

Warner Music Group Corp.  
Form DEF 14A  
January 21, 2009  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |   |   |
|---|---|
| <input type="checkbox"/> Preliminary Proxy Statement                  | <input type="checkbox"/> <b>Confidential, For Use of the Commission</b> |
| <input checked="" type="checkbox"/> Definitive Proxy Statement        | <input type="checkbox"/> <b>Only (as permitted by Rule 14a-6(e)(2))</b> |
| <input type="checkbox"/> Definitive Additional Materials              |   |
| <input type="checkbox"/> 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)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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(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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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

(4) Date Filed:

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Dear Fellow Stockholder:

It is my pleasure to invite you to attend our 2008 Annual Meeting of Stockholders on February 23, 2009 at 10:00 a.m. (local time). The meeting will be held at 66 East 55<sup>th</sup> Street, New York, New York 10022.

Details of the business to be conducted at the meeting are given in the attached Notice of Annual Meeting of Stockholders and the attached Proxy Statement, which we sent on or about January 21, 2009 to our stockholders of record as of the close of business on January 9, 2009. At the meeting, we will also respond to your questions.

Your vote is important. Whether or not you plan to attend the meeting, we urge you to vote and submit your proxy over the Internet, by telephone or by mail in accordance with the instructions listed on the proxy card. Please refer to the enclosed proxy card for voting instructions.

I look forward to greeting those of you who are able to attend.

Sincerely,

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

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**Warner Music Group Corp.**

**75 Rockefeller Plaza**

**New York, New York 10019**

**(212) 275-2000**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TIME:** 10:00 a.m. (local time), on February 23, 2009

**PLACE:** 66 East 55<sup>th</sup> Street

New York, New York 10022

**ITEMS OF BUSINESS:**

- (1) To elect the 12 nominees named in the attached Proxy Statement as directors for a term of one year, and until their successors are duly elected and qualified;
- (2) To ratify the appointment of the firm of Ernst & Young LLP as independent registered public accountants of the Company for the fiscal year ending September 30, 2009; and
- (3) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

**WHO MAY VOTE:** You may vote if you were a stockholder of record as of the close of business on January 9, 2009.

**ANNUAL REPORT:** A copy of our 2008 Annual Report is available at  
[HTTP://MATERIALS.PROXYVOTE.COM/934550](http://materials.proxyvote.com/934550).

**DATE OF MAILING:** This Notice of 2008 Annual Meeting of Stockholders and this Proxy Statement are first being mailed to stockholders on or about January 21, 2009.

**Whether or not you plan to attend the Annual Meeting in person, please sign and date the enclosed proxy and return it promptly in the enclosed pre-addressed reply envelope.** Holders of record must vote by completing the enclosed proxy card. If shares are held in a bank or brokerage account, you may be eligible to vote electronically or by telephone. You need to vote in accordance with the instructions listed on the proxy card. Please refer to the enclosed proxy card for voting instructions. You may revoke a previously delivered proxy at any time prior to the meeting. Any stockholder of record who is present at the meeting may vote in person instead of by proxy, thereby canceling any previous proxy. You may not appoint more than three persons to act as your proxy at the meeting.

**Please note that, if you plan to attend the Annual Meeting in person, you will need to register in advance to be admitted.** You can register in advance by telephone by calling the Company's Investor Relations department at (212) 275-2000 or via the Internet at [Investor.Relations@wmg.com](mailto:Investor.Relations@wmg.com) by Friday, February 20, 2009. If you are a holder of record and plan to attend the Annual Meeting, you also can register by checking the appropriate box on your proxy card. The Annual Meeting will start promptly at 10:00 a.m. (local time). To avoid disruption, admission may be limited once the Annual Meeting begins.

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**In addition to registering in advance, you will be required to present government-issued photo identification (e.g., driver's license or passport) to enter the Annual Meeting.** If your shares are registered in your name, you should bring a form of photo identification to the Annual Meeting. If your shares are held in the name of a broker, dealer, bank, trustee or other nominee, you will need to bring a proxy or letter from that broker, dealer, bank, trustee or other nominee that confirms that you are the beneficial owner of those shares, together with a form of photo identification. Packages and bags will be inspected, and bags may have to be checked, among other measures that may be employed to enhance the security of those attending the meeting. These procedures may require additional time, so please plan accordingly.

BY ORDER OF THE BOARD OF DIRECTORS

PAUL M. ROBINSON

*Executive Vice President, General Counsel and Secretary*

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**WARNER MUSIC GROUP CORP.**

**75 Rockefeller Plaza**

**New York, New York 10019**

**PROXY STATEMENT**

**FOR**

**ANNUAL MEETING OF STOCKHOLDERS**

**ANNUAL MEETING MATTERS**

These proxy materials are provided in connection with the solicitation of proxies by the Board of Directors of Warner Music Group Corp. (the Company), a Delaware corporation, for the Company's fiscal 2008 Annual Meeting (the Annual Meeting) of Stockholders to be held at 10:00 a.m. (local time) on Monday, February 23, 2009, at 66 East 55<sup>th</sup> Street, New York, New York 10022, or at any adjournments or postponements of the Annual Meeting. You may obtain directions to the meeting by contacting the Company's Investor Relations department at (212) 275-2000 or via the Internet at *Investor.Relations@wmg.com*.

**GENERAL INFORMATION ABOUT VOTING**

***General***

This Proxy Statement has information about the Annual Meeting and was prepared by our management for our Board of Directors. This Proxy Statement is being sent through the United States postal service or, if properly requested, by e-mail to stockholders on or around January 19, 2009.

***Purpose of the meeting***

The specific proposals to be considered and acted upon at the Annual Meeting are summarized in the accompanying Notice of Annual Meeting of Stockholders. Each proposal is described in more detail in this Proxy Statement.

***Who can vote?***

You can vote your shares of common stock if our records show that you owned the shares on the record date January 9, 2009. A total of 154,462,884 shares of common stock can vote at the Annual Meeting. You get one vote for each share of common stock that you hold. Only holders of the Company's common stock as of the record date are entitled to notice of and to vote on some or all of the matters listed in this Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders. The stock transfer books will not be closed between the record date and the date of the meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at the Company's principal executive offices at the address listed above.

***How do I vote if my shares are held in street name ?***

If your shares are held in the name of your broker, dealer, bank, trustee or other nominee, that party should give you instructions for voting your shares. If shares are held in a bank or brokerage account, you may be eligible to vote electronically or by telephone. The instructions set forth below apply to registered holders only and not those whose shares are held in the name of a nominee.

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### ***How do I vote by proxy if I am a registered holder?***

Follow the instructions on the enclosed proxy card to vote on each proposal to be considered at the Annual Meeting. Sign and date the proxy card and mail it back to us in the enclosed envelope. The proxy holders named on the proxy card will vote your shares as you instruct. If you sign and return the proxy card but do not vote on a proposal, the proxy holders will vote for you on that proposal. Unless you instruct otherwise, the proxy holders will vote in the manner set forth below:

1. FOR the election of all director nominees listed below in Proposal No. 1;
2. FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accountants for the fiscal year ending September 30, 2009 as described in Proposal No. 2; and
3. In the manner that the proxy holders deem appropriate for any other proposal to be considered at the Annual Meeting.

The proxy holders for the stockholders are Edgar Bronfman, Jr., Paul M. Robinson and Trent N. Tappe. A stockholder wishing to name another person as his or her proxy holder may do so by crossing out the names of the designated proxy holders and inserting the name of such other person to act as his or her proxy. In that case, it will be necessary for the stockholder to sign the proxy card and deliver it to the person named as his or her proxy holder and for the person so named to be present to vote at the Annual Meeting. Proxy cards so marked should not be mailed to us.

### ***How do I vote at the Annual Meeting?***

If you are a registered stockholder and you wish to vote at the Annual Meeting, written ballots will be available at the meeting. If your shares are held in street name in the name of a broker, dealer, bank, trustee or other nominee or holder of record and you decide to attend and vote at the Annual Meeting you will need to obtain a proxy, executed in your favor, from the holder of record to be able to vote at the Annual Meeting. If you vote by proxy and also attend the Annual Meeting, there is no need to vote again at the Annual Meeting unless you wish to change your vote.

### ***On what matters may I vote?***

1. The election of 12 directors for a term of one year, and until the next annual meeting of stockholders and until their successors are duly elected and qualified; and
2. The ratification of the appointment of Ernst & Young LLP as our independent registered public accountants for the fiscal year ending September 30, 2009.

The foregoing items of business are more fully described in the Proxy Statement. None of the proposals requires the approval of any other proposal to become effective.

### ***How does the Board of Directors recommend that I vote on the proposals?***

The Board of Directors recommends a vote FOR the election of each of the nominees of the Board of Directors (Proposal No. 1) and FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2009 (Proposal No. 2).

### ***What if other matters come up at the Annual Meeting?***

The matters described in this Proxy Statement are the only matters we know will be voted at the Annual Meeting. If other matters are properly presented at the Annual Meeting, the proxy holders will vote your shares as they see fit.



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### ***Can I change my vote after I return my proxy card?***

Yes. At any time before the vote on a proposal, you can change your vote either by giving our Corporate Secretary a written notice revoking your proxy card, by personally appearing at the Annual Meeting or by signing, dating and returning to us a new proxy card. We will honor the proxy card with the latest date. However, no revocation will be effective unless we receive notice of such revocation at or prior to the Annual Meeting. For those stockholders who submit a proxy electronically or by telephone, the date on which the proxy is submitted in accordance with the instructions listed on the proxy card is the date of the proxy.

### ***Can I vote in person at the Annual Meeting rather than by completing the proxy card?***

Although we encourage you to complete and return the proxy card to ensure that your vote is counted, you can attend the Annual Meeting and vote your shares in person.

### ***How is a quorum obtained?***

We will hold the Annual Meeting if a quorum is present. 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 Annual Meeting are present in person or represented by proxy at the meeting. If a quorum is not present at the Annual Meeting, the Annual Meeting may be adjourned from time to time until a quorum is obtained. If you sign and return your proxy card, your shares will be counted to determine whether we have 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.

### ***How many votes are required to approve the proposals?***

A plurality of the votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors is required for the election of directors. Therefore, the 12 directors who receive the most votes will be elected. A withhold vote in the election of directors will have the same effect as an abstention. However, neither an abstention nor a withhold vote will affect the outcome of the election.

Any other proposal requires the affirmative vote of the majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the proposal. If you abstain from voting on any other proposal it will have the same effect on the vote as a vote against the proposal.

### ***What is a broker non-vote ?***

The New York Stock Exchange ( NYSE ) has rules that govern brokers who have record ownership of listed company stock held in brokerage accounts for their clients who beneficially own the shares. Under these rules, brokers who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on certain matters ( discretionary matters ) but do not have discretion to vote uninstructed shares as to certain other matters ( non-discretionary matters ). A broker may return a proxy card on behalf of a beneficial owner from whom the broker has not received instructions that casts a vote with regard to discretionary matters but expressly states that the broker is not voting as to non-discretionary matters. The broker's inability to vote with respect to the non-discretionary matters with respect to which the broker has not received instructions from the beneficial owner is referred to as a broker non-vote. Under current NYSE interpretations, neither Proposal No. 1 nor Proposal No. 2 is considered a non-discretionary matter.

### ***Who will count the votes?***

Broadridge Financial Solutions, Inc. will count the votes and act as the inspector of election.

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***Who is making and paying for this proxy solicitation?***

This proxy is solicited on behalf of the Board of Directors. The Company will pay the cost of distributing this Proxy Statement and related materials. Our officers may solicit proxies by mail or telephone. We will furnish copies of these materials to banks, brokers, fiduciaries, custodians and other nominees that hold shares on behalf of beneficial owners so that they may forward the materials to the beneficial owners. The Company may, if appropriate, retain an independent proxy solicitation firm to assist the Company in soliciting proxies. If the Company does retain a proxy solicitation firm, the Company would pay such firm's customary fees and expenses which fees would be expected to be approximately \$10,000, plus expenses.

***Is my vote confidential?***

Proxy cards, ballots and voting tabulations that identify individual stockholders are mailed or returned directly to Broadridge Financial Solutions and handled in a manner that protects your voting privacy. Your vote will not be disclosed EXCEPT:

1. as needed to permit Broadridge Financial Solutions to tabulate and certify the vote;
2. as required by law; or
3. in limited circumstances such as a proxy contest in opposition to the Board of Directors.

In addition, all comments written on the proxy card or elsewhere will be forwarded to management, but your identity will be kept confidential unless you ask that your name be disclosed.

***Company information and mailing address***

We were incorporated under Delaware law on November 21, 2003. Our principal executive offices are located at 75 Rockefeller Plaza, New York, New York 10019. Our telephone number is (212) 275-2000. Our website address is [www.wmg.com](http://www.wmg.com).

References in this Proxy Statement to WMG, Company, we, us and our refer to Warner Music Group Corp. and our consolidated subsidiaries unless the context requires otherwise. Information on our website is not intended to be incorporated into this Proxy Statement.

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**PROPOSALS YOU MAY VOTE ON**

**PROPOSAL NO. 1:**

**ELECTION OF DIRECTORS**

Upon the recommendation of the Executive, Governance and Nominating Committee, our Board of Directors has nominated for election at the Annual Meeting the following slate of 12 nominees:

Edgar Bronfman, Jr.

Shelby W. Bonnie

Richard Bressler

John P. Connaughton

Phyllis E. Grann

Michele J. Hooper

Scott L. Jaeckel

Seth W. Lawry

Thomas H. Lee

Ian Loring

Mark Nunnally

Scott M. Sperling

Each of the nominees is currently serving as a director of the Company and was elected at our 2007 annual meeting. The Company's Board of Directors may consist of up to 14 directors pursuant to the terms of the stockholders agreement described below under "Certain Relationships and Related Party Transactions." For more information regarding the independence of our directors and the terms of the stockholders agreement regarding the size of the Board of Directors, please see "Board of Directors and Governance" Independence.

For more information about each director, please see "Information about Directors." The persons named in the enclosed proxy intend to vote such proxy for the election of each of the 12 nominees named above, unless the stockholder indicates on the proxy that the vote should be withheld from any or all of the nominees. The Company expects each nominee for election as a director at the Annual Meeting to be able to accept such nomination. If any nominee is unable to accept the nomination, proxies will be voted in favor of the remainder of those nominated and may be voted for substitute nominees. There are no family relationships among the nominees or between any nominee and any of our executive officers.

**Vote Required for Approval**

A plurality of the votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors is required for the election of directors. The 12 nominees receiving the highest number of affirmative votes of the shares entitled to vote at the Annual Meeting will be elected to the Board of Directors to serve until the next annual meeting of stockholders and until their successors have been elected and qualified. You may not vote for more individuals than the number nominated. Stockholders may also not cumulate votes in the election of directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF**

**EACH OF THE DIRECTOR NOMINEES SET FORTH ABOVE**

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**PROPOSAL NO. 2:**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT**

**REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee has selected Ernst & Young LLP as independent registered public accountants of the Company to audit the Company's consolidated financial statements for the fiscal year ending September 30, 2009 and the Board of Directors has determined that it would be desirable to request that the stockholders ratify such appointment. Before selecting Ernst & Young, the Audit Committee considered the firm's qualifications as independent registered public accountants and concluded that based on Ernst & Young's prior performance and its reputation for integrity and competence, it was qualified. The Audit Committee also considered whether any non-audit services performed for the Company by Ernst & Young would impair Ernst & Young's independence and concluded that they did not.

Ernst & Young has audited the Company's consolidated financial statements since the Company was acquired from Time Warner Inc. in March 2004.

A representative of Ernst & Young is expected to be present at the Annual Meeting, will have an opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions.

