

Warner Music Group Corp.
Form S-4/A
July 29, 2005
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As filed with the Securities and Exchange Commission on July 29, 2005

Registration Nos. 333-126786 and 333-126786-1

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

WMG HOLDINGS CORP.

(Exact Name of Registrant as Specified in Its Charter)

(SEE ADDITIONAL REGISTRANT GUARANTOR)

Delaware
(State or other jurisdiction of
incorporation or organization)

7929
(Primary Standard Industrial

13-4271878
(I.R.S. Employer

Classification Code Number)
75 Rockefeller Plaza

Identification Number)

New York, NY 10019

(212) 275-2000

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

David H. Johnson, Esq.

Executive Vice President and

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General Counsel

Warner Music Group Corp.

75 Rockefeller Plaza

New York, NY 10019

(212) 275-2030

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

Copies to:

Edward P. Tolley III, Esq.

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, New York 10017-3954

(212) 455-2000

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class Of Securities to be Registered	Amount to Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount Of Registration Fee
9.5% Senior Discount Notes due 2014	\$ 257,927,000(1)	100%(2)	\$ 257,927,000(2)	\$ 30,359(3)
Guarantee of 9.5% Senior Discount Notes due 2014(4)	(5)	(5)	(5)	(5)

(1) Aggregate principal amount at maturity.

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

(3) Previously paid.

(4) See inside facing page for additional registrant guarantor.

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

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in

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accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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ADDITIONAL REGISTRANT GUARANTOR

Exact Name of Registrant Guarantor As Specified In Its Charter	State or other	Jurisdiction of IRS Employer	Incorporation or Identification	Organization	Number	Address, Including ZIP Code, And Telephone Number,	Including Area Code,	Of Registrant's Principal	Executive Offices	Phone Number
Warner Music Group Corp.	Delaware	13-4271875		Delaware	13-4271875	75 Rockefeller Plaza		New York, NY 10019		(212) 275-2000

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PROSPECTUS

Offer to Exchange

\$257,927,000 aggregate principal amount at maturity of 9.5% Senior Discount Notes due 2014 of WMG Holdings Corp. which have been registered under the Securities Act of 1933 for any and all outstanding 9.5% Senior Discount Notes due 2014

The exchange notes will be fully and unconditionally guaranteed on an unsecured, senior basis by Warner Music Group Corp., the parent company of WMG Holdings Corp.

WMG Holdings Corp. is conducting the exchange offer in order to provide you with an opportunity to exchange your unregistered outstanding notes for freely tradeable exchange notes that have been registered under the Securities Act.

The Exchange Offer

WMG Holdings Corp. will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradeable.

You may withdraw tenders of outstanding notes at any time prior to the expiration date of the exchange offer.

The exchange offer expires at 12:00 a.m. midnight, New York City time, on August 29, 2005, unless extended.

The exchange of outstanding notes for exchange notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes.

The terms of the exchange notes to be issued in the exchange offer are substantially identical to the outstanding notes, except that the exchange notes will be freely tradeable.

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

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

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

The date of this prospectus is July 29, 2005

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

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

MARKET AND INDUSTRY DATA AND FORECASTS

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

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

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PROSPECTUS SUMMARY

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

We acquired the business of WMG from Time Warner effective March 1, 2004. In this prospectus, the term Holdings refers to WMG Holdings Corp., which does business under that name, and not its subsidiaries and the terms we, our, ours, us, the Company and WMG refer collectively to Warner Music Group Corp. (Parent), the parent of Holdings, and Holdings and its consolidated or combined subsidiaries, except where otherwise indicated. Each of Parent and Holdings is a holding company. Parent's only asset is the ownership of all outstanding shares of Holdings. Holdings' only asset is the ownership of all outstanding shares of WMG Acquisition Corp., which we refer to as Acquisition Corp. We conduct all of our business through Acquisition Corp. The use of these terms is not intended to imply that Parent, Holdings and Holdings' subsidiaries are not separate and distinct legal entities. Holdings and Parent, through its guarantee, are the sole obligors on the notes, and their subsidiaries do not have any obligation with respect to the notes. In 2004, we changed our fiscal year end from November 30 to September 30. Accordingly, the fiscal year ended September 30, 2004 is a ten-month period. In addition, as a result of our acquisition from Time Warner, and as described further in the Parent financial statements and the notes thereto included elsewhere in this prospectus, results discussed for the ten months ended September 30, 2004 represent the mathematical addition of our pre-acquisition three-month period ended February 29, 2004 and our post-acquisition seven-month period ended September 30, 2004. Results discussed for the six months ended March 31, 2004 are the mathematical addition of our pre-acquisition five month period ended February 29, 2004 and our post-acquisition one month period ended March 31, 2004. Calculations of market share are based on revenues, except as otherwise noted.

Our Company

We are one of the world's major music companies. Our company is composed of two businesses: Recorded Music and Music Publishing. We are a global company, generating over half of our revenues in more than 50 countries outside of the U.S. Acquisition Corp. acquired substantially all of Time Warner Inc.'s music division from Time Warner on March 1, 2004 for \$2.595 billion in cash and non-cash consideration. See The Transactions.

Our Recorded Music business produces revenue through the marketing, sale and licensing of recorded music in physical and digital formats. We believe we have one of the world's largest and most varied recorded music catalogs, including 27 of the top 100 U.S. best-selling albums of all time more than any other recorded music company. Our roster of over 38,000 artists spans all musical genres and includes Led Zeppelin, The Eagles, Madonna, Metallica and Fleetwood Mac. Our more recent successes include Linkin Park, Simple Plan, Jet, Michelle Branch, Sean Paul and Josh Groban. Our Recorded Music business generated 83% of our consolidated revenues during the twelve months ended March 31, 2005.

Our Music Publishing business owns and acquires rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use. We hold rights in over one million copyrights across a broad range of musical styles from over 65,000 songwriters and composers. Our library includes titles such as Summertime by George and Ira Gershwin and DuBose Heyward, Happy Birthday to You by Mildred and Patty Hill, Night and Day by Cole Porter, When a Man Loves a Woman by Calvin Lewis and Andrew Wright, and Star Wars Theme by John Williams, as well as more recent popular titles such as Smooth by Itaal Shur and Rob Thomas and Thank You by Dido Armstrong and Paul Herman. Our Music Publishing business generated 17% of our consolidated revenues during the twelve months ended March 31, 2005.

