comparable to Adjusted OIBDA with no difference in the quantification of these two financial metrics. The cash flows and illustrative terminal values were then discounted to calculate implied indications of present values using illustrative discount rates ranging from 9.0% to 11.0%, reflecting estimates of the Company s weighted average cost of capital. This analysis resulted in a range of illustrative value indications of $6.21 to $11.78 per share of WMG common stock.

Theoretical DCF Break-up Analysis. Goldman Sachs performed a theoretical discounted cash flow break-up analysis on the Company using Forecast A based on illustrative hypothetical valuations of the Company s recorded music and music publishing businesses in a break-up scenario. Goldman Sachs calculated indications of net present value of free cash flows for the Company s recorded music business and the Company s music publishing business for the second half of fiscal year 2011 through fiscal year 2016. Goldman Sachs then calculated illustrative terminal values in the year 2016 based on perpetuity growth rates ranging from (4.0)% to 0.0% for the recorded music business and 1.0% to 2.0% for the music publishing business and implied terminal multiples ranging from 3.5x Adjusted OIBDA to 5.2x Adjusted OIBDA for the recorded music business and 8.3x Adjusted OIBDA to 13.2x Adjusted OIBDA for the music publishing business. The ranges of perpetuity growth rates were estimated by Goldman Sachs utilizing its professional judgment and experience, taking into account Forecast A and market expectations regarding long-term growth of gross domestic product and inflation. Goldman Sachs also cross-checked such estimates of perpetuity growth rates against the terminal Adjusted OIBDA multiples that are implied by such growth rates and a range of discount rates to be applied to the Company s unlevered cash flow forecasts. The cash flows and illustrative terminal values were then discounted to calculate implied indications of present values using illustrative discount rates ranging from 12.0% to 14.0% for the Company s recorded music business and 7.0% to 9.0% for the Company s music publishing business, reflecting estimates of the Company s weighted average cost of capital for each business. The ranges of illustrative discount rates were derived by Goldman Sachs utilizing its professional judgment and experience, utilizing the capital asset pricing model, which takes into account certain financial metrics, including betas (if available), for the Company s recorded music business and music publishing business, selected companies which exhibited similar business characteristics to such businesses and the Company, as well as certain financial metrics for the United States financial markets generally. Goldman Sachs then applied estimates of theoretical costs and expenses in a break-up scenario, as provided by the Company, consisting of costs related to taxes, financial and legal advisors and debt incurrence and maintenance, in the aggregate of $127 million to $138 million, to calculate the implied net value per share. This analysis resulted in a range of illustrative value indications of $3.64 to $9.46 per share of WMG common stock.

Illustrative Precedent Transactions Premia Analysis. Goldman Sachs analyzed the premiums paid in completed publicly announced 100% cash consideration change of control transactions within the United States having transaction values over $1 billion since January 1, 2007. Goldman Sachs analyzed all such transactions

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without regard to industry, and accordingly the companies that participated in the transactions used in this analysis may not be directly comparable to the Company. Goldman Sachs reviewed the premiums paid in these transactions represented by the per share acquisition price in each of the transactions as compared to the closing share price of the target company three months prior to announcement of such transaction. The following table presents the results of this analysis and the illustrative per share value of WMG common stock applying such premiums to the per share price of WMG common stock on January 20, 2011 (the day before public speculation regarding a sale of the Company):

Precedent Transactions Summary:	% Premium	Illustrative Company Value/Share
75% Quartile	57.1%	$ 7.42
Mean	43.9%	$ 6.79
Median	38.4%	$ 6.53
25% Quartile	25.1%	$ 5.91

Illustrative Present Value of Future Share Price Analysis. Goldman Sachs performed an illustrative analysis of the implied present value of the future price per share of WMG common stock, which is designed to provide an indication of the present value of a theoretical future value of a company s share price as a function of such company s estimated future earnings and its assumed future trading OIBDA multiples. For this analysis, Goldman Sachs used certain financial information from Forecast A for each of the fiscal years 2011 to 2016. Goldman Sachs first calculated the implied value per share of WMG common stock for fiscal year 2015, by applying forward enterprise value to Adjusted OIBDA multiples of 5.1x to 7.1x to 2016 Adjusted OIBDA estimates and then discounted those values back using an illustrative discount rate of 14.0%, reflecting an estimate of the Company s cost of equity. The 14% discount rate was derived by Goldman Sachs utilizing the capital asset pricing model, which takes into account certain financial metrics, including beta, for the Company, as well as certain financial metrics for the United States financial markets generally. The range of 5.1x to 7.1x 2016 Adjusted OIBDA multiples was based on an estimated range of forward Adjusted OIBDA multiples of 9.0x to 11.0x for the Company s music publishing business and 3.0x to 5.0x for the Company s recorded music business. These ranges of illustrative forward enterprise value to Adjusted OIBDA multiples were derived by Goldman Sachs utilizing its experience and professional judgment, taking into account current and historical trading data of the Company. This analysis resulted in a range of implied present values of $4.87 to $7.82 per share of WMG common stock.

Illustrative Leveraged Buyout Analysis. Goldman Sachs performed an illustrative leveraged buyout analysis using Forecast A and publicly available historical information. In performing the illustrative leveraged buyout analysis, Goldman Sachs assumed (i) a hypothetical financial buyer targets a 20.0% to 25.0% internal rate of return on equity, (ii) a pro forma net debt to 2010 OIBDA ratio of 5.0x, (iii) the Company s existing senior secured notes remaining outstanding, (iv) additional debt financing of $1,045 million with an assumed annual interest rate of 10.00% and (v) $144 million in transaction expenses. These assumptions were arrived at by Goldman Sachs based on its professional judgment and experience and informed by proposed capital structures and leverage levels included in proposals to purchase the Company. Goldman Sachs assumed illustrative last twelve months exit Adjusted OIBDA multiples of 7.0x to 8.5x for the assumed exit at the end of 2016, which reflects illustrative implied prices at which a hypothetical financial buyer might exit its investment through a sale transaction. These exit multiples were derived by Goldman Sachs utilizing its professional judgment and experience, taking into account historical average enterprise value to Adjusted OIBDA multiples for WMG common stock during the three-year period ended May 5, 2011. This analysis resulted in a range of implied values of $5.23 to $7.66 per share of WMG common stock.

General. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman

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Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to the Company or the contemplated merger.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs providing its opinion to the Company s Board of Directors as to the fairness from a financial point of view of the $8.25 per share of WMG common stock in cash to be paid to the holders (other than Buyer and its affiliates) of outstanding shares of WMG common stock pursuant to the merger agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of the Company, Buyer, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The merger consideration was determined through arm s-length negotiations between the Company and Buyer and was approved by the Company s Board of Directors. Goldman Sachs provided advice to the Company during these negotiations. Goldman Sachs did not, however, recommend any specific amount of consideration to the Company or its Board of Directors or that any specific amount of consideration constituted the only appropriate consideration for the merger.

As described above, Goldman Sachs opinion to the Company s Board of Directors was one of many factors taken into consideration by the Company s Board of Directors in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Appendix C to this proxy statement.

Goldman Sachs and its affiliates are engaged in investment banking and financial advisory services, commercial banking, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman Sachs and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of the Company, Buyer and any of their respective affiliates, and third parties, including Thomas H. Lee Partners, L.P. (THL) and Bain Capital, LLC (Bain), each an affiliate of a significant stockholder of the Company, and any of their respective affiliates or portfolio companies, or any currency or commodity that may be involved in the transaction for their own account and for the accounts of their customers. Goldman Sachs acted as financial advisor to the Company in connection with, and participated in certain of the negotiations leading to, the transaction. Goldman Sachs has also provided certain investment banking services to the Company and its affiliates from time to time for which its Investment Banking Division has received, and may receive, compensation, including having acted as joint bookrunning manager with respect to an offering of 9.50% Senior Secured Notes due 2016 (aggregate principal amount $1,100,000,000) of WMG Acquisition Corp. (WMG Opco), an indirect wholly owned subsidiary of the Company, in May 2009. Goldman Sachs also provided certain investment banking services to THL and its affiliates and portfolio companies from time to time for which its Investment Banking Division has received, and may receive, compensation, including having acted as joint bookrunner with respect to an offering of 9.25% Senior Notes due 2017 (aggregate principal amount $2,500,000,000) of a subsidiary of Clear Channel in December 2009; as joint lead arranger with respect to a term loan (aggregate principal amount $1,500,000,000) provided to subsidiaries of Warner Chilcott Plc (Warner Chilcott), a portfolio company of THL and Bain, in August 2010; as joint lead arranger and joint bookrunner with respect to offerings of 7.75% Senior Notes due 2018 (aggregate principal amount $1,250,000,000) of subsidiaries of Warner Chilcott in August and September 2010; as joint bookrunner with respect to an initial public offering of 82,142,858 shares of common

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stock and an offering of 6.25% Mandatory Convertible Subordinated Bonds due 2013 (aggregate principal amount $287,500,000) of the indirect parent of The Nielsen Company B.V., a portfolio company of THL, in January 2011; as joint lead arranger with respect to an amendment and repricing of a $1,400,000,000 term loan provided to Dunkin Brands Inc., a portfolio company of THL and Bain, in February 2011; and as joint bookrunner with respect to an amendment and extension of an existing revolver and term loan of Clear Channel Outdoor Holdings, Inc. (Clear Channel), a portfolio company of THL and Bain, in February 2011. Goldman Sachs also provided certain investment banking services to Bain and its affiliates and portfolio companies from time to time for which its Investment Banking Division has received, and may receive, compensation, including having acted as joint bookrunner with respect to an offering of 10.75% Senior Notes due 2017 (aggregate principal amount $950,000,000) of a subsidiary of Toys R Us, Inc., a portfolio company of Bain, in July 2009; as joint bookrunner with respect to offerings of 8.50% Senior Secured Notes due 2019 (aggregate principal amount $1,500,000,000) and 7.25% Senior Secured Notes due 2020 (aggregate principal amount $1,400,000,000) of HCA Inc., a portfolio company of Bain, in April 2009 and March 2010, respectively; and as joint bookrunner with respect to an initial public offering of 31,600,000 shares of Sensata Technologies Holding N.V., a portfolio company of Bain, in March 2010. Goldman Sachs may also in the future provide investment banking services to the Company, Buyer and their respective affiliates and THL and Bain and their respective affiliates and portfolio companies, for which its Investment Banking Division may receive compensation.

Affiliates of Goldman Sachs also may have co-invested with THL and Bain and their respective affiliates from time to time and may have invested in limited partnership units of affiliates of THL and Bain from time to time and may do so in the future.

The Company s Board of Directors selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transaction. Pursuant to a letter agreement, dated May 3, 2011, the Company engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transaction. Pursuant to the terms of this engagement letter, the Company has agreed to pay Goldman Sachs a transaction fee of approximately $20 million, all of which is payable upon consummation of the transaction. In addition, the Company has agreed to reimburse Goldman Sachs for its expenses, including attorneys fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

Retention of AGM Partners LLC

The Company s Board of Directors retained AGM as an additional financial advisor because it is an investment banking firm that has substantial experience in media and entertainment matters, including transactions similar to the transaction. Pursuant to a letter agreement, dated May 3, 2011, the Company engaged AGM to act as its financial advisor in connection with the contemplated transaction. Pursuant to the terms of this engagement letter, the Company has agreed to pay AGM a transaction fee of approximately $10 million, all of which is payable upon consummation of the transaction. In addition, the Company has agreed to reimburse AGM for its expenses, including attorneys fees and disbursements, and to indemnify AGM and related persons against various liabilities, including certain liabilities under the federal securities laws.

Projected Financial Information

The Company does not as a matter of course make public projections as to future performance or earnings and is especially wary of making projections for extended periods due to the significant unpredictability of the underlying assumptions and estimates. However, in connection with its evaluation of a potential sale transaction, the Company provided the Financial Advisors and Access Industries with certain financial forecasts concerning the Company for fiscal years 2011 through 2016 (Forecast A). Without limiting the qualifications set forth below, the Company s Board of Directors directed Goldman Sachs to use Forecast A because the Company s Board of Directors believed that Forecast A reflected its and management s reasonable best estimate of the Company s expected financial performance. See The Merger (Proposal 1) Background of the Merger beginning on page 21 and The Merger (Proposal 1) Opinion of Goldman Sachs beginning on page 31.

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In addition, in connection with the delivery of the CIM to each bidder, the Company provided bidders with the CIM financial projections concerning the Company for fiscal years 2011 through 2016 that reflected the Company s potential growth through digital distribution initiatives and other emerging technologies and expanded-rights, or so-called 360 degree , deals (Forecast B and together with Forecast A, the Forecasts). Forecast B thus reflected the Company s upside case financial projections for consideration by bidders.

These Forecasts were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial forecasts, or generally accepted accounting principles. Neither the Company s independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the Forecasts included below, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the Forecasts.

The Forecasts reflect numerous estimates and assumptions made with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to the Company s business, all of which are difficult to predict and many of which are beyond the Company s control. These Forecasts are subjective in many respects and thus are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. As such, the Forecasts constitute forward-looking statements and are subject to risks and uncertainties that could cause actual results to differ materially from the results forecasted in such Forecasts, including, but not limited to, the Company s performance, industry performance, general business and economic conditions, the Company s ability to successfully manage costs in the future, adverse changes in applicable laws, regulations or rules and other risks and uncertainties described in reports filed with the SEC. See also Cautionary Statements Concerning Forwarding-Looking Information beginning on page 16.

There can be no assurance that the Forecasts will be realized or that actual results will not be significantly higher or lower than projected. Each Forecast covers multiple years and such information by its nature becomes less reliable with each successive year. In addition, the Forecasts will be affected by the Company s ability to achieve strategic goals, objectives and targets over the applicable periods. The assumptions upon which the Forecasts were based necessarily involve judgments with respect to, among other things, future economic, competitive and regulatory conditions, financial market conditions and emergence of new business models, all of which are difficult or impossible to predict accurately and many of which are beyond the Company s control. The Forecasts also reflect assumptions as to certain business decisions that are subject to change. The Forecasts cannot, therefore, be considered a guaranty of future operating results, and this information should not be relied on as such. The inclusion of the Forecasts in this proxy statement should not be regarded as an indication that the Company, its Financial Advisors or anyone who received this information then considered, or now considers, it a reliable prediction of future events, and this information should not be relied upon as such. None of the Company, any of its affiliates, any affiliates of any of the foregoing or any other person assumes any responsibility for the validity, reasonableness, accuracy or completeness of the projections described below. None of the Company, its Financial Advisors or any of their affiliates intends to, and each of them disclaims any obligation to, update, revise or correct such projections if they are or become inaccurate (even in the short term). These Forecasts have not been revised to reflect any circumstances or events occurring after the date they were prepared, including the May 6, 2011 announcement of the merger. Further, the Forecasts do not take into account the effect of any failure of the merger to occur and should not be viewed as accurate or continuing in that context. The inclusion of the Forecasts may not be deemed an admission or representation by the Company with respect to the Forecasts or that the Forecasts are or were viewed by the Company as material information of the Company, and in fact the Company views the Forecasts as non-material because of the inherent risks and uncertainties associated with such long range forecasts.

Certain of the prospective financial information set forth herein may be considered non-GAAP financial measures. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for,

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financial information presented in compliance with GAAP, and non-GAAP financial measures as used by the Company may not be comparable to similarly titled amounts used by other companies.

These Forecasts are not being included in this proxy statement to influence your decision how to vote with respect to the adoption of the merger agreement or any other purpose, including whether or not to seek appraisal rights with respect to the shares of WMG common stock. The information from these Forecasts should be evaluated, if at all, in conjunction with the other information regarding the Company contained elsewhere in this proxy statement and with the historical financial statements contained in the Company s public filings with the SEC. In light of the foregoing factors and the uncertainties inherent in financial forecasts, stockholders are cautioned not to place undue, if any, reliance on the Forecasts included in this proxy statement.

Forecast A sets forth certain projections prepared by the Company s management, including total revenue, adjusted operating income before depreciation and amortization (Adjusted OIBDA), Adjusted OIBDA percentage margin, capital expenditures and unlevered free cash flow for fiscal years 2011 through 2016. A summary of Forecast A is as follows:

($ in millions)	**Projected, for the Year Ended September 30,**					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Total Revenue	$ 2,944	$ 2,865	$ 2,809	$ 2,791	$ 2,799	$ 2,827
Adjusted OIBDA(1)	$ 395	$ 388	$ 383	$ 396	$ 411	$ 434
% Margin	13.4%	13.5%	13.6%	14.2%	14.7%	15.4%
Capital Expenditures	$ 41	$ 30	$ 30	$ 30	$ 30	$ 30
Unlevered Free Cash Flow(2)	$ 167	$ 344	$ 333	$ 344	$ 358	$ 380

Forecast B sets forth certain projections prepared by the Company s management which reflected the Company s potential growth through digital distribution initiatives and other emerging technologies and expanded- rights, or so-called 360 degree , deals. Forecast B included, total revenue, Adjusted OIBDA, Adjusted OIBDA percentage margin and capital expenditures for fiscal years 2011 through 2016. A summary of Forecast B is as follows:

($ in millions)	**Projected, for the Year Ended September 30,**					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Total Revenue	$ 3,057	$ 3,004	$ 2,989	$ 3,033	$ 3,108	$ 3,205
Adjusted OIBDA(1)	$ 396	$ 404	$ 435	$ 487	$ 543	$ 606
% Margin	13.0%	13.4%	14.6%	16.1%	17.5%	18.9%
Capital Expenditures	$ 35	$ 30	$ 30	$ 30	$ 30	$ 30
Unlevered Free Cash Flow(2)	$ 340	$ 352	$ 381	$ 429	$ 480	$ 538

(1) Adjusted OIBDA excludes from operating income before depreciation and amortization, with respect to fiscal year 2011 only, severance costs. Adjusted OIBDA margin is calculated by dividing Adjusted OIBDA by total revenue.