**Vote Required for Approval**

Stockholder ratification is not required for making such appointment for the fiscal year ending September 30, 2009 because the Audit Committee has responsibility for the appointment of our independent registered public accountants. The appointment is being submitted for ratification with a view toward soliciting the opinion of stockholders, which opinion will be taken into consideration in future deliberations. No determination has been made as to what action the Board of Directors or the Audit Committee would take if stockholders do not approve the appointment.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE**

**FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**



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The following table sets forth the names, ages and positions of our directors as of January 14, 2009. Len Blavatnik, who served as our director since March 4, 2004, resigned as a director on January 16, 2008. Jonathan Nelson, who served as our director since March 4, 2004, resigned as a director on October 24, 2008. Our directors' respective backgrounds are described following the table:

<b>Name</b>	<b>Age</b>	<b>Position with Company</b>
Edgar Bronfman, Jr.(1)	53	Chairman of the Board and Chief Executive Officer
Shelby W. Bonnie(3)	44	Director
Richard J. Bressler	51	Director
John P. Connaughton	43	Director
Phyllis E. Grann(3)	71	Director
Michele J. Hooper(3)(4)	57	Director
Scott L. Jaeckel	38	Director
Seth W. Lawry(1)(2)	44	Director
Thomas H. Lee(1)(2)	64	Director
Ian Loring(1)(2)	42	Director
Mark Nunnally(1)(2)	50	Director
Scott M. Sperling(1)(2)(5)	51	Director

- (1) Member of the Executive, Governance and Nominating Committee
- (2) Member of the Compensation Committee
- (3) Member of the Audit Committee
- (4) Lead Independent Director
- (5) Presiding Director

*Edgar Bronfman, Jr.* has served as our Chairman of the Board and CEO since March 1, 2004. Before joining Warner Music Group, Mr. Bronfman served as Chairman and CEO of Lexa Partners LLC, which he founded, from April 2002. Prior to Lexa Partners, Mr. Bronfman was appointed Executive Vice Chairman of Vivendi Universal in December 2000. He resigned from his position as an executive officer of Vivendi Universal on December 6, 2001, resigned as an employee of Vivendi Universal on March 31, 2002 and resigned as Vice Chairman of Vivendi Universal's Board of Directors on December 2, 2003. Prior to the December 2000 formation of Vivendi Universal, Mr. Bronfman was President and CEO of The Seagram Company Ltd., a post he held since June 1994. During his tenure as the CEO of Seagram, he consummated \$85 billion in transactions and transformed the company into one of the world's leading media and communications companies. From 1989 until June 1994, Mr. Bronfman served as President and COO of Seagram. Between 1982 and 1989, he held a series of senior executive positions for The Seagram Company Ltd. in the U.S. and in Europe. Mr. Bronfman serves on the Boards of InterActiveCorp and New York University Langone Medical Center and the Board of Governors of The Joseph H. Lauder Institute of Management and International Studies at the University of Pennsylvania. He is also the Chairman of the Board of Endeavor Global, Inc. and is a Member of the J.P. Morgan Chase National Advisory Board and the Council on Foreign Relations. Mr. Bronfman also serves as general partner at Accretive, LLC, a venture capital firm specializing in the business process outsourcing area.

*Shelby W. Bonnie* has served as our director since November 4, 2005. Mr. Bonnie is the CEO of Whiskey Media LLC, a position he has held since June 2007. Previously, Mr. Bonnie was a co-founder of CNET Networks and was at CNET Networks as both an executive and member of the Board of Directors from 1993 to 2006. He served as a director of CNET Networks until March 2007, served as Chief Executive Officer of CNET Networks from March 2000 to October 2006 and served as Chairman of the Board of Directors of CNET Networks from November 2000 to October 2006. Mr. Bonnie has also held the positions of Chief Operating Officer and Chief Financial Officer of CNET Networks. Prior to joining CNET Networks, Mr. Bonnie held positions at Tiger Management Corporation, a New York-based investment managing firm, Lynx Capital, a private equity fund, and in the mergers and acquisitions department of Morgan Stanley & Co. Inc. Mr. Bonnie received a B.S. in Commerce from the University of Virginia and an M.B.A. from Harvard Business School.

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*Richard J. Bressler* has served as our director since May 10, 2005. Mr. Bressler is a Managing Director of Thomas H. Lee Partners, L.P. Prior to joining Thomas H. Lee Partners, L.P. in 2006, Mr. Bressler was employed by Viacom, Inc. from May 2001 through 2005 as Senior Executive Vice President and Chief Financial Officer with responsibility for managing all strategic, financial, business development and technology functions. Prior to that, Mr. Bressler served in various capacities with Time Warner Inc., including as Chairman and Chief Executive Officer of Time Warner Digital Media. He also served as Executive Vice President and Chief Financial Officer of Time Warner Inc. from March 1995 to June 1999. Prior to joining Time Inc. in 1988, Mr. Bressler was a partner with the accounting firm of Ernst & Young since 1979. Mr. Bressler is currently a director of Gartner, Inc., Nielsen Company, CC Media Holdings, Inc. and American Media Operations, Inc. In addition, Mr. Bressler is a member of the J.P. Morgan Chase National Advisory Board. Mr. Bressler holds a B.B.A. from Adelphi University.

*John P. Connaughton* has served as our director since March 4, 2004. He has been a Managing Director of Bain Capital Partners, LLC since 1997 and a member of the firm since 1989. Prior to joining Bain Capital, Mr. Connaughton was a strategy consultant at Bain & Company, Inc., where he advised Fortune 500 companies. He currently serves as a director of AMC Theatres, Clear Channel Communications, Inc., Sungard Data Systems, Hospital Corporation of America, M/C Communications (PriMed), Warner Chilcott, CRC Health Group, Quintiles Transnational Corp. and The Boston Celtics. He also volunteers for a variety of charitable organizations, serving as a member of The Berklee College of Music Board of Trustees and the UVa McIntire Foundation Board of Trustees. Mr. Connaughton received a B.S. in Commerce from the University of Virginia and an M.B.A. from Harvard Business School.

*Phyllis E. Grann* has served as our director since July 26, 2006. Since 2003, Ms. Grann has been a senior editor at Doubleday, a division of Random House, Inc. From 1996 to 2002, Ms. Grann was the Chief Executive Officer and President of Penguin Putnam, Inc., the U.S. affiliate of The Penguin Group. Before Penguin USA and Putnam Berkley merged in November of 1996, Ms. Grann had been Chairman and Chief Executive Officer of The Putnam Berkley Group. She joined Putnam Berkley in 1976 as Editor-in-Chief of G.P. Putnam's Sons. She was named President and Publisher in 1984 of The Putnam Berkley Group. She was named Chief Executive Officer in 1987 and Chairman in 1991. Her publishing career began in 1958 at Doubleday & Company, where she was Nelson Doubleday's secretary. She then joined William Morrow & Company, where she was named Editor. In 1970, she moved to Simon & Schuster as Senior Editor and was made Editor-in-Chief of Pocket Books, their mass-market paperback division, in 1974. Ms. Grann is a graduate of Barnard College. She has been recognized in *Entertainment Weekly's* 101 Most Powerful People in Entertainment. Ms. Grann is currently an Adjunct Professor of Finance and Economics at Columbia Business School.

*Michele J. Hooper* has served as our director since March 2, 2006. Ms. Hooper is a co-founder and Managing Partner of The Directors' Council, a position she has held since 2003. Previously, Ms. Hooper served as President and Chief Executive Officer of Voyager Expanded Learning, a developer and provider of learning programs and teacher training for public schools, from 1999 until 2000. Prior to that, she was President and Chief Executive Officer of Stadlander Drug Company, Inc., a provider of disease-specific pharmaceutical care from 1998 until Stadlander was acquired in 1999. Prior to joining Stadlander, Ms. Hooper was Corporate Vice President, Caremark International Inc, a spinoff of Baxter International, and President of the International Business Group. Ms. Hooper began her career at Baxter and held positions of increasing responsibility before her appointment as Vice President, Corporate Planning. From 1988 to 1992, Ms. Hooper was President of Baxter Canada. Ms. Hooper also serves on the corporate Boards of Directors of PPG Industries, Inc., AstraZeneca PLC and UnitedHealth Group and chairs the Audit Committee for PPG. Ms. Hooper is a board member of the National Association of Corporate Directors (NACD), and is President of NACD's Chicago Chapter. She was a commissioner on the 2004-2008 NACD Blue Ribbon Commissions on governance. Ms. Hooper is a Board member of the Center for Disease Control Foundation. Ms. Hooper is also a public board member of the Center for Audit Quality, an autonomous public policy organization dedicated to improving investor confidence in the audit process. Ms. Hooper earned a B.A. in Economics from the University of Pennsylvania and an M.B.A. from the University of Chicago.

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*Scott L. Jaeckel* has served as our director since March 4, 2004. He is a Managing Director at Thomas H. Lee Partners, L.P. Mr. Jaeckel worked at Thomas H. Lee Company from 1994 to 1996, rejoining in 1998. From 1992 to 1994, Mr. Jaeckel worked at Morgan Stanley & Co. Incorporated in the Corporate Finance Department. He currently serves as a director of Ceridian Corporation, MoneyGram International, Inc., Paramax Capital Partners, Sedgwick CMS Holdings, Inc. and other private companies. He holds a B.A. in Economics and Mathematics from The University of Virginia and an M.B.A. from Harvard Business School.

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

*Thomas H. Lee* has served as our director since March 4, 2004. He is Chairman and CEO of Thomas H. Lee Capital, LLC, Thomas H. Lee Capital Management, LLC and Lee Equity Partners, LLC. Thomas H. Lee Capital Management, LLC manages the Blue Star I, LLC hybrid fund of hedge funds. Lee Equity Partners, LLC is engaged in the private equity business in New York City. In 1974, Mr. Lee founded the Thomas H. Lee Company, the predecessor of Thomas H. Lee Partners, L.P., and from that time until March 2006 served as its Chairman and CEO. From 1966 through 1974, Mr. Lee was with First National Bank of Boston where he directed the bank's high technology lending group from 1968 to 1974 and became a Vice President in 1973. Prior to 1966, Mr. Lee was a securities analyst in the institutional research department of L.F. Rothschild in New York. Mr. Lee serves or has served as a director of numerous public and private companies in which he and his affiliates have invested, including Finlay Enterprises, Inc., The Smith & Wollensky Restaurant Group, Inc., Metris Companies, Inc., MidCap Financial LLC, Vertis Holdings, Inc., Wyndham International, Inc. and Miller Import Corporation. In addition, Mr. Lee is a Member of the J.P. Morgan Chase National Advisory Board. Mr. Lee is currently a Trustee of Lincoln Center for the Performing Arts, The Museum of Modern Art, NYU Medical Center, The Rockefeller University and Whitney Museum of American Art among other civic and charitable organizations. He also serves on the Executive Committee for Harvard University's Committee on University Resources. Mr. Lee is a 1965 graduate of Harvard College.

*Ian Loring* has served as our director since March 4, 2004. He is a Managing Director of Bain Capital Partners, LLC. Prior to joining Bain Capital in 1996, Mr. Loring was a Vice President at Berkshire Partners where he worked in the technology and telecommunication industries. Previously, Mr. Loring worked in the Corporate Finance department at Drexel Burnham Lambert. He serves as a director of Cumulus Media Partners, CHL, Ltd., Clear Channel Communications, Inc., The Weather Channel and Denon & Marantz, and serves on the supervisory board of NXP. He also volunteers for a variety of non-profit organizations, serving as a member of The Fessenden School Board of Trustees and the Linda Loring Nature Foundation Board of Directors. Mr. Loring received a B.A. from Trinity College and an M.B.A. from Harvard Business School.

*Mark Nunnelly* has served as our director since March 4, 2004. He joined Bain Capital Partners, LLC in 1989 as a Managing Director. Prior to joining Bain Capital, Mr. Nunnelly was a Vice President of Bain & Company, with experience in its domestic, Asian and European strategy practices, advising global 1000 companies. Previously, Mr. Nunnelly worked at Procter & Gamble in product management. He serves as a director of Domino's Pizza, Dunkin' Brands, OSI Restaurant Partners and other private and not-for-profit corporations, including New Profit Inc., KIPP Schools and Centre College. Mr. Nunnelly received an A.B. from Centre College and an M.B.A. from Harvard Business School.

*Scott M. Sperling* has served as our director since March 4, 2004. He is a Co-President at Thomas H. Lee Partners, L.P. Mr. Sperling is currently a director of Thermo Fisher Scientific, Inc., Vertis, Inc., CC Media Holdings, Inc. and several private companies. Prior to joining Thomas H. Lee Partners, Mr. Sperling was for over ten years Managing Partner of The Aeneas Group, Inc., the private capital affiliate of Harvard Management Company. Before that, he was a senior consultant with the Boston Consulting Group. He received a B.S. from Purdue University and an M.B.A. from Harvard Business School.

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### **BOARD OF DIRECTORS AND GOVERNANCE**

#### **Role of the Board**

Our business is managed under the direction of the Board of Directors. The Board of Directors has adopted Corporate Governance Guidelines outlining its duties. These guidelines can be viewed on the Company's website at [www.wmg.com](http://www.wmg.com) by clicking on Investor Relations and then on Corporate Governance. The Board of Directors meets regularly to review significant developments affecting the Company and to act on matters requiring Board of Directors approval. The Board of Directors held eight formal meetings during the fiscal year ended September 30, 2008 and acted four times by written consent. Board members are requested to make attendance at Board and Board committee meetings a priority, to come to meetings prepared, having read any materials provided to the Board of Directors prior to the meeting and to participate actively in the meetings. Each incumbent director attended, in person or by telephone, at least 75% of the total number of meetings of both the Board of Directors and Board committees on which they served.

#### **Corporate Governance**

The Board of Directors and management of the Company believe that good corporate governance is an important component in enhancing investor confidence in the Company and increasing stockholder value. The imperative to continue to develop and implement best practices throughout our corporate governance structure is fundamental to our strategy to enhance performance by creating an environment that increases operational efficiency and ensures long-term productivity and growth. Sound corporate governance practices also ensure alignment with stockholder interests by promoting fairness, transparency and accountability in business activities among employees, management and the Board of Directors.

The Company maintains a corporate governance page on our website which includes key information about our corporate governance initiatives, including the Company's Corporate Governance Guidelines, Code of Conduct and charters for each of the committees of the Board of Directors, including the Audit Committee, the Compensation Committee and the Executive, Governance and Nominating Committee. The corporate governance page can be found at [www.wmg.com](http://www.wmg.com) by clicking on Investor Relations and then on Corporate Governance.

The Company's corporate governance practices represent our firm commitment to the highest standards of corporate ethics, compliance with laws, financial transparency and reporting with objectivity and the highest degree of integrity. The Company's policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of the NYSE and the corporate governance requirements of the Sarbanes-Oxley Act of 2002. Representative steps we have taken to fulfill this commitment include, among others:

The Board of Directors has adopted clear corporate governance policies;

All members of our Audit Committee are independent;

The non-management and independent members of the Board of Directors meet regularly without the presence of management;

All employees and members of the Board of Directors are responsible for complying with our Code of Conduct and our Insider Trading Policy;

The charters for each committee of the Board of Directors clearly establish their respective roles and responsibilities;

The Company has a Chief Compliance Officer and a Deputy Compliance Officer who monitor compliance with our Code of Conduct and report to our Audit Committee;

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We have a hotline available to all employees and our Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal accounting controls or auditing matters to encourage employees to report questionable activities to our legal department and Audit Committee;

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The Company's internal audit function maintains critical oversight over the key areas of our business and financial processes and controls, and reports directly to our Audit Committee;

Our independent accountants report directly to our Audit Committee; and

We have established procedures for stockholders to communicate with the Board of Directors as described below.

### **Independence**

An investor group consisting of affiliates of Thomas H. Lee Partners, L.P. ( THL ), affiliates of Bain Capital Investors, LLC ( Bain Capital ), affiliates of Providence Equity Partners Inc. ( Providence Equity ) and Edgar Bronfman, Jr. (together, the Investor Group ) currently controls more than 50% of the voting power of our common stock and we are, therefore, a controlled company under the NYSE rules. Controlled companies under those rules are companies of which more than 50% of the voting power is held by an individual, a group or another company. Each member of the Investor Group has filed a Statement of Beneficial Ownership on Schedule 13G relating to its respective holdings and related voting arrangements with the SEC. On this basis, we currently avail ourselves of the controlled company exception under the NYSE rules, which eliminates the requirements that we have a majority of independent directors on our Board of Directors and that our Compensation Committee and Executive, Governance and Nominating Committee each be composed entirely of independent directors.

Our Board of Directors currently consists of 12 directors, including three directors who are independent under the NYSE rules. The Board of Directors has affirmatively determined that each of Mr. Bonnie, Ms. Grann and Ms. Hooper is independent under the criteria established by the Company's Corporate Governance Guidelines and NYSE rules for independent board members. Under the Company's Corporate Governance Guidelines and NYSE rules, a director is not independent if he or she (1) has a direct or indirect material relationship with the Company or (2) otherwise does not meet the bright-line tests for independence set forth by the NYSE rules. In addition, the Board of Directors has determined each of Mr. Bonnie, Ms. Grann and Ms. Hooper meets the additional independence criteria required for Audit Committee membership. No independent director receives any fees or compensation from the Company other than compensation received in his or her capacity as a director and, other than the director compensation as disclosed under Director Compensation in fiscal 2008, there are no transactions, relationships or arrangements between the Company and any independent director.