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Industry Overview

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

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

The recorded music business is the business of discovering and developing recording artists and promoting, selling and licensing their works. In 2004, the recorded music industry generated \$32.1 billion in retail sales worldwide. The industry experienced robust growth in the 1990s but in recent years has seen a decline due primarily to the increase in digital piracy. In an effort to curb this decline, the industry launched an intensive campaign in 2003 to limit digital piracy. We believe these anti-piracy efforts are beginning to produce results as evidenced by increased consumer awareness, reduced illegal downloading activity and growth for the one-year period ended January 2, 2005 in U.S. music physical unit sales of approximately 1% relative to the comparable one-year period ended December 28, 2003, as reported by SoundScan. Moreover, the industry has been encouraged by the recent proliferation and early success of legitimate digital music distribution channels, as evidenced by the 141 million digital tracks sold in the U.S. through the one-year period ended January 2, 2005. See *Industry Overview Recorded Music*.

According to the most recent published estimates by Enders Analysis, the worldwide music publishing industry accounted for \$3.7 billion in revenues in 2003. See *Industry Overview Music Publishing*.

Competitive Strengths

While we have recorded net losses on a historical and pro forma basis, primarily due to the decline since 1999 of recorded music sales, increased operating costs, increased competition, and such items as currency fluctuations and impairment charges, we believe we benefit from the following competitive strengths:

Industry Leading Recording Artists and Songwriters. We have been able to consistently attract, develop and retain successful recording artists and songwriters. This has enabled us to accumulate over decades a large and varied portfolio of recorded music and music publishing assets that generate stable and recurring cash flows.

Stable, Highly Diversified Revenue Base. Our revenue base is derived primarily from relatively stable and recurring sources such as our music publishing library, our catalog of recorded music and new releases from our existing base of established artists. In any given year, we believe that less than 10% of our total revenues depend on artists without established track records, with each of these artists typically representing less than 1% of our revenues. We have built a large and diverse catalog of recordings and compositions that covers a wide breadth of musical styles and are a significant player in each of our major geographic regions.

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High Cash Flow Business Model. We generate relatively high levels of cash flow from operations as a result of our highly variable cost structure, our minimal capital requirements and our ability to adjust the timing and amount of much of our spending. Through our recent restructuring effort, we have substantially streamlined our cost structure. In addition, outsourcing arrangements entered into in October 2003 with Cinram International Inc. (Cinram) have significantly reduced our exposure to fixed costs and are expected to continue to reduce our future capital expenditure requirements.

Well Positioned For Growth in Digital Distribution and Emerging Technologies. For the one-year period ended January 2, 2005, our market share of digital recorded music track sales in the U.S. as measured by SoundScan was higher than our overall recorded music album market share in the U.S., which we believe reflects the relative strength of our content and in particular our catalog content. In addition, we are highly focused on several new media initiatives: supporting existing and new online services in the U.S. and abroad, working with legitimate P2P providers, influencing the evolution of new mobile phone services and formats and simplifying the clearance of all of our content for digital distribution.

Proven and Committed Management Team. We are led by an experienced senior management team with an average of approximately 20 years of entertainment industry expertise. Edgar Bronfman, Jr. is our Chairman of the Board and Chief Executive Officer. Mr. Bronfman, while President and CEO of The Seagram Company Ltd. (Seagram), oversaw the merger of Universal Music Group (Universal) and PolyGram N.V. (PolyGram), and successfully managed the combined business, the world's then largest recorded music company.

Strong Equity Sponsorship. Thomas H. Lee Partners, L.P. and its affiliates (THL), Bain Capital and its affiliates (Bain Capital), and Providence Equity Partners Inc. and its affiliates (Providence Equity) are each leading private equity firms with established track records of successful investments and extensive experience in managing investments in entertainment and media assets and Music Capital Partners, L.P. (Music Capital) and together with THL and Bain Capital and Providence Equity, the Investor Group) brings significant and directly relevant management experience in the music industry.

Business Strategy

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

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

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

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Focus on Continued Management of Our Cost Structure. Immediately following the acquisition by Acquisition Corp. of substantially all of Time Warner's music division on March 1, 2004, we commenced a broad-based restructuring plan (the Restructuring Plan). We intend to continue to maintain a disciplined approach to cost management in our business, and to pursue additional cost savings. We have completed

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substantially all of the Restructuring Plan with annualized cost savings of approximately \$250 million of which approximately \$202 million has been reflected in our statement of operations through March 31, 2005. We project the one-time costs associated with the Restructuring Plan to be \$225 million to \$250 million, of which approximately \$165 million has been paid through March 31, 2005. This projection is substantially less than the \$310 million original estimate. We expect to pay a majority of the remaining costs in 2005 and 2006. There are still significant risks associated with the Restructuring Plan. See **Risk Factors** and **Business**.

Invest in Accordance with an Improved Asset Allocation Strategy. Our new management has undertaken a rigorous company-wide initiative in conjunction with outside consultants in order to enhance our financial performance through developing a more targeted approach to investments. Implementing the results of this study, we will primarily seek to invest in lines of business, geographic locations and individual projects where we believe we can optimize our return on capital.

Develop and Optimize Our Physical Distribution Channel Strategies. We will continue to develop innovative programs with our physical distribution channel partners in order to implement forward-looking strategies for our mutual benefit. We will invest to meet the needs of our partners to create more efficient collaboration, such as direct-to-retail distribution strategies and vendor managed inventory.

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

Contain Digital Piracy. We, along with the rest of the music industry, are actively combating piracy through technological innovation, litigation, education and the promotion of legislation both in the U.S. and internationally.

Recent Developments

Return of Capital and Dividend on Preferred. In September 2004, we returned \$342 million of capital (the **Return of Capital**) to the Investor Group and paid a dividend of \$8 million on the preferred equity of Holdings held by the Investor Group (the **Dividend on Preferred**). The Return of Capital and Dividend on Preferred were funded out of our cash balance and not from the incurrence of additional debt. We obtained an amendment to Acquisition Corp.'s senior secured credit agreement to provide for the Return of Capital and Dividend on Preferred.