(2) Unlevered free cash flow is measured as Adjusted OIBDA, adjusted for cash paid for taxes, capital expenditures, investments and estimated net changes in working capital. Unlevered free cash flow for fiscal year 2011 in Forecast A reflects certain investments, restructuring charges and net changes in working capital that are not included in Forecast B. Investments, restructuring charges and estimated net changes in working capital were assumed to be de minimis in Forecast A (except as described with respect to fiscal year 2011 as noted) and Forecast B. For purposes of determining unlevered free cash flow, stock-based compensation was treated as a cash expense.

Certain Effects of the Merger

If the merger is completed, all of the equity interests in the Company will be owned by Buyer. No current WMG stockholder will have any ownership interest in, or be a stockholder of, the Company, except (i) for Access Industries or affiliates of Access Industries which, as of the date hereof, own shares in the Company and have an

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equity ownership in Buyer or in affiliates of Buyer or (ii) as otherwise provided in this proxy statement. As a result, the Company s stockholders will no longer benefit from any increases in the Company s value, nor will they bear the risk of any decreases in the Company s value. Following the merger, Buyer will benefit from any increases in the value of the Company and also will bear the risk of any decreases in the value of the Company.

If the merger is completed, each share of WMG common stock owned immediately prior to the effective time of the merger, other than as provided below, will be converted into the right to receive $8.25 in cash, without interest and less any applicable withholding taxes. The following shares of WMG common stock will not be converted into the right to receive the per share merger consideration in connection with the merger: (i) shares of common stock owned by the Company and its wholly owned subsidiaries, (ii) shares of common stock owned by Buyer and its affiliates, (iii) shares of common stock whose holders have not voted in favor of adopting the merger agreement and have demanded and perfected their appraisal rights under Section 262 of the General Corporation Law of the State of Delaware or (iv) shares of unvested restricted stock granted under the Company s equity plan.

If the merger is completed, each option holder will be entitled to receive the excess, if any, of the $8.25 per share merger consideration and the option exercise price, regardless of whether the option is then exercisable, and each holder of shares of vested restricted stock will be entitled to receive a cash payment equal to $8.25 per share of vested restricted stock, in each case, without interest and less any applicable withholding taxes.

If the merger is completed, the common stock will be delisted from the New York Stock Exchange (and no longer publicly traded) and deregistered under the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Company will no longer file periodic reports with the SEC with respect to the WMG common stock.

Regulatory Approvals

In connection with the merger, the Company is required to make certain filings with, and comply with certain laws of, various federal and statement governmental agencies, including:

- filing the certificate of merger with the Secretary of State of the State of Delaware in accordance with the DGCL after the adoption of the merger agreement by the Company s stockholders; and

- complying with U.S. federal securities laws.

In addition, under the HSR Act, and the related rules and regulations that have been issued by the Federal Trade Commission (FTC), the EU Merger Regulation and other applicable foreign competition laws, certain transactions having a value above specified thresholds may not be consummated until specified information and documentary material have been furnished to the applicable governmental authorities and certain waiting period requirements have been satisfied or specific merger approval obtained. The requirements of the HSR Act, the EU Merger Regulation and certain media-related regulatory laws in Austria (the Austrian Media Regulation) apply or may apply to the acquisition of shares of WMG common stock in the merger. The filing required under the HSR Act was made on May 20, 2011 and termination of the applicable waiting period under the HSR Act was granted on May 27, 2011. The filing required under the EU Merger Regulation was made on June 8, 2011 and merger approval is expected to be obtained by July 14, 2011. Since the Austrian Media Regulation may apply to the transaction, for precautionary reasons, the filing under the Austrian Media Regulation was made on June 3, 2011 and the waiting period will expire on July 1, 2011.

At any time before or after consummation of the merger, notwithstanding receipt of merger approval from the relevant authorities, the European Commission or state or foreign antitrust and competition authorities could take such action under applicable antitrust laws as each deems necessary or desirable in the public interest, including seeking to enjoin the consummation of the merger or seeking divestiture of substantial assets of the Company or Buyer. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

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Merger Financing

The obligations of Buyer and Merger Sub to complete the merger under the merger agreement are not subject to a condition of Buyer or Merger Sub obtaining funds to consummate the merger and the other transactions contemplated by the merger agreement. Buyer has obtained equity and debt financing commitments for the transactions contemplated by the merger agreement, the proceeds of which, together with cash on hand at the Company (the amount of such cash not to exceed $195 million), and assuming the financing commitments are funded in accordance with their terms, will be used by Buyer to pay the aggregate merger consideration and all related fees and expenses, to refinance certain indebtedness of the Company and to pay any other amounts required to be paid at the closing date of the merger in connection with the consummation of the transactions contemplated by the merger agreement.

Equity Financing

The Sponsor has committed to capitalize Buyer, at or prior to the closing of the merger, with an aggregate equity contribution in an amount of approximately $1.118 billion (plus additional amounts as may be required to pay certain fees under the debt commitment letter described below), which amount may be reduced to the extent that the Buyer does not require the full amount of such equity commitment to consummate the transactions contemplated by the merger agreement, on the terms and subject to the conditions set forth in the equity commitment letter entered into by the Sponsor in connection with the merger. The equity commitment of Sponsor is conditioned upon the satisfaction or waiver of the conditions to the obligations of Buyer and Merger Sub to consummate the transactions contemplated by the merger and the concurrent funding of the debt financing. The equity commitment letter will terminate automatically upon any termination of the merger agreement.

Sponsor may assign all or a portion of its equity commitment to its affiliates or affiliated funds or to entities governed by an affiliate or an affiliated fund so long as such assignment does not relieve Sponsor of its obligations under the equity commitment letter or would not reasonably be expected to materially impair, delay or prevent the funding of the equity commitment.

Debt Financing

Buyer has received a debt commitment letter from Credit Suisse AG and its affiliates (acting through its subsidiaries or branches, collectively CS) and UBS Loan Finance LLC and its affiliates (collectively UBS and together with CS, each, a Lender and, collectively, the Lenders), dated May 6, 2011, pursuant to which and subject to the conditions set forth therein each Lender has committed severally to provide to Buyer, among others, a $60,000,000 senior secured revolving credit facility (the Revolving Credit Facility), a $845,000,000 senior unsecured bridge facility (the Opco Bridge Facility) and a $200,000,000 senior unsecured holdco bridge facility (the Holdco Bridge Facility and together with the Opco Bridge Facility, the Bridge Facilities). Proceeds from the Bridge Facilities will be used to (i) pay a portion of the merger consideration and fees and expenses in connection with the merger and related transactions and (ii) refinance the outstanding 7.375% U.S. dollar-denominated Senior Subordinated Notes issued by WMG Opco due 2014, 8.125% Sterling-denominated Senior Subordinated Notes issued by WMG Opco due 2014, and 9.5% Senior Discount Notes issued by WMG Holdings Corp. (WMG Holdco) due 2014 (collectively, the Existing Subordinated Notes). The Revolving Credit Facility will be available for general corporate purposes after the closing of the merger.

The debt commitment letter expires on the earlier of (i) any termination of the merger agreement and (ii) November 7, 2011.

Pursuant to the merger agreement, Buyer and Merger Sub are obligated to use reasonable best efforts to obtain at the completion of the merger the financing on the terms and conditions described in the debt commitment letter (including the flex provisions in the debt facility fee letter) and the equity commitment letter or alternative financing from the same or other sources of financing on terms and conditions (including the flex provisions) not

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materially less favorable to Buyer and Merger Sub than those contained in the debt commitment letter and the equity commitment letter, and in an amount sufficient to timely consummate the transactions contemplated by the merger agreement on the terms and conditions set forth therein.

The Lenders commitments to provide the debt financing are subject to, among other things:

- there not having occurred a Company Material Adverse Effect (defined in the debt commitment letter in a manner substantially the same as the definition of Company Material Adverse Effect in the merger agreement) since September 30, 2010; except (i) as disclosed in Buyer s SEC Reports filed with the SEC on or after September 30, 2009 and prior to May 6, 2011, other than any disclosures contained under the captions Risk Factors or Forward Looking Statements to the extent that such disclosures are general in nature or cautionary, predictive or forward-looking in nature or (ii) as set forth as of May 6, 2011 on the Company Disclosure Letter (as defined in the merger agreement);

- execution and delivery of definitive documentation with respect to the debt facilities consistent with the debt commitment letter (including the term sheets) and otherwise reasonably satisfactory to the Lenders;

- a cash common equity contribution of at least $920,000,000 from Sponsor to Buyer and from Buyer to Merger Sub;

- consummation of the merger in accordance with the merger agreement (without any amendment, modification or waiver to the merger agreement or any consent thereunder which is materially adverse to the Lenders or the joint lead arrangers for the debt facilities without the prior written consent of the joint lead arrangers) substantially simultaneously with the closing under the debt facilities;

- all Existing Subordinated Notes having been repurchased or called for redemption (and with such call for redemption being irrevocable and accompanied on the date of the closing under the debt facilities by a defeasance or a discharge of the obligations of the relevant issuer under the related indenture in accordance with the terms of such indenture and the deposit in an escrow account with the indenture trustee of the maximum amount of cash required to repurchase the Existing Subordinated Notes outstanding on the date of the closing under the debt facilities);

- after giving effect to the merger and related transactions, the Buyer and its subsidiaries having no outstanding indebtedness for borrowed money other than the indebtedness incurred in connection with the merger, indebtedness permitted to be incurred or outstanding under the merger agreement and certain other indebtedness that the Lenders have agreed to permit to remain outstanding;

- the Company and Merger Sub having used commercially reasonable efforts to obtain requisite consents from the holders of the WMG Opco s 9.50% Senior Secured Notes due 2016 to waive the Change of Control thereunder resulting from the merger (which consent, as of 5:00 p.m., New York City time, on May 23, 2011, was received by the Company, through its wholly-owned subsidiary WMG Opco, from the holders of the WMG Opco s 9.50% Senior Secured Notes);

- the accuracy of certain specified representations and warranties applicable to Buyer and its subsidiaries and the accuracy of certain representations and warranties applicable to the Company and its subsidiaries set forth in the merger agreement;

- the delivery of specified audited, unaudited and pro forma financial statements, forecasts and other specified information;

the delivery of a solvency certificate from the chief financial officer of the Company substantially in the form attached to the debt commitment letter;

as a condition to the availability of the Bridge Facilities, the expiration of the marketing period (as defined and described below) following receipt of a preliminary offering memorandum or preliminary private placement memorandum in customary form for a preliminary offering memorandum or preliminary private placement memorandum used in 144A offerings of high-yield debt securities;

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delivery of customary closing documents (including, among other things, a solvency certificate, legal opinions reasonably satisfactory to the Lenders and customary corporate documents and officers and public officials certifications, lien and judgment searches satisfactory to the Lenders, evidence of authority and evidence of insurance), documentation and other information about the borrower and guarantors required under applicable know your customer and anti-money laundering rules and regulations (including the PATRIOT Act), and the taking of certain actions necessary to establish and perfect a security interest in specified items of collateral;

the payment of certain specified fees and expenses; and

the Company having used no more than a specified amount of pre-closing cash in connection with the merger and related transactions.

The Lenders commitments to provide the debt financing are not conditioned upon a successful syndication of any of the credit facilities with other financial institutions. Prior to the completion of the merger, no assignment and assumption by any assignee of any obligations of a Lender in respect of any portion of its commitment shall relieve such Lender of its obligations under the debt commitment letter.

Limited Guarantees

In connection with the merger agreement, AI Investments Holdings LLC, an affiliate of Buyer, has executed a limited guarantee and a limited performance guarantee in favor of the Company to guarantee, subject to the limitations described therein, certain obligations of Buyer and/or Merger Sub pursuant to the merger agreement. Under the limited guarantee, AI Investment Holdings LLC has guaranteed the payment of any reverse termination fee that may become payable by Buyer and Merger Sub following a termination of the merger agreement by the Company in specified circumstances and certain reimbursement obligations in connection with the financing, subject to an overall cap of $150 million. Under the limited performance guarantee, AI Investment Holdings LLC has guaranteed the funding of the Sponsor s equity commitment to Buyer if Sponsor fails to capitalize Buyer when required pursuant to the equity commitment letter.

The limited guarantee will terminate on the earliest of (i) the consummation of the merger, (ii) the first anniversary of any termination of the merger agreement, except as to a claim for payment of any obligations thereunder presented by the Company to Buyer or AI Investment Holdings LLC prior to such first anniversary or (iii) upon deposit by AI Investments Holdings LLC of $150 million in cash in a collateral account on terms reasonably satisfactory to the Company to satisfy the obligations under the limited guarantee. The limited performance guarantee will terminate on the earliest of (a) the closing of the merger, (b) any termination of the merger agreement, or (c) upon deposit by AI Investments Holdings LLC of approximately $1.118 billion (plus additional amounts as may be required to pay certain fees under the debt commitment letter described below) in cash sufficient to satisfy the obligations under the limited performance guarantee in a collateral account on terms reasonably satisfactory to the Company. The Company is contractually entitled to require such affiliate to perform under the guarantees without consent of Buyer.

Interests of the Company s Directors and Executive Officers in the Merger

In considering the recommendation of the Company s Board of Directors, you should be aware that some executive officers and directors of WMG have interests in the merger, including those described below and as described in Advisory Vote on Golden Parachute Compensation (Proposal 2) beginning on page 78, that are different from or in addition to your interests as a stockholder and that may present actual or potential conflicts of interest. The members of the Company s Board of Directors were aware of such interests and considered them, among other matters, when deciding to approve the merger.

Indemnification of Directors and Officers; Directors and Officers Insurance

Buyer has agreed to cause the surviving corporation to maintain for at least six years following the effective time of the merger the current policies of directors and officers liability insurance or policies of at least the same

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coverage and amounts containing terms and conditions which are no less advantageous with respect to claims arising out of or relating to events which occurred before or at the effective time of the merger (including in connection with the negotiation and execution of the merger agreement and the consummation of the merger). Such policies shall not have an annual premium in excess of 300% of the last annual premium being paid by the Company prior to the date of the merger agreement. In lieu of Buyer purchasing such policy after the effective time of the merger, the Company may, prior to the effective time of the merger, purchase a tail directors and officers liability policy covering the aforementioned matters at a cost not to exceed 300% of the last annual premium paid by the Company prior to the date of the merger agreement and if the Company elects to do so prior to the effective time of the merger, the surviving corporation shall maintain such policy for six years. In addition, after the effective time, the surviving corporation has agreed to indemnify each present and former director, officer or employees of the Company or any of its subsidiaries against all costs or expenses (including reasonable attorneys fees and expenses), judgments, fines, losses, claims, damages, liabilities, and amounts paid in settlement in connection with any claim, action, suit, proceeding or investigation, including liabilities arising out of or pertaining to all acts and omissions arising out of or relating to their services as directors or officers and employees of the Company or its subsidiaries occurring prior to the effective time, whether commenced, asserted or claimed before or after the effective time. See The Merger Agreement Covenants of Buyer and/or Merger Sub Indemnification of Directors and Officers; Directors and Officers Insurance on page 71.

Options

The merger agreement provides that immediately prior to the effective time of the merger, unless otherwise agreed upon in writing between Buyer and any such holder, each stock option issued under the Company s equity compensation plans, whether or not then exercisable or vested, will be cancelled and converted into the right to receive an amount in cash equal to, without interest and less applicable withholding taxes, the product of (i) the excess of $8.25 (the per share merger consideration) over the per share exercise price of the applicable stock option and (ii) the aggregate number of shares of common stock that may be acquired upon exercise of such stock option immediately prior to the effective time of the merger.

Restricted Stock

The merger agreement provides that at the effective time of the merger, each restricted share of common stock granted under the Company s equity compensation plans, will, unless otherwise agreed upon in writing between Buyer and any such holder, either be vested (to the extent not already vested) or forfeited, in either case, in accordance with its terms. Further, in connection with the action approving the merger and the merger agreement, the Company s Board of Directors authorized the accelerated vesting of the service conditions applicable to restricted stock outstanding immediately prior to the consummation of the merger. Under the merger agreement, the Company may not accelerate or waive any performance condition with respect to shares of restricted stock without Buyer s consent. Accordingly, unless otherwise agreed upon between Buyer and any such holder, all shares of restricted stock for which the performance vesting condition is satisfied (determined based on the $8.25 per share merger consideration) will vest as of immediately prior to the consummation of the merger, and all shares of restricted stock subject to a performance condition that is not satisfied at the effective time of the merger will be forfeited. At the effective time of the merger, each vested restricted share of common stock will be converted into the right to receive an amount in cash equal to $8.25 (the per share merger consideration), without interest and less applicable withholding taxes.