The stockholders agreement described below under Certain Relationships and Related Party Transactions provides that the Company's Board of Directors consist of up to 14 members, with up to five directors appointed by THL, up to three directors appointed by Bain Capital, up to one director appointed by Providence Equity, one director who will at all times be the Chief Executive Officer, currently Edgar Bronfman, Jr., and the other directors to be chosen unanimously by the vote of the Company's Board of Directors. Each director designee may only be removed by the member of the Investor Group that appointed such designee. Currently, THL has appointed five directors and Bain Capital three directors to our Board of Directors. Subsequent to the resignation of Jonathan Nelson from the Company's Board of Directors in October 2008, Providence Equity has not appointed a new director. The agreement among the stockholders regarding the appointment of directors will remain until the earlier of a change of control or the last date permitted by applicable law, including any NYSE requirements. See Certain Relationships and Related Party Transactions Stockholders Agreement.

### **Executive Sessions and Meetings of Non-Management and Independent Directors**

The Board of Directors intends to hold executive sessions of the non-management directors following each regularly scheduled in-person meeting of the Board of Directors. Executive sessions do not include any employee directors of the Company. At its meetings in fiscal 2008, the Board of Directors regularly met in executive sessions of non-employee directors. The Board of Directors also intends to hold executive sessions of the independent directors at least once a year. Mr. Sperling has been appointed Presiding Director by the Board of Directors for each of the executive sessions of the non-management directors. Ms. Hooper has been appointed Lead Independent Director by the Board of Directors for each of the executive sessions of the independent directors.

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### **Board Attendance at Annual Meetings**

Board members are invited to attend the Company's annual meetings but they are not required to do so. The Company reimburses the travel expenses of any director who travels to attend the annual meetings. One member of the Board of Directors attended the Company's fiscal 2007 annual meeting of stockholders.

### **Communication with the Board of Directors**

The Company's non-management and independent directors have approved a process for stockholders to communicate with directors. Pursuant to that process, stockholders, employees and others interested in communicating with the Board of Directors may communicate with the Board of Directors by sending an e-mail to *BoardofDirectors@wmg.com* or writing to the following address:

Warner Music Group Corp.

c/o Office of the Corporate Secretary

75 Rockefeller Plaza

New York, New York 10019

In any such communication, an interested person may also designate a particular reader or group of readers, including the Presiding Director, currently Mr. Sperling, the non-management directors as a group, the Lead Independent Director, currently Ms. Hooper, or a committee of the Board of Directors, such as the Audit Committee. Our legal department will forward all correspondence to the Board of Directors or the particularly designated readers, except for spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, surveys, business solicitations or advertisements or patently offensive or otherwise inappropriate material. Our legal department may forward certain correspondence, such as product inquiries, elsewhere within the Company for review and possible response.

### **Policies Governing Director Nominations**

In recommending candidates for election to the Board of Directors, the Executive, Governance and Nominating Committee considers nominees recommended by directors, officers, employees, stockholders and others, using the same criteria to evaluate all candidates. The Executive, Governance and Nominating Committee reviews each candidate's qualifications, including whether a candidate possesses any of the specific qualities and skills desirable in certain members of the Board of Directors. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate. Generally the Executive, Governance and Nominating Committee will consider various criteria in considering whether to make a recommendation. These criteria include expectations that directors have substantial accomplishments in their professional backgrounds and are able to make independent, analytical inquiries and exhibit practical wisdom and mature judgment. Director candidates should possess the highest personal and professional ethics, integrity and values, be committed to promoting the long-term interests of our stockholders and be able and willing to devote the necessary time to carrying out their duties and responsibilities as members of the Board. We also believe our directors should come from diverse backgrounds and experience bases. In addition, if a director will be serving on the Audit Committee, the director must meet the NYSE's and our standards for independence and be free of potential conflicts of interest. Upon selection of a qualified candidate, the Executive, Governance and Nominating committee would recommend the candidate for consideration by the full Board of Directors. The Executive, Governance and Nominating Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees. To recommend a prospective nominee for the Executive, Governance and Nominating Committee's consideration, submit the candidate's name and qualifications to the following address:

Warner Music Group Corp.

c/o Office of the Corporate Secretary

75 Rockefeller Plaza

New York, New York 10019





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The Corporate Secretary of the Company will promptly forward any such recommendation to the Executive, Governance and Nominating Committee. Once the recommendation is received by the Executive, Governance and Nominating Committee, the candidate will be evaluated by the Committee and an evaluation of such candidate will be delivered to the Board of Directors.

Rather than recommending a candidate to the Executive, Governance and Nominating Committee for its consideration, a stockholder may also nominate a candidate for election at a meeting of stockholders. When nominating candidates for election at a meeting of stockholders, stockholders must also follow the advance notice procedure established by the Company's by-laws, which was amended in fiscal 2009. Nominations not made in accordance with the foregoing policy will be disregarded by the Company and votes cast for such nominees will not be counted.

If a stockholder wishes to nominate a candidate for election at the fiscal 2009 annual meeting of stockholders, the nomination must be delivered or mailed to and received by our Corporate Secretary between October 26, 2009 and November 25, 2009, which are the dates not less than 90 days nor more than 120 days prior to the first anniversary of the 2008 Annual Meeting (or, if the fiscal 2009 annual meeting is advanced by more than 30 days, or delayed by more than 70 days, from the first anniversary of the 2008 Annual Meeting, not earlier than 120 days prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of the 2009 annual meeting is made).

In addition, nomination of a director candidate by a stockholder for election at an annual meeting of stockholders must be in writing and include the following:

Name and address of the stockholder making the nomination, as they appear on the Company's books and records, and of such record holder's beneficial owner;

Number of shares of capital stock of the Company that are owned beneficially and held of record by such stockholder and such beneficial owner;

Name of the individual nominated as a director nominee (the "Director Nominee");

The principal occupation of the Director Nominee;

A representation that the stockholder is a holder of record of capital stock of the Company entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose the Director Nominee;

The total number of shares of capital stock of the Company that will be voted for the Director Nominee by the stockholder making the nomination;

All other information regarding the stockholder intending to propose a Director Nominee required by the Company's by-laws, including a description of any agreement, arrangement or understanding of that stockholder or a beneficial owner of the relevant shares with respect to the nomination or that has the effect or intent of increasing or decreasing voting power with respect to such shares, mitigating loss, managing risk or providing the opportunity to benefit economically from changes in the share price of the Company's stock, including without limitation any contract to purchase or sell, the acquisition or grant of any option, any right or warrant to purchase or sell, or any swap or other instrument; and

All other information relating to the Director Nominee that would be required to be disclosed in solicitations of proxies for the election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as

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amended (the Securities Exchange Act of 1934 ), including the Director Nominee s written consent to being named in the proxy statement as a nominee and to serving as a director if approved by the Board of Directors and elected.

Stockholders providing notice of a proposed nomination are required to provide the Company with a written update of the information required to be included in the notice to ensure such information provided in the notice is true and correct as of the record date of the meeting and as of the date that is 15 days prior to the meeting or

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any adjournment thereof. Any such notice must be delivered not later than five business days after the record date for the meeting (in the case of any update to be made as of the record date) and not later than 10 days prior to the date for the meeting or any adjournment thereof (in the case of any update required to be made as of 15 days prior to the meeting or any adjournment thereof).

The stockholders agreement governs the exercise of the voting rights of certain of our stockholders with respect to election of directors and certain other material events. The parties to the stockholders agreement have agreed to vote their shares to elect the Board of Directors as set forth therein. See [Certain Relationships and Related Party Transactions](#) [Stockholders Agreement](#).

## **Code of Conduct**

The Company has adopted a Code of Conduct as our code of ethics as defined by regulations promulgated under the Securities Act of 1933, as amended (the Securities Act of 1933), and the Securities Exchange Act of 1934 (and in accordance with the NYSE requirements for a code of conduct), which applies to all of the Company's directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A current copy of the Code of Conduct is available on the Company's website at [www.wmg.com](http://www.wmg.com) by clicking on [Investor Relations](#) and then on [Corporate Governance](#). A copy of the Code of Conduct may also be obtained free of charge, from the Company upon a request directed to Warner Music Group Corp., 75 Rockefeller Plaza, New York, New York 10019, Attention: Investor Relations. The Company will promptly disclose any substantive changes in or waivers of the Code of Conduct granted to our executive officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and our directors by posting such information on our website at [www.wmg.com](http://www.wmg.com) by clicking on [Investor Relations](#) and then on [Corporate Governance](#).

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

Our Board of Directors currently has an Audit Committee, a Compensation Committee and an Executive, Governance and Nominating Committee.

### ***Audit Committee***

Our Audit Committee currently consists of Ms. Hooper, who serves as chair, Mr. Bonnie and Ms. Grann. This committee held eight meetings during the last fiscal year. Ms. Hooper qualifies as our audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K. Our Board of Directors has determined that each member of our Audit Committee meets the independence and experience requirements of the NYSE and the federal securities laws and that our Audit Committee complies with all other NYSE and legal requirements. We do not restrict the number of other audit committees on which members of our Audit Committee may serve. However, currently none of the members of our Audit Committee serves on the audit committees of more than three other public companies. The Audit Committee is governed by a written charter that will be reviewed, and amended if necessary, on an annual basis. The Audit Committee's responsibilities include, among other things, (1) recommending the hiring or termination of our independent registered public accounting firm and approving any non-audit work performed by such firm, (2) approving the overall scope of the audit, (3) assisting the Board in monitoring the integrity of our financial statements, the independent accountant's qualifications and independence, the performance of the independent accountants and our internal audit function and our compliance with legal and regulatory requirements, (4) annually reviewing an independent accountants' report describing the accounting firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review, Public Company Accounting Oversight Board inspection or peer review, of the accounting firm, (5) discussing the annual audited and quarterly financial statements with management and the independent accountants, (6) discussing earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, (7) discussing policies with respect to risk assessment and risk management, (8) meeting separately, periodically, with management, internal

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audit and the independent accountants, (9) reviewing with the independent accountants any serious difficulties encountered in dealing with management when performing the audit and management's response, (10) setting clear hiring policies for employees or former employees of the independent accountants, (11) annually reviewing the adequacy of the Audit Committee's written charter, (12) reviewing with management any legal matters that may have a material impact on the Company and (13) reporting regularly to the full Board of Directors.

The Audit Committee operates under a written charter adopted by the Board of Directors, a current copy of which is available on the Company's website at [www.wmg.com](http://www.wmg.com) by clicking on "Investor Relations" and then on "Corporate Governance".

The Audit Committee is empowered to hire outside advisors as it deems appropriate. For additional information on the Audit Committee's role and its oversight of the independent accounting firm during fiscal 2008, see "Audit Committee Report".

### ***Compensation Committee***

Our Compensation Committee currently consists of Mr. Sperling, who serves as chair, and Messrs. Lee, Lawry, Nunnally and Loring. This committee held seven meetings during the last fiscal year. The Compensation Committee's responsibilities include, among other things, (1) reviewing key employee compensation policies, plans and programs, (2) reviewing and approving the compensation of our chief executive officer and other executive officers, (3) developing and recommending to the Board of Directors compensation for Board members, (4) reviewing and approving employment contracts and other similar arrangements between us and our executive officers, (5) reviewing and consulting with the chief executive officer on the evaluation of executive performance and other related matters, (6) administering stock plans and other incentive compensation plans, (7) overseeing compliance with any applicable compensation reporting requirements of the SEC and (8) reviewing and making recommendations to the Board of Directors regarding long-term incentive compensation or equity compensation plans.

The Compensation Committee operates under a written charter adopted by the Board of Directors, a current copy of which is available on the Company's website at [www.wmg.com](http://www.wmg.com) by clicking on "Investor Relations" and then on "Corporate Governance".

Since the Company is a controlled company, none of our Compensation Committee members are independent, as is permitted by NYSE rules.

The Compensation Committee is empowered to hire outside advisors as it deems appropriate. For additional information on the Compensation Committee's activities, its use of outside advisors and its consideration and determination of executive compensation, see "Compensation Discussion and Analysis".

### ***Executive, Governance and Nominating Committee***

Our Executive, Governance and Nominating Committee currently consists of Mr. Sperling, who serves as chair, and Messrs. Bronfman, Lee, Lawry, Nunnally and Loring. This committee held five meetings during the last fiscal year. The Executive, Governance and Nominating Committee's responsibilities include, among other things, (1) supporting the Board of Directors in performance of its duties and responsibilities with respect to strategic outcomes, management outcomes, including leadership and compensation, and actions between meetings of the Board of Directors, (2) reporting regularly to the full Board of Directors, (3) developing and recommending criteria for selecting new directors, (4) screening and recommending to the Board of Directors individuals qualified to become directors, (5) overseeing evaluations of the Board of Directors, its members and committees of the Board of Directors and (6) establishing criteria for and leading the annual performance self-evaluation of the Board of Directors and each committee.

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The Executive, Governance and Nominating Committee also monitors compliance with our Code of Conduct that covers all employees and executives and financial officers. The Board of Directors has approved and adopted a Code of Conduct for all employees, including all of our executives and financial officers, copies of which are available upon written request at no cost as described above under Code of Conduct.

The Executive, Governance and Nominating Committee operates under a written charter adopted by the Board of Directors, a current copy of which is available on the Company's website at [www.wmg.com](http://www.wmg.com) by clicking on Investor Relations and then on Corporate Governance.

Since the Company is a controlled company, none of our Executive, Governance and Nominating Committee members are independent, as is permitted by NYSE rules.

The Executive, Governance and Nominating Committee is empowered to hire outside advisors as it deems appropriate.

### **Compensation Committee Interlocks and Insider Participation**

None of the Compensation Committee's members is or has been a Company officer or employee. During fiscal 2008, none of the Company's executive officers served on the board of directors, the compensation committee or any similar committee of another entity of which an executive officer served on our Board of Directors or Compensation Committee.

Our former director, Len Blavatnik, who served on our Compensation Committee during fiscal 2008 prior to his resignation on January 16, 2008, had the following relationships with the Company:

#### ***Premium TV Limited***

We previously had a number of agreements with Premium TV, a digital services provider, to develop a series of ad-supported online TV sites that will let users watch music videos for free. Pursuant to these agreements, we distributed, and were paid for, music-based content via specially created direct-to-consumer online platforms, or digital hubs. Subsequent to entering into these arrangements, Premium TV was acquired by Access Industries, which is controlled by Mr. Blavatnik. We terminated our agreements with Premium TV on April 18, 2008.

#### ***Digital Access***

In June 2007, Access Industries, which is controlled by Mr. Blavatnik, formed Digital Access through a joint venture with recorded music companies Warner Music Group Corp. and Sony BMG Music Entertainment, and Russian record labels Soyuz and Nikitin Records. Digital Access was formed to facilitate the wholesale distribution of a wide range of local and international music products to Russia and the other members of the Commonwealth of Independent States. The Company's total investment was limited to its pro rata portion of \$3 million, which was to be made over several tranches of investments by the joint venture partners. The Company also licensed content to Digital Access on what it believed were fair market terms to earn revenue from the exploitation of our digital assets. The initial committed term of the venture was 3 years. The Company has invested approximately \$400,000 into the venture.

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**DIRECTOR COMPENSATION**

Our director compensation is overseen by the Compensation Committee, which makes recommendations to the Board on the appropriate amount and structure of our programs in light of then-current competitive practice. The Compensation Committee typically receives advice from a compensation consultant with respect to its determination on director compensation matters.

The Board of Directors has not made any adjustments to the director compensation program approved by the Board of Directors in May 2005. The Compensation Committee received advice when it originally established its director compensation program in 2005 from Hewitt Associates LLC, an independent compensation consulting firm that has particular experience and expertise in compensation matters for media and entertainment companies. Hewitt was engaged by the Compensation Committee in 2005 to provide advice on director compensation by recommending a compensation program that was appropriate for companies with similar characteristics to the Company (for example, similar market capitalization and/or other entertainment or media companies). Currently, our three independent directors, Mr. Bonnie, Ms. Grann and Ms. Hooper, receive an annual retainer of \$150,000. Independent directors also receive an additional retainer for serving on committees or as chairs of committees. As a result, an independent director who is the chair of the Audit Committee will receive an annual retainer of \$170,000 and an independent director who either serves as a member of the Audit Committee or as the chair of another committee will receive an annual retainer of \$160,000. Of this annual retainer, half will be paid in restricted shares of our common stock and half will be paid in either shares of common stock or cash, at the option of the director. Directors are entitled to reimbursement of their fees incurred in connection with travel to meetings. In addition, the Company reimburses directors for fees paid to attend director education events. Directors who are not independent directors receive no separate compensation for service on the Board of Directors or Board committees.

We currently encourage all outside directors to hold shares of our common stock.