Debt Incurrence and Payment to Investor Group. On December 23, 2004, we incurred approximately \$700 million of new debt, consisting of \$250 million of Floating Rate Notes due 2011 (the **Holdings Floating Rate Notes**), \$200 million of Floating Rate Senior PIK Notes due 2014 (the **Holdings PIK Notes**) and \$250 million in gross proceeds of the 9.5% Senior Discount Notes due 2014 described herein (the **Holdings Discount Notes**) (with aggregate principal amount at maturity of \$396.8 million) (collectively, the **Original Holdings Notes**). The proceeds from the issuance of the Original Holdings Notes were used to fund a return of approximately \$681 million to Holdings' shareholders and the shareholders of Parent (the **Holdings Payment to Investor Group**) and along with the offering of the Original Holdings Notes, the **Holdings Refinancing**) through a combination of dividends on our preferred stock and repurchases of our common and preferred stock. Of the total of \$681 million, approximately \$209 million was used to redeem our remaining shares of cumulative preferred stock,

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including \$9 million of accrued dividends, and approximately \$472 million was used to pay a return of capital to Parent, of which all but \$50 million was distributed to its shareholders in December 2004. Parent distributed \$43 million of such \$50 million to the Investor Group on March 28, 2005 and distributed the remaining \$7 million to the Investor Group on May 9, 2005. We previously obtained an amendment to Acquisition Corp.'s senior secured credit agreement to provide for the Holdings' Payment to Investor Group, including the distribution of the remaining \$50 million to the Investor Group.

Parent IPO, Concurrent Transactions and Redemption of Portion of Original Holdings Notes. On May 13, 2005, Parent consummated the initial public offering of its common stock (the offering of common stock by Parent and the use of proceeds therefrom including the repayment of a portion of the Original Holding Notes as described below, collectively, the Initial Public Offering). In connection with such Initial Public Offering, Parent terminated its management agreement and paid a \$73 million termination fee to the Investor Group. Parent also purchased from an affiliate of Time Warner Inc. their Three-Year Warrants for an aggregate purchase price of approximately \$138 million. Parent also paid, or expects to pay, approximately \$33 million in special one-time bonuses consisting of (a) approximately \$20 million to holders of restricted stock and stock options to make employees whole for certain unfavorable tax consequences, (b) approximately \$3 million to holders of stock options representing an adjustment for outstanding options as a result of a special cash dividend on Parent's capital stock and (c) approximately \$10 million to substantially all of our employees who will have no equity participation in Parent.

Prior to the Initial Public Offering, Parent converted all of its outstanding Class L Common Stock into shares of Class A Common Stock on a one-for-one basis, renamed all of its outstanding Class A common stock common stock and enacted a 1,139 for 1 split of its common stock. Together, these transactions are referred to in this prospectus as the Recapitalization.

In addition, concurrent with the Initial Public Offering, an amendment to Acquisition Corp.'s senior secured credit facility was obtained to, among other things, increase the size of the term loan available. Concurrent with the Initial Public Offering, we used a portion of our cash on hand, plus the proceeds from \$250 million of new term loan borrowings under Acquisition Corp.'s new amendment to its senior secured credit facility to pay a dividend of \$320 million to Parent, which was used to repay \$8.5 million of remaining promissory notes, to pay the \$73 million termination fee, to pay \$100.5 million in cash dividends to shareholders of Parent (including approximately \$7 million relating to the holders of unvested shares of restricted stock, which will be paid at a later date), to pay approximately \$33 million in special one-time bonuses and to pay approximately \$138 million for the repurchase of the Three-Year Warrants. We refer to the \$250 million of new term loan borrowings, the termination of the management agreement, the purchase of the Three-Year Warrants, the payment of the special one-time bonuses and dividends of approximately \$109 million declared prior to Parent's Initial Public Offering, collectively, as the Concurrent Transactions.

On May 16, 2005 Holdings received a capital contribution from Parent of \$517 million. Holdings used the proceeds from such capital contribution to redeem all of the Holdings Floating Rate Notes and Holdings PIK Notes, and 35% of the aggregate principal amount at maturity of the Holdings Discount Notes on June 15, 2005. In addition Parent recently entered into a guarantee whereby it agreed to guarantee the payments of Holdings on the remaining outstanding notes of Holdings. The outstanding notes and guarantee by Parent are being registered hereby.

New Chief Financial Officer. In December 2004, we announced that Michael D. Fleisher had been named as our permanent Chief Financial Officer. He replaced Michael Ward who was our acting Chief Financial Officer while we conducted a search to fill the position on a permanent basis. See Management.

New Head of Warner/Chappell Music. On February 17, 2005, Acquisition Corp. announced that Les Bider, Chairman and CEO of its music-publishing arm, Warner/Chappell Music, Inc., had decided to step down following the appointment of a successor and a transition period. Mr. Bider had been CEO of Warner/Chappell Music since

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1987. On May 28, 2005, Richard Blackstone began to serve as Chairman and CEO of Warner/Chappell Music, Inc. as Mr. Bider's successor. Mr. Blackstone had previously been President and Chief Executive Officer of Zomba Music Publishing. Mr. Blackstone has 15 years of experience in the music publishing industry. See Management.

New Joint Venture. On April 8, 2005, we entered into an agreement with an affiliate of Sean P. Diddy Combs to form Bad Boy Records LLC, a joint venture in recorded music owned 50% by us and 50% by the affiliate. We purchased our 50% membership interest in Bad Boy Records LLC for approximately \$30 million in cash. The joint venture includes catalog and roster artists such as Notorious B.I.G., Mario Winans, M.A.S.E., Carl Thomas, B5 and P. Diddy. Mr. Combs will be the CEO of the joint venture and will supervise its staff and day-to-day operations. We will provide funding, marketing, promotion and certain back-office services for the joint venture.

Parent was incorporated under Delaware law on November 21, 2003. Holdings was incorporated under Delaware law on November 20, 2003. Our principal executive offices are located at 75 Rockefeller Plaza, New York, NY 10019. Our telephone number is (212) 275-2000.

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Summary of the Terms of Exchange Offer

On December 23, 2004, Holdings completed a private offering of the Original Holdings Notes, of which approximately \$258 million aggregate principal amount at maturity of 9.5% Senior Discount Notes due 2014 remain outstanding. References to the notes in this prospectus are references to both such outstanding notes and the exchange notes offered hereby.