Merger Proceeds in respect of Equity Awards

The following table sets forth, as of June 10, 2011 and assuming the merger occurred on such date, for each of the Company s executive officers and directors, the approximate cash proceeds that each of them will receive at the completion of the merger (without accounting for any applicable withholding taxes) in exchange for in-the-money options and restricted shares that are currently unvested and would become vested in connection with the merger immediately prior to the consummation of the merger.

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Name	Principal Position	Number of Shares Underlying Vested In-The-Money Options (#)	Cash Received in respect of Vested In-The-Money Stock Options ($)	Number of Shares Underlying Unvested In-The-Money Options (#)	Cash Received in respect of Unvested In-The-Money Options ($)	Total Cash Received in respect of In-The-Money Options ($)	Number of Restricted Shares that become Vested in connection with Merger (#)	Cash Received in respect of Restricted Shares ($)	Total Payments ($)
				Executive Officers					
Mark Ansorge	Executive Vice President, Human Resources and Chief Compliance Officer	49,500	$ 48,795	41,500	$ 33,515	$ 82,310	0	$ 0	$ 82,310
Edgar Bronfman, Jr.	Chairman of the Board and Chief Executive Officer	1,650,000	$ 4,884,00	1,100,000	$ 3,256,000	$ 8,140,000	1,650,000(1)	$ 13,612,500	$ 21,752,500
Lyor Cohen	Vice Chairman, Warner Music Group and Chairman and CEO, Recorded Music Americas and the U.K.	900,000	$ 2,664,00	600,000	$ 1,776,000	$ 4,440,000	1,000,000	$ 8,250,000	$ 12,690,000
Michael D. Fleisher(2)	Vice Chairman, Strategy and Operations	0	$ 0	0	$ 0	$ 0	0	$ 0	$ 0
David H. Johnson	Chairman, Warner/Chappell Music	87,187	$ 52,574	29,063	$ 17,526	$ 70,100	0	$ 0	$ 70,100
Steven Macri	Executive Vice President and Chief Financial Officer	93,101	$ 71,073	93,000	$ 70,880	$ 141,953	0	$ 0	$ 141,953
Michael Nash	Executive Vice President, Digital Strategy and Business Development	129,717	$ 273,495	33,750	$ 71,712	$ 345,207	0	$ 0	$ 345,207
Paul M. Robinson	Executive Vice President and General Counsel	28,467	$ 58,357	300,000	$ 711,000	$ 769,357	0	$ 0	$ 769,357
Cameron Strang	Chief Executive Officer, Warner/Chappell Music	0	$ 0	400,000	$ 1,224,000	$ 1,224,000	0	$ 0	$ 1,224,000
Will Tanous	Executive Vice President, Communications and Marketing	115,842	$ 111,487	229,125	$ 569,710	$ 681,197	0	$ 0	$ 681,197
				Directors					
Shelby W. Bonnie	Director	0	$ 0	0	$ 0	$ 0	14,388	$ 118,701	$ 118,701

Richard Bressler	Director	0	$ 0	0	$ 0	$ 0	0	$ 0	$ 0	
John P. Connaughton	Director	0	$ 0	0	$ 0	$ 0	0	$ 0	$ 0	
Phyllis E. Grann	Director	0	$ 0	0	$ 0	$ 0	14,388	$ 118,701	$ 118,701	
Michele J. Hooper	Director	0	$ 0	0	$ 0	$ 0	16,187	$ 133,543	$ 133,543	
Scott L. Jaeckel	Director	0	$ 0	0	$ 0	$ 0	0	$ 0	$ 0	
Seth W. Lawry	Director	0	$ 0	0	$ 0	$ 0	0	$ 0	$ 0	
Thomas H. Lee	Director	0	$ 0	0	$ 0	$ 0	0	$ 0	$ 0	
Ian Loring	Director	0	$ 0	0	$ 0	$ 0	0	$ 0	$ 0	
Mark E. Nunnelly	Director	0	$ 0	0	$ 0	$ 0	0	$ 0	$ 0	
Scott M. Sperling	Director	0	$ 0	0	$ 0	$ 0	0	$ 0	$ 0	
TOTAL:		**3,250,689**	**$ 9,200,131**	**3,102,063**	**$ 8,002,594**	**$ 18,426,725**	**2,694,963**	**$ 22,233,445**	**$ 40,660,170**	

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(1) Unless otherwise agreed upon in writing between Buyer and Mr. Bronfman, Mr. Bronfman will forfeit the remaining 1,100,000 unvested performance-based restricted shares he holds as the performance condition for such shares will not be satisfied based on the $8.25 per share merger consideration.

(2) Mr. Fleisher resigned from his employment effective May 31, 2011. In connection with the amendment to his employment agreement, as previously disclosed and as described under Advisory Vote on Golden Parachute Compensation (Proposal 2) Amended Arrangements with Mr. Fleisher on page 80, Mr. Fleisher s previously unvested options became immediately vested and exercisable as of the effective date of his resignation, and as of such date, the number of shares underlying his total vested in-the-money options was 472,500. Subsequently, Mr. Fleisher exercised all of his vested options and sold all of his vested shares of WMG common stock. Mr. Fleisher forfeited 450,000 unvested performance-based restricted shares pursuant to the terms of the amendment to his employment agreement.

For additional information regarding the nature of each director s and named executive officer s beneficial ownership of WMG common stock, see Security Ownership of Certain Beneficial Owners and Management beginning on page 83.

Employee-Related Interests

In addition to the other rights and interests in the merger described in this section, the Company s directors who are employees and the Company s executive officers are entitled to receive the same benefits under the merger agreement as all other employees of the Company. In this regard, Buyer has agreed to honor the Company s current employment and severance agreements after the effective time (and all of the executive officers are party to employment agreements with the Company or one of its affiliates which provide for severance upon an involuntary termination of employment), to provide certain levels of compensation and benefits to the Company s employees for six months after the merger, and to recognize service with the Company prior to the merger for purposes of the employees participation in the Company s benefit plans after the merger. A more complete description of the benefits provided to the Company s employees under the merger agreement is under the heading Covenants of Buyer and/or Merger Sub Employee Matters beginning on page 70.

Additional information about benefits to the Company s named executed officers is set forth under Advisory Vote on Golden Parachute Compensation (Proposal 2) beginning on page 78.

New Management Arrangements

As of the date of this proxy statement, neither the Company nor Buyer has entered into any employment agreements with the Company s management in connection with the merger, and the Company has not amended or modified any existing employment agreements or other arrangements with management, other than amendments to the employment agreement with Mr. Fleisher and amendments to the restricted stock agreements with Messrs. Bronfman and Cohen, as previously disclosed. See Advisory Vote on Golden Parachute Compensation (Proposal 2) Amended Arrangements with Mr. Fleisher beginning on page 80 and Advisory Vote on Golden Parachute Compensation (Proposal 2) Amended Restricted Stock Agreements with Messrs. Bronfman and Cohen beginning on page 80.

Voting Agreement

Concurrently with the execution and delivery of the merger agreement, affiliates of Thomas H. Lee Partners, L.P., affiliates of Bain Capital Investors, LLC and Edgar Bronfman, Jr. (which are together referred to as the Voting Stockholders) have entered into a voting agreement with Buyer that covers approximately 56% of the outstanding shares of WMG common stock. Under the terms of the voting agreement, each of the Voting Stockholders has agreed to vote, or cause to be voted, its shares of common stock (i) in favor of the merger and adoption of the merger agreement, (ii) in favor of any related proposal in furtherance of the transactions contemplated by the merger agreement, (iii) against any action, proposal, transaction or agreement that would reasonably be expected to result in a material breach of any material representation, warranty, covenants or

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agreement of either the Company or such Voting Stockholder contained in the merger agreement, (iv) against any takeover proposal and (v) against any amendment of the Company s organizational documents that would delay, impede, frustrate, prevent or nullify the merger, the merger agreement or any of the other transactions contemplated by the merger agreement or change in any manner the voting rights of each class of WMG common stock.

The Voting Stockholders further agreed not to (i) transfer any of their shares of common stock unless such transfer is made in compliance with the voting agreement, (ii) enter into any other voting agreement, voting trust or similar arrangement with respect to such Voting Stockholder s shares of common stock or (iii) grant any proxy, consent, power of attorney or other authorization or consent with regard to such Voting Stockholder s shares of common stock. The Voting Stockholders further agreed not to solicit any takeover proposals or take any other action that the Company is prohibited from taking as described under The Merger Agreement Covenants of the Company No Solicitation of Takeover Proposals; Fiduciary Out beginning on page 66.

Other than the obligations to pay excess merger consideration (described below), the voting agreement will terminate automatically at the earlier of (i) the effective time of the merger and (ii) the date of termination of the merger agreement in accordance with its terms. If the merger agreement is terminated by the Company to enter into a superior proposal and such superior proposal is consummated, the Voting Stockholders have agreed to pay Buyer 50% of any consideration received by them in excess of the merger consideration payable under the merger agreement.

The foregoing summary of the voting agreement does not purport to be complete and is qualified in its entirety by reference to the voting agreement.

Appraisal Rights

The discussion of the provisions set forth in this section is not a complete summary regarding your appraisal rights under Delaware law and is qualified in its entirety by reference to the text of Section 262 of the DGCL, a copy of which is attached as Appendix B to this proxy statement and is incorporated herein by reference. Stockholders intending to exercise appraisal rights should carefully review Appendix B to this proxy statement. Failure to follow any of the statutory procedures precisely may result in a termination or waiver of these rights.

Holders of WMG common stock who do not vote in favor of the adoption of the merger agreement and who properly demand appraisal of their shares will be entitled to appraisal rights in connection with the merger under Section 262 of the DGCL (Section 262). In order to exercise and perfect appraisal rights, a record holder of shares of WMG common stock must follow properly and in a timely manner the steps summarized below. Such holders will be entitled to have their shares of WMG common stock appraised by the Delaware Court of Chancery (the Court) and to receive the fair value of such shares in cash as determined by the Court, together with interest, if any, to be paid on the amount determined to be the fair value, in lieu of the consideration that such stockholder would otherwise be entitled to receive pursuant to the merger agreement.

The following is a brief summary of Section 262, which sets forth the procedures for dissenting from the merger and demanding and perfecting appraisal rights. Failure to follow the procedures set forth in Section 262 precisely could result in the loss of appraisal rights. Under Section 262, where a merger is to be submitted for approval at a meeting of stockholders, such as the special meeting, not less than 20 days prior to the meeting, the corporation must notify each of its stockholders as of the record date for notice of such meeting with respect to shares for which appraisal rights are available that such appraisal rights are available and include in each such notice a copy of Section 262. This proxy statement constitutes such notice to holders of WMG common stock concerning the availability of appraisal rights under Section 262. A stockholder of record wishing to assert appraisal rights must hold the shares of stock on the date a demand for appraisal rights with respect to such shares is made and must continuously hold such shares through the effective time of the merger. Accordingly, a stockholder who is the record holder of shares of common stock on the date the written demand for appraisal is made, but who thereafter

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transfers such shares prior to the effective time of the merger, will lose any right to appraisal in respect of such shares. Moreover, because of the complexity of the procedures for exercising the right to seek appraisal of shares of WMG common stock, if a stockholder considers exercising such rights, such stockholder should seek the advice of legal counsel.

Stockholders who desire to exercise their appraisal rights must satisfy all of the conditions of Section 262. A written demand for appraisal of shares must be delivered to the Company before the taking of the vote on the merger at the special meeting. This written demand for appraisal of shares must be in addition to and separate from a vote against the adoption of the merger agreement, or an abstention or failure to vote in favor of the adoption of the merger agreement. Stockholders electing to exercise their appraisal rights must not vote FOR the adoption of the merger agreement. Any proxy or vote against the merger in and of itself will not constitute a demand for appraisal within the meaning of Section 262.

A demand for appraisal must be executed by or for the stockholder of record. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, the demand must be executed by or for the record owner. If the shares are owned by or for more than one person, as in a joint tenancy or tenancy in common, the demand must be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner or owners. Beneficial owners of shares of WMG common stock have no right directly to demand appraisal; such demands must be made through the record holder of such shares. A person having a beneficial interest in WMG common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized herein and in a timely manner to perfect whatever appraisal rights the beneficial owner may have. A record holder who holds shares as nominee for several beneficial owners may exercise appraisal rights with respect to the shares of WMG common stock held for one or more beneficial owners while not exercising such rights with respect to the shares held for other beneficial owners; in such case, the written demand should set forth the number of shares as to which appraisal is sought. If the number of shares of WMG common stock is not expressly stated, the demand will be presumed to cover all shares held in the name of the record owner. If common stock is held through a broker who in turn holds the common stock through a central securities depository nominee such as Cede & Co., a demand for appraisal of such common stock must be made by or on behalf of the depository nominee and must identify the depository nominee as record holder.

A stockholder who elects to exercise appraisal rights should mail or deliver the required written demand to the Company at Warner Music Group Corp., 75 Rockefeller Plaza, New York, New York 10019, Attention: Corporate Secretary.

The demand must reasonably inform the Company of the identity of the holder as well as the holder s intention to demand an appraisal of the fair value of the shares held by the holder. A stockholder s failure to make the written demand prior to the taking of the vote on the adoption of the merger agreement at the special meeting will constitute a waiver of appraisal rights. Within ten days after the effective time of the merger, the Company must provide notice of the effective time of the merger to all of the Company s stockholders who have complied with Section 262 and have not voted in favor of the adoption of the merger agreement.

Within 120 days after the effective time of the merger (but not thereafter), any stockholder who has satisfied the requirements of Section 262 will be entitled, upon written request, to receive from the Company a statement listing the aggregate number of shares not voted in favor of adoption of the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. The statement must be mailed within ten days after a written request therefor has been received by the Company or within ten days after the expiration of the period for delivery of demands for appraisal, whichever is later. A person who is the beneficial owner of shares of common stock held either in a voting trust or by a nominee on behalf of such person may, in such person s own name, request from the Company the statement described in this paragraph.

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Within 120 days after the effective time of the merger (but not thereafter), either the Company or any stockholder who has complied with Section 262 and who is otherwise entitled to appraisal rights may commence an appraisal proceeding by filing a petition in the Court demanding a determination of the value of the shares of WMG common stock owned by stockholders entitled to appraisal rights. If no such petition is filed within such 120-day period, appraisal rights will be lost for all stockholders who had previously demanded appraisal of their shares. The Company has no obligation or present intention to file such a petition if demand for appraisal is made, and holders should not assume that the Company will file a petition. Accordingly, it is the obligation of the holders of common stock to initiate all necessary action to perfect their appraisal rights in respect of shares of common stock within the time prescribed in Section 262. A person who is the beneficial owner of shares of common stock held either in a voting trust or by a nominee on behalf of such person may, in such person s own name, file such a petition.

Upon the filing of any petition by a stockholder in accordance with Section 262, service of a copy thereof must be made upon the Company. The Company must, within 20 days after such service, file in the office of the Register in Chancery in which the petition was filed, a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom the Company has not reached agreements as to the value of their shares. The Court may require the stockholders who have demanded an appraisal for their shares (and who hold stock represented by certificates) to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings and the Court may dismiss the proceedings as to any stockholder that fails to comply with such direction.

At the hearing on such petition, the Court shall determine those stockholders who have complied with Section 262 and who have become entitled to appraisal rights thereunder. After the Court determines the holders of common stock entitled to appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court, including any rules specifically governing appraisal proceedings. Through such proceeding, the Court shall determine the fair value of the shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any, to be paid upon the amount determined to be the fair value. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective time of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5.0% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective time of the merger and the date of payment of the judgment.

In determining fair value, the Court will take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Supreme Court of Delaware discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods that are generally considered acceptable in the financial community and otherwise admissible in court should be considered, and that fair price obviously requires consideration of all relevant factors involving the value of a company. The Supreme Court of Delaware stated that, in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Supreme Court of Delaware stated that such exclusion is a narrow exclusion that does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Supreme Court of Delaware also stated that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered. Stockholders considering seeking appraisal of their shares should note that the fair value of their shares determined under Section 262 could be more, or less than, or equal to, the consideration they would receive pursuant to the merger agreement if they did not seek appraisal of their shares. Although the Company believes that the merger consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Court. Moreover, the Company does not anticipate offering more

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than the merger consideration to any stockholder exercising appraisal rights and reserves the right to assert, in any appraisal proceeding, that for purposes of Section 262, the fair value of a share of common stock is less than the merger consideration.

The costs of the appraisal proceeding (which do not include attorneys fees or the fees and expenses of experts) may be determined by the Court and taxed against the parties as the Court deems equitable under the circumstances. Upon application of a dissenting stockholder, the Court may order all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including reasonable attorneys fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. In the absence of a determination or assessment, each party bears his, her or its own expenses.

Any stockholder who has duly demanded appraisal in compliance with Section 262 will not, after the effective time of the merger, be entitled to vote for any purpose the shares subject to demand or to receive payment of dividends or other distributions on such shares, except for dividends or distributions payable to stockholders of record at a date prior to the effective date of the merger.