All of the shares of restricted stock granted to directors vest on the first anniversary of the related restricted stock agreement. Shares are forfeited without consideration upon cessation of Board membership at any time prior to vesting, with certain exceptions.

**Other Compensation Information**

The Company does not offer any deferred compensation plans or retirement plans to our directors.

**Table of Contents****Director Compensation in Fiscal 2008**

The following table provides summary information concerning compensation paid or accrued by us to or on behalf of our non-employee directors, as of September 30, 2008, for services rendered to us during the last fiscal year.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation \$(2)	Total (\$)
Len Blavatnik(3)							
Shelby W. Bonnie	\$ 80,000	\$ 77,587				\$ 2,370	\$ 159,957
Richard Bressler							
John P. Connaughton							
Phyllis E. Grann	\$ 80,000	\$ 77,587				\$ 2,370	\$ 159,957
Michele J. Hooper	\$ 85,000	\$ 82,440				\$ 2,524	\$ 169,964
Scott L. Jaeckel							
Seth W. Lawry							
Thomas H. Lee							
Ian Loring							
Jonathan M. Nelson(4)							
Mark Nunnally							
Scott M. Sperling							

- (1) Reflects equity compensation expense recognized in fiscal 2008 for financial statement purposes, not including assumed forfeitures. These amounts do not solely reflect the expense we incurred with respect to fiscal 2008 equity awards, but also include expense for awards from the prior year that we are still accounting for as an expense. The assumptions used in calculating the equity compensation expense are disclosed in Note 15, *Stock-Based Compensation Plans*, to our Consolidated Financial Statements found in our Annual Report on Form 10-K for the year ended September 30, 2008. The grant date fair value of the fiscal 2008 awards was \$80,000, \$80,000 and \$85,000 for Mr. Bonnie, Ms. Grann and Ms. Hooper, respectively. As of September 30, 2008, Mr. Bonnie held 15,122 shares of unvested restricted stock, Ms. Grann held 15,122 unvested shares and Ms. Hooper held 16,068 unvested shares, all such shares received as director compensation in the form of stock awards. Prior to joining Thomas H. Lee Partners, L.P. in 2006, Mr. Bressler served as an independent director on the Company's Board of Directors. See *Stock Ownership of Principal Stockholders and Management* for more information.
- (2) Represents the payment of accrued dividends on unvested restricted stock upon vesting of the shares. The Company does not pay dividends on unvested shares of restricted common stock but rather pays any accrued dividends on such shares at the time of vesting of the shares.
- (3) Mr. Blavatnik resigned as a director on January 16, 2008.
- (4) Mr. Nelson resigned as a director on October 24, 2008.

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**STOCK OWNERSHIP OF  
PRINCIPAL STOCKHOLDERS AND MANAGEMENT**

The following table sets forth information as of January 14, 2009 with respect to the ownership of our common stock by:

each person known to own beneficially more than 5% of the common stock;

each of our directors and nominees;

each of our Named Executive Officers named in the summary compensation table below; and

all of our executive officers and directors as a group.

Notwithstanding the beneficial ownership of common stock presented below, the stockholders agreement governs how the parties to the stockholders agreement must exercise their voting rights with respect to election of directors and specified other material events. The parties to the stockholders agreement have agreed to vote their shares to elect the Board of Directors as set forth therein. See Certain Relationships and Related Person Transactions Stockholders Agreement.

The amounts and percentages of shares beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of the security. A person is also deemed to be a beneficial owner of any securities for which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities in which such person has no economic interest. Shares beneficially owned by Messrs. Bonnie, Bronfman, Cohen and Fleisher and Ms. Grann and Ms. Hooper include restricted shares that vest based upon specified service criteria described elsewhere in this Proxy Statement. With respect to unvested shares of restricted stock, the beneficial owners have sole voting power but no dispositive power.

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

Name and address of beneficial owner	Number	Percent of Common Stock
Thomas H. Lee Funds(1)(17)	56,353,539	36.5%
c/o Thomas H. Lee Partners, L.P. 100 Federal Street, 35th Floor Boston, MA 02110		
Bain Capital Funds(2)(17)	24,090,064	15.6%
c/o Bain Capital Investors, LLC		



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111 Huntington Avenue

Boston, MA 02199

Providence Equity Partners Inc.(3)(17)	12,905,391	8.4%
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50 Kennedy Plaza

18th Floor

Providence, RI 02903

Edgar Bronfman, Jr.(4)(17)	11,319,989	7.3%
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ClearBridge Advisors, LLC(5)	9,265,512	6.0%
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399 Park Avenue

New York, NY 10022

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Name and address of beneficial owner	Number	Percent of Common Stock
Shelby W. Bonnie(6)	25,077	*
Richard J. Bressler(7)	5,000	*
John P. Connaughton(8)		
Phyllis E. Grann(9)	21,473	*
Michele J. Hooper(10)	24,753	*
Scott L. Jaeckel(7)		
Seth W. Lawry(7)		
Thomas H. Lee(7)		
Ian Loring(8)		
Mark Nunnelly(8)		
Scott M. Sperling(7)		
Lyor Cohen(11)	3,721,102	2.4%
Michael D. Fleisher(12)	1,221,832	*
David H. Johnson(13)	107,556	*
Steven Macri(14)	22,580	*
Paul M. Robinson(15)	53,467	*
All directors and executive officers as a group (20 members)(16)	16,629,888	10.8%

\* Less than 1%

- (1) Based upon information regarding holdings of our common stock reported on an amendment to Schedule 13G, which amendment was filed with the SEC on February 14, 2006, as updated to reflect a subsequent internal transfer. Includes shares of common stock owned by each of Thomas H. Lee Equity Fund V, L.P., Thomas H. Lee Parallel Fund V, L.P., Thomas H. Lee Equity (Cayman) Fund V, L.P. (collectively, the THL Funds ), Great-West Investors LP (the Great-West Fund ), Putnam Investments Employees Securities Company I LLC, Putnam Investments Employees Securities Company II LLC (together, the Putnam Funds ), 1997 Thomas H. Lee Nominee Trust (the Lee Trust ), THL WMG Equity Investors, L.P. ( THL WMG Equity ) and Thomas H. Lee Investors Limited Partnership ( Lee Investors ). The shares held by the THL Funds may be deemed to be beneficially owned by THL Equity Advisors V, LLC ( Advisors ), the general partner of each of the THL Funds. The shares held by THL WMG Equity may be deemed to be beneficially owned by Thomas H. Lee Advisors, LLC ( THL Advisors ), its general partner. Advisors and THL Advisors each disclaims beneficial ownership of such shares except to the extent of its pecuniary interest. The Putnam Funds, the Great-West Fund, the Lee Trust and Lee Investors are co-investment entities of the THL Funds and each disclaims beneficial ownership of any shares other than the shares held directly by such entity. Each of the THL Funds, Advisors, THL Advisors, Lee Investors and the Lee Trust has an address c/o Thomas H. Lee Partners, L.P., 100 Federal Street, 35th Floor, Boston, Massachusetts 02110. The Great-West Fund has an address c/o Great-West Life & Annuity Insurance Company, 8151 E. Orchard Road, 3T2, Greenwood Village, Colorado 80111. The Putnam Funds have an address c/o Putnam Investments, Inc., One Post Office Square, Boston, Massachusetts 02109.
- (2) Based upon information regarding holdings of our common stock reported on an amendment to Schedule 13G, which amendment was filed with the SEC on February 14, 2008. Includes shares of common stock owned by each of Bain Capital VII Coinvestment Fund, LLC, Bain Capital Integral Investors, LLC and BCIP TCV, LLC (the Bain Capital Funds ). Each of the Bain Capital Funds is an affiliate of Bain Capital Investors, LLC. Bain Capital Investors, LLC disclaims beneficial ownership of such shares. Each of the Bain Capital Funds has an address c/o Bain Capital Investors, LLC, 111 Huntington Avenue, Boston, Massachusetts 02199.
- (3) Based upon information regarding holdings of our common stock reported on an amendment to Schedule 13G, which amendment was filed with the SEC on February 14, 2006. Includes shares of common stock owned by each of Providence Equity Partners IV, L.P. and Providence Equity Operating Partners IV, L.P. (collectively, the Providence Funds ). Jonathan M. Nelson, a former director of the Company, WMG Holdings Corp. and WMG Acquisition Corp., Glenn M. Creamer and Paul J. Salem are members and officers of Providence Equity Partners IV L.L.C., which is the general partner of Providence Equity GP IV L.P., which is the general partner of the Providence Funds, and thus may be deemed to have beneficial ownership of the shares held by the Providence Funds. Each of Messrs. Nelson, Creamer and Salem

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- expressly disclaims beneficial ownership of such shares except to the extent of their pecuniary interest. The Providence Funds have an address c/o Providence Equity Partners Inc., 50 Kennedy Plaza, Providence, Rhode Island 02903.
- (4) Includes 3,969,790 shares of common stock held directly by three trusts for the benefit of Mr. Bronfman or a member of his immediate family, of which Mr. Bronfman is a trustee. Mr. Bronfman disclaims beneficial ownership of such shares except to the extent of his pecuniary interest. Also includes 2,750,000 shares of unvested restricted stock. In addition, includes 550,000 shares of common stock that may be acquired by Mr. Bronfman on or before March 15, 2009 pursuant to options held by him.
  - (5) Based on information regarding holdings of common stock reported on a Schedule 13G, which was filed with the SEC on February 14, 2008. According to the Schedule 13G filing, ClearBridge Advisors, LLC has shared voting and dispositive power over all of the shares.
  - (6) Includes 15,122 shares of unvested restricted stock.
  - (7) Mr. Lee, a director of the Company, WMG Holdings Corp. and WMG Acquisition Corp., is the former Chairman and CEO of Thomas H. Lee Partners, L.P. and disclaims any beneficial ownership of any shares beneficially owned by the Thomas H. Lee Funds except to the extent of his pecuniary interest. Mr. Lee is currently the Chairman and CEO of Lee Equity Partners, LLC. Mr. Lee has an address c/o Thomas H. Lee Capital, LLC, 767 Fifth Avenue, Suite 6A, New York, New York 10153. Messrs. Bressler, Lawry, Sperling and Jaeckel, directors of the Company, WMG Holdings Corp. and WMG Acquisition Corp., are managing directors of Thomas H. Lee Partners, L.P. and disclaim any beneficial ownership of any shares beneficially owned by the Thomas H. Lee Funds except to the extent of their pecuniary interest. Messrs. Bressler, Lawry, Sperling and Jaeckel have an address c/o Thomas H. Lee Partners, L.P., 100 Federal Street, 35th Floor, Boston, Massachusetts 02110.
  - (8) Messrs. Connaughton, Loring and Nunnally, directors of the Company, WMG Holdings Corp. and WMG Acquisition Corp., are managing directors of Bain Capital Partners, LLC. Each of Messrs. Connaughton, Loring and Nunnally disclaims any beneficial ownership of any shares beneficially owned by the Bain Capital Funds except to the extent of their pecuniary interest. Messrs. Connaughton, Loring and Nunnally have an address c/o Bain Capital, LLC, 111 Huntington Avenue, Boston, Massachusetts 02110.
  - (9) Includes 15,122 shares of unvested restricted stock.
  - (10) Includes 16,068 shares of unvested restricted stock.
  - (11) Includes 1,750,000 shares of unvested restricted stock. Also includes 300,000 shares of common stock that may be acquired by Mr. Cohen on or before March 15, 2009 pursuant to options held by him.
  - (12) Includes 450,000 shares of unvested restricted stock. Mr. Fleisher has pledged 368,104 of his shares of restricted stock in connection with a line of credit that may be drawn down at any time. Pursuant to the terms of the line of credit, the amount borrowed may never exceed the lesser of \$1,000,000 or 15% of the value of the pledged shares at the time of any draw down. No amounts were borrowed under the line of credit as of September 30, 2008. Also includes 5,625 shares of common stock that may be acquired by Mr. Fleisher on or before March 15, 2009 pursuant to options held by him.
  - (13) Includes 4,062 shares of common stock that may be acquired by Mr. Johnson on or before March 15, 2009 pursuant to options held by him.
  - (14) Includes 22,580 shares of common stock that may be acquired by Mr. Macri on or before March 15, 2009 pursuant to options held by him.
  - (15) Includes 53,467 shares of common stock that may be acquired by Mr. Robinson on or before March 15, 2009 pursuant to options held by him.
  - (16) Includes 12,250 shares of common stock that may be acquired by Mark Ansorge, 62,217 shares of common stock that may be acquired by Michael Nash and 32,592 shares that may be acquired by Will Tanous on or before March 15, 2009 pursuant to options held by them under individual stock option agreements.
  - (17) Because of the stockholders agreement among THL, Bain Capital, Providence Equity, Mr. Bronfman and certain other parties, THL, Bain Capital, Providence and Mr. Bronfman are deemed to be a group pursuant to Rule 13d-5(b)(1) of the Securities Exchange Act of 1934, as amended, with respect to the common stock. The aggregate number of shares of common stock beneficially owned by THL, Bain Capital, Providence and Mr. Bronfman as of January 14, 2009 represents a majority of the Company's outstanding shares of common stock.

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information as of September 30, 2008 with respect to shares of our common stock that may be issued under our existing equity compensation plans.

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants And Rights</b>	<b>Weighted Exercise Price of Outstanding Options, Warrants And Rights</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in first column)</b>
Equity Compensation Plans Approved by Stockholders(1)	11,773,291	\$ 7.53	5,915,483
Equity Compensation Plans Not Approved by Stockholders			

- (1) Consists of the Amended and Restated 2005 Omnibus Award Plan, as well as individual long-term incentive plan (LTIP) and individual stock option agreements.

*LTIP and Individual Stock Option Agreements*

In 2004, the Company's Board of Directors approved a form of long-term incentive plan ( LTIP ) stock option agreement for grants of options to eligible individuals. Eligible individuals include any employee, director or consultant of the Company or any of our affiliates, or any other entity designated by the Company's Board of Directors in which the Company has an interest, who is selected by the Compensation Committee to receive an award. The Board authorized the granting of options to purchase up to 1,355,066 shares of our common stock pursuant to the LTIP program. The Company has granted options and may grant additional stock options under the LTIP stock option agreements to certain members of our current or future management. The Board also approved the sale of 5,676,300 restricted shares of the Company's common stock, the awarding of 2,629,091 restricted shares of the Company's common stock and the granting of options to purchase 3,701,850 shares of our common stock under stock option agreements with certain members of our management. Individual option agreements and options granted under the LTIP program generally will have a 10-year term and the exercise price will equal at least 100% of the fair market value on the date of the grant. With respect to each option granted pursuant to individual option agreements or an LTIP stock option agreement, one-third of the shares covered by the option generally vest and become exercisable in four equal installments on the day prior to each of first through fourth anniversaries of the effective date of the LTIP stock option agreement, subject to the employee's continued employment. Two-thirds of the shares covered by the options vested and became exercisable based on the occurrence of both a service condition and a performance condition. All of the performance-based requirements have been achieved for all of these grants, therefore, only the service condition remains as a vesting requirement.

*2005 Omnibus Award Plan*

In May 2005, we adopted the 2005 Omnibus Award Plan, or the Plan, which authorized the granting of stock-based awards to purchase up to 3,416,133 shares of our common stock. The Plan was amended and restated as of February 23, 2007 and again as of February 26, 2008. The 2008 amendment increased the maximum number of shares available for awards under the plan to 19,916,133 shares. Under the Plan, the Board of Directors or the Compensation Committee will administer the Plan and has the power to make awards, to

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determine when and to whom awards will be granted, the form of each award, the amount of each award, and any other terms or conditions of each award consistent with the terms of the Plan. Awards may be made to employees, directors and others as set forth in the Plan. The types of awards that may be granted include restricted and unrestricted stock, incentive and non-statutory stock options, stock appreciation rights, performance units and other stock-based awards. Each award agreement specifies the number and type of award, together with any other terms and conditions as determined by the administrator in its sole discretion. Options granted generally have a 10-year term, the exercise price will equal at least 100% of the fair market value on the date of the grant and generally vest in four equal installments on the day prior to each of first through fourth anniversaries of the effective date of the stock option agreement, subject to the employee's continued employment.