General

In connection with the private offering, Holdings entered into a registration rights agreement with Banc of America Securities LLC, Deutsche Bank Securities Inc. and Goldman, Sachs & Co. (collectively, the initial purchasers) the initial purchasers of the outstanding notes in which Holdings agreed, among other things, to deliver this prospectus to you and to use its reasonable best efforts complete the exchange offer for the outstanding notes within 270 days after the date of issuance of the outstanding notes.

You are entitled to exchange in the exchange offer your outstanding notes for exchange notes, which are identical in all material respects to the outstanding notes except:

the exchange notes have been registered under the Securities Act of 1933, as amended, which we refer to as the Securities Act ;

the exchange notes are not entitled to certain registration rights which are applicable to the outstanding notes under the registration rights agreement; and

certain additional interest rate provisions are no longer applicable.

The Exchange Offer

Holdings is offering to exchange up to:

\$257,927,000 aggregate principal amount at maturity of its 9.5% Senior Discount Notes due 2014, which have been registered under the Securities Act, for a like aggregate principal amount at maturity of the outstanding 9.5% Senior Discount Notes due 2014.

You may only exchange outstanding notes in denominations of \$1,000 and integral multiples of \$1,000.

Subject to the satisfaction or waiver of specified conditions, Holdings will exchange the exchange notes for all outstanding notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer. Holdings will cause the exchange to be effected promptly after the expiration of the exchange offer.

Upon completion of the exchange offer, there may be no market for the outstanding notes and you may have difficulty selling them.

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Resales

Based on interpretations by the staff of the Securities and Exchange Commission, or the SEC, set forth in no-action letters issued to third parties referred to below, Holdings believes that you may resell or otherwise transfer exchange notes issued in the exchange offer

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without complying with the registration and prospectus delivery requirements of the Securities Act, if:

- (1) you are acquiring the exchange notes in the ordinary course of your business.
- (2) you do not have an arrangement or understanding with any person to participate in a distribution of the exchange notes;
- (3) you are not an affiliate of Holdings within the meaning of Rule 405 under the Securities Act; and
- (4) you are not engaged in, and do not intend to engage in, a distribution of the exchange notes.

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

- (1) you cannot rely on the position of the staff of the SEC enunciated in Morgan Stanley & Co., Inc. (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* dated July 2, 1993, or similar no-action letters; and
- (2) in the absence of an exception from the position of the SEC stated in (1) above, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale or other transfer of the exchange notes.

If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making or other trading activities, you must acknowledge that you will deliver a prospectus, as required by law, in connection with any resale or other transfer of the exchange notes that you receive in the exchange offer. See Plan of Distribution.

Expiration Dates

The exchange offer will expire at 12:00 a.m. midnight, New York City time, on August 29, 2005, unless extended by Holdings. Holdings does not currently intend to extend the expiration date of the exchange offer.

Withdrawal

You may withdraw the tender of your outstanding notes at any time prior to the expiration date of the exchange offer. Holdings will return to you any of your outstanding notes that are not accepted for any reason for exchange, without expense to you, promptly after the expiration or termination of the exchange offer.

Conditions to the Exchange Offer

The exchange offer is subject to customary conditions, which Holdings may assert or waive. See The Exchange Offer Conditions to the Exchange Offer.

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Procedures for Tendering Outstanding Notes If you wish to participate in the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, or a facsimile of the letter of transmittal, together with the outstanding notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal. If you hold outstanding notes through The Depository Trust Company, or DTC, and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC, by which you will agree to be bound by the letter of transmittal. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

- (1) you are acquiring the exchange notes in the ordinary course of your business;
- (2) you do not have an arrangement or understanding with any person to participate in a distribution of the exchange notes;
- (3) you are not an affiliate of Holdings within the meaning of Rule 405 under the Securities Act; and
- (4) you are not engaged in, and do not intend to engage in, a distribution of the exchange notes.

If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making or other trading activities, you must represent to us that you will deliver a prospectus, as required by law, in connection with any resale or other transfer of such exchange notes.

If you are not acquiring the exchange notes in the ordinary course of your business, or if you are engaged in, or intend to engage in, or have an arrangement or understanding with any person to participate in, a distribution of the exchange notes, or if you are an affiliate of Holdings, then you cannot rely on the applicable positions and interpretations of the staff of the SEC and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale or other transfer of the exchange notes.

Special Procedures for Beneficial Owners If you are a beneficial owner of outstanding notes that are held in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender those outstanding notes in the exchange offer, you should contact such person promptly and instruct such person to tender those outstanding notes on your behalf.

Guaranteed Delivery Procedures If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your

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outstanding notes, the letter of transmittal and any other documents required by the letter of transmittal or you cannot comply with the DTC procedures for book-entry transfer prior to the expiration date, then you must tender your outstanding notes according to the guaranteed delivery procedures set forth in this prospectus under The Exchange Offer Guaranteed Delivery Procedures.

Effect on Holders of Outstanding Notes

In connection with the sale of the outstanding notes, Holdings entered into a registration rights agreement with the initial purchasers of the outstanding notes that grants the holders of outstanding notes registration rights. By making the exchange offer, Holdings will have fulfilled most of its obligations under the registration rights agreement. Accordingly, Holdings will not be obligated to pay additional interest as described in the registration rights agreement. If you do not tender your outstanding notes in the exchange offer, you will continue to be entitled to all the rights and limitations applicable to the outstanding notes as set forth in the indenture, except Holdings will not have any further obligation to you to provide for the registration of the outstanding notes under the registration rights agreement and Holdings will not be obligated to pay additional interest as described in the registration rights agreement, except in certain limited circumstances. See Exchange Offer; Registration Rights.

To the extent that outstanding notes are tendered and accepted in the exchange offer, the trading market for outstanding notes could be adversely affected.

Consequences of Failure to Exchange

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

Material Income Tax Considerations

The exchange of outstanding notes for exchange notes in the exchange offer will not be a taxable event for United States federal income tax purposes. See Material U.S. Federal Income Tax Consequences.

Use of Proceeds

Holdings will not receive any cash proceeds from the issuance of exchange notes in the exchange offer.

Exchange Agent

Wells Fargo Bank, National Association whose address and telephone number is set forth in the section captioned The Exchange Offer Exchange Agent of this prospectus, is the exchange agent for the exchange offer for the outstanding notes.