At any time within 60 days after the effective time of the merger, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party will have the right to withdraw his, her or its demand for appraisal and to accept the terms offered in the merger agreement. After this period, a stockholder may withdraw his, her or its demand for appraisal and receive payment for his, her or its shares as provided in the merger agreement only with the Company s written consent. No appraisal proceeding in the Court will be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however, that any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw his, her or its demand for appraisal and accept the merger consideration offered pursuant to the merger agreement within 60 days after the effective time of the merger. If the Company does not approve a request to withdraw a demand for appraisal when that approval is required, or, except with respect to any stockholder who withdraws such stockholder s right to appraisal in accordance with the proviso in the immediately preceding sentence, if the Court does not approve the dismissal of an appraisal proceeding, the stockholder will be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be more or less than, or equal to, the consideration being offered pursuant to the merger agreement. If no petition for appraisal is filed with the court within 120 days after the effective time of the merger, stockholders rights to appraisal (if available) will cease. Inasmuch as the Company has no obligation to file such a petition, any stockholder who desires a petition to be filed is advised to file it on a timely basis.

Failure by any stockholder to comply fully with the procedures of Section 262 of the DGCL (as reproduced in Appendix B to this proxy statement) may result in termination of such stockholder s appraisal rights. In view of the complexity of Section 262, stockholders of the Company who may wish to dissent from the merger and pursue appraisal rights should consult their legal advisors.

Material U.S. Federal Income Tax Consequences

The following is a discussion of the material U.S. federal income tax consequences of the merger to certain beneficial owners of WMG common stock whose shares of WMG common stock will be converted into the right to receive cash in the merger, who hold such shares as capital assets (generally, for investment) and who will not own (actually or constructively) any shares of WMG common stock after the merger. This discussion is not a complete analysis or listing of all of the possible tax consequences of such transaction and does not address all tax considerations that might be relevant to particular holders (as defined below) in light of their personal circumstances or to persons that are subject to special tax rules. In addition, this discussion of the material U.S. federal income tax consequences does not address the tax treatment of special classes of holders, such as: financial institutions; regulated investment companies; real estate investment trusts; tax-exempt entities; controlled foreign corporations; passive foreign investment companies; retirement plans; insurance companies;

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persons holding the shares as part of a hedging, integrated or conversion transaction, constructive sale or straddle ; persons who acquired WMG common stock through the exercise or cancellation of employee stock options or otherwise as compensation for their services; U.S. expatriates; persons subject to the alternative minimum tax; dealers or traders in securities or currencies or holders whose functional currency is not the U.S. dollar.

This discussion does not address any tax consequences other than U.S. federal income tax consequences, including estate and gift tax consequences and consequences under any state, local or non-U.S. laws.

For purposes of this section, the term U.S. holder means a beneficial owner of WMG common stock that is: (i) an individual citizen of the United States or a resident of the United States as determined for U.S. federal income tax purposes, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust (a) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust or (b) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

An individual may be treated as a resident alien of the United States, as opposed to a non-resident alien, for U.S. federal income tax purposes if such individual was present in the United States for at least 31 days in a calendar year and for an aggregate of at least 183 days during a three-year period ending in such calendar year. For purposes of this calculation, an individual would count all of the days that such individual was present in the then-current year, one-third of the days that such individual was present in the immediately preceding year and one-sixth of the days that such individual was present in the second preceding year. Resident aliens are subject to U.S. federal income tax as if they were U.S. citizens, and thus would constitute U.S. holders for purposes of the discussion below. If an individual is a citizen or tax resident of a country with which the United States has a tax treaty, other rules may apply in determining whether such individual is a resident alien.

The term non-U.S. holder means a beneficial owner of WMG common stock that is neither a U.S. holder nor an entity that is treated as a partnership for U.S. federal income tax purposes. The term holder means a U.S. holder or a non-U.S. holder.

If a partnership or other pass-through entity for U.S. federal income tax purposes is a beneficial owner of WMG common stock, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If you are a partner (or other owner) of a pass-through entity, you should consult your tax advisor regarding the tax consequences of the merger.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), U.S. judicial decisions, administrative pronouncements and existing and proposed Treasury regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. The Company has not requested, and will not request, a ruling from the U.S. Internal Revenue Service (the IRS) with respect to any of the U.S. federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions the Company has reached and described herein.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of WMG common stock and no opinion or representation with respect to the U.S. federal income tax consequences to any such holder or prospective holder is made. Each holder of WMG common stock is urged to consult such holder s tax advisors as to the particular consequences to such holder under U.S. federal, state and local, and applicable non-U.S. tax laws of the merger.

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U.S. Holders

Exchange of WMG Common Stock for Cash. A U.S. holder of WMG common stock receiving cash in the merger generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash received (prior to reduction for any applicable withholding taxes) and the U.S. holder s adjusted tax basis in WMG common stock surrendered. Any such gain or loss generally will be capital gain or loss if WMG common stock is held as a capital asset immediately prior to the effective time of the merger. Any capital gain or loss generally will be taxed as long-term capital gain or loss if the U.S. holder has held the WMG common stock for more than one year prior to the effective time of the merger. If the U.S. holder has held the WMG common stock for one year or less prior to the effective time of the merger, any capital gain or loss generally will be taxed as short-term capital gain or loss. The deductibility of capital losses is subject to certain limitations. If a U.S. holder acquired different blocks of WMG common stock at different times or different prices, such U.S. holder must determine its tax basis and holding period separately with respect to each block of WMG common stock and the cash that such U.S. holder receives will be allocated pro rata to each such block of WMG common stock. If a U.S. holder recognizes a loss that exceeds certain thresholds, such U.S. holder may be required to file a disclosure statement with the IRS.

Information Reporting and Backup Withholding. Under U.S. federal income tax laws, the paying agent will generally be required to report to a U.S. holder of WMG common stock and to the IRS any reportable payments made to such holder of WMG common stock in the merger. Additionally, under the U.S. federal backup withholding tax rules, unless an exemption applies, the paying agent will be required to withhold, and will withhold, 28% of all cash payments to which a U.S. holder of WMG common stock is entitled pursuant to the merger agreement unless the U.S. holder provides a tax identification number (social security number or individual tax identification number in the case of an individual or employer identification number in the case of other U.S. holders), certifies that such number is correct, and certifies that no backup withholding is otherwise required, and otherwise complies with such backup withholding rules. Each U.S. holder of WMG common stock should complete and sign the Substitute Form W-9 included as part of the letter of transmittal to be returned to the paying agent in order to provide the information and certification necessary to avoid backup withholding, unless an exemption applies and is satisfied in a manner satisfactory to the paying agent. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against the U.S. holder s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

Non-U.S. Holders

Exchange of WMG Common Stock for Cash. Any gain realized on the receipt of cash in the merger by a non-U.S. holder generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment (or, in the case of an individual non-U.S. holder, a fixed base) maintained by the non-U.S. holder in the United States);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- the Company is or has been a United States real property holding corporation under section 897 of the Code for U.S. federal income tax purposes, at any time during the shorter of the five-year period ending on the effective date of the merger and the non-U.S. holder s holding period for the WMG common stock and the non-U.S. holder owned (directly or indirectly) more than five percent of WMG common stock at any time during the applicable period.

An individual non-U.S. holder described in the first bullet point immediately above will be subject to tax on the gain derived from the merger under regular graduated U.S. federal income tax rates (in the same manner as a U.S. holder). If a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately

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above, it will be subject to tax on its gain in the same manner as if it were a U.S. holder and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty. An individual non-U.S. holder described in the second bullet point immediately above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on the gain derived from the merger, which may be offset by certain U.S. source capital losses, even though the individual is not considered a resident of the United States. The Company believes it is not and will not have been during the five years preceding the merger a United States real property holding corporation for U.S. federal income tax purposes.

Information Reporting and Backup Withholding. In general, a non-U.S. holder will not be subject to backup withholding or information reporting with respect to a cash payment made with respect to WMG common stock in the merger if such non-U.S. holder shall have, prior to the merger, provided the paying agent with an IRS Form W-8BEN (or a Form W-8ECI if such non-U.S. holder s gain is effectively connected with the conduct of a U.S. trade or business) or otherwise established an exemption. If shares of WMG common stock are held through a non-U.S. partnership or other flow-through entity for U.S. federal income tax purposes, certain documentation requirements also apply to the partnership or other flow-through entity. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a non-U.S. holder s U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Dissenting Stockholders

Each holder of WMG common stock who perfects appraisal rights with respect to the merger, as discussed under The Merger (Proposal 1) Appraisal Rights beginning on page 47 of this proxy statement and who receives cash in respect of their shares of WMG common stock should consult the holder s individual tax advisor as to the tax consequences of the receipt of cash as a result of exercising appraisal rights.

Litigation Related to the Merger

On May 12, 2011, a purported stockholder class action complaint, *Barbara A. Varipapa v. Warner Music Group Corp., et al.* (the Varipapa Action), was filed in the Delaware Court of Chancery against the Company, each member of the Company s Board of Directors, Access Industries, Buyer and Merger Sub. The complaint generally alleges that the Company s directors breached their fiduciary duties to the stockholders by agreeing to sell the Company at a price that is unfair and inadequate and by agreeing to certain preclusive deal protection devices in the merger agreement. The complaint further alleges that Access Industries, Buyer and Merger Sub aided and abetted in the directors breach of their fiduciary duties. The complaint seeks injunctive relief, rescission of the merger agreement and an award for the costs of the action.

On May 19, 2011, a purported stockholder class action complaint, *Derek Cournoyer v. Warner Music Group Corp., et al.* (the Cournoyer Action), was filed in the Supreme Court of the State of New York against the Company, each member of the Company s Board of Directors, Access Industries, Buyer and Merger Sub. The complaint generally asserts that the merger was entered into for inadequate consideration and through a flawed process, that the termination fee due in the event that the merger is not consummated will deter the submission of competitive bids, and that the Company s Board of Directors voted to favorably amend Mr. Bronfman s restricted stock vesting rights during the sale process. The complaint also alleges that the Company s directors breached their fiduciary duties to the stockholders by failing to obtain for the Company stockholders the highest available price in the marketplace. The complaint further alleges that the Company, Access Industries, Buyer and Merger Sub aided and abetted in the directors breach of their fiduciary duties. The complaint seeks injunctive relief, rescission of the merger agreement, an accounting of damages suffered, an award for compensatory damages, and an award for the costs of the action. On May 26, 2011, the plaintiff in the Cournoyer Action filed an amended complaint against the same parties, reasserting the same claims, and seeking the same relief. The amended complaint makes additional allegations that the sale process unfairly favored Access Industries and that

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the Company s preliminary proxy statement has insufficient disclosures regarding the sale process and the Financial Advisors retention and analysis.

On June 3, 2011, a purported stockholder class action complaint, *Vikas Dahivadkar v. Warner Music Group Corp., et al.* (the Dahivadkar Action), was filed in the Supreme Court of the State of New York against the Company, each member of the Company s Board of Directors, Access Industries, Buyer and Merger Sub. The complaint generally alleges that the Company s directors breached their fiduciary duties to the stockholders by (i) agreeing to sell the Company through a flawed process at a price that is unfair and inadequate; (ii) agreeing to certain preclusive deal protection devices in the merger agreement, including a no-solicitation provision, termination fee and voting agreement among majority stockholders, which together will deter the submission of competitive bids and (iii) favorably amending Mr. Bronfman s restricted stock vesting rights during the sale process. The complaint also alleges that the Company s preliminary proxy statement is false and misleading and fails to disclose certain material information regarding the sale process and the Financial Advisors retention and analysis. The complaint further alleges that the Company, Access Industries, Buyer and Merger Sub aided and abetted in the directors breach of their fiduciary duties. The complaint seeks injunctive relief, rescission of the merger agreement, the implementation of a constructive trust in favor of plaintiff and the putative class and an award for the costs of the action.

On June 8, 2011, counsel for Plaintiff Varipapa and counsel for Plaintiff Cournoyer entered into a memorandum of understanding (the MOU) with counsel for the Company and the members of the Company s Board of Directors (together, the Company Defendants), which sets forth the parties agreement in principle to settle the Varipapa Action and the Cournoyer Action. The MOU provides that the Company will include certain additional disclosures to the Company s non-affiliated public stockholders in this proxy statement. The MOU additionally provides, among other things, that (i) the parties to the MOU will use their best efforts to agree upon and execute no later than July 19, 2011 an appropriate stipulation of settlement and such other documentation as may be required in order to obtain final approval of the settlement by the New York Supreme Court; (ii) the stipulation will provide for entry of a judgment of dismissal with prejudice of the Cournoyer Action; (iii) the stipulation will provide for the certification of a class for settlement purposes consisting of all non-affiliated public record holders and beneficial owners of the common stock of the Company on any day during the period from May 6, 2011 to and including the effective date of the consummation of the merger; and (iv) the stipulation of settlement will include a complete release of the Company Defendants from any and all claims that were or could have been brought in the Varipapa Action or the Cournoyer Action including those relating to the merger, the merger agreement, the preliminary proxy statement, the definitive proxy statement, the Company s press releases and filings on Form 8-K and any additional disclosures made in connection therewith. The MOU is, and the stipulation of settlement will be, conditioned on the closing of the merger as contemplated by the merger agreement, completion by the plaintiffs of certain confirmatory discovery, class certification and final approval by the Court. The Company may terminate the settlement if non-New York resident class members holding a certain percentage or number of the Company s shares opt out of the settlement for purposes of preserving their right to pursue potential claims for monetary damages. Plaintiff Cournoyer and his counsel will petition the Court for a reasonable award of fees and expenses (the Fee Application). The parties to the MOU agree to negotiate in good faith and at arm s length the amount of the Fee Application and if the parties to the MOU agree to the amount of counsels fees, defendants will not object to the Fee Application. Upon final order approving the settlement, counsel for Plaintiff Varipapa will file a voluntary notice of dismissal, dismissing the Varipapa Action. Plaintiff s counsel in the Dahivadkar Action have indicated that they do not object to the MOU.

The Company Defendants deny all liability with respect to the claims and allegations in the Varipapa Action, Cournoyer Action and Dahivadkar Action and specifically deny that any additional disclosures (including, without limitation, the additional disclosures set forth in this proxy statement) are required under any applicable statute, rule, regulation or law. The Company Defendants believe that all material information necessary for the Company s shareholders to make a fully informed decision as to whether to vote for the merger was disclosed in the preliminary proxy statement filed by the Company with the SEC on May 20, 2011. However, the Company Defendants considered it desirable that the Varipapa Action and the Cournoyer Action be settled primarily to

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avoid the substantial burden, expense, inconvenience and distraction of continued litigation and to fully and finally resolve all of the claims and allegations in those actions. In the event that the MOU or the stipulation of settlement is not approved by the Court or the conditions to the settlement are not satisfied, the Company Defendants as well as Access Industries, Buyer and Merger Sub intend to vigorously contest the Varipapa Action, the Cournoyer Action and the Dahivadkar Action.

Effective Time of Merger

The following subsections of this proxy statement describe material aspects of the proposed merger. Although the Company believes that the description covers the material terms of the merger, this summary may not contain all of the information that is important to you. This summary is qualified in its entirety by reference to the complete text of the merger agreement, which is attached as Appendix A to this proxy statement and incorporated into this proxy statement by reference. You should carefully read this entire proxy statement and the other documents the Company refers you to for a more complete understanding of the merger. You may obtain additional information without charge by following the instructions in Where Stockholders Can Find More Information beginning on page 86 of this proxy statement.

The merger will be completed and become effective at the time the certificate of merger is filed with the Secretary of State of the State of Delaware or any later time as the Company, Buyer and Merger Sub agree upon and specify in the certificate of merger. The parties intend to complete the merger as soon as practicable following the adoption of the merger agreement by the Company s stockholders and satisfaction or waiver of the conditions to closing of the merger set forth in the merger agreement.

The parties to the merger agreement currently expect to complete the merger in the third calendar quarter of 2011. Because the merger is subject to a number of conditions, the exact timing of the merger cannot be determined, if it is completed at all.

Payment of Merger Consideration and Surrender of Stock Certificates

At the effective time of the merger, the Company will become a wholly owned subsidiary of Buyer and each stockholder of record immediately prior to the effective time of the merger will be entitled to receive $8.25 in cash, without interest and less any applicable withholding taxes, for each share of WMG common stock such stockholder holds immediately prior to the effective time of the merger. This does not apply to (i) shares of common stock owned by the Company and its wholly owned subsidiaries; (ii) shares of common stock owned by Buyer and its affiliates; (iii) shares of common stock whose holders have not voted in favor of adopting the merger agreement and have demanded and perfected their appraisal rights under Section 262 of the DGCL or (iv) shares of unvested restricted stock granted under the Company s equity plan. Buyer will designate the paying agent to make the cash payments contemplated by the merger agreement. At the effective time of the merger, Buyer will deposit with the paying agent, for the benefit of the holders of WMG common stock, funds sufficient for payment of the aggregate merger consideration. The paying agent will deliver to you your merger consideration according to the procedure summarized below.

At the effective time of the merger, the surviving corporation will send you, or cause to be sent to you, a letter of transmittal and instructions advising you how to surrender your stock certificates or book-entry shares in exchange for the merger consideration.