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**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the following Compensation Discussion and Analysis section of this Proxy Statement. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

Respectfully submitted by the Compensation Committee,

Scott M. Sperling, *Chair*

Thomas H. Lee

Seth W. Lawry

Mark Nunnally

Ian Loring

**EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION & ANALYSIS**

**Introduction**

The Compensation Committee is responsible for overseeing our compensation programs. As part of that responsibility, the Compensation Committee determines all compensation for the Chairman and CEO and the Company's other executive officers as defined by SEC rules. For executive officers other than the Chairman and CEO, the Compensation Committee considers the recommendation of the Chairman and CEO and the Executive Vice President, Human Resources in making its compensation determinations. The Committee interacts regularly with management regarding our executive compensation initiatives and programs. The Compensation Committee has the authority to engage its own advisors and has done so. In the performance of its duties, the Compensation Committee has engaged Hewitt Associates LLC, an independent compensation consulting firm that has particular experience and expertise in compensation matters for media and entertainment companies. Hewitt is engaged to act as an independent executive compensation advisor to the Compensation Committee, providing consulting and analysis as requested. We expect that these services may include:

competitive market pay analyses, proxy data studies, Board of Director pay studies, dilution analyses and market trends;

ongoing support with regard to the latest relevant regulatory, technical, and/or accounting considerations impacting compensation and benefit programs;

assistance with the redesign of any compensation and benefit programs or employment agreements, if desired/needed;

preparation for and attendance at selected management, committee or Board of Director meetings, if desired/needed; and

other miscellaneous requests that occur throughout the year.

We design our executive compensation programs to attract talented executives to join the Company and to motivate them to position us for long-term success, achieve superior operating results and increase stockholder value. Our executive team consists of individuals with extensive industry expertise, creative vision, strategic and operational skills, in-depth company knowledge, financial acumen and high ethical standards.

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We are committed to providing competitive compensation packages to ensure that we retain these executives and maintain and strengthen our position as a leading global music content company. Our executive compensation programs and the decisions made by the Compensation Committee are designed to achieve these goals.

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The compensation for the Company's Named Executive Officers (the executive officers for whom disclosure of compensation is provided in the tables below) consists of base salary and annual target bonuses. In addition, our executive officers receive long-term incentives in the form of equity grants. The executive officers do not receive any other compensation or benefits other than standard benefits available to all U.S. employees, which primarily consist of health plans, the opportunity to participate in the Company's 401(k) plan, basic life insurance and accidental death insurance coverage.

In determining the compensation of the Named Executive Officers, the Compensation Committee seeks to establish a level of compensation that is (a) appropriate for the size and financial condition of the Company, (b) structured so as to attract and retain qualified executives and (c) tied to annual financial performance and long-term stockholder value creation.

The Company has entered into employment agreements with each of our Named Executive Officers, which establish each executive's base salary and an annual target bonus. Pursuant to the agreements, the actual amount of each annual bonus is determined by the Compensation Committee in its sole discretion and may be higher or lower than the target range or amount. In addition, as a result of the evaluation of their roles and responsibilities, each Named Executive Officer was allowed to invest in equity of the Company or was awarded equity in the form of stock options or restricted stock in connection with their employment. The Compensation Committee believes these arrangements are reasonable and competitive compared to other companies the Company competes with for the attraction and retention of talent.

### *Compensation of Our Named Executive Officers*

Our Named Executive Officers (NEOs) for fiscal 2008 are:

Edgar Bronfman, Jr. (our CEO);

Michael Fleisher (our CFO until September 16, 2008);

Steven Macri (our CFO starting September 16, 2008);

Lyor Cohen;

David H. Johnson; and

Paul M. Robinson.

On September 16, 2008, Mr. Macri was named the Company's CFO. Mr. Fleisher, who had served as the Company's CFO from January 2005, was named Vice Chairman, Strategy and Operations of the Company.

### *Executive Compensation Objectives and Philosophy*

Our executive compensation programs are designed to attract the very best executives to the Company, induce them to make a long-term commitment to us and reward them for their contributions to our success strategically, operationally and financially and in creating value for our stockholders. To realize these objectives, the Compensation Committee and management focus on the following key factors when considering the amount and structure of the compensation arrangements for our executives:

***Alignment of executive and stockholder interests by providing incentives linked to operating performance and stock price performance.*** We are committed to creating stockholder value and believe that our executives and employees should be provided incentives through our compensation programs that align their interests with those of our stockholders. Accordingly, we provide our



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executives with both short-term annual cash bonus incentives linked to our operating performance and long-term equity incentives linked to stock price appreciation and/or stock performance. For information on the components of our executive compensation programs and the reasons why each is used, see [Components of Executive Compensation](#) below.

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***A clear link between an executive's compensation and his or her individual contribution and performance.*** As further discussed below, the components of our executive compensation programs are designed to reward the achievement of specified key goals. These goals include, among other things, the successful implementation of strategic initiatives, realizing superior operating and financial performance, and other factors that we believe are important, such as the promotion of an ethical work environment and teamwork within the Company. We believe our compensation structure motivates our executives to achieve these goals and rewards them for their significant efforts and contributions to the Company and the results they achieve.

***The extremely competitive nature of the media and entertainment industry, and our need to attract and retain the most creative and talented industry leaders.*** We compete for talented executives in relatively high-priced markets, and the Committee takes this into consideration when making compensation decisions. For example, we compete for executives with other recorded music and music publishing companies, other entertainment, media and technology companies, law firms, private ventures, investment banks and many other companies that offer high levels of compensation. We believe that our senior management team is among the best in the industry and is the right team to lead us to long-term success. Our commitment to ensuring that we are led by the right executives is a high priority, and we make our compensation decisions accordingly.

***Comparability to the practices of peers in our industry and other comparable companies generally.*** The Compensation Committee considers information about the practices of our peer companies and other comparable public companies, as well as evolving market practices, when making its compensation decisions. From time to time, the Compensation Committee receives independent advice on competitive practices from Hewitt and other independent sources of market trends, including literature and conference remarks on executive compensation matters. The Compensation Committee considers ranges of compensation paid by others for a particular position, both by reference to a larger comparative group of companies of similar size and stature and, more particularly, a group comprised of our direct competitors, which includes other recorded music and music publishing companies, primarily Universal, Sony and EMI in recorded music and music publishing as one point of reference when making compensation decisions. While the Compensation Committee does not use information with respect to our peer companies and other comparable public companies to establish targets for total compensation, or any element of compensation, or otherwise numerically benchmark its compensation decisions, the Compensation Committee uses the compensation information of our peer companies and other comparable public companies as one source of market or competitive data, which data are then used as a guideline for the exercise of the Compensation Committee's discretion in determining the compensation for our NEOs. The Compensation Committee makes decisions for a specific executive in its discretion, taking into consideration competitive factors and the executive's specific qualifications, such as his or her professional experience, tenure at the Company and within the industry, leadership position within the Company, and individual performance factors. The Compensation Committee may use comparisons to our peer companies and other comparable public companies as one data point in the exercise of its discretion in making decisions regarding total compensation or particular elements of compensation.

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### *Components of Executive Compensation*

#### **Employment Agreements**

We have entered into employment agreements with all of our NEOs, the key terms of which are described below under *Summary of NEO Employment and Equity Agreements*. We believe that having employment agreements with our executives is often beneficial to us because it provides retentive value, subjects the executives to key restrictive covenants, and generally gives us a competitive advantage in the recruiting process over a company that does not offer an employment agreement. Our employment agreements set forth the terms and conditions of employment and establish the components of an executive's compensation, which generally include the following:

Base salary;

A target annual cash bonus;

Any long-term incentives in the form of equity grants; and

Benefits, including participation in our retirement plan and health, life insurance and disability insurance plans.

Our NEO employment agreements also contain key provisions that apply in the event of an executive's termination or resignation, setting forth the circumstances under which an executive may resign for good reason or under which we may terminate the agreement for cause, and formalizing restrictive covenants such as commitments not to solicit our employees and/or talent away from the Company, and to protect our confidential information, among others. The circumstances that would allow an executive to terminate his or her employment for good reason are negotiated in connection with the employment agreement and generally include such events as substantial changes in the executive's duties or reporting structure, relocation requirements, reductions in compensation and specified breaches by us of the agreement.

During fiscal 2008, the Company entered into new employment agreements with Messrs. Bronfman, Cohen, Johnson and Macri. In November 2008 the Company entered into a new employment agreement with Mr. Fleisher. Several of these new agreements were entered into in connection with management changes made during fiscal 2008. The Company believes that these management changes will be instrumental in accelerating our progress toward exploiting growth opportunities in the evolving music business. As was announced in September 2008, Messrs. Cohen and Fleisher joined Mr. Bronfman in a newly created Office of the Chairman, which is responsible for strategy, transformation and operations of the Company. Mr. Cohen was named Vice Chairman, Warner Music Group and Chairman and CEO, Recorded Music Americas and the U.K. In this role, he will expand his responsibilities across a larger geographic footprint, enabling the Company to more effectively coordinate our worldwide recorded music strategy. Mr. Fleisher was named Vice Chairman, Strategy and Operations. He will oversee corporate strategy and will lead the transformation of the Company's business models and operational processes on a global basis. Mr. Macri, who was our Global Controller, was named the Company's new CFO. Mr. Macri has been with the Company since February 2005. He has assembled the current corporate finance team, developed the Company's public reporting process and designed and implemented procedures to ensure the Company's compliance with the provisions of the Sarbanes-Oxley Act of 2002. In determining to enter into new employment agreements with these NEOs, the Compensation Committee considered various factors, including the success of these executives in providing strategic leadership and direction for the Company, including with respect to corporate governance matters, managing the strategic direction of the Company, increasing operational efficiency, expanding our digital presence and communicating to investors, shareholders and other important constituencies.

In connection with the new employment agreements for Messrs. Bronfman and Cohen, the Compensation Committee also received and considered independent advice from Hewitt. A summary of the independent advice received by the Compensation Committee is set forth below.

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*Edgar Bronfman, Jr.* Under Mr. Bronfman's new employment agreement, his base compensation and target bonus remained unchanged from his prior agreement. See Summary of NEO Employment and Equity Agreements below for a description of Mr. Bronfman's employment arrangements. The table below provides CEO market data from Hewitt's Total Compensation Measurement™ database. Hewitt reviewed data from all industries and from the non-durable consumer products industries. The median revenue of companies in the general industry data was \$3.4 billion and the median revenue for the consumer products industry data was \$4.6 billion.

	Base Salary	Total Cash	Total Compensation
<b>All Industries</b>			
n Median	\$ 958,916	\$ 1,893,566	\$ 5,885,482
n Average	\$ 933,757	\$ 2,279,243	\$ 5,043,007
<b>Consumer Products Non Durable</b>			
n Median	\$ 1,056,726	\$ 2,041,406	\$ 7,162,212
n Average	\$ 1,131,636	\$ 2,582,861	\$ 7,111,953

Hewitt also reviewed recent CEO pay data from a group of companies covering the recording, media, entertainment and consumer products industries, including Sony BMG, Disney, Universal and BMG Music Publishing. Although these companies ranged in size and covered a spectrum of industries, they provided an additional benchmark of companies that might be competitors to the Company for executive talent. The results of this confidential survey were that the average range of total cash compensation packages for these CEOs was \$5.0-\$8.0 million in base salary and cash bonus. While the cash bonus comprised the bulk of these CEO cash compensation packages, the base salary levels were generally at or over \$2.0 million. Equity awards were a third compensation component in these CEO compensation packages and tended to be granted on an annual basis, as opposed to granting larger sums of equity at the beginning of employment.

Based on a comparison to general industry CEOs, Hewitt advised the Company that Mr. Bronfman's salary was within a competitive range of the 50<sup>th</sup> percentile of CEOs at similarly sized U.S. companies. His target annual incentive opportunity was somewhat higher than that of general industry CEOs; however, this was consistent with what Hewitt had observed at other media and entertainment companies. Given the vesting time frame and significant performance hurdles placed on Mr. Bronfman's equity grants, Hewitt noted that they were at or below competitive levels Hewitt would expect. Therefore, Hewitt advised that total compensation under Mr. Bronfman's new employment agreement was at approximately the 50<sup>th</sup> percentile when compared to other similarly sized companies.

*Lyor Cohen.* Under his new employment agreement, Mr. Cohen's salary increased to \$3.0 million from its prior level of \$1.5 million. His annual target bonus is \$2.5 million. His minimum bonus is \$1.5 million with a maximum of \$5.0 million. These target and maximum annual bonus amounts are consistent with the levels in his prior employment agreement. Mr. Cohen's prior employment agreement did not provide for a minimum bonus. See Summary of NEO Employment and Equity Agreements below for a description of Mr. Cohen's employment arrangements. In determining what comparative data to present to the Compensation Committee, Hewitt noted the difficulty in identifying appropriate comparison positions at other companies. Hewitt determined that a comparison against other business unit CEOs of public companies would be one possible benchmark. Hewitt noted that since Mr. Cohen acts as a second-in-command to the CEO, and oversees significant portions of the Company's business, a comparison to chief operating officers might also be appropriate. The table below provides business unit CEO and COO market data from Hewitt's Total Compensation Measurement database. Hewitt also reviewed data from all industries and from the non-durable consumer products industry. The information was collected from companies with revenues between \$2.5 billion and \$5.0 billion.

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	Base Salary	Total Cash	Total Compensation
<b>Business Unit CEO</b>			
<b>All Industries</b>			
n Median (50 <sup>th</sup> Percentile)	\$ 502,783	\$ 927,816	\$ 2,082,289
n 75 <sup>th</sup> Percentile	\$ 570,163	\$ 1,189,194	\$ 2,608,222
n 90 <sup>th</sup> Percentile	\$ 656,414	\$ 1,381,151	\$ 3,204,619
<b>Consumer Products Non Durable</b>			
n Median (50 <sup>th</sup> Percentile)	\$ 507,966	\$ 938,359	\$ 1,902,308
n 75 <sup>th</sup> Percentile	\$ 616,816	\$ 1,164,916	\$ 2,557,036
n 90 <sup>th</sup> Percentile	\$ 713,226	\$ 1,516,795	\$ 3,325,259
<b>Chief Operating Officer</b>			
<b>All Industries</b>			
n Median (50 <sup>th</sup> Percentile)	\$ 515,742	\$ 789,261	\$ 1,851,567
n 75 <sup>th</sup> Percentile	\$ 615,520	\$ 1,080,528	\$ 2,596,546
n 90 <sup>th</sup> Percentile	\$ 673,833	\$ 1,637,988	\$ 4,082,568

Hewitt also provided an additional analysis it performed of a group of companies covering the recording, media, entertainment and consumer products industries. Although these companies ranged in size and covered a spectrum of industries, they provided an additional benchmark of companies that might be competitors to the Company for executive talent. Hewitt collected the most current pay data for the second highest paid executive of each company. The data highlighted some differences in compensation practices between general industry and the companies in the recording, media, entertainment and consumer products industries, such as the greater use of annual and long-term incentive arrangements like equity grants and the practice among many of the companies in such industries of paying their number two executive very close to what the CEO is paid. The median revenue size of the 10 companies used in Hewitt's additional analysis was \$5.9 billion and the median total compensation paid to the number two executive was \$7,956,798.

The companies making up this group consisted of the following:

Cablevision Systems Corporation

EMI Group

Interpublic Group of Companies, Inc.

Lions Gate Entertainment Corp.

News Corporation

Polo Ralph Lauren Corporation

Sirius Satellite Radio Inc.

The New York Times Company

The Walt Disney Company

Viacom, Inc.

Based on a comparison to general industry COOs and business unit CEOs, Hewitt advised the Compensation Committee that Mr. Cohen's proposed total compensation level was significantly above the 75<sup>th</sup> percentile of other similarly sized companies within general industry. However, when compared to the 10 public companies noted above within the recording, media, entertainment and consumer products industries, Mr. Cohen's compensation appeared to be at or below the 50<sup>th</sup> percentile. Hewitt advised the Compensation Committee that it was important to understand that benchmark compensation data was only one factor to consider in determining an individual's pay. The benchmark data could provide the Compensation Committee with some information on what an individual might be able to expect in compensation from other comparable companies, and it could provide information on what the Company might have to pay to attract a replacement for a position.

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However, Hewitt advised that other factors such as the background and skills of the individual, past performance, tenure with the organization and historical pay levels are all additional considerations that are critical to establishing a competitive and fair pay arrangement that motivates and retains an executive.