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Summary of the Terms of the Exchange Notes

In this prospectus, the term "outstanding notes" refers to the outstanding \$257,927,000 aggregate principal amount at maturity of 9.5% Senior Discount Notes due 2014 issued in the private offering; the term "exchange notes" refers to the aggregate principal amount at maturity of Holdings' 9.5% Senior Discount Notes due 2014 as registered under the Securities Act of 1933, as amended (the "Securities Act"); and the term "notes" refers to both the outstanding notes and the exchange notes. The terms of the exchange notes will be identical in all material respects to the terms of the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of Holdings' obligations under the registration rights agreement. The exchange notes will evidence the same debt as the outstanding notes. The exchange notes will be governed by the same indenture under which the outstanding notes were issued, and the exchange notes and the outstanding notes will constitute a single class and series of notes for all purposes under the indenture. The following summary is not intended to be a complete description of the terms of the notes. For a more detailed description of the notes, see "Description of Notes."

Issuer	WMG Holdings Corp.
Notes Offered	\$257,927,000 aggregate principal amount at maturity of 9.5% Senior Discount Notes due 2014. As of March 31, 2005, the accreted value of the notes was \$167 million.
Maturity	December 15, 2014.
Original Issue Discount on the Discount Notes	The outstanding notes were offered with original issue discount for U.S. federal income tax purposes. Thus, although cash interest will not be payable on the notes prior to June 15, 2010, interest will accrue from the issue date of the notes based on the yield to maturity of the notes and will generally be included as interest income (including for periods ending prior to December 15, 2009) for U.S. federal income tax purposes in advance of receipt of the cash payments to which the income is attributable.
Ranking	<p>The outstanding notes are, and the exchange notes will be, senior unsecured obligations of Holdings and will:</p> <p style="padding-left: 40px;">rank equally in right of payment to all of Holdings' unsecured senior indebtedness;</p> <p style="padding-left: 40px;">rank senior in right of payment to any of Holdings' future senior subordinated unsecured indebtedness and future subordinated unsecured indebtedness; and</p> <p style="padding-left: 40px;">be effectively subordinated in right of payment to all of Holdings' existing and future secured debt (including Holdings' guarantee of \$1,188 million of borrowings under Acquisition Corp.'s senior credit facilities as of March 31, 2005 and the additional \$250 million of borrowings as of May 13, 2005 under Acquisition Corp.'s amended senior secured credit facility as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity"), to the extent of the value</p>

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of the assets securing such debt, and will be structurally subordinated to all obligations of each of Holdings' existing and future subsidiaries (including Acquisition Corp.'s \$465 million of 7³/₈% senior subordinated notes due 2014, £100 million of 8¹/₈% senior subordinated notes due 2014, \$1,188 million of borrowings under its senior credit facilities as of March 31, 2005 and the additional \$250 million of borrowings as of May 13, 2005 under Acquisition Corp.'s amended senior secured credit facility as described under Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity).

As of March 31, 2005:

Holdings had approximately \$1,188 million of senior indebtedness (other than the notes), all of which represented the secured guarantee by Holdings of borrowings by Acquisition Corp. under its senior credit facility. This amount does not include the guarantee by Holdings of the remaining \$250 million of additional borrowings available under Acquisition Corp.'s revolving credit facility or the additional \$250 million of new term loan borrowings under Acquisition Corp.'s senior secured credit facility, which was amended in May 2005 as part of the Concurrent Transactions. The guarantee by Holdings of borrowings under the credit facility is secured by a pledge of all the stock it owns in Acquisition Corp. and thus is effectively senior to the notes to the extent of the assets securing such guarantee;

Holdings would not have had any senior subordinated indebtedness; and

Holdings would not have had any subordinated indebtedness.

As of March 31, 2005, Holdings' subsidiary, Acquisition Corp., had \$1,188 million of debt outstanding under its credit agreement and an additional \$250 million available under its revolving credit facility, plus \$465 million of 7³/₈% senior subordinated notes due 2014 and £100 million of 8¹/₈% senior subordinated notes due 2014, all of which would be structurally senior to the notes. In addition, on May 13, 2005, we borrowed an additional \$250 million under the amended Acquisition Corp. senior secured credit facility as described under Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity.

Guarantee

Parent has unconditionally guaranteed the outstanding notes, and will unconditionally guarantee the exchange notes, on an unsecured, senior basis.

Optional Redemption

Prior to December 15, 2009, Holdings may redeem some or all of the notes at a price equal to 100% of the accreted value of the notes plus a make whole premium as set forth under Description of Notes - Optional Redemption.

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Additionally, Holdings may redeem the notes, in whole or in part, at any time on or after December 15, 2009 at the redemption prices set forth under Description of Notes Optional Redemption.

Optional Redemption After Certain Equity Offerings

At any time (which may be more than once) before December 15, 2007, Holdings may choose to redeem up to 35% of the notes with proceeds that it or one of its parent companies raises in one or more equity offerings, as long as:

Holdings pays 109.5% of the accreted value of the notes, plus accrued and unpaid interest;

Holdings redeems the notes within 90 days of completing the equity offering; and

at least 65% of the aggregate principal amount at maturity of the notes issued remains outstanding afterwards.

Unless Holdings issues additional notes, Holdings will not be able to redeem any of the notes pursuant to this provision.

See Description of Notes Optional Redemption.

Change of Control Offer

Upon the occurrence of a change in control, you will have the right, as holders of the notes, to require Holdings to repurchase some or all of your notes at 101% (100% in certain circumstances) of their accreted value plus accrued interest. See Description of Notes Change of Control.

Holdings may not be able to pay you the required price for notes you present to it at the time of a change of control, because:

Holdings may not have enough funds at that time; or

terms of its debt may prevent it from paying.

Asset Sale Proceeds

If Holdings or its restricted subsidiaries engage in asset sales, Holdings generally must either invest the net cash proceeds from such sales in its business within a period of time, prepay subsidiary debt or bank debt or make an offer to purchase a principal amount of the notes equal to the excess net cash proceeds. The purchase price of the notes will be 100% of their accreted value plus accrued and unpaid interest.

Certain Indenture Provisions

The indenture governing the notes contains covenants limiting Holdings ability and the ability of most or all of its subsidiaries to:

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incur additional debt or issue certain preferred shares;

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

make certain investments;

sell certain assets;

create liens on certain debt without securing the notes;

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consolidate, merge, sell or otherwise dispose of all or substantially all of their assets;

enter into certain transactions with their affiliates; and

designate their subsidiaries as unrestricted subsidiaries.