The paying agent will promptly pay you your merger consideration after you have (i) surrendered your stock certificates to the paying agent together with a properly completed letter of transmittal and any other documents required by the paying agent and (ii) provided to the paying agent any other items specified by the letter of transmittal.

Interest will not be paid or accrue in respect of any cash payments of merger consideration. The surviving corporation will reduce the amount of any merger consideration paid to you by any applicable withholding taxes.

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If the paying agent is to pay some or all of your merger consideration to a person other than you, you must have your stock certificates properly endorsed or otherwise in proper form for transfer, and you must pay any transfer or other taxes payable by reason of the transfer or establish to the surviving corporation s satisfaction that the taxes have been paid or are not required to be paid.

You should not forward your stock certificates to the paying agent without a letter of transmittal, and you should not return your stock certificates with the enclosed proxy.

The transmittal instructions will tell you what to do if you have lost your stock certificate, or if it has been stolen or destroyed. You will have to provide an affidavit to that fact and, if required by the surviving corporation, post a bond in an amount that the surviving corporation reasonably directs as indemnity against any claim that may be made against it in respect of the stock certificate.

After the completion of the merger, you will cease to have any rights as a WMG stockholder.

Upon demand, the paying agent will return to the surviving corporation all funds in its possession one year after the merger occurs, and the paying agent s duties will terminate. After that time, if you have not received payment of the merger consideration, you may look only to the surviving corporation for payment of the merger consideration, without interest, subject to applicable abandoned property, escheat and similar laws. If any certificate representing WMG common stock has not been surrendered prior to one year after the completion of the merger (or such earlier date as shall be immediately prior to the date that such unclaimed funds would otherwise become subject to any abandoned property, escheat or similar law), the payment with respect to such certificate will, to the extent permitted by applicable law, become the property of the surviving corporation, free and clear of all claims or interest of any person previously entitled to any claims or interest.

Fees and Expenses

Except as otherwise described in The Merger Agreement Effect of Termination; Fees and Expenses, beginning on page 76, all fees, expenses and costs incurred in connection with the merger agreement, including legal, accounting, investment banking and other fees, expenses and costs, will be paid by the party incurring such fees, expenses and costs, whether or not the merger is consummated.

The expenses incurred in connection with the filing, printing and mailing of this proxy statement and the solicitation of the approval of the Company s stockholders, and all filing and other fees paid to the SEC will be borne by the Company.

THE MERGER AGREEMENT

This section of the proxy statement summarizes the material provisions of the merger agreement, but is not intended to be an exhaustive discussion of the merger agreement. The following summary is qualified in its entirety by reference to the complete text of the merger agreement, which is attached as Appendix A to this proxy statement and incorporated into this proxy statement by reference. The rights and obligations of the parties are governed by the express terms and conditions of the merger agreement and not the summary set forth in this section or any other information contained in this proxy statement. The Company urges you to read the merger agreement carefully and in its entirety.

The summary of the merger agreement in this proxy statement is included to provide you with information regarding some of its material provisions. Factual disclosures about the Company contained in this proxy statement or in the Company s public reports filed with the SEC may supplement, update or modify the factual disclosures about the Company contained in the merger agreement and described in this summary. The merger agreement contains representations and warranties made by and to the parties thereto as of specific dates. The

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statements embodied in those representations and warranties were made for purposes of that contract between the parties and are subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of that contract. In particular, in your review of the representations and warranties contained in the merger agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to the merger agreement may have the right not to close the merger if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the merger agreement, rather than establishing matters as facts. Furthermore, some of those representations and warranties may not be accurate or complete as of any particular date because they are subject to a contractual standard of materiality different from that generally applicable to public disclosures to stockholders and reports and documents filed with the SEC and in some cases were qualified by disclosures that were made by each party to the on, which disclosures are not reflected in the merger agreement. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement, may have changed since the date of the merger agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this proxy statement. The merger agreement is described in, and included as an appendix to, this proxy statement only to provide you with information regarding its terms and conditions and not to provide any factual information regarding the Company, Buyer or the Company s respective businesses. The representations and warranties in the merger agreement and the description of them in this document should not be read alone but instead should be read in conjunction with the other information contained in the reports, statements and filings the Company publicly files with the SEC.

General; The Merger

The merger agreement provides for the merger of Merger Sub with and into the Company upon the terms, and subject to the conditions, set forth in the merger agreement and in accordance with DGCL. After the completion of the merger, the Company will continue its corporate existence under the DGCL as the surviving corporation and become a wholly owned subsidiary of Buyer. If the merger is completed, WMG common stock will be delisted from the New York Stock Exchange, will be deregistered under the Exchange Act and will no longer be publicly traded, and the Company will no longer be required to file periodic reports with the SEC with respect to the common stock of the Company. The Company will be a privately held corporation and the Company s current stockholders will cease to have any ownership interest in the Company or rights as the Company s stockholders except for (i) Access Industries or affiliates of Access Industries which, as of the date hereof, own shares in the Company and have equity ownership in Buyer or in affiliates of Buyer or (ii) as otherwise provided in this proxy statement. Therefore, following the completion of the merger, the Company s current stockholders will not participate in any of the Company s future earnings or growth and will not benefit from any appreciation in the Company s value, if any.

Closing and Effective Time of the Merger; Marketing Period

The closing of the merger will take place on the second business day after the day on which conditions to closing (other than those conditions that by their terms are to be satisfied by actions taken at the closing, but subject to the satisfaction or waiver of those conditions) are satisfied or waived. Notwithstanding the immediately preceding sentence, if the marketing period (as detailed below) has not ended at such time, then the closing will occur on the earlier of (i) a date during the marketing period specified by Buyer on not less than two business days notice to the Company and (ii) the second business day following the final day of the marketing period (for additional information on the marketing period, see The Merger (Proposal 1) Merger Financing beginning on page 41).

The term marketing period means the first period of 15 consecutive business days, subject to certain black-out dates, throughout which (i) Buyer shall have received certain financial statements, pro forma financial statements, and other financial data, audit reports and financial information relating to the Company and its

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subsidiaries of the type that would be required by the applicable SEC requirements for registered public offerings of debt securities and such other pertinent and customary information regarding the Company and its subsidiaries as may be reasonably requested by Buyer (the Required Information), to the extent the same is of the type and form customarily included in a Rule 144A offering memorandum for private placements of non-convertible high yield debt securities, and meets certain other requirements, (ii) certain closing conditions to the obligations of each of the parties (described under The Merger Agreement Conditions to the Completion of the Merger) have been satisfied (other than conditions that by their terms are to be satisfied at the closing, but subject to the satisfaction or waiver of those conditions at the closing), and (iii) the marketing period started date (described below) shall have elapsed. The marketing period start date is the date upon which all of the following shall have occurred: (a) the HSR waiting period shall have expired or been terminated, (b) the Company s stockholder vote to adopt the merger agreement shall have been obtained and (c) 12 business days shall have lapsed following the filing of the Form CO in connection with the merger under the EU Merger Regulation.

Notwithstanding the foregoing, the marketing period shall not commence and shall be deemed not to have commenced if, on or prior to the completion of the 15 business day period, the Company shall have announced:

- any intention to restate any financial statements or financial information included in the Required Information or that any restatement is under consideration. The marketing period shall not commence unless and until such restatement has been completed and the applicable Required Information has been amended or the Company has announced that it has concluded that no restatement shall be required; or

- that the Required Information (i) contains an untrue statement of material fact or omits to state any material fact necessary in order to make the Required Information not misleading, (ii) is not compliant in all material respects with the requirements of Regulation S-K, (iii) was issued in conjunction with an audit opinion that has since been withdrawn, (iv) contains interim financial statements that have not been reviewed by the Company s auditors, (v) does not have customary corresponding auditor comfort letters, or (vi) includes financial statements that are not sufficient to permit a registration on Form S-1 and to allow lenders to receive customary comfort letters from the Company s independent auditors on the financial statements and financial information contained in any offering memoranda. If such announcement shall occur during the 15 consecutive business day period, a new 15 business day period shall commence upon Buyer and its lenders receiving updated Required Information that no longer contains the defects described in (i) through (vi) above.

If the marketing period has not ended at the time of the satisfaction or waiver of all of the conditions to closing (other than those conditions that by their terms are to be satisfied by actions taken at the closing), the closing shall occur on the earlier of: (i) a date during the marketing period specified by Buyer on not less than two business days notice to the Company and (ii) the second business day immediately following the final day of the marketing period. Additionally, if the merger is not consummated by November 7, 2011, either party may terminate the merger agreement, except such right to terminate the merger agreement will not be available to Buyer or the Company if a breach of any covenant or agreement in the merger agreement by Buyer or the Company, respectively, was the primary cause of, or the primary factor that resulted in, the failure to consummate the merger by such date.

The effective time of the merger will occur upon the filing of a certificate of merger with the Secretary of State of the State of Delaware (or at such later date as the Company and Buyer may agree and specify in the certificate of merger).

Certificate of Incorporation; Bylaws; Directors and Officers

At the effective time of the merger, the Company s certificate of incorporation will be amended and restated to read in its entirety as set forth in Exhibit A to the merger agreement and, will be, as so amended and restated, the certificate of incorporation of the surviving corporation until thereafter amended as provided therein and by applicable law.

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At the effective time of the merger, the Company s bylaws will be amended and restated to read in its entirety as set forth in Exhibit B to the merger agreement and, will be, as so amended and restated, the bylaws of the surviving corporation until thereafter amended as provided therein, in the certificate of incorporation of the surviving corporation and by applicable law.

From and after the effective time, (i) the directors of Merger Sub immediately prior to the effective time shall be the directors of the surviving corporation until their successors are duly elected and qualified or until their earlier death, resignation or removal in accordance with the surviving charter, the surviving bylaws and applicable law and (ii) the officers of the Company immediately prior to the merger shall continue to be the officers of the surviving corporation until their successors are duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the surviving certificate of incorporation, the surviving bylaws and applicable law.

Conversion of Securities

Common Stock

Except for (i) shares of WMG common stock owned immediately prior to the effective time of the merger by the Company or its wholly owned subsidiaries or Buyer or its affiliates, which will be cancelled automatically without the payment of any consideration and shall cease to exist, and (ii) shares held by stockholders properly demanding and perfecting appraisal rights pursuant to Section 262 of the DGCL (referred to in this section of the proxy statement as dissenting shares), each share of WMG common stock issued and outstanding immediately prior to the effective time of the merger shall, without any action on the part of the holder thereof, be converted into the right to receive $8.25 in cash, without interest and less applicable withholding taxes. At the effective time of the merger, each share of WMG common stock theretofore issued and outstanding will be cancelled automatically and cease to exist.

Treatment of Outstanding Options and Restricted Stock

Unless otherwise agreed upon between Buyer and any such stock option holder, immediately prior to the effective time of the merger, each stock option issued under the Company s equity compensation plans or programs, whether or not then exercisable or vested, will be cancelled and converted into the right to receive an amount in cash equal to, without interest and less applicable withholding taxes, the product of (i) the excess, if any, of $8.25 (the per share merger consideration) over the per share exercise price of the applicable stock option and (ii) the aggregate number of shares of WMG common stock that may be acquired upon exercise of such stock option immediately prior to the effective time of the merger. Also at the effective time of the merger, unless otherwise agreed upon between Buyer and any such holder, each restricted share of common stock granted under the Company s equity compensation plans will either be vested (to the extent not already vested) or forfeited, in each case in accordance with its terms. Further, in connection with the action approving the merger and the merger agreement, the Company s Board of Directors authorized the accelerated vesting of the service conditions applicable to restricted stock outstanding immediately prior to the consummation of the merger. Under the merger agreement, the Company may not accelerate or waive any performance condition with respect to shares of restricted stock without Buyer s consent. Accordingly, unless otherwise agreed upon between Buyer and any such holder, all shares of restricted stock for which the performance vesting condition is satisfied (determined based on the $8.25 per share merger consideration) will vest as of immediately prior to the consummation of the merger, and all shares of restricted stock subject to a performance condition that is not satisfied at the effective time of the merger will be forfeited. At the effective time of the merger, each vested restricted share of common stock will be converted into the right to receive an amount in cash equal to $8.25 (the per share merger consideration), without interest and less applicable withholding taxes.

Prior to the date of the merger, the Company will mail further information and instructions for payment arrangements for stock options and restricted stock to the holders of such awards. As promptly as practicable following the effective time of the merger and in any event not later than the third business day thereafter, Buyer

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or the surviving corporation shall cause the paying agent to mail a check (or transfer by wire transfer) (i) to each applicable holder of a stock option, in such amount due and payable to such holder in respect of such stock option and (ii) to each applicable holder of a restricted stock award, in such amount due and payable to such holder in respect of such restricted stock award.

Payment Procedures

No less than three business days before the effective time of the merger, Buyer will select a bank or trust company, satisfactory to the Company in its reasonable discretion, to act as the paying agent in the merger and will enter into a paying agent agreement with the paying agent, the terms and conditions of which shall be satisfactory to the Company in its reasonable discretion. Buyer will be responsible for all fees and expenses of the paying agent. At the effective time of the merger, Buyer will deposit or cause to be deposited with the paying agent sufficient funds to pay the merger consideration for each holder of shares of WMG common stock entitled to payment thereof. At the effective time of the merger, Buyer swill cause the paying agent to mail a letter of transmittal and instructions to each holder of record of WMG common stock. The letter of transmittal and instructions will tell such holder: (i) that delivery shall be effected, and risk of loss and title to such holder s shares shall pass, only upon proper delivery of such holder s stock certificates to the paying agent or, in the case of book-entry shares, upon adherence to the procedures set forth in the letter of transmittal and (ii) instructions for surrendering such certificates or book-entry shares (if the holder s shares are not certificated) in exchange for the merger consideration. Such instructions will provide that: (i) at the election of the holder, stock certificates may be surrendered by hand delivery or otherwise and (ii) the merger consideration payable in exchange for the stock certificates and/or book-entry shares will be payable by wire transfer to the surrendering holder.

You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.

You will not be entitled to receive the merger consideration until you surrender your stock certificate or certificates (if your shares are certificated) to the paying agent, together with a duly completed and executed letter of transmittal and any other documents reasonably required by the paying agent. The merger consideration may be paid to a person other than the person in whose name the corresponding stock certificate is registered if (i) the surrendered stock certificate is accompanied by all documents required by Buyer to evidence and effect that transfer and (ii) the person requesting such payment pays any applicable transfer or other taxes required by reason of payment to a person other than the registered holder or establishes to the satisfaction of Buyer and the paying agent that such tax has been paid or is not applicable.

No interest will be paid or will accrue on the cash payable upon surrender of the stock certificates. Buyer, Merger Sub, the surviving corporation and the paying agent will be entitled to deduct and withhold from any consideration otherwise payable under the merger agreement as may be required to deduct and withhold with respect to the payment of such consideration under applicable tax laws. To the extent that any amounts are so deducted and withheld and paid to the appropriate taxing authorities, those amounts will be treated as having been paid to the person in respect of whom such deduction or withholding was made for all purposes under the merger agreement.

None of Buyer, the surviving corporation nor the paying agent shall be liable to any holder of stock certificates or book-entry shares for any amount properly paid to a public official under any applicable abandoned property, escheat or similar law.

The paying agent will invest the payment fund as directed by Buyer, provided, that such investment shall be in obligations of, or guaranteed by, the United States, in commercial paper obligations of issuers organized under the law of a state of the United States, rated A-1 or P-1 or better by Moody s Investors Service, Inc. or Standard & Poor s Ratings Service, respectively, or in certificates of deposit, bank repurchase agreements or bankers acceptances of commercial banks with capital exceeding $10 billion, or in mutual funds investing in

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such assets. Any such investment will be for the benefit, and at the risk, of Buyer, and any interest or other income resulting from such investment will be for the benefit of Buyer; however, no such investment or losses thereon will affect the merger consideration payable to the holders of common stock immediately prior to the effective time of the merger and Buyer will promptly provide, or cause the surviving corporation to promptly provide, additional funds to the paying agent for the benefit of the holders of common stock immediately prior to the effective time of the merger in the amount of any such losses to the extent necessary to satisfy the obligations of Buyer and the surviving corporation in connection with the merger.

Any portion of the payment fund which remains unclaimed by stockholders one year after the effective time of the merger will be delivered by the paying agent to Buyer upon demand, and any former stockholders who have not surrendered their shares in exchange for merger consideration will thereafter look only to Buyer for payment of the merger consideration. None of Buyer, the surviving corporation or the paying agent shall be liable to any former holder of WMG common stock for any cash properly paid to a public official under any applicable abandoned property, escheat or similar law.

Representations and Warranties

The representations and warranties of the Company contained in the merger agreement are the product of negotiations among the parties thereto and are solely for the benefit of Buyer and Merger Sub. Any inaccuracies in such representations and warranties are subject to waiver by the parties to the merger agreement and are qualified by a confidential disclosure letter containing non-public information and made for the purposes of allocating contractual risk between the parties instead of establishing these matters as facts. Consequently, the Company s representations and warranties in the merger agreement may not be relied upon by persons other than the parties thereto as characterizations of actual facts or circumstances as of the date of the merger agreement or as of any other date, nor may you rely upon them in making the decision to approve and authorize the merger agreement and the transactions contemplated by the merger agreement. The merger agreement may only be enforced against the Company by Buyer and Merger Sub. Moreover, information concerning the subject matter of the representations and warranties of the Company may change after the date of the merger agreement, which subsequent information may or may not be reflected fully in the Company s public disclosures.