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The companies that made up the comparison groups of companies for Messrs. Bronfman and Cohen were as follows:

**All Industries**

Abercrombie & Fitch	Dick's Sporting Goods, Inc.	Mervyn's	Superior Essex Inc.
ABM Industries Incorporated	Diebold, Incorporated	Mirant Corporation	The Bon-Ton Stores, Inc.
AGL Resources Inc.	Ecolab Inc.	Neiman Marcus	The Clorox Company
Alberto-Culver Company	El Paso Corporation	New York Power Authority	The Hershey Company
Allegheny Energy, Inc.	Energizer Holdings, Inc.	Olin Corporation	The New York Times Company
Allergan, Inc.	Equity Office Properties Trust	Pactiv Corporation	The Port Authority of New York and New Jersey
AMSTED Industries Incorporated	FMC Technologies	Petco Animal Supplies, Inc.	The Scotts Miracle-Gro Company
Armstrong World Industries, Inc.	Foster Wheeler Corporation	Polo Ralph Lauren Corporation	The ServiceMaster Company
Big Lots, Inc.	Granite Construction Incorporated	Potash Corporation of Saskatchewan Inc.	The Stanley Works
BorgWarner Inc.	H&R Block	Retail Ventures	The Timken Company
Cameron International Corporation	Hanesbrands, Inc.	Rockwell Collins	United Stationers Inc.
Carestream Health, Inc.	Hasbro, Inc.	SCANA Corporation	Vulcan Materials Company
Chicago Bridge and Iron Company	Hewitt Associates LLC	Schneider National, Inc.	W. R. Grace & Co.
Chiquita Brands International, Inc.	Idearc Media	Schreiber Foods Inc.	Washington Group International, Inc.
Con-Way, Inc.	JohnsonDiversey	Sealed Air Corporation	Williams-Sonoma, Inc.
Corn Products International Inc	Levi Strauss & Co.	Sonoco Products Company	Wm. Wrigley Jr. Company
Del Monte Foods Company	McCormick & Company, Inc.	Steelcase Inc.	Wyndham Worldwide Corporation

**Consumer Products - Non Durable**

Alberto-Culver Company	Energizer Holdings, Inc.	Kimberly-Clark Corporation	S.C. Johnson Consumer Products
Avery Dennison Corporation	Hallmark Cards, Inc.	Levi Strauss & Co.	The Sherwin-Williams Company
The Clorox Company	Hanesbrands, Inc.	The Procter & Gamble Company	Solo Cup
Colgate-Palmolive Company	Hasbro, Inc.	Revlon Inc.	Tupperware Corporation

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In connection with the review of the new employment agreement with Mr. Macri, the Compensation Committee commissioned a benchmarking study from Hewitt. The study, which consisted of a comparison to the compensation arrangements at 18 other companies that were selected by Hewitt as companies that might be competitors with the Company for CFO executive talent, concluded that total compensation for Mr. Macri (consisting of base salary, target bonus and equity compensation) was approximately 5% below the levels at the companies used in the comparison after Hewitt normalized the results for differences in pay that they deemed to be related to size differences of the peer group. The peer group used in Hewitt’s analysis was as follows:

American Greetings Corporation	H.J. Heinz Company	Mellon Financial Corporation	Time Warner Inc.
Brightpoint, Inc.	Hasbro, Inc.	The New York Times Company	Tribune Company
Colgate-Palmolive Company	Idearc Media	The PNC Financial Services Group, Inc.	The Walt Disney Company
Cox Enterprises, Inc.	Ingram Micro Inc.	PPG Industries, Inc.	
Erie Indemnity Company	Mattel, Inc.	Revlon Inc.	

The Compensation Committee did not use peer data in connection with the review of the arrangements with Mr. Johnson in fiscal 2008 and Mr. Fleisher in fiscal 2009 due to the unique nature of the positions to which they were appointed. See also Annual Cash Bonus below for additional discussion regarding the performance of the Company’s NEOs.

**Key Considerations in Determining Executive Compensation**

In general, the terms of our executive employment agreements are initially negotiated by our Chairman and CEO, Executive Vice President, Human Resources, other corporate senior executives, as appropriate, and our legal department or outside legal counsel. The key terms of the agreements for our NEOs and other executives over whose compensation the Compensation Committee has authority are presented to the Compensation Committee for consideration. When appropriate, the Compensation Committee takes an active role in the negotiation process. The Compensation Committee also establishes from time to time the general compensation principles set forth in our executive employment agreements.

During the review and approval process for the employment agreements for executives under its purview, the Compensation Committee considers the appropriate amounts for each component of compensation and the compensation design appropriate for the individual executive. In its analysis, the Compensation Committee considers the individual’s credentials, and if applicable, performance at the Company, the compensation history of the executive, input from the Compensation Committee’s independent compensation consultant on market and peer company practices, data on the compensation of other individuals in comparable positions at the Company and the total projected value of the compensation package to the executive.

The following describes the components of our NEO compensation arrangements and why each is included in our executive compensation programs.

***Base Salary***

The cash base salary an NEO receives is determined by the Compensation Committee after considering the individual’s compensation history, the range of salaries for similar positions, the individual’s expertise and experience, and other factors the Compensation Committee believes are important, such as whether we are trying to attract the executive from another opportunity. The Compensation Committee believes it is appropriate for executives to receive a competitive level of guaranteed compensation in the form of base salary and determines the initial base salary by taking into account recommendations from management and, if deemed necessary, the Compensation Committee’s independent compensation consultant.



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In cases where an NEO's employment agreement calls for annual base salary reviews, increases in base salary are determined by the Compensation Committee in its discretion. The individual's performance during the course of the prior year, his or her contribution to achieving the Company's goals and objectives and competitive data on salaries of individuals at comparable levels both within and outside of the Company may be evaluated in connection with the Compensation Committee's annual consideration of base salary increases.

Each of our NEOs was paid base salary in accordance with the terms of their respective employment agreement in fiscal 2008. Other than with respect to the new employment agreements entered into with Messrs. Bronfman, Cohen, Johnson and Macri, the Compensation Committee did not approve any change to base salary for any of our NEOs in fiscal 2008.

### ***Annual Cash Bonus***

Our Compensation Committee directly links the amount of the annual cash bonuses we pay to our corporate financial performance for the particular year. Each of our NEOs has a target bonus amount set forth in his employment agreement, which is stated as either a range or a set dollar amount. The actual amount of each annual bonus is determined by the Compensation Committee in its sole discretion and may be higher or lower than the target range or amount.

The Compensation Committee establishes performance goals for our corporate performance after considering our financial results from the prior year and the annual operating budget for the coming year. It uses these performance goals to establish a target for the Company-wide bonus pool. In fiscal 2008, the performance goals related to the achievement of budgeted amounts of net revenue and operating income before depreciation and amortization (or OIBDA), which equals operating income less depreciation expense and amortization expense, with achievement of net revenue weighted 25% and OIBDA weighted 75%. These metrics are used because we believe they encourage executives to achieve superior operating results. In its assessment of whether the performance goals are met, the Compensation Committee may consider the nature of unusual expenses or contributors to financial results, and authorize adjustments in its sole discretion. For example, in 2008, the Compensation Committee considered and approved minor adjustments to increase the aggregate bonus pool amounts that would have resulted from reference to the metrics in order to take into consideration the continued pressures on the recorded music industry, particularly the industry-wide decline in physical music sales.

If the performance targets set by the Compensation Committee are met, the bonus pool will be set at the target amount set in the annual operating budget, subject to the Committee's discretion. If our performance exceeds the budgeted levels of net revenue and OIBDA, the bonus pool amount is generally initially increased above 100% of target calculated based on the pre-established scale. If we do not meet the budgeted performance goals, the bonus pool amount is generally initially decreased from the target calculated based on the pre-established scale. The actual bonus amounts allocated to the bonus pool for the entire Company are ultimately determined by the Compensation Committee in its discretion taking into account the achievement of the performance goals, qualitative factors and management's recommendations. The Compensation Committee has the discretion to adjust the initial bonus pool amount determined by reference to the pre-established grids upwards or downwards, considering management's recommendations, the achievement of the pre-established qualitative factors and other considerations the Compensation Committee deems appropriate.

Bonuses for our NEOs are then separately determined by the Compensation Committee in its sole discretion, and may be higher or lower than the target amounts set forth in the NEOs' employment agreements. Mr. Bronfman's contractual bonus range is from \$0 to \$6.0 million. Mr. Cohen's contractual bonus range is from \$1.5 million to \$5.0 million. The amount our NEOs and other executive officers subject to the Compensation Committee's oversight receive within the bonus pool is determined by the Compensation Committee, and for other executives and employees, by the appropriate member of management, so long as the entire Company-wide

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bonus pool determined by the Compensation Committee is not exceeded. For NEOs other than the Chairman and CEO, the Compensation Committee considers the recommendation of the Chairman and CEO and the Executive Vice President, Human Resources in making its bonus determinations. The Compensation Committee evaluates the performance of the Chairman and CEO annually in connection with its bonus determination for the Chairman and CEO. This evaluation includes a review of the executive's achievement of the financial and non-financial goals established by the Board. Bonuses for executive officers, including our NEOs, are based on the target bonuses set forth in their employment agreements, corporate performance and other discretionary factors, including achievement of strategic objectives and goals in compliance and ethics and teamwork within the Company. Bonuses for executives in our recorded music or music publishing businesses or other specific areas, such as international recorded music or digital, are also based in part on their particular segment's or area's performance.

In fiscal 2008, after considering the factors described above and management's recommendations, the Committee determined that the bonuses for our NEOs would be set at amounts ranging from 100% to 130% of their respective target bonus amounts set forth in their employment agreements. This reflected the Compensation Committee's and management's assessment that overall corporate performance and discretionary factors justified payment of bonuses for our NEOs at or above target based on their performance during the fiscal year. The annual bonuses in fiscal 2008 for the NEOs were significantly higher than in the prior year. This reflected the improved performance of the Company as determined by the Compensation Committee's pre-established metrics and the fact that Mr. Bronfman declined to accept any bonus for fiscal 2007. While the Company's performance continued to be negatively impacted by difficulties in the industry-wide recorded music business in fiscal 2008, the Company nevertheless was able to continue to pursue our strategic objectives and, despite a worsening global economy and a challenging recorded music business still in transition, essentially sustained revenue and operating income over the fiscal year. Further, for the twelve months ended September 30, 2008, the Company was the only major music company to increase U.S. market share and the Company's digital revenue rose 39% from the prior fiscal year. The Company was also able to successfully manage its cash to improve its balance sheet, providing financial flexibility during the recent economic turmoil, and increased our cash balance to \$411 million at September 30, 2008 compared to \$160 million at December 31, 2007. In addition, the Compensation Committee noted that the Company made meaningful progress in many areas during the past fiscal year, including: (1) sustaining our digital leadership (based on U.S. SoundScan data, the Company's U.S. track-equivalent digital sales grew by 44%, while the market grew by 33%), (2) controlling costs, a key factor in the Company's ability to maintain operating income despite challenging market conditions, (3) continuing our success in artist and repertoire (A&R), including increasing our U.S. SoundScan album share to over 21%, which is over a percentage point higher than fiscal 2007, two-and-a-half percentage points above fiscal 2006, four percentage points ahead of fiscal 2005 and over five percentage points ahead of fiscal 2004, (4) expanding our revenue base beyond recorded music and music publishing through numerous expanded rights deals with our recording artists and the completion of several acquisitions and (5) stabilizing the performance of our music publishing business and reshaping the music publishing management team. In making the bonus determinations for the NEOs, other qualitative factors taken into account included performance in internal and public financial reporting, budgeting and forecasting processes and compliance initiatives. Non-financial goals considered also included, among other items, providing strategic leadership and direction for the Company, including corporate governance matters, managing the strategic direction of the Company, increasing operational efficiency, expanding our digital presence and communicating to investors, shareholders and other important constituencies.

***Long-Term Equity Incentives***

The Compensation Committee is responsible for establishing and administering the Company's equity compensation programs and for awarding equity compensation to the executive officers. To date, the sole forms of equity compensation awarded to or purchased by officers and employees have been restricted stock and stock options. The Compensation Committee believes that restricted stock and stock options are an important part of overall compensation because they align the interests of officers and other employees with those of stockholders and create incentives to maximize long-term stockholder value.

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The Compensation Committee determines the number of stock options or shares of restricted stock granted or sold to each executive officer based on the total amount of equity awards available under outstanding plans and the responsibility and overall compensation of each executive officer. In general, executive officers and other employees have received an initial grant of equity in the form of restricted stock (either purchased or awarded) or stock options, usually at the time of their initial employment (or, for those employed at such time, in connection with the acquisition of the Company from Time Warner in 2004). On occasion, the Compensation Committee may grant additional equity awards to recognize increased responsibilities or special contributions, to attract new hires to the Company, to retain executives or to recognize other special circumstances.

In fiscal 2008, the Company awarded additional restricted stock and/or stock options to Messrs. Bronfman, Cohen, Fleisher, Johnson and Macri. Grants to Messrs. Bronfman, Cohen, Johnson and Macri were in connection with these executives entering into new employment agreements. In addition, during fiscal 2008, Messrs. Fleisher, Johnson and Macri received grants that were made in recognition of their fiscal 2007 performance. In addition to these performance-related grants, upon the recommendation of Messrs. Johnson and Robinson, grants of stock options that they had the opportunity to receive in recognition of their fiscal 2007 performance were instead granted to other employees they supervised. See *Summary of NEO Employment and Equity Agreements* below for a description of the fiscal 2008 equity grants. In determining the size of the equity awards, the Compensation Committee considered the NEO's performance with the Company, his contribution to achieving the Company's goals and objectives and, in certain cases, as described above under *Components of Executive Compensation* *Employment Agreements*, data on the compensation of individuals at comparable levels both within and outside of the Company.

### ***Tax Deductibility of Performance-Based Compensation and Other Tax Considerations***

Where appropriate, and after taking into account various considerations, we structure our executive employment agreements and compensation programs to allow us to take a tax deduction for the compensation we pay to our executives. Our Amended and Restated 2005 Omnibus Award Plan (the *Plan*) is designed to be compliant with the requirements of Section 162(m) of the Internal Revenue Code ( *Section 162(m)* ). Section 162(m), which generally places limits on the tax deductibility of executive compensation for publicly traded companies, disallows deductions for compensation in excess of \$1,000,000 per year paid to the NEOs (other than the CFO), unless such compensation is performance-based, is approved by stockholders, and meets certain other requirements. In order to maximize deductibility of future executive compensation under Section 162(m), our NEOs participate in the *Plan*.

The Company has implemented procedures intended to permit performance-based compensation to be deductible under Section 162(m). Under these procedures, at the outset of each fiscal year, the Compensation Committee establishes Section 162(m) performance targets for the components of an executive's compensation that are performance based. The targets will be used solely for setting a maximum amount of bonus for which our NEOs are eligible for Section 162(m) purposes at various target thresholds. For example, cash bonuses may be conditioned on the achievement of a specified amount of budgeted OIBDA. OIBDA is among the measures used by management to gauge operating performance and is used by investors, analysts and peer companies to value the Company and compare our performance to that of our peers. In December 2008, the Compensation Committee determined that the performance targets for fiscal 2009 would relate to the achievement of specified levels of budgeted OIBDA.

The Compensation Committee sets the Section 162(m) performance targets at levels that are challenging, but that the Compensation Committee believes are reasonably obtainable even though the achievement of the goal is substantially uncertain at the time it is set. This should generally allow us to take a tax deduction for the performance-based components of an executive's compensation. If the maximum Section 162(m) performance target is met in a given year, our NEOs are eligible to earn an annual cash bonus no greater than the maximum amount permitted under the *Plan* of \$10 million for Messrs. Bronfman and Cohen and four times the target bonuses in effect at the beginning of the year for the other NEOs. If the maximum Section 162(m) performance

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target is not met, the maximum amount of bonus our NEOs are eligible to earn is decreased on a pre-established scale to reflect the maximum bonus established for the actual target level of performance achieved. In practice, however, even if our NEOs are eligible for the maximum bonus amounts described, the Compensation Committee generally exercises its negative discretion and sets the actual bonus compensation by reference to the lower target bonus amount set forth in the respective employment agreements using the discretionary factors described above.

### **Benefits**

Our NEOs also receive health coverage, life insurance, disability benefits and other similar benefits in the same manner as our employees generally.

### **Other Compensation Information**

The Company does not offer any retirement plans or other pension benefits to our executive officers, other than the 401(k) plan generally available to employees. In accordance with the terms of the Company's 401(k) plan, the Company matches, in cash, 50% of amounts contributed to that plan by each plan participant, up to 6% of eligible pay, up to a maximum of \$225,000 of eligible pay. The matching contribution made by the Company is subject to vesting, based on continued employment, with 25% scheduled to vest on each of the second through fifth anniversaries of the employee's date of hire.

### **Perquisites**

We generally do not provide perquisites to our NEOs. Other than Mr. Johnson as disclosed below in the Summary Compensation Table, none of our NEOs received any perquisites in fiscal 2008.