These covenants are subject to a number of important limitations and exceptions. See Description of Notes.

Absence of Public Market

The exchange notes will generally be freely transferable (subject to certain restrictions discussed in Exchange Offer; Registration Rights) but will be a new issue of securities for which there will not initially be a market. Accordingly, there can be no assurance as to the development or liquidity of any market for the exchange notes. The initial purchasers in the private offering of the outstanding notes have advised us that they currently intend to make a market for the exchange notes, as permitted by applicable laws and regulations. However, they are not obligated to do so and may discontinue any such market making activities at any time without notice. We do not intend to apply for a listing of the exchange notes on any securities exchange or automated dealer quotation system.

Listing

As noted above, Holdings does not intend to apply for a listing of the exchange notes on any securities exchange or automated dealer quotation system. The exchange notes are expected to trade in the over-the-counter market.

Use of Proceeds

Holdings will not receive any cash proceeds from the exchange offer. For a description of the use of proceeds from the private offering of the outstanding notes, see Use of Proceeds .

Risk Factors

See Risk Factors for a description of some of the risks you should consider before deciding to participate in the exchange offer.

Table of Contents**SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OTHER DATA**

Holdings, the issuer of the outstanding notes, is a holding company that conducts substantially all of its business operations through its only asset and wholly owned subsidiary, Acquisition Corp. Holdings is a wholly owned subsidiary of Parent. Parent has fully and unconditionally guaranteed the outstanding notes and will fully and unconditionally guarantee the exchange notes. Accordingly, we have presented the financial information of Parent. See Supplementary Information Condensed Consolidating Financial Statements to Parent's audited historical financial statements and unaudited interim financial statements, included elsewhere in this prospectus, for Holdings financial information on a stand-alone basis.

The following table sets forth Parent's summary historical and pro forma financial and other data as of the dates and for the periods indicated. Parent's summary balance sheet data as of September 30, 2004 and November 30, 2003 and the statement of operations and other data for each of (i) the seven months ended September 30, 2004, (ii) the three months ended February 29, 2004 and, (iii) the years ended November 30, 2003 and 2002 have been derived from Parent's audited financial statements included elsewhere in this prospectus. Parent's summary balance sheet data as of March 31, 2005 and the statement of operations and other data for each of the (i) ten months ended September 30, 2003, (ii) the five months ended February 29, 2004, (iii) the one month ended March 31, 2004 and the six months ended March 31, 2005 have been derived from Parent's unaudited financial statements included elsewhere in this prospectus. Parent's balance sheet data as of November 30, 2002 is derived from Parent's audited financial statements that are not included in this prospectus. Parent's summary historical balance sheet data as of September 30, 2003 and Parent's summary historical financial data as of and for each of the two years ended November 30, 2001 and 2000 have been derived from Parent's unaudited financial statements that are not included in this prospectus.

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

Parent's summary unaudited pro forma financial data for the twelve months ended September 30, 2004 give effect, in the manner described under Pro Forma Consolidated Condensed Financial Statements and the notes thereto, to (i) the acquisition of the business by Acquisition Corp. effective as of March 1, 2004 (the Acquisition) and the borrowings under the senior secured credit facility and bridge loan and an initial capital investment by the Investor Group (the Original Financing), (ii) the use of the proceeds from the issuance of Acquisition Corp.'s \$465 million 7³/₈% senior subordinated notes due 2014 (the dollar notes) and £100 million/8% senior subordinated notes due 2014 (the sterling notes), and collectively with the dollar notes the Acquisition Corp. Notes), additional borrowings under the senior secured credit facility and cash on hand to repay or return certain amounts incurred in connection with the Original Financing (the Refinancing), (iii) our CD and DVD manufacturing, packaging and physical distribution agreements (the Cinram Agreements) with Cinram, (iv) the Holdings Refinancing, (v) the Recapitalization and the Initial Public Offering and (vi) the Concurrent Transactions as if they all occurred as of October 1, 2003. The summary pro forma financial data are presented for informational purposes only and are not necessarily indicative of Parent's financial position or results of operations that would have occurred had the transactions been consummated as of the dates indicated. In addition, the summary pro forma combined financial data are not necessarily indicative of Parent's future financial condition or operating results.

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The following Parent unaudited pro forma consolidated condensed statement of operations for the six months ended March 31, 2005 gives effect to (i) the Holdings Refinancing, (ii) the Initial Public Offering and (iii) the Concurrent Transactions, as of October 1, 2003. All financial effects resulting from the Acquisition and the Original Financing, the Cinram Agreements and the Refinancing are already reflected in Parent's historical statement of operations for the six months ended March 31, 2005, and accordingly, no pro forma adjustments to the statement of operations for such period are necessary.

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

												Historical		Pro Forma					
												Predecessor				Successor			
Fiscal Years Ended November 30,				Ten		Three		Seven				Twelve							
				Months		Months		Months		Six		Months							
				Ended		Ended		One		Months		Months							
				September 30,		February 29,		Month		Ended		Six							
				2000		2004		Ended		March		Months							
				2001		2004		March		September 30,		Ended							
				2002		2004		31,		March		September 30,							
				2003		2004		2004		2005		2004(2)							
				2003		2004		2004		2005		2005(2)							

(unaudited) (unaudited) (audited) (audited) (unaudited) (audited) (unaudited) (unaudited) (audited) (unaudited) (unaudited) (unaudited)

(1) (1) (1) (1)

(in millions)