The Company s representations and warranties in the merger agreement relate to, among other things:

- corporate organization, good standing and corporate power and authority, including the declaration of advisability of the merger agreement and the merger by the Company s Board of Directors and the adoption of the merger agreement and the merger by the Company s Board of Directors;
- foreign qualification to do business;
- the Company s authority to enter into and consummate the transactions contemplated by the merger agreement;
- enforceability of the merger agreement against the Company;
- its subsidiaries;
- governmental authorizations;
- the absence of violations of, or conflicts with, the governing documents of the Company and its subsidiaries, applicable law and certain agreements and authorizations, as a result of the Company entering into and performing under the merger agreement and consummating the transactions contemplated by the merger agreement;

capitalization of the Company and its subsidiaries;

the vote of the majority of the Company s stockholders is the only vote necessary to approve the merger agreement;

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the accuracy of the Company s filed SEC reports and financial statements since September 30, 2009;

the Company s disclosure controls and procedures and internal controls over financial reporting and the accuracy of the Company s financial statements filed with the SEC on or after September 30, 2009;

the absence of undisclosed liabilities;

the absence of a material adverse effect on the Company and the absence of certain other changes since September 30, 2010 through the date of the merger agreement;

the absence of any pending or threatened litigation;

material contracts;

benefit plans;

labor relations and compliance with applicable employment laws;

tax matters;

environmental matters;

intellectual property matters;

recording artists and musical compositions;

licenses and subpublishers;

owned and leased real property;

permits and compliance with applicable laws;

insurance;

affiliated transactions;

the opinion of the Company s financial advisor;

the absence of brokers and brokers fees, except those fees payable to the Company s financial advisors; and

the absence of certain business practices.

Many of the Company s representations and warranties are qualified by the absence of a Company Material Adverse Effect which means, for purposes of the merger agreement, any fact, circumstance, change, event, development, occurrence or effect that (i) has, or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the condition (financial or otherwise), business, properties, assets or results of operations of the Company and its subsidiaries taken as a whole or (ii) would reasonably be expected to prevent or materially impair or delay the consummation of the transactions contemplated by the merger agreement. Notwithstanding the foregoing, a Company Material Adverse Effect does not include such effects relating to or arising from:

any foreign or domestic economic, financial, social or political conditions (including changes therein);

changes in any financial, debt, credit, capital or banking markets or conditions (including any disruption thereof);

changes in interest, currency or exchange rates or the price of any commodity, security or market index;

changes or proposed changes in law, United States generally accepted accounting principles or other accounting principles or requirements, or standards, interpretations or enforcement thereof;

changes in the Company s and its subsidiaries industries in general or seasonal fluctuations in the business of the Company or any of its subsidiaries;

the occurrence of any hostilities, war, police action, acts of terrorism or military conflicts;

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the existence, occurrence or continuation of any force majeure events;

subject to certain exceptions, the execution, announcement or performance or existence of the merger agreement or the pendency of the transactions contemplated hereby (including any actual or potential loss of any employee);

any change in the market price or trading volume of any securities or indebtedness of the Company or any of its subsidiaries, any decrease in the ratings or the ratings outlook or change in or failure to meet, or the publication of any report regarding, any internal or public projections with respect to revenue, earnings, cash flow or cash of the Company or any of its subsidiaries (provided that the underlying causes of such change or failure may be taken into account in determining whether a Company Material Adverse Effect has occurred unless another exception applies);

the identity of Buyer, Merger Sub or their respective affiliates; or

any actions taken to the extent expressly required by the merger agreement or taken at the written request of Buyer or Merger Sub,

except in the cases of the first eight bullets above, to the extent that the Company and its subsidiaries, taken as a whole, are disproportionately adversely affected by such changes, events, occurrences or effect in relation to other participants in the principal industries in which the Company and its subsidiaries operate.

The merger agreement also contains various representations and warranties made by Buyer and Merger Sub to the Company that are subject, in some cases, to specified exceptions and qualifications. The representations and warranties relate to, among other things:

the corporate organization, good standing and corporate power and authority of Buyer and Merger Sub;

the authority of Buyer and Merger Sub to enter into and consummate the transactions contemplated by the merger agreement;

governmental authorizations;

the absence of violations of, or conflicts with, the governing documents of the Company and its subsidiaries, applicable law and certain agreements and authorizations, as a result of the Company entering into and performing under the merger agreement and consummating the transactions contemplated by the merger agreement;

capitalization of Merger Sub and Merger Sub not having engaged in any business activity other than in connection with the merger agreement and the transactions contemplated thereunder;

sufficiency of funds in the financing contemplated by the debt and equity commitment letters and the status of Buyer s equity and debt financing documentation and efforts as of the date the merger agreement was executed;

the solvency of Buyer and the surviving corporation after the completion of the merger;

the absence any pending or threatened litigation;

the absence of any regulatory impediments;

the absence of arrangements with management;

the absence of brokers and brokers fees;

limited guarantee;

limited performance guarantee;

independent investigation and acknowledgment as to the absence of any other representations and warranties of the Company; and

neither Buyer nor Merger Sub owns any material equity or voting interest, manages or operates any business that is engaged in the recorded music business and/or music publishing business.

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The representations and warranties in the merger agreement of each of the Company, Buyer and Merger Sub will terminate upon the consummation of the merger or the termination of the merger agreement in accordance with its terms.

Covenants of the Company

The Company has various obligations and responsibilities under the merger agreement from the date of the merger agreement until the effective time of the merger, including, but not limited to, the following:

Conduct of Business Pending the Merger

During the period between the date of the merger agreement and the earlier of the effective time of the merger or the termination of the merger agreement, except as expressly contemplated by the merger agreement or as required by the applicable law, without the prior written consent of Buyer (such consent not to be unreasonably withheld, delayed or conditioned), the Company has agreed to, and has agreed to cause each of its subsidiaries to, use its reasonable best efforts to conduct its operations only in the ordinary course consistent with past practice, and to maintain and preserve intact its business organization, make reasonable efforts to retain the services of its employees whose total salary and annual bonus targets exceeded $750,000 for fiscal year 2010 or as of May 6, 2011 for fiscal year 2011 (whom we refer to as key employees), and to preserve its relationship with and the goodwill of its customers, suppliers and other persons with whom it has material business relationships in a manner consistent with past practices, provided that the Company and its subsidiaries are not required to make any payment or concession or assume any liability (other than such payment, concession or liability required to be made or assumed by the terms of any contract in effect as of the date of the merger agreement) or otherwise take any action outside of the ordinary course of business to fulfill these obligations.

Subject to certain exceptions, the Company may not, pursuant to the merger agreement, take (or permit any of its subsidiaries to take) any of the following actions during the period between the date of the merger agreement until the earlier of the effective time of the merger or the termination of the merger agreement, without the prior written consent of Buyer (which consent shall not be unreasonably withheld, delayed or conditioned):

amend or modify its certificate of incorporation or bylaws or comparable organizational documents;

make, pay or declare dividends on any shares of capital stock of the Company, other than dividends from a wholly owned subsidiary;

(i) adjust, split, combine or reclassify its capital stock, (ii) redeem, purchase or otherwise acquire, directly or indirectly, any shares of its capital stock or any securities convertible or exchangeable into or exercisable for any shares of its capital stock, (iii) grant any person any right or option to acquire any shares of its capital stock or (iv) issue, deliver or sell any additional shares of its capital stock or any securities convertible or exchangeable into or exercisable for any shares of its capital stock (other than pursuant to (a) the exercise of stock options in accordance with the terms in effect on the date of this Agreement, (b) the vesting of restricted stock awards in accordance with the terms in effect on the date of the merger agreement and (c) the conversion of convertible securities, in each case outstanding as of the date of the merger agreement, granted in accordance with clause (iii) or pursuant to contracts existing as of the date of the merger agreement);

(i) increase compensation or severance or termination benefits for directors or key employees, except in connection with ordinary course renewals of certain specified employment agreements, (ii) increase compensation or severance or termination benefits for other officers or employees whose total annual compensation does not exceed $750,000 for fiscal years 2010 or 2011, except for increases made in the ordinary course consistent with past practice that would not cause such employee s total annual compensation to exceed $750,000, (iii) enter into new or amend existing non-US collective bargaining agreements or company benefit plans or policies, (iv) grant severance pay to any director, officer or employee, except pursuant to existing employment policies or agreements in effect on May 6, 2011 and

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(v) accelerate benefits, except, in each case, (a) as may be required by law, the merger agreement or existing benefit plans or agreements, (b) in connection with new hires in the ordinary course consistent with past practice where either the sum of the total target annual cash compensation and other non-annual bonus cash compensation or severance opportunity of each individual new hire would not exceed $500,000 (unless such individual is engaged to succeed or replace an employee, in which case the total cash compensation must be less than $750,000) or (c) pursuant to existing collective bargaining or national labor agreements; (d) to comply with Section 409A of the Internal Revenue Code; or (e) immaterial changes in the ordinary course of business consistent with past practice to nondiscriminatory health and welfare plans available to all employees generally;

acquire (by merger, consolidation, acquisition of equity interests or assets, or otherwise) or enter into negotiations to acquire any business or any corporation, partnership, limited liability company, joint venture or other business organization or division thereof, except for any such transaction (i) which is between the Company and any of its wholly owned subsidiaries or between any such wholly owned subsidiaries, (ii) for which the consideration paid (including assumed indebtedness for borrowed money) does not exceed $3,000,000 (provided, that solely for purposes of entering into negotiations, the Company shall not be permitted to enter into negotiations with respect to any such transaction in which the enterprise value of the target exceeds $100,000,000) or (iii) pursuant to any contract existing and in effect as of the date of the merger agreement, true and complete copies of which have been made available to Buyer;

sell, lease, license, transfer, pledge, mortgage, encumber, grant or dispose of or enter into negotiations to with respect to the disposition of any material company assets, including the capital stock of subsidiaries of the Company, other than (i) the sale of inventory in the ordinary course of business, (ii) the disposition of used, obsolete or excess equipment in the ordinary course of business, (iii) other dispositions in the ordinary course of business, including the right of the Company or its subsidiaries to assign or register rights to musical compositions to its subpublishers, to any performing rights societies or to any industry-wide collection agents, (iv) any permitted liens or (v) pursuant to any contract existing and in effect as of the merger agreement, true and complete copies of which have been made available to Buyer;

make any loans or investments in any entity other than (i) to a wholly owned subsidiary, (ii) to employees for related business expenses in the ordinary course of business, (iii) to joint ventures in which the Company or any subsidiary has an equity interest, (iv) pursuant to a recorded music contact and/or music publishing contract or (v) loans or investments that, in the aggregate, do not exceed $3,000,000;

incur, assume or guarantee any new indebtedness for borrowed money or issue or sell any debt securities or warrants or rights to acquire any debt securities of the Company or any of its subsidiaries or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any person (other than the Company or any of its subsidiaries) for borrowed money, in excess of $1,000,000 in the aggregate;

make any capital expenditure other than (i) in accordance with the Company s capital expenditure plan previously provided to Buyer and (ii) otherwise in an aggregate amount for all such capital expenditures made pursuant to this clause (ii) not to exceed $3,000,000;

enter into any contract that restricts the ability of the Company or any of its subsidiaries, to compete, in any material respect, with any business or in any geographic area, or to solicit customers, except for restrictions that may be contained in contracts entered into in the ordinary course of business consistent with past practice;

adopt or enter into a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation or other reorganization;

change the Company s accounting policies or procedures, other than as required by United States generally accepted accounting principles or applicable law;

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(i) amend, modify or terminate certain existing material agreements, other than (a) in the ordinary course or business or (b) immaterial amendments or (ii) execute any new agreements which are either material agreements or contain a change of control provision that would be triggered by the merger agreement;

waive, release, assign, settle or compromise any material legal actions, other than (i) in the ordinary course and not in excess of $2,000,000 individually or $8,000,000 in the aggregate (net of any insurance), or (ii) a settlement for which it is reasonably expected to be reimbursed by an insurance policy;

(i) make, change or revoke any material tax election or take any position or adopt any method on a material tax return filed after the date of the merger agreement that is inconsistent with past practice, (ii) enter into any settlement or compromise of any material tax liability, (iii) file any amended tax return that would result in a change in any material tax liability, taxable income or loss, (iv) change any annual tax accounting period, (v) enter into any closing agreement relating to any material tax liability or (vi) surrender any claim for a material refund of taxes, in each case unless otherwise required by applicable law;

(i) negotiate the renewal or extension of or enter into any agreement or amendment providing for the renewal or extension of any of the agreements with the American Federation of Television and Radio Artists, the American Federation of Musicians and their international counterparts or any agreement with any similar entity or (ii) enter into any new collective bargaining agreement covering U.S. employees, in each case without (A) providing Buyer with advance notice of negotiations (unless not reasonably practicable) and prompt access to all material information provided or made available to the Company or its representatives relating to the proposed renewal or extension or related negotiations and (B) consulting, and causing its representatives to consult, in advance (unless not reasonably practicable) with Buyer and its representatives with respect to any such information or proposed renewal or extension or related negotiations, in each case subject to specified exceptions; or

authorize, commit or agree to do any of the foregoing.

Access to Information

Subject to certain restrictions and the terms of the confidentiality agreement, dated March 22, 2011, between an affiliate of Buyer and the Company, the Company will, and will cause its subsidiaries to, (i) provide to Buyer and its representatives access at reasonable times upon prior notice to the officers, employees, properties, books and records of the Company and its subsidiaries and (ii) furnish promptly such information concerning the Company and its subsidiaries as Buyer may reasonably request. Nothing in the confidentiality agreement shall require the Company or any of its subsidiaries to disclose information to the extent such disclosure would be reasonably likely to (a) result in a waiver of attorney-client privilege, work product doctrine or similar privilege or (b) violate any applicable law or any confidentiality obligation of such party. In the event that the Company does not provide access or information in reliance on the preceding sentence, it must provide notice to Buyer that it is withholding such access or information and the Company must use its reasonable best efforts to communicate, to the extent feasible, the applicable information in a way that would not violate the applicable law, contract or obligation or risk waiver of such privilege.

No Solicitation of Takeover Proposals; Fiduciary Out

Except as described below, from the date of the merger agreement until the effective time of the merger or the termination of the merger agreement, the Company must not, and must cause its subsidiaries not to, and the Company must use its reasonable best efforts to cause its representatives not to:

solicit, initiate, facilitate or knowingly encourage any inquiries regarding, or the making of any proposal or offer that constitutes a takeover proposal (as defined below);

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engage in, enter into or participate in any discussions with any person that has made a takeover proposal (other than to state that the Company is not permitted to have discussions), or provide any non-public information or data concerning the Company or any of its subsidiaries to any person relating to a takeover proposal or afford to any person access to the business, properties, assets or personnel of the Company or any of its subsidiaries in connection with a takeover proposal;

execute or enter into any contract with respect to a takeover proposal (other than acceptable confidentiality agreements);

grant any waiver, amendment or release under any standstill or confidentiality agreement or any takeover statute; or

otherwise knowingly facilitate any such inquiries, proposals, discussions or negotiations or any effort or attempt by any person to make a takeover proposal.

The Company and its officers and directors must, and the Company must instruct and cause its subsidiaries and each of their employees, consultants, accounts, financial and legal advisors and any other representative to, immediately cease and terminate all ongoing discussions and negotiations with any persons conducted prior to the date of the merger agreement with respect to a takeover proposal, and deliver a written notice to each such person (i) informing them that the Company is ending all discussions and negotiations with such person with respect to any takeover proposal, effective immediately and (ii) requesting that such person promptly return or destroy all confidential information concerning the Company and its subsidiaries.

Further, the Company must take all reasonable necessary actions to secure its rights and ensure the performance of any such person s obligations under any applicable confidentiality agreement (including enforcement of any applicable standstill provision).

Notwithstanding the foregoing, the Company is permitted, at any time prior to obtaining stockholder approval of the merger agreement, if the Company receives a bona fide, written takeover proposal and, prior to taking any action described in clauses (a) and (b) below, the Company s Board of Directors determines in good faith after consultation with outside legal counsel that (i) based on the information then available and after consultation with its financial advisor, such takeover proposal constitutes or would reasonably be expected to lead to a superior proposal and (ii) the failure to take the actions set forth in clauses (a) and (b) below with respect to such takeover proposal would be inconsistent with its fiduciary duties to stockholders under applicable law, then the Company may, in response to such takeover proposal, (a) furnish access and non-public information with respect to the Company and any of its subsidiaries to the Person who has made such takeover proposal pursuant to (and may enter into) an acceptable confidentiality agreement, so long as any written non-public information provided under this clause (a) has previously been provided to Buyer or is provided to Buyer substantially concurrently with the time it is provided to such Person, and (b) participate in discussions and negotiations regarding such takeover proposal.