### **Other Compensation Policies**

#### ***Timing of Equity Grants***

All of our equity grants require the approval of the Compensation Committee. We do not have a plan or practice designed to time equity grants in coordination with the release of material non-public information. Pursuant to a policy adopted by our Compensation Committee in 2006 we only make grants on one day each month, on or about the 15<sup>th</sup> of each month. Therefore, grants are generally made as of the 15<sup>th</sup> of the first month following approval of any such grants by the Compensation Committee. Grants for newly hired executives, and, grants based upon entering into new or amended employment agreements with existing executives, are generally made on the first 15<sup>th</sup> of the month following the later of approval of such grants by the Compensation Committee and the execution of the employment agreement by both parties.

#### ***Pledges and Hedges of Stock***

All hedges of the Company's common stock by executive officers or employees of the Company are prohibited. In addition, pledges of our securities are prohibited unless the executive officer or employee first obtains approval in accordance with procedures set by the Compensation Committee from time to time. See "Stock Ownership of Principal Stockholders and Management."

**Table of Contents****Summary Compensation Table**

The following table provides summary information concerning compensation paid or accrued by us to or on behalf of our Chief Executive Officer, Chief Financial Officer and each of our three other most highly compensated executive officers who served in such capacities at September 30, 2008, collectively known as our Named Executive Officers, or NEOs, for services rendered to us during the last fiscal year.

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards \$(2)	Option Awards \$(2)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation \$(3)	Total (\$)
							(\$)		
Edgar Bronfman, Jr. Chief Executive Officer	2008	\$ 1,000,000	\$ 3,000,000	\$ 965,934	\$ 1,493,237		\$ 1,779,486	\$ 8,238,657	
	2007	\$ 1,000,000					\$ 1,352,574	\$ 2,352,574	
Michael D. Fleisher(4) Vice Chairman, Strategy and Operations	2008	\$ 800,000	\$ 950,000	\$ 718,059	\$ 13,934		\$ 456,505	\$ 2,938,498	
	2007	\$ 800,000	\$ 384,000	\$ 1,537,545			\$ 339,998	\$ 3,061,543	
Steven Macri(4)(5)(6) Chief Financial Officer	2008	\$ 400,000	\$ 325,000		\$ 79,856		\$ 8,025	\$ 812,881	
Lyor Cohen(6) Vice Chairman, Warner Music Group and Chairman and CEO, Recorded Music Americas and the U.K.	2008	\$ 2,307,692	\$ 3,250,000	\$ 673,515	\$ 814,493		\$ 1,295,136	\$ 8,340,836	
	2007	\$ 1,500,000	\$ 1,500,000	\$ 203,546			\$ 984,423	\$ 4,187,969	
David H. Johnson CEO, Warner/Chappell Music	2008	\$ 700,000	\$ 850,000	\$ 89,515	\$ 76,727		\$ 109,917	\$ 1,826,159	
	2007	\$ 700,000	\$ 480,000	\$ 208,869			\$ 90,050	\$ 1,478,919	
Paul M. Robinson(5) Executive Vice President, General Counsel	2008	\$ 600,000	\$ 500,000		\$ 226,061		\$ 6,900	\$ 1,332,961	

- (1) Represents cash bonus amounts in respect of fiscal 2007 and fiscal 2008 performance paid in December 2007 and December 2008, respectively. In light of his recommendations regarding bonuses for other employees in fiscal 2007, Mr. Bronfman declined to accept any bonus for fiscal 2007. Amounts to which Mr. Bronfman would have been entitled were reallocated to the overall Company bonus pool and distributed to employees other than executive officers.
- (2) Reflects equity compensation expense recognized in fiscal 2007 and fiscal 2008 for financial statement purposes not including assumed forfeitures. These amounts do not solely reflect the expense we incurred with respect to fiscal 2007 or fiscal 2008 equity awards, but also include expense for awards from prior years that we are still accounting for as an expense in the respective years. The assumptions used in calculating the equity compensation expense are disclosed in Note 15, *Stock-Based Compensation Plans*, to our Consolidated Financial Statements found in our Annual Report on Form 10-K for the year ended September 30, 2008. For information on the grant date fair value of awards granted in fiscal 2008, see the *Grants of Plan-Based Awards in Fiscal 2008* table.
- (3) In fiscal 2008, represents the payment of accrued dividends on unvested restricted stock upon vesting of the shares of \$1,779,486, \$456,505, \$1,295,136 and \$60,867 for Messrs. Bronfman, Fleisher, Cohen and Johnson, respectively. The Company does not pay dividends on unvested restricted stock but rather pays any accrued dividends on such shares at the time of vesting of the shares. For Messrs. Macri, Johnson and Robinson, all other compensation in fiscal 2008 also includes \$8,025, \$7,050 and \$6,900 of 401(k) matching contributions, respectively. For Mr. Johnson, all other compensation in fiscal 2008 also includes a car allowance of \$24,000 and a financial advisory allowance of \$18,000.
- (4) On September 16, 2008, Mr. Macri was named the Company's CFO. Mr. Fleisher, who had served as the Company's CFO from January 2005 to September 16, 2008, was named Vice Chairman, Strategy and Operations of the Company.
- (5) Messrs. Macri and Robinson became NEOs in fiscal 2008.
- (6) Effective September 16, 2008, Mr. Macri's salary increased from \$400,000 to \$600,000 annually. Effective March 15, 2008, Mr. Cohen's salary increased from \$1.5 million to \$3.0 million annually.

**Table of Contents****Grants of Plan-Based Awards in Fiscal 2008**

The following table provides supplemental information relating to grants of plan-based awards to NEOs during fiscal 2008.

The grants set forth below were made in connection with the signing of new employment agreements with the Company or, with respect to the grants to Mr. Macri on December 15, 2007 and Messrs. Fleisher and Johnson on March 15, 2008, awarded in recognition of their performance in fiscal 2007. No equity grants were made in recognition of fiscal 2008 performance. All of our stock option grants have an exercise price equal to the closing price of our common stock on the date of grant. In accordance with the Company's policies described above under Other Compensation Policies Timing of Equity Grants, grants are generally made as of the 15<sup>th</sup> of the first month following approval of any such grants by the Compensation Committee. For grants based upon entering into new or amended employment agreements with existing executives, grants are generally made on the first 15<sup>th</sup> of the month following the later of approval of such grants by the Compensation Committee and the execution of the employment agreement by both parties.

Name	Grant Date	Date of Board Action, if Different from Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Stock or Units (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards(1)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
Edgar Bronfman, Jr.	3/15/08	2/29/08(2)				650,000	N/A	2,750,000			\$ 5,994,881
	3/15/08	2/29/08							2,750,000	\$ 5.29	\$ 5,967,500
Michael D. Fleisher	3/15/08	3/14/08							22,500	\$ 5.29	\$ 48,825
Lyor Cohen	3/15/08	3/14/08(2)				413,666	N/A	1,750,000			\$ 3,832,792
	3/15/08	3/14/08							1,500,000	\$ 5.29	\$ 3,255,000
Steven Macri	12/15/07	12/13/07							22,000	\$ 6.34	\$ 58,520
	8/15/08	7/17/08							175,000	\$ 7.56	\$ 553,000
David H. Johnson	3/15/08	3/14/08							16,250	\$ 5.29	\$ 35,263
	5/15/08	5/13/08							100,000	\$ 8.03	\$ 336,000
Paul M. Robinson	N/A	N/A									

(1) Grant date fair value assumptions are disclosed in Note 15, *Stock-Based Compensation Plans*, to our Consolidated Financial Statements found in our Annual Report on Form 10-K for the year ended September 30, 2008. See Summary of NEO Employment and Equity Agreements below for a description of the terms of the above equity grants.

(2) Represents performance-based restricted stock which generally vests on achievement of both service and performance criteria as further described below under Summary of NEO Employment and Equity Agreements.

**Summary of NEO Employment and Equity Agreements**

This section describes employment arrangements in effect for our NEOs during fiscal 2008. In addition, the terms with respect to grants of restricted common stock and stock options described above under Grants of Plan-Based Awards in Fiscal 2008 are described below for each of our NEOs. Severance agreements and arrangements are described below in the section entitled Potential Payments upon Termination or Change-In-Control.

**Employment Agreement with Edgar Bronfman, Jr.**

On March 14, 2008, WMG Acquisition Corp., our wholly owned subsidiary, and Edgar Bronfman, Jr., the Chairman of the Board and Chief Executive Officer of the Company agreed to amend and restate Mr. Bronfman's employment agreement effective March 15, 2008. The amended and restated employment agreement, among other things, includes the following: (1) the term of Mr. Bronfman's employment agreement was extended until March 15, 2013 and will be automatically extended for successive one-year terms unless either party gives written notice of non-renewal no less than 90 days prior to the annual March 15 expiration date (commencing with March 15, 2013), in which case the agreement will end on the



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March 15 immediately following the receipt of the notice, (2) an annual base salary of at least \$1,000,000, subject to discretionary increases from time to time by the Board of Directors or Compensation Committee, which is unchanged from his prior agreement, (3) a target bonus of 300% of base salary, with a minimum of 0% and a maximum of 600% of base salary, which is also unchanged from his prior agreement and (4) revisions intended to comply with the requirements of Section 409A of the Internal Revenue Code. The employment agreement also provides for the grants of equity described below under *Fiscal 2008 Equity Grants*.

Consistent with Mr. Bronfman's prior agreement, in the event WMG Acquisition Corp. terminates Mr. Bronfman's employment agreement for any reason other than for cause or if Mr. Bronfman terminates his employment for good reason, each as defined in the agreement, Mr. Bronfman will be entitled to severance benefits equal to one year of his then-current base salary and target bonus plus a pro-rated annual bonus and continued participation in the Company's group health and life insurance plans for up to one year after termination. Mr. Bronfman may terminate his employment with or without good reason, also consistent with his prior agreement.

The employment agreement, as amended and restated, also contains standard covenants relating to confidentiality and assignment of intellectual property rights and one year post-employment non-solicitation and non-competition covenants consistent with the prior agreement.

***2004 Equity***

Mr. Bronfman purchased 3,283,944 shares of the Company's common stock through a restricted stock agreement dated March 1, 2004 for an aggregate purchase price of \$2,883,913.60. Upon any termination of Mr. Bronfman's employment, the restricted stock may be purchased by the Company (or our subsidiary). Such stock is also subject to the stockholders agreement described under *Certain Relationships and Related Party Transactions*. All of the shares of restricted stock were vested as of September 30, 2008.

***Fiscal 2008 Equity Grants***

Mr. Bronfman's amended and restated employment agreement provided for the grant to Mr. Bronfman of 2,750,000 stock options and 2,750,000 performance-based restricted shares of the Company's common stock pursuant to a separate stock option agreement and a separate restricted stock award agreement. The equity grants were made under the Plan. Pursuant to the Company's policy, the options and the restricted shares were granted on March 15, 2008, the first 15<sup>th</sup> of the month following approval of the grant by the Compensation Committee and execution of the amended and restated employment agreement, and the exercise price of the options is \$5.29 per share, which was the closing price on March 14, 2008, the last trading date prior to the grant date. The options generally vest 20% a year over five years (subject to continued employment) and have a term of 10 years. The shares of restricted stock generally vest based on a double trigger that includes achievement of both service and performance criteria (each, subject to continued employment through the applicable vesting dates). The time vesting criteria for the restricted shares are the same as for the stock options—20% a year over five years. The performance vesting criteria for the restricted shares are as follows:

650,000 shares, upon the Company achieving an average closing stock price of at least \$10.00 per share over 60 consecutive trading days;

650,000 shares, upon the Company achieving an average closing stock price of at least \$13.00 per share over 60 consecutive trading days;

650,000 shares, upon the Company achieving an average closing stock price of at least \$17.00 per share over 60 consecutive trading days; and

800,000 shares, upon the Company achieving an average closing stock price of at least \$20.00 per share over 60 consecutive trading days.



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The Stock Option Agreement and Restricted Stock Award Agreement each provide for up to 12 months' additional vesting in the case of a termination of employment due to disability, as defined in the agreements, or death. Additionally, in the event of an involuntary termination of employment without cause or a voluntary termination for good reason, each as defined in the agreements (or, under certain limited circumstances as further described in the Stock Option Agreement and Restricted Stock Award Agreement, any termination of employment other than for cause), that occurs on or after, or in anticipation of, a change in control of the Company as defined in the Plan, the Stock Option Agreement provides for the options to become fully vested and exercisable and the Restricted Stock Award Agreement provides for the time vesting condition attributable to the restricted shares to be deemed fully satisfied. Additionally, if the fair market value of the Company's common stock as defined in the Plan as of the date of any change in control (or, if greater, the per share consideration paid in connection with such change in control) exceeds the per share dollar threshold amount of any of the performance conditions described above (without regard to the number of consecutive trading days for which the average closing price was achieved) then such performance condition shall be deemed to have been achieved as of the date of such change in control, to the extent not previously achieved.

The equity grants are also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions.

APPAC, a minority shareholder group of Vivendi Universal, initiated an inquiry in the Paris Court of Appeal into various issues relating to Vivendi, including Vivendi's financial disclosures, the appropriateness of executive compensation, and trading in Vivendi stock by certain individuals previously associated with the company. The inquiry has encompassed certain trading by Mr. Bronfman in Vivendi stock. Several individuals, including Mr. Bronfman and the former CEO, CFO and COO of Vivendi, have been given the status of *mise en examen* in connection with the inquiry. Although there is no equivalent to *mise en examen* in the U.S. system of jurisprudence, it is a preliminary stage of proceedings, and no charges have been made or filed. The outcome of the inquiry or of any subsequent proceedings with respect to Mr. Bronfman is uncertain at this time. Mr. Bronfman believes that his trading in Vivendi stock was at all times proper.

### ***Employment Agreement with Michael D. Fleisher***

During fiscal 2008, Mr. Fleisher was party to his original employment agreement with the Company dated December 21, 2004. He has subsequently entered into a new employment agreement. Below is a description of his prior employment agreement and his new employment agreement.

#### ***The Prior Employment Agreement***

Warner Music Inc. entered into an employment agreement with Mr. Fleisher on December 21, 2004 under which Mr. Fleisher served as Executive Vice President and Chief Financial Officer. The employment agreement provided for a four-year term beginning on January 1, 2005. Under the terms of the employment agreement, Mr. Fleisher was paid a base salary of \$800,000. Mr. Fleisher was also eligible to receive an annual cash bonus, with a target of \$800,000.

Under his old employment agreement, in the event Warner Music Inc. terminated the employment agreement for any reason other than cause or if Mr. Fleisher terminated his employment for good reason, as defined in the agreement, Mr. Fleisher would have been entitled to severance benefits equal to one year of his then-current base salary and target bonus plus a pro-rated annual bonus and continued participation in WMG Acquisition Corp.'s group health and life insurance plans for up to one year after termination. Under the agreement, Mr. Fleisher could terminate his employment with or without good reason (as defined in the agreement).

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

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### ***The New Employment Agreement***

On September 16, 2008, Mr. Macri was named the Company's CFO. Mr. Fleisher, who had served as the Company's CFO from January 2005, was named Vice Chairman, Strategy and Operations of the Company.

On November 14, 2008, WMG Acquisition Corp. and Mr. Fleisher entered into a new employment agreement effective September 16, 2008. The employment agreement, among other things, includes the following: (1) a term of employment through December 31, 2013, (2) an annual base salary of \$825,000, (3) commencing in the Company's 2009 fiscal year, a target bonus of \$1,100,000 consisting of (a) an annual corporate bonus to be determined in the discretion of the Company, with a target of \$800,000 (which will be determined based on the performance of the Company and Mr. Fleisher) and (b) an annual projects bonus to be determined in the discretion of the Company, with a target of \$300,000 (which will be determined based on Mr. Fleisher's performance with respect to any special projects and/or transformational initiatives that have been assigned to him by the CEO) and (4) his new title of Vice Chairman, Strategy and Operations. The employment agreement also provided for the grants of equity described below under Fiscal 2009 Equity Grants.

Under his new employment agreement, in the event WMG Acquisition Corp. terminates Mr. Fleisher's employment agreement for any reason other than for cause or if Mr. Fleisher terminates his employment for good reason, each as defined in the agreement, Mr. Fleisher will be entitled to severance benefits equal to \$1,925,000 plus a pro rata portion of Mr. Fleisher's target bonus of \$1,100,000 with respect to the year of termination and continued participation in the Company's group health and life insurance plans for up to one year after termination. Mr. Fleisher may terminate his new employment agreement with or without good reason, consistent with his prior agreement. In the case of termination due to death or disability, as defined in the agreement, Mr. Fleisher will be entitled to severance benefits equal to his annual base salary of \$825,000 for an additional twelve month period, a pro rata portion of his target bonus of \$1,100,000 with respect to the year of termination and those death or disability benefits to which Mr. Fleisher would be entitled to under any benefit plans, policies or arrangements of the Company.