Statement of Operations Data:												
Revenues	\$ 3,461	\$ 3,226	\$ 3,290	\$ 3,376	\$ 2,487	\$ 779	\$ 1,668	\$ 245	\$ 1,769	\$ 1,855	\$ 3,436	\$ 1,855
Cost of revenues	(1,960)	(1,731)	(1,873)	(1,940)	(1,449)	(415)	(906)	(130)	(944)	(981)	(1,843)	(981)
Selling, general and administrative expenses	(1,297)	(1,402)	(1,282)	(1,286)	(995)	(319)	(610)	(97)	(677)	(624)	(1,291)	(624)
Impairment of goodwill and other intangible assets			(1,500)	(1,019)			(1,019)				(1,019)	
Depreciation and amortization	(282)	(868)	(249)	(328)	(272)	(72)	(128)	(21)	(140)	(121)	(245)	(121)
Operating income (loss)	(36)	(766)	(1,542)	(1,158)	(197)	(11)	(972)	3	18	157	(929)	157
Interest expense, net	(13)	(34)	(23)	(5)	(5)	(2)	(2)	(10)	(80)	(90)	(150)	(83)
Income (loss) before cumulative effect of accounting change	(408)	(910)	(1,230)	(1,353)	(201)	(32)	(1,184)	(10)	(238)	40	(901)	35
Net income (loss)	\$ (408)	\$ (910)	\$ (6,026)	\$ (1,353)	\$ (201)	\$ (32)	\$ (1,184)	\$ (10)	\$ (238)	\$ 40	(901)	35
Segment Data:												
Revenues:												
Recorded Music	\$ 2,929	\$ 2,701	\$ 2,752	\$ 2,839	\$ 2,039	\$ 630	\$ 1,430	190	\$ 1,429	1,561	N/A	N/A
Music Publishing	554	547	563	563	467	157	253	55	348	309	N/A	N/A
Intersegment eliminations	(22)	(22)	(25)	(26)	(19)	(8)	(15)		(8)	(15)	N/A	N/A
Total revenues	\$ 3,461	\$ 3,226	\$ 3,290	\$ 3,376	\$ 2,487	\$ 779	\$ 1,668	245	\$ 1,769	\$ 1,855	\$ 3,436	\$ 1,855
Operating income (loss):												
Recorded Music	\$ (22)	\$ (733)	\$ (1,206)	\$ (1,130)	\$ (181)	\$ (9)	(958)	(2)	\$ 24	182	N/A	N/A
Music Publishing	47	23	(273)	23	19	17	21	9	53	42	N/A	N/A

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Corporate expenses	(61)	(56)	(63)	(51)	(35)	(19)	(35)	(4)	(59)	(67)	N/A	N/A
Total operating income (loss)	\$ (36)	\$ (766)	\$ (1,542)	\$ (1,158)	\$ (197)	\$ (11)	\$ (972)	3	\$ 18	\$ 157	\$ (929)	\$ 157
OIBDA(3):												
Recorded Music	\$ 214	\$ 73	\$ 173	\$ 116	\$ 8	\$ 38	146	12	\$ 120	266	N/A	N/A
Music Publishing	91	81	88	107	88	38	57	15	87	71	N/A	N/A
Corporate expenses	(59)	(52)	(54)	(34)	(21)	(15)	(28)	(3)	(49)	(59)	N/A	N/A
Total OIBDA(3)	\$ 246	\$ 102	\$ 207	\$ 189	\$ 75	\$ 61	\$ 175	24	\$ 158	\$ 278	\$ 335	\$ 278

Other Financial Data:

Deficiency in earnings over fixed charges(4)	\$ (365)	\$ (1,066)	\$ (1,570)	\$ (1,317)	\$ (268)	\$ (15)	\$ (1,064)	(11)	(74)	N/A	\$ (1,176)	N/A
Ratio of earnings to fixed charges	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.78	N/A	1.83

Cash Flow Data:

Cash flows provided by (used in):												
Operating activities	\$ 75	\$ (122)	\$ (13)	\$ 278	\$ 257	\$ 321	\$ 352	(2)	\$ 86	\$ 292	N/A	N/A
Investing activities	(153)	(175)	(365)	(65)	(73)	14	17	(2,640)	(2,663)	(61)	N/A	N/A
Financing activities	61	227	385	(121)	(151)	(10)	18	2,700	2,661	(342)	N/A	N/A
Capital expenditures	(64)	(91)	(88)	(51)	(30)	(3)	(24)	(15)	(14)	N/A	N/A	N/A

Balance Sheet Data (at period end):

Cash and equivalents	\$ 106	\$ 34	\$ 41	\$ 144	\$ 80	\$ 471	\$ 471	\$ 529	\$ 555	\$ 447	N/A	\$ 284
Total assets	6,791	17,642	5,679	4,484	5,255	4,560	4,560	5,185	5,090	4,742	N/A	4,570
Total debt (including current portion of long-term debt)	102	115	101	120	115	132	132	1,650	1,840	2,550	N/A	2,264
Shareholder's equity (deficit)	5,228	14,588	3,001	1,587	2,673	1,691	1,691	838	280	(137)	N/A	113

- (1) Audited, except for other Financial Data.
(2) See Pro Forma Consolidated Condensed Financial Statements.
(3) We evaluate segment and consolidated performance based on several factors, of which the primary measure is operating income (loss) before non-cash depreciation of tangible assets, non-cash amortization of intangible assets and non-cash impairment charges to reduce the carrying value of goodwill and intangible assets (which we refer to as OIBDA). See Use of OIBDA under Management's Discussion and Analysis of Financial Condition and Results of Operations elsewhere herein. Note that OIBDA is different from Adjusted EBITDA as defined in Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition and Liquidity Covenant Compliance, which is presented on a consolidated and combined basis therein as a covenant compliance measure. The following is a reconciliation of operating income, which is a GAAP measure of our operating results, to OIBDA.

	Historical						Pro Forma							
	Predecessor				Successor		One			Twelve				
	Fiscal Years Ended November 30,				Ten	Three	Months			One	Months	Six	Six	
	Ended				Months	Months	Five	Month	Months	Six	Months	Months	Months	
	September 30,				February 29,	Months	Month	Months	Six	Months	Months	Months	Months	
	2000				2001	2002	2003	2003	2004	2004	2004	2005	2004(1)	2005(1)
Operating income (loss)	(36)	(766)	(1,542)	(1,158)	(197)	(11)	(972)	3	18	157	(929)	157		
Depreciation and amortization expense	282	868	249	328	272	72	128	21	140	121	245	121		
			1,500	1,019			1,019				1,019			

(in millions)

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Impairment of goodwill and other
intangible assets

OIBDA	\$ 246	\$ 102	\$ 207	\$ 189	\$ 75	\$ 61	\$ 175	\$ 24	\$ 158	\$ 278	\$ 335	\$ 278
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(4) For purposes of calculating the earnings to fixed charges, earnings represent income (loss) before income taxes plus fixed charges. Fixed charges consist of interest expense and one-third of rental expense under operating leases (the portion that has been deemed by management to be representative of the interest factor). In periods where earnings were insufficient to cover fixed charges, the deficiency of earnings over fixed charges has been disclosed. Pretax earnings for 2002 and 2003 have been reduced by a \$1.5 billion and \$1.0 billion, respectively, non-cash charge to reduce the carrying value of our goodwill and other intangible assets. Accordingly, because this charge was non-cash, it is not indicative of our ability to cover our fixed charges with pretax earnings. Excluding the non-cash impairment charge for 2002 and 2003 on a historical basis, and the twelve months ended September 30, 2004 on a pro forma basis, would result in a deficiency of earnings over fixed charges of \$70 million in 2002, \$298 million in 2003 and \$207 for the twelve months ended September 30, 2004. In addition, deficiency of earnings over fixed charges in each period includes significant non-cash amortization expenses on intangible assets of \$93 million, \$178 million, \$93 million, \$104 million, \$15 million, \$97 million, \$56 million, \$201 million, \$242 million, \$182 million, \$821 million and \$240 million in each of the pro forma six months ended March 31, 2005, pro forma twelve months ended September 30, 2004, the six months ended March 31, 2005, the seven months ended September 30, 2004, the one month ended March 31, 2004, the five months ended February 29, 2005, the three months ended February 29, 2004, the ten months ended September 30, 2003 and fiscal 2003, 2002, 2001 and 2000, respectively.

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RISK FACTORS

You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before participating in the exchange offer. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, you may lose all or part of your original investment.

Risks Related to the Exchange Offer

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

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

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

Risks Related to the Business

Increased costs associated with corporate governance compliance may significantly affect our results of operations.

The Sarbanes-Oxley Act of 2002 and our being subject to the Securities Exchange Act of 1934, as amended, will require changes in some of our corporate governance and securities disclosure and compliance practices, and will require a review of our internal control procedures. For example, we will be required to implement disclosure controls, which currently need to be improved. We expect these developments to increase our legal compliance and financial reporting costs. In addition, they could make it more difficult for us to attract and retain qualified members of our board of directors, or qualified executive officers. Finally, director and officer liability insurance for public companies like us has become more difficult and more expensive to obtain, and we may be required to accept reduced coverage or incur higher costs to obtain coverage that is satisfactory to us and our officers or directors. We are presently evaluating and monitoring regulatory developments and cannot estimate the timing or magnitude or additional costs we may incur as a result.

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

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We are evaluating our internal controls over financial reporting in order to allow management to report on, and our independent auditors to attest to, our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC thereunder, which we refer to as Section 404. Section 404 requires a reporting company such as ours to, among other things, annually review and disclose its internal controls over financial reporting, and evaluate and disclose changes in its internal controls over financial reporting quarterly. We will be required to comply with Section 404 as of September 30, 2006. We

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

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

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

During the transition from a subsidiary of a multinational company to a stand alone entity, our outside auditors advised the audit committee of our board of directors and our management that numerous entity level controls were limited or not in place, including the need for a permanent chief financial officer (who we have since hired) and additional skilled accounting and SEC experienced personnel to enhance the accounting department both domestically and internationally, the need to develop a tax group, the need to establish our own internal audit department, the need to considerably enhance our documentation of our systems and controls, and the need to develop and implement a formal code of conduct. In addition, our outside auditors noted that our domestic operations currently use different royalty systems, which has created certain complexities in reconciling royalty expense and payables. While we recognize that additional staff is needed to cope with current requirements in royalty processing until a new system can be developed, we may not be able to hire and train additional staff. Finally, our auditors noted that our overall controls at our print business are significantly deficient. In December 2004, we entered into a definitive agreement to sell our print business to Alfred Publishing and the sale was consummated on May 31, 2005.

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

recently hiring a permanent chief financial officer;

establishing an audit committee and appointing an independent director who is a financial expert as the chair of the committee;

outsourcing our internal audit functions and hiring a director of internal audit;

hiring external resources to lead our Section 404 evaluation efforts;

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adopting a new code of conduct and hiring outside consultants to assist in the implementation of the new code of conduct;

hiring additional outside resources to assist our internal personnel with royalties accounting and SEC reporting;

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hiring other accounting and SEC experienced personnel to enhance the accounting department;

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

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

While we have begun to take actions to address the items identified, additional measures will be necessary and these measures along with other measures we expect to take to improve our internal controls may not be sufficient to address the issues identified by our outside auditors or ensure that our internal controls are effective. If we are unable to provide reliable and timely financial reports our business and prospects could suffer material adverse effects and our share price could be adversely affected.

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

Illegal downloading of music from the Internet, CD-R piracy, industrial piracy, economic recession, bankruptcies of record wholesalers and retailers and growing competition for consumer discretionary spending and retail shelf space may all be contributing to a declining recorded music industry. Additionally, the period of growth in recorded music sales driven by the introduction and penetration of the CD format has ended. While DVD-Audio, DualDisc and downloadable digital files are thought to represent potential new avenues for growth, no significant new legitimate audio format has yet emerged to take the place of the CD. The value of worldwide sales fell as the music industry witnessed a decline of 4.9% from 1999 to 2000, 5.7% from 2000 to 2001, 6.7% from 2001 to 2002, 7.6% from 2002 to 2003. Although we believe that the recorded music industry should improve as evidenced by the year-over-year growth in U.S. music physical unit sales in 2004 and the performance in overall (physical and digital) music unit sales globally in 2004, the industry may relapse into a period of decline as witnessed from 1999 to 2003. We cannot assure you as to the timing or the extent of any improvement in the industry or that the evidence of improvement in 2004 based upon U.S. sales through the one-year period ending January 2, 2005 and global sales in the first half of 2004 will continue. For example, as of July 3, 2005, year-to-date U.S. recorded music sales (excluding sales of digital tracks) are down approximately 7.1% year-over-year. A declining recorded music industry is likely to lead to reduced levels of revenue and operating income generated by our Recorded Music business. Additionally, a declining recorded music industry is also likely to have a negative impact on our Music Publishing business, which generates a significant portion of its revenues from mechanical royalties, primarily from the sale of music in CD and other recorded music formats.

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

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

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

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We are dependent on identifying, signing and retaining artists with long-term potential, whose debut albums are well received on release, whose subsequent albums are