A takeover proposal is defined in the merger agreement to mean any proposal or offer relating to:

a merger, consolidation, spin-off, share exchange or business combination involving the Company or any of its subsidiaries representing (i) all or substantially all of the Company s music publishing business or the Company s recorded music business or (ii) 20% or more of the assets of the Company and its subsidiaries, taken as a whole;

a sale, lease, exchange, mortgage, transfer or other disposition, in a single transaction or series of related transactions, of (i) all or substantially all of the Company s music publishing business or the Company s recorded music business or (ii) 20% or more of the assets of the Company and its subsidiaries, taken as a whole;

a purchase or sale of shares of capital stock or other securities, in a single transaction or series of related transactions, representing 20% or more of the voting power of the capital stock of the Company, including by way of a tender offer or exchange offer;

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a reorganization, recapitalization, liquidation or dissolution of the Company involving 20% or more of the assets of the Company and its subsidiaries, taken as a whole; or

any other transaction having a similar effect to those described in the foregoing.

A superior proposal is defined in the merger agreement to mean any bona fide written takeover proposal (with the percentages in that definition of such term changed from 20% to 50%) that is unsolicited and not obtained in violation of the no-shop restrictions in the merger agreement which the Company s Board of Directors has determined in good faith, after consultation with its legal and financial advisors that:

such proposal, on its terms and conditions, is more favorable, from a financial point of view, to the stockholders of the Company than those contemplated by the merger agreement, taking into account the likelihood of the consummation as compared to the consummation of the transactions contemplated by the merger agreement and any adjustments, if any, which may be offered by Buyer, as described further below; and

such proposal, if accepted, is reasonably likely to be consummated in accordance with its terms, taking into account all legal, financial (including the financing terms of such proposal) and regulatory aspects of the proposal and the identity of the person making the proposal.

Within 24 hours after the receipt by the Company of any takeover proposal or any inquiry with respect to any takeover proposal, the Company must provide notice to Buyer of such inquiry or takeover proposal, including the material terms of any proposal and the identity of the party making such proposal. Thereafter, the Company is required to keep Buyer reasonably informed of the status and terms of any such takeover proposal and the status of any discussions or negotiations, including any change in the Company s intentions.

Except as described below, the Company s Board of Directors may not: (i) change, withhold, withdraw, modify or amend (or publicly propose or resolve to change, withhold, withdraw, qualify, modify or amend) its recommendation that the Company s stockholders adopt the merger agreement or (ii) authorize, adopt, approve, recommend or declare advisable (or publicly propose or resolve to change, withhold, withdraw, qualify, modify or amend) a takeover proposal, each of which is defined under the merger agreement as a change of recommendation. The Company s Board of Directors also may not approve, recommend or allow the Company to enter into a contract relating to a takeover proposal (other than acceptable confidentiality agreements).

Notwithstanding the foregoing, at any time prior to the adoption of the merger agreement by the Company s stockholders, the Company s Board of Directors may: (i) effect a change of recommendation in response to an intervening event (defined in the merger agreement as an event, fact, development or occurrence that affects the business, assets, operations or conditions of the Company that is unknown to the Company s Board of Directors prior to the execution of the merger agreement) or (ii) in response to a superior proposal, terminate the merger agreement, upon payment of a termination fee, and concurrently enter into a contract with respect to such superior proposal, but, in either case, only if:

the Company s Board of Directors determines in good faith, after consultation with an independent financial advisor and outside legal counsel, that failure to take such action would be inconsistent with its fiduciary obligations to the Company s stockholders under applicable laws and the Company has complied with the no-shop restrictions in the merger agreement;

the Company s Board of Directors shall have provided Buyer with at least three business days prior written notice that it will effect a change of recommendation or terminate the merger agreement in response to the superior proposal (which notice must include, in the case of a superior proposal, the material terms and conditions of such superior proposal and identify the party making the superior proposal and final forms of the relevant documents or, in the case of an intervening event, a description of such intervening event); and

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the Company shall have negotiated with Buyer (if so requested by Buyer) in good faith to adjust the terms of the merger agreement such that it obviates the need for the Company s Board of Directors to change its recommendation or terminate the merger agreement, provided that in the event of any material revisions to the takeover proposal that the Company s Board of Directors has determined to be a superior proposal, the Company shall be required to deliver a new written notice to Buyer and to again comply with the requirements of the no-shop restrictions of the merger agreement with respect to such new written notice.

Nothing contained in the merger agreement shall prohibit the Company from issuing a stop, look and listen statement pending disclosure of its position thereunder or making required disclosure to the Company s stockholders if, in the good faith judgment of the Company s Board of Directors, after consultation with outside legal counsel, the failure to do so would be inconsistent with its fiduciary duties under applicable law or disclosure is required under applicable law. Any such disclosure, other than a stop, look and listen communication or similar communication of the type contemplated by Rule 14d-9(f) under the Securities Exchange Act of 1934, is deemed to be a change of recommendation if it is inconsistent with the recommendation of the Company s Board of Directors that the Company s stockholders adopt the merger agreement unless the Company expressly reaffirms its initial recommendation that the Company s stockholders adopt the merger agreement, within three business days following Buyer s request to do so.

Stockholder Approval; Proxy Statement

The merger agreement requires the Company to prepare a draft of the proxy statement, provide Buyer with a reasonable opportunity to review such draft and provide comments, and file a preliminary copy of the proxy statement with the SEC within 10 business days following the date of the merger agreement. The Company must use its reasonable best efforts to respond to any comments or requests for additional information from the SEC as soon as practicable after receipt, to notify Buyer of the receipt of any such comments or requests and to provide Buyer with copies of all correspondence between the Company and its representatives, on the one hand, and the SEC and its staff, on the other hand. In addition, Company must provide Buyer with a reasonable opportunity to review and comment on any drafts of the Company s proxy statement and related correspondence and filings, to include all comments reasonably proposed by Buyer for inclusion in such drafts, correspondence and filings and to mail this proxy statement to the stockholders of the Company as promptly as practicable following clearance by the SEC.

The Company is required to call and hold a meeting of its stockholders within 30 days following the date of the mailing of the proxy statement for the purpose of the stockholders voting on adoption of the merger agreement. Subject to certain exceptions set forth in the merger agreement and described above under No Solicitation of Takeover Proposals; Fiduciary Out , the Company has agreed to use reasonable best efforts to solicit or cause to be solicited from its stockholders proxies in favor of adoption of the merger agreement.

The Company will also establish a record date for purposes of determining the stockholders entitled to notice of and vote at the stockholders meeting. Once the Company has established the record date, the Company may not change such record date or establish a different record date for the Company s stockholders meeting without the prior written consent of Buyer if such change or different record date will result in a delay of the date of the Company s stockholders meeting, except as required by applicable law. In the event that the date of the Company s stockholders meeting as originally called is for any reason adjourned or postponed or otherwise delayed, the Company agrees that it shall implement such adjournment or postponement or other delay in accordance with applicable law or the Company s bylaws.

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Covenants of Buyer and/or Merger Sub

Conduct of Business During Merger

Buyer shall not, and shall cause its affiliates not to, without the prior written consent of the Company, take or agree to take any of the following actions:

- acquire or enter into any agreement to acquire (by merger, consolidation, acquisition of equity interests or assets, joint venture or otherwise) any business or any corporation, partnership, limited liability company, joint venture or other business organization or division thereof if such acquisition or the entering into such agreement would reasonably be expected to (i) impose any material delay in the obtaining of, or materially increase the risk of not obtaining, any governmental authorization or order or the expiration or termination of any applicable waiting period necessary to consummate the transactions contemplated by the merger agreement, (ii) materially increase the risk of any governmental authority entering an order prohibiting the consummation of the transactions contemplated by the merger agreement, (iii) materially increase the risk of not being able to remove any such order on appeal or otherwise or (iv) otherwise materially delay or prevent the consummation of the transactions contemplated by the merger agreement, in each case of clauses (i), (ii), (iii) and (iv) as determined in light of the then-current circumstances; or

- any action that would reasonably be expected to materially interfere with Buyer s ability to make available to the paying agent at the effective time of the merger funds sufficient for the satisfaction of all of Buyer s and Merger Sub s obligations under the merger agreement, including the payment of the merger consideration and the payment of all associated costs and expenses.

Employee Matters

The merger agreement requires Buyer and the surviving corporation to honor the Company s current benefit plans, including severance, change of control and similar agreements after the effective time, subject to permitted amendments or termination. In addition, for six months after the merger, subject to certain exceptions, the merger agreement requires the surviving corporation to: (i) provide employees of the Company immediately prior to the merger with compensation and benefits that taken as a whole for each individual that are, in the aggregate, substantially comparable to the compensation and benefits being provided to such individual immediately prior to the effective time of the merger under the Company s employee plans (excluding equity incentive arrangements); and (ii) for any employee who is terminated within six months after the merger under circumstances that would have given the employee a right to severance payments and benefits under the Company s severance arrangements in effect immediately prior to the merger, to provide such employee with severance payments and benefits no less favorable than those that would have been provided to the employee under the Company s severance arrangements. Additionally, Buyer will recognize service with the Company prior to the effective time of the merger for purposes of eligibility, participation, vesting and level of benefits for purpose of Buyer s benefit plan (but not for benefit accrual). Finally, without any waiting time, the Company s employees shall immediately be eligible to participate in such benefits and Buyer will waive, or cause any third-party insurance carriers to waive, any pre-existing condition exclusions and any actively-at-work requirements to the extent waived or satisfied under the Company s existing plans. Buyer will also cause eligible expenses incurred by employees under the benefit plans of the Company prior to the effective time of the merger to be taken into account under the benefit plans of the surviving corporation for proposals of determining the deductible, coinsurance and maximum out-of-pocket requirements. However, the merger agreement does not create any right to any compensation or benefits, guarantee employment for any period of time or preclude Buyer or surviving corporation from terminating any employee, require continuation of any Company benefit plan or otherwise constitute an amendment to any Company benefit plan. The agreements and obligations with respect to employee-related matters described in this paragraph do not give any employee or any other person who is not expressly a party to the merger agreement any rights as a third party beneficiary or otherwise under the merger agreement.

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Indemnification of Directors and Officers; Directors and Officers Insurance

Buyer has agreed to cause the surviving corporation to maintain for at least six years following the effective time of the merger the current policies of directors and officers liability insurance or policies of at least the same coverage and amounts containing terms and conditions which are no less advantageous with respect to claims arising out of or relating to events which occurred before or at the effective time of the merger (including in connection with the negotiation and execution of the merger agreement and the consummation of the merger). Such policies shall not have an annual premium in excess of 300% of the last annual premium being paid by the Company prior to the date of the merger agreement. In lieu of Buyer purchasing such policy after the effective time of the merger, the Company may, prior to the effective time of the merger, purchase a tail directors and officers liability policy covering the aforementioned matters at a cost not to exceed 300% of the last annual premium paid by the Company prior to the date of the merger agreement and if the Company elects to do so prior to the effective time of the merger, the surviving corporation shall maintain such policy for six years. In addition, after the effective time of the merger, the surviving corporation has agreed to indemnify each present and former director, officer or employees of the Company or any of its subsidiaries against all costs or expenses (including reasonable attorneys fees and expenses), judgments, fines, losses, claims, damages, liabilities, and amounts paid in settlement in connection with any claim, action, suit, proceeding, arbitration or investigation, including liabilities arising out of or pertaining to all acts and omissions arising out of or relating to their services as directors or officers and employees of the Company or its subsidiaries occurring prior to the effective time, whether commenced, asserted or claimed before or after the effective time of the merger.

Certain Covenants of Each Party

Approvals and Consents

The parties have agreed to cooperate with each other and use their reasonable best efforts to obtain all required consents, approvals or other authorizations, including, without limitation, all consents of governmental entities and certain other consents required in connection with the consummation of the transactions contemplated by the merger agreement.

Filings and Authorizations

The Company and Buyer have agreed to cooperate and consult with each other in connection with making required filings and notifications pursuant to the Securities Act of 1933 and the Exchange Act, the HSR Act, the EU Merger Regulation and any other applicable foreign competition law, the DGCL, the rules and regulations of the New York Stock Exchange and any other applicable laws, including by providing copies of all relevant documents to the non-filing party and its advisors prior to filing.

None of Buyer, Merger Sub or the Company may consent to any voluntary extension of any statutory deadline or waiting period or to any voluntary delay of the consummation of the transactions expressly contemplated by the merger agreement at the request of any governmental entity without the consent of the other party, which consent shall not be unreasonably withheld, delayed or conditioned.

Buyer is required to take all actions within its power to avoid the entry or to effect the dissolution of, or vacate or life, any order that would prevent or delay the closing, including:

- selling, licensing, divesting or disposing of or holding separate any entities, assets, intellectual property or businesses (including, after the effective time, the surviving corporation or any of its subsidiaries);
- terminating, amending or assigning existing relationships or contractual rights and obligations;
- changing or modifying any course of conduct regarding future operations;
- otherwise taking actions that would limit its freedom of action with respect to, or its ability to retain, one or more of their respective businesses, assets or rights or interests therein; and

committing to take any such actions in the foregoing clauses.

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Public Announcements

The merger agreement requires that Company and Buyer must consult with each other prior to issuing any press releases or otherwise making any public statements with respect to the merger agreement or the transactions contemplated thereby, except that no such consultation is necessary: (i) to the extent disclosure may be required by applicable law or any New York Stock Exchange requirement, in which case that party must use its reasonable best efforts to consult with the other party before issuing any such release or making any such public statement or (ii) in connection with any press release or other public statement or comment to be issued or made with respect to any takeover proposal or certain other actions specified in the non-solicitation provisions of the merger agreement, so long as the Company is in compliance with such non-solicitation provisions. Additionally, the Company may make public statements consistent with prior public disclosures previously approved by Buyer for external distribution.

Financing

The merger agreement requires each of Buyer and Merger Sub, and requires them to cause each of its affiliates, to use its reasonable best efforts to obtain the debt and equity financing contemplated by the debt commitment letter (including the flex provisions in the debt facility fee letter) and equity commitment letter on the date of the closing of the merger, including, among other things, complying with the terms of each such commitment letter applicable to them, entering into definitive financing agreements that are no less favorable to Buyer and Merger Sub than those contained in the debt commitment letter and equity commitment letter, satisfying or obtaining the waiver of all applicable conditions under the debt commitment letter and equity commitment letter and consummating the financing substantially concurrently with the consummation of the merger. Further, Buyer is required to keep the Company regularly informed with respect to the debt and equity financing, including providing copies of all definitive documents related to such financing. Further, Buyer and Merger Sub must provide the Company with prompt notice of any material breach or default by any party to any of the debt commitment letter and equity commitment letter or definitive agreements related to the financing of which Buyer or Merger Sub becomes aware. In the event that any portion of the financing becomes unavailable, Buyer will notify the Company and use its reasonable best efforts to arrange alternative financing from the same or other sources of financing on terms and conditions (including the flex provisions in the debt facility fee letter) not materially less favorable to Buyer and Merger Sub than those contained in the debt and equity financing contemplated by the debt commitment letter (including the flex provisions) and equity commitment letter as of the date of the merger agreement, and in an amount sufficient to timely consummate the transactions contemplated by the merger agreement on the terms and conditions set forth in the merger agreement.

Buyer may not, without the prior written consent of the Company, amend, modify, supplement or waive any of the conditions or contingencies to funding contained in the debt commitment letter or the equity commitment letter, or any other provision or remedies thereunder, to the extent such amendment, modification, supplement or waiver could reasonably be expected to (i) adversely affect the ability of Buyer or Merger Sub to timely consummate the transactions contemplated by the merger agreement or (ii) make it less likely the financing will be funded or impose new or additional conditions or expand any existing condition to the receipt of the financing; provided that Buyer may replace, amend or modify the debt commitment letters (a) to add or replace lenders, lead arrangers, syndication agents, bookrunners or similar entities and (b) otherwise, so long as such changes would not delay or adversely impact the ability of Buyer to consummate the transactions contemplated by the merger agreement.

The Company has agreed to, and has agreed to cause its subsidiaries to, use its reasonable best efforts to cause its and their respective representatives, at Buyer s sole expense, to cooperate reasonably with Buyer, Merger Sub and their authorized representatives and take such actions as Buyer or Merger Sub may reasonably request in connection with the arrangement of the debt and equity financing or alternative financing, including, without limitation:

- assisting in the preparation of materials for rating agency presentations, offering memoranda, private placement memoranda, prospectuses and bank information memoranda and similar documents;

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participating in a reasonable number of meetings on reasonable advance notice, presentations, road shows, due diligence sessions, drafting sessions and sessions with rating agencies;

furnishing the Required Information and all financial statements, pro form financial statements and business and other financial data and information of the Company and its subsidiaries which is required as an express condition to the obligations of the lenders in the debt commitment letter;

using reasonable best efforts to obtain accountant s comfort letters, accountant consents, customary legal opinions, surveys, intellectual property reports, appraisals and title insurance reasonably requested by Buyer;

cooperating in respect of the preparation of, and, if applicable, executing and delivering, any underwriting or placement agreements, indentures, credit agreements, guarantees, pledge and security documents, currency or interest hedging agreements and other definitive financing agreements, and customary closing certificates and documents as may be reasonably requested by Buyer;

delivering notices of redemption or prepayment within the time periods required by the relevant agreements governing indebtedness and obtaining customary payoff letters, lien terminations and instruments of discharge to be delivered at the close of the merger and giving any necessary notices or other documents to allow for the payoff in full of all indebtedness on the closing of the merger;

facilitating the consummation of the debt and equity financing or alternative financing and the direct borrowing or incurrence of all proceeds of such financing, by the surviving corporation immediately following the effective time of the merger and the distribution or payment of the proceeds of the debt financing, if any, obtained by any subsidiary of the Company to the surviving corporation; and

furnishing Buyer and its lenders promptly with all documentation and other information required by regulatory authorities under applicable know your customer and anti-money laundering rules and regulations, including the PATRIOT Act.