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

### ***2004 Equity***

Mr. Fleisher purchased 896,208 shares of the Company's common stock through a restricted stock agreement dated December 21, 2004 for an aggregate purchase price of \$927,916.67. The restricted stock may be purchased by the Company (or our subsidiary) upon any termination of employment. Such stock is also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions. 75% of the shares of restricted stock were vested as of September 30, 2008. The remaining one-quarter of the shares vested on December 21, 2008.

### ***Fiscal 2008 Equity Grant***

Mr. Fleisher received a grant of 22,500 options on March 15, 2008. The exercise price of the options is \$5.29 per share, which was the closing price on the grant date. The option grant was made in recognition of his fiscal 2007 performance and was made under the Plan. The options will generally vest 25% a year over four years (subject to continued employment) and have a term of 10 years. Such options are also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions.

### ***Fiscal 2009 Equity Grants***

Mr. Fleisher's employment agreement provides for the grant to Mr. Fleisher of 450,000 stock options and 450,000 performance-based restricted shares of the Company's common stock pursuant to separate Stock Option and Restricted Stock Award Agreements. The equity grants were made under the Plan. Pursuant to the

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Company's policy, the options and the restricted shares were granted on November 15, 2008, the first 15th of the month following approval of the grants by the Compensation Committee and execution of the employment agreement, and the exercise price of the options is \$2.77 per share, which was the closing price on November 14, 2008, the last trading date prior to the grant date. The options generally vest 20% a year over five years (subject to continued employment) and have a term of 10 years. The shares of restricted stock generally vest based on a double trigger that includes achievement of both service and performance criteria (each, subject to continued employment through the applicable vesting dates). The time vesting criteria for the restricted shares are the same as for the stock options—20% a year over five years. The performance vesting criteria for the restricted shares (subject to special additional vesting terms for the Bonus Equity restricted shares as described below) are as follows:

106,500 shares (of which 35,500 constitute Bonus Equity), upon the Company achieving an average closing stock price of at least \$10.00 per share over 60 consecutive trading days;

106,500 shares (of which 35,500 constitute Bonus Equity), upon the Company achieving an average closing stock price of at least \$13.00 per share over 60 consecutive trading days;

106,500 shares (of which 35,500 constitute Bonus Equity), upon the Company achieving an average closing stock price of at least \$17.00 per share over 60 consecutive trading days; and

130,500 shares (of which 43,500 constitute Bonus Equity), upon the Company achieving an average closing stock price of at least \$20.00 per share over 60 consecutive trading days.

For 150,000 of the stock options and 150,000 of the performance-based restricted shares described above (the Bonus Equity), there is an additional performance vesting criteria. Notwithstanding whether all of the time and/or performance conditions described above have been met, the Bonus Equity will not vest if the Compensation Committee of the Company determines, in its sole discretion, within 45 days following the scheduled vesting date that such Bonus Equity will not be permitted to vest on such scheduled vesting date, thereby exercising its negative discretion right. In making such determination, the Compensation Committee may take into consideration such factors as it deems appropriate, including, without limitation, whether any additional performance goals established by the Compensation Committee from time to time with respect to the vesting of such Bonus Equity have been met. Such performance goals may include goals based on Mr. Fleisher's performance with respect to any special projects and/or transformational initiatives that have been assigned to him by the CEO.

The Stock Option Agreement and Restricted Stock Award Agreement each provide for up to 12 months' additional vesting in the case of a termination of employment due to disability, as defined in the agreements, or death. Additionally, subject to the description below with respect to the treatment of the Bonus Equity following a change in control, in the event of an involuntary termination of employment without cause or a voluntary termination for good reason, each as defined in the agreements, that occurs on or after, or in anticipation of, a change in control of the Company as defined in the Plan, the Stock Option Agreement provides for the options to become fully vested and exercisable and the Restricted Stock Award Agreement provides for the time vesting condition attributable to the restricted shares to be deemed fully satisfied. Additionally, if the fair market value of the common stock as defined in the Plan as of the date of any change in control following which the Company's common stock ceases to be traded on a public exchange (or, if greater, the per share consideration paid in connection with such change in control) exceeds the per share dollar threshold amount of any of the performance conditions described above (without regard to the number of consecutive trading days for which the average closing price was achieved) then such performance condition will be deemed to have been achieved as of the date of such change in control, to the extent not previously achieved.

With respect to the Bonus Equity, prior to the occurrence of any change in control occurring on or prior to November 15, 2010, the Compensation Committee (as comprised immediately prior to such change in control) will affirmatively determine whether the Compensation Committee's negative discretion as described above will continue to apply to any then outstanding Bonus Equity on and following the change in control. In the event that the Compensation Committee (as comprised immediately prior to such change in control) fails to take any

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affirmative action with respect to the then-outstanding Bonus Equity prior to the occurrence of such change in control, then the negative discretion will automatically cease to apply to such Bonus Equity. The negative discretion will automatically cease to apply to the Bonus Equity outstanding upon the occurrence of any change in control occurring after November 15, 2010 (other than with respect to any tranches of Bonus Equity which the Compensation Committee affirmatively determined not to vest pursuant to its negative discretion authority prior to the occurrence of such change in control).

The equity grants are also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions. The fiscal 2009 equity grants will be reflected in next year's proxy statement compensation tables.

### ***Employment Agreement with Steven Macri***

Mr. Macri has entered into an employment agreement with Warner Music Inc. dated as of July 21, 2008. The employment agreement, among other things, includes the following: (1) the term of Mr. Macri's employment agreement ends on December 31, 2012 and (2) upon elevation to the position of Chief Financial Officer, Mr. Macri's base salary is now \$600,000 and his target bonus is now \$600,000. The employment agreement also provided for the grant of 175,000 options to Mr. Macri as described below under Fiscal 2008 Equity Grants. Mr. Macri was named the Company's CFO on September 16, 2008.

In the event Warner Music Inc. terminates his employment agreement for any reason other than for cause or if Mr. Macri terminates his employment for good reason, each as defined in the agreement, Mr. Macri will be entitled to severance benefits equal to \$1,200,000 plus a pro-rated target bonus and continued participation in the Company's group health and life insurance plans for up to one year after termination.

The employment agreement also contains standard covenants relating to confidentiality and a one-year post-employment non-solicitation covenant.

### ***2005 Equity Grant***

Mr. Macri received a grant of 17,080 stock options on February 22, 2005. The exercise price of the options is \$9.14 per share, which was the fair market value on the grant date. The options generally vest 25% a year over four years (subject to continued employment) and have a term of 10 years. Such options are also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions.

### ***Fiscal 2008 Equity Grants***

Pursuant to the terms of Mr. Macri's employment agreement, he received an award of 175,000 stock options of the Company. The option grant was made under the Plan. Pursuant to the Company's policy, the options were granted on August 15, 2008, the first 1<sup>st</sup> of the month following approval of the grant by the Compensation Committee and execution of the employment agreement, and the exercise price of the options is \$7.56 per share, which was the closing price on August 15, 2008. The options generally vest 25% a year over four years (subject to continued employment) and have a term of 10 years.

In addition, Mr. Macri received a grant of 22,000 stock options on December 15, 2007. The option grant was made in recognition of his fiscal 2007 performance and was made under the Plan. The exercise price of the options is \$6.34 per share, which was the closing price on the grant date. The options generally vest 25% a year over four years (subject to continued employment) and have a term of 10 years.

The equity grants are also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions.

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### ***Employment Agreement with Lyor Cohen***

On March 14, 2008, WMG Acquisition Corp. and Lyor Cohen agreed to amend and restate Mr. Cohen's employment agreement effective March 15, 2008. The amended and restated employment agreement, among other things, includes the following: (1) the term of Mr. Cohen's employment agreement was extended until March 15, 2013 and will be automatically extended for successive one-year terms unless either party gives written notice of non-renewal no less than 90 days prior to the annual March 15 expiration date (commencing with March 15, 2013), in which case the agreement shall end on the March 15 immediately following the receipt of such notice, (2) an annual base salary of \$3.0 million, subject to discretionary increases from time to time by the Board of Directors or Compensation Committee, (3) a target bonus of \$2.5 million, with a minimum of \$1.5 million and a maximum of \$5.0 million, (4) Mr. Cohen's new title of Chairman and Chief Executive Officer, Recorded Music North America and (5) revisions intended to comply with the requirements of Section 409A of the Internal Revenue Code. The employment agreement also provided for the grants of equity described below under Fiscal 2008 Equity Grants. On September 16, 2008, Mr. Cohen was named Vice Chairman, Warner Music Group and Chairman and CEO, Recorded Music Americas and the U.K.

In the event WMG Acquisition Corp. terminates Mr. Cohen's employment agreement for any reason other than for cause or if Mr. Cohen terminates his employment for good reason, each as defined in the agreement, Mr. Cohen will be entitled to severance benefits equal to: (1) two years of his then-current base salary and one year of his target bonus, (2) a pro-rated annual bonus and (3) continued participation in the Company's group health and life insurance plans for up to one year after termination; provided, however, that if the termination event giving rise to payment of the severance benefits is a termination by Mr. Cohen for good reason solely due to an adverse change to the executive's reporting lines such that the executive no longer reports to the Company's CEO, then the payments set forth in (1) above will be limited to \$4.0 million. Mr. Cohen may terminate his employment with or without good reason, consistent with his prior agreement.

The employment agreement, as amended and restated, also contains standard covenants relating to confidentiality and assignment of intellectual property rights and six-month post-employment non-solicitation covenants consistent with the prior agreement.

### ***2004 Equity Grant***

The Company granted to Mr. Cohen 2,390,102 shares of its common stock pursuant to a restricted stock agreement dated March 1, 2004. The restricted stock may also be purchased by the Company (or our subsidiary) upon any termination of employment. Such stock is also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions. All of the shares of restricted stock were vested as of September 30, 2008.

### ***Fiscal 2008 Equity Grants***

Mr. Cohen's amended and restated employment agreement provided for the grant to Mr. Cohen of 1,500,000 stock options and 1,750,000 performance-based restricted shares of the Company's common stock pursuant to a separate Stock Option Agreement and Restricted Stock Award Agreement. The equity grants were made under the Plan. Pursuant to the Company's policy, the options and the restricted shares were granted on March 15, 2008, the first 15th of the month following approval of the grant by the Compensation Committee and execution of the amended and restated employment agreement, and the exercise price of the options is \$5.29 per share, which was the closing price on March 14, 2008, the last trading date prior to the grant date. The options generally vest 20% a year over five years (subject to continued employment) and have a term of 10 years. The shares of restricted stock generally vest based on a double trigger that includes achievement of both service and performance criteria (each, subject to continued employment through the applicable vesting dates). The time vesting criteria for the restricted shares are the same as for the stock options 20% a year over five years. The performance vesting criteria for the restricted shares are as follows:

413,666 shares, upon the Company achieving an average closing stock price of at least \$10.00 per share over 60 consecutive trading days;

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413,667 shares, upon the Company achieving an average closing stock price of at least \$13.00 per share over 60 consecutive trading days;

413,667 shares, upon the Company achieving an average closing stock price of at least \$17.00 per share over 60 consecutive trading days; and

509,000 shares, upon the Company achieving an average closing stock price of at least \$20.00 per share over 60 consecutive trading days.

The Stock Option Agreement and Restricted Stock Award Agreement each provide for up to 12 months additional vesting in the case of a termination of employment due to disability, as defined in the agreements, or death. Additionally, in the event of an involuntary termination of employment without cause or a voluntary termination for good reason, each as defined in the agreements, that occurs on or after, or in anticipation of, a change in control of the Company as defined in the Plan, the Stock Option Agreement provides for the options to become fully vested and exercisable and the Restricted Stock Award Agreement provides for the time vesting condition attributable to the restricted shares to be deemed fully satisfied. Additionally, if the fair market value of the common stock as defined in the Plan as of the date of any change in control (or, if greater, the per share consideration paid in connection with such change in control) exceeds the per share dollar threshold amount of any of the performance conditions described above (without regard to the number of consecutive trading days for which the average closing price was achieved) then such performance condition shall be deemed to have been achieved as of the date of such change in control, to the extent not previously achieved.

The equity grants are also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions.

***Employment Agreement with David H. Johnson***

On May 14, 2008, Warner/Chappell Music, Inc., a wholly owned subsidiary of WMG Acquisition Corp., and David H. Johnson, the Chairman and CEO of Warner/Chappell Music, entered into a new employment agreement. The new employment agreement, among other things, includes the following: (1) a term of employment from July 1, 2008 until June 30, 2011, (2) an annual base salary of \$700,000, which is unchanged from his prior agreement, (3) a target bonus of \$800,000, which is also unchanged from his prior agreement, and, (4) in addition to his entitlement to paid vacation time and continued eligibility to participate in or receive benefits under any employee benefit plan, program or arrangement currently available to other executives of Warner/Chappell, Mr. Johnson will be entitled to continue to receive automobile and financial advisory services allowances consistent with his prior agreement. The employment agreement also provided for the grant of 100,000 options to Mr. Johnson as described below under Fiscal 2008 Equity Grants.

Consistent with Mr. Johnson's prior agreement, in the event the Company terminates his employment agreement for any reason other than for cause or if Mr. Johnson terminates his employment for good reason, each as defined in the agreement, Mr. Johnson will be entitled to severance benefits equal to one year of his base salary and target bonus and a pro-rated portion of the target annual bonus for the year of termination. In the event of non-renewal of his agreement, Mr. Johnson would receive a payment equal to one year of his base salary.

The employment agreement also contains standard covenants relating to confidentiality and one-year post-employment non-solicitation covenants.

***2005 Equity***

Mr. Johnson purchased 119,494 shares of the Company's common stock through a restricted stock agreement dated January 28, 2005 for an aggregate purchase price of \$123,722.22. The restricted stock may be purchased by the Company (or our subsidiary) upon any termination of employment. Such stock is also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions. 75% of the shares of restricted stock were vested as of September 30, 2008. The remaining one-quarter of the shares vested on October 1, 2008.

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### ***Fiscal 2008 Equity Grants***

Pursuant to the terms of his employment agreement Mr. Johnson received a grant of 100,000 stock options on May 15, 2008. The equity grant was made under the Plan. Pursuant to the Company's policy, the options were granted on May 15, 2008, the 1<sup>st</sup> of the first month following approval of the grant by the Compensation Committee and execution of the amended employment agreement, and the exercise price of the options is \$8.03 per share, which is the closing price on the NYSE on the grant date. The options generally vest 25% per year over four years (subject to continued employment) and have a term of 10 years. In the event of an involuntary termination of employment without cause or a voluntary termination for good reason that occurs on or after, or in anticipation of, a change in control of the Company, the stock option agreement provides for the options to become fully vested and exercisable.

In addition, Mr. Johnson received a grant of 16,250 options on March 15, 2008. The option grant was made in recognition of his fiscal 2007 performance and was made under the Plan. The exercise price of the options is \$5.29 per share, which was the closing price on the grant date. The options generally vest 25% a year over four years (subject to continued employment) and have a term of 10 years. At the time of the grant, Mr. Johnson was also provided the opportunity to receive an additional award of 3,750 options but, upon his recommendation, these awards were instead granted to other employees he supervised.

The equity grants are also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions.

### ***Employment Agreement with Paul M. Robinson***

On August 8, 2007, Warner Music Inc. entered into an employment agreement, effective as of October 1, 2007, with Mr. Robinson. The employment agreement, among other things, includes the following: (1) the term of Mr. Robinson's employment agreement shall end on September 30, 2011, (2) an annual base salary of \$600,000, (3) a target bonus of \$500,000 and (4) Mr. Robinson's title of Executive Vice President & General Counsel. The employment agreement also provided for the grant of 100,000 options to Mr. Robinson as described below under 2007 Equity Grant.

In the event Warner Music Inc. terminates his employment agreement for any reason other than for cause or if Mr. Robinson terminates his employment for good reason, each as defined in the agreement, Mr. Robinson will be entitled to severance benefits equal to \$1,100,000 plus a pro-rated target bonus and continued participation in the Company's group health and life insurance plans for up to one year after termination.

The employment agreement also contains standard covenants relating to confidentiality and a one-year post-employment non-solicitation covenant.

### ***2004 Equity Grants***

Mr. Robinson received a grant of 28,467 stock options on October 1, 2004. The exercise price of the options is \$6.20 per share, which was the fair market value on the grant dates. The options generally vest 25% a year over four years (subject to continued employment) and have a term of 10 years. 75% of the options were vested as of September 30, 2008. The remaining one-quarter of the options vested on October 1, 2008.

### ***2007 Equity Grant***

Mr. Robinson received an additional grant of 100,000 stock options on August 15, 2007. The 2007 grant was made under the Plan. The exercise