See The Merger (Proposal 1) Merger Financing beginning on page 41 for descriptions of the debt and equity financing.

Buyer and Merger Sub will promptly, upon request by the Company, reimburse the Company for all reasonable out-of-pocket costs and expenses (including reasonable attorneys fees) incurred by the Company or any of its subsidiaries in connection with the cooperation of the Company and its subsidiaries in Buyer s arrangement of financing and shall indemnify and hold harmless the Company, its affiliates and their respective representatives from and against any and all costs or expenses, judgments, fines, losses, claims, damages, amounts paid in settlement or other liabilities suffered or incurred by any of them in connection with the arrangement of financing or the provision of any information used in connection therewith, except with respect to any information provided in writing specifically for such use by the Company or any of its affiliates.

Conditions to the Completion of the Merger

Conditions to the obligations of each of the parties to complete the merger include:

the affirmative vote of the holders of a majority of the outstanding shares of WMG common stock entitled to vote on the merger;

the waiting period under the HSR Act has expired or been terminated (which termination of the applicable waiting period was granted on May 27, 2011), merger approval under the EU Merger Regulation has been obtained (which approval is expected to be obtained by July 14, 2011) and any other required regulatory approvals or filings under applicable foreign competition laws have

been obtained or made, other than approvals or filings that would not have a material adverse effect on the Company after giving effect to the merger or would provide a reasonable basis to conclude that any party related to the Company or Buyer would be subject to a material risk of criminal liability; and

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no injunctions or orders have been entered that prohibit the consummation of the merger, other than orders or injunctions or a foreign government authority that would not have a material adverse effect on the Company or on Buyer or would provide a reasonable basis to conclude that any party related to the Company or Buyer would be subject to a material risk of criminal liability.

Conditions to the obligation of each of Buyer and Merger Sub to complete the merger include the satisfaction or waiver of the following additional conditions:

the Company s representations and warranties (other than those described in the bullet directly below) must be true and correct in all respects, without regard to any materiality or Company Material Adverse Effect qualifications, as of the date of the merger agreement and as of the closing date, with only exceptions as would not individually or in the aggregate have a Company Material Adverse Effect (except that representation and warranties made as of a specified date shall be required to be so true and correct as of such specified date);

the Company s representations and warranties regarding its organization and power, corporate authorization, enforceability, capitalization and absence of a material adverse effect on the Company must be true and correct in all material respects as of the date of the merger agreement and as of the date of the closing of the merger (except that representation and warranties made as of a specified date shall be required to be so true and correct as of such specified date);

the Company shall have performed in all material respects all of its obligations under the merger agreement;

no Company Material Adverse Effect shall have occurred since the date of the merger agreement; and

Buyer and Merger Sub shall have received a certificate from the Company acknowledging its compliance with the aforementioned closing conditions.

Conditions to the Company s obligations to complete the merger include the satisfaction or waiver of the following conditions:

Buyer s and Merger Sub s representations and warranties shall be true and correct in all respects, without regard to materiality or material adverse effect on Buyer, as of the date of the merger agreement and as of the closing date, with only exceptions as would not individually or in the aggregate have a material adverse effect on Buyer (except that representation and warranties made as of a specified date shall be required to be so true and correct as of such specified date);

Buyer and Merger Sub shall have performed in all material respects all of its obligations under the merger agreement; and

The Company shall have received a certificate from Buyer acknowledging its compliance with the aforementioned closing conditions.

Termination

The merger agreement may be terminated at any time prior to the completion of the merger:

by mutual written consent of both Buyer and the Company;

by either Buyer or the Company if:

the merger is not consummated by November 7, 2011, except that such right to terminate the merger agreement will not available to Buyer or the Company if a breach of any covenant or agreement in the merger agreement by Buyer or the Company, respectively, was the primary cause of, or the primary factor that resulted in, the failure to consummate the merger by such date;

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the merger agreement has been submitted to the Company s stockholders for adoption at a duly convened stockholders meeting (or adjournment, postponement or recess thereof) at which a quorum is present and the vote of the holders of a majority of the outstanding shares of WMG common stock is not obtained;

a final and nonappealable antitrust order under a foreign competition law (other than under the EU Merger Regulation) permanently enjoins or prohibits consummation of the merger and such antitrust order would provide a reasonable basis to conclude that any party related to the Company or Buyer would be subject to a material risk of criminal liability;

a final and nonappealable antitrust order under the Clayton Antitrust Act of 1914 or under the EU Merger Regulation permanently enjoins or prohibits consummation of the merger; or

a final and nonappealable order (other than an antitrust order) of any federal or state court of the United States or any state thereof, or any member state of the European Union permanently enjoins or prohibits consummation of the merger;

by Buyer if:

prior to the adoption of the merger agreement by the Company s stockholders, the Company s Board of Directors shall have made or be deemed to have made a change of recommendation; or

a breach by the Company of a representation, warranty, covenant or agreement under the merger agreement has occurred which breach would give rise to a failure of a condition to closing and such breach is not cured within the earlier of (i) 20 business days after the Company s receipt of written notice of such breach from Buyer and (ii) one business day prior to the earlier of (a) November 7, 2011 and (b) the date upon which the merger agreement may otherwise be terminated by the Company; provided that neither Buyer nor Merger Sub are in breach of their respective representations, warranties, covenants or agreements which breach would give rise to a failure of a condition to closing;

by the Company if:

prior to the adoption of the merger agreement by the Company s stockholders, the Company determines a takeover proposal to be a superior proposal and enters into a contract with respect to such superior proposal after complying, in all material respects, with the no shop restrictions under the merger agreement. See The Merger Agreement Covenants of the Company No Solicitation of Takeover Proposals; Fiduciary Out beginning on page 66;

a breach by Buyer or Merger Sub of a representation, warranty, covenant or agreement under the merger agreement has occurred, which breach would give rise to a failure of a condition to closing and such breach is not cured within the earlier of (i) 20 business days after Buyer s receipt of written notice of such breach from the Company and (ii) one business day prior to the earlier of (a) November 7, 2011 and (b) the date upon which the merger agreement may otherwise be terminated by Buyer thereunder; provided that the Company is not in breach of its respective representations, warranties, covenants or agreements which breach would give rise to a failure of a condition to closing;

a breach by Buyer of certain covenants under the guarantees provided by affiliates of Buyer designed to restrict any transactions that would reduce the net equity value of such guarantors below a certain threshold, but only if the Company provides Buyer with notice of such breach promptly after the knowledge of certain key employees of the same and such breach is not cured within the earlier of (i) 10 business days after Buyer s receipt of written notice of such breach from the

Company and (ii) one business day prior to the earlier of (a) November 7, 2011 and (b) the date upon which the merger agreement may otherwise be terminated by Buyer thereunder; or

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following the expiration of the marketing period: (i) all of the Company s conditions to closing have been satisfied or waived (unless, by their nature they are conditions that are to be satisfied at closing in which case such conditions were capable of being satisfied), (ii) the Company has irrevocably notified Buyer that it is prepared to consummate the merger, (iii) all of Buyer s and Merger Sub s condition to closing have been satisfied or waived and (iv) Buyer and Merger Sub fail to consummate the merger the earlier of one business day prior to (a) November 4, 2011 and (b) three business days following delivery of such notice; provided that if at the end of the marketing period Buyer has notified the Company that it is prepared to close and all of the Company s condition to closing have been satisfied or waived (unless, by their nature they are conditions that are to be satisfied at closing), the Company shall not be permitted to terminate pursuant to this provision unless Buyer and Merger Sub shall have failed to consummate the merger prior to 15 business days following delivery of such notice of intent to close from the Company.

Effect of Termination; Fees and Expenses

Fees Payable to Buyer

If any of the following series of events occur, the Company will be obligated to pay Buyer or its designee a termination fee of $56,000,000:

if the merger agreement is terminated by the Company because the Company s Board of Directors approves and authorizes the Company to enter into a definitive agreement providing for the implementation of a superior proposal. See The Merger Agreement Covenants of the Company beginning on page 64;

if the merger agreement is terminated by Buyer because the Company s Board of Directors changes, withdraws, withholds, qualifies, modifies or amends (or publicly proposes or resolves to change, withhold, withdraw, qualify, modify or amend) its recommendation to the Company s stockholders in favor of the merger. See The Merger Agreement Covenants of the Company beginning on page 64; or

if (i) a takeover proposal shall have been made or proposed to the Company or its stockholders or is otherwise publicly announced, (ii) either Buyer or the Company terminate the merger agreement either because the merger has not been consummated by November 7, 2011 or because the approval of the Company s stockholders was not obtained at the stockholder meeting, or Buyer terminates because of a breach by the Company of a representation or warranty under the merger agreement which would give rise to a failure of a condition to closing and such breach is not cured by the Company within the certain time periods specified in the merger agreement, and (iii) within 12 months after such termination, the Company enters into an agreement in respect of or consummates a takeover proposal.

Payment of the termination fees described above shall be the sole and exclusive remedy of Buyer, Merger Sub and their respective affiliates for any damages resulting from termination of the merger agreement. However, if the merger agreement is terminated and the Company has committed a material breach of any material representation, warranty or covenant or other agreement set forth in the merger agreement which has (i) materially contributed to the failure to close the merger and is (ii) a consequence of an act or failure to act by the Company with actual knowledge of the Company that such action or failure to act would cause or constitute a material breach of the merger agreement, then Buyer will be entitled to pursue a claim against the Company for actual monetary damages arising as a result of such breach but excluding any speculative, punitive or special damages (calculated solely on the basis that the Company will remain a stand-alone business) and less any previously paid termination fee. In no event will the Company be required to pay a termination fee on more than one occasion.

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Fees Payable to the Company

If any of the following series of events occur, Buyer will be obligated to pay the Company a reverse termination fee of $60,000,000:

- if the merger agreement is terminated by the Company following the expiration of the marketing period due to an uncured breach of Buyer and, at such time, all conditions to closing for which the Company is responsible have been satisfied or reasonably certain to be satisfied or waived prior to November 7, 2011;

- if the merger agreement is terminated by the Company after November 7, 2011 and the Company would have been entitled to terminate the merger agreement upon the expiration of the marketing period, but (i) the marketing period has not yet ended due to Buyer s failure to commence the marketing period immediately following the expiration or termination of the HSR waiting period and the receipt of the approval of a majority of the holders of WMG common stock or (ii) at the end of the marketing period Buyer has notified the Company that it is prepared to close within 15 business days of such notice and all of the Company s conditions to closing have been satisfied or waived (unless, by their nature they are conditions that are to be satisfied at closing); or

- if the merger agreement is terminated by the Company following the expiration of the marketing period and (i) all of the Company s condition to closing have been satisfied or waived (unless, by their nature they are conditions that are to be satisfied at closing), (ii) the Company has irrevocably notified Buyer that it is prepared to consummate the merger, (iii) all of Buyer s and Merger Sub s conditions to closing have been satisfied or waived and (iv) Buyer and Merger Sub fails to consummate the merger the earlier of (a) November 4, 2011 and (b) three business days following delivery of such notice; provided that if at the end of the marketing period Buyer has notified the Company that it is prepared to close and all of the Company s conditions to closing have been satisfied or waived (unless, by their nature they are conditions that are to be satisfied at closing) the Company shall not be permitted to terminate pursuant to this provision unless Buyer and Merger Sub shall have failed to consummate the merger prior to 15 business days following notice of intent to close from the Company.

In certain instances, the reverse termination fee is not payable if, at the time of the applicable termination, Buyer s financing would not have been obtainable and a material breach by the Company materially contributed to the failure of obtaining such financing.

The reverse termination fee described above, if payable, shall be the sole and exclusive remedy of the Company and its affiliates for any damages resulting from termination of the merger agreement. However, Buyer will remain liable for any damages caused by certain willful and other breaches of its or its affiliates representations, warranties, covenants or agreements set forth in the merger agreement as detailed below. In no event will Buyer be required to pay the reverse termination fee on more than one occasion.

Fee for Termination upon Certain Breaches

Buyer will pay the Company a breach fee of $140,000,000 (less any previously-paid reverse termination fees by Buyer) if the merger agreement is terminated by the Company as a result of:

- a material breach by Buyer or Merger Sub of any material representation, warranty, covenant or agreement under the merger agreement that is a consequence of an act or failure to act by Buyer, Merger Sub or any of their respective affiliates, or, in certain instances, with knowledge that the taking of such act or failure to take such act would cause or constitute a breach of the merger agreement; or

- a material breach by Buyer or its affiliates of certain covenants under the merger agreement or the guarantees provided by an affiliate of Buyer designed to ensure that funds for the breach fee have been set aside and restrict any transactions that would reduce the net equity value of such guarantors below a certain threshold and such breach is not cured within the earlier of: (i) 10 business days after Buyer s receipt of written notice of such breach from the Company and (ii) one business day prior to the earlier of (a) November 7, 2011 and (b) the date upon which the merger agreement may otherwise be terminated by Buyer.

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Buyer is required to place $140,000,000 into a segregated bank account within 10 business days after the date of the merger agreement to support the obligations to pay the merger consideration or reverse termination or breach fees, as applicable. The Buyer must maintain such account free of liens and may not withdraw an amount from such account if such withdrawal would result in the account containing less than $140,000,000 until the earlier of the termination of the limited guarantee and the date that is three weeks after the termination of the merger agreement if, prior to such date, the Company has not made a claim to support the obligation to pay the reverse termination or breach fees. In no event will Buyer be required to pay the breach fee on more than one occasion.

Effect of Termination; General Expense Provisions

If the merger agreement is terminated for any reason, the merger agreement will become void and of no further force or effect with no liability on the part of any party or related-party thereto, except as provided under Fees Payable to Buyer , Fees Payable to the Company and Fees for Termination upon Certain Breaches above.

The merger agreement provides that each party is to pay all expenses incurred by it in connection the merger agreement and the transactions contemplated thereby except (i) as provided above under Fees Payable to Buyer , Fees Payable to the Company , and Fees for Termination upon Certain Breaches and (ii) Buyer is obligated to reimburse the Company for its reasonable out-of-pocket expenses incurred in connection with cooperating with Buyer in obtaining the requisite financing intended to satisfy the financing condition.

Amendment; Extension; Waiver

The merger agreement may be amended by the parties at any time before the effective time, whether before or after obtaining the affirmative vote of holders of a majority of the outstanding shares, so long as (i) no amendment that requires further stockholder approval under applicable law after stockholder approval hereof shall be made without such required further approval and (ii) such amendment has been duly approved by the board of managers or board of directors, as applicable, of each of Merger Sub, Buyer and the Company. The merger agreement may not be amended except by an instrument in writing signed by each of the parties to the merger agreement.

At any time before the effective time, Buyer and Merger Sub, on the one hand, and the Company, on the other hand, may (i) extend the time for the performance of any of the obligations of the other party, (ii) waive any inaccuracies in the representations and warranties of the other party contained in the merger agreement or in any document delivered under the merger agreement or (iii) subject to applicable law, waive compliance with any of the covenants or conditions contained in the merger agreement. Any agreement on the part of a party to any extension or waiver shall be valid only if set forth in an instrument in writing signed by such party. The failure of any party to assert any of its rights under the merger agreement or otherwise shall not constitute a waiver of such rights, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege under the merger agreement.

ADVISORY VOTE ON GOLDEN PARACHUTE COMPENSATION (PROPOSAL 2)

Golden Parachute Compensation

The information below is intended to comply with Item 402(t) of Regulation S-K, which requires disclosure of information about compensation for each named executive officer of the Company that is based on or otherwise relates to the merger. The information below assumes the following:

- the merger closed on June 10, 2011, the latest practicable date prior to the filing of this proxy statement; and
- the price per share of common stock paid in the merger was $8.25, the per share price payable under the merger agreement.

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The Company has entered into employment agreements with each of its named executive officers that specify the severance payments and benefits to be provided upon various circumstances of termination of employment, but such severance payments and benefits are not dependent on the occurrence of the merger. Mr. Fleisher s employment agreement was amended as of dated May 9, 2011 (and he resigned effective May 31, 2011), and therefore the table below reports the severance payments and benefits payable to him.

The payments and benefits set forth below are single-trigger, meaning the payments would be made either in connection with the consummation of the merger or upon a termination of employment, as detailed in the footnotes below. No named executive officer is entitled to any tax reimbursement payments from the Company.

	Cash ($)	Equity Awards ($)(2)	Perquisites/ Benefits ($)	Total ($)
Edgar Bronfman, Jr.	$ 0	$ 16,868,500	$ 0	$ 16,868,500
Steven Macri	$ 0	$ 70,880	$ 0	$ 70,880
Lyor Cohen	$ 0	$ 10,026,000	$ 0	$ 10,026,000
Michael D. Fleisher	$ 4,458,333(1)	$ 1,478,486	$ 50,000(3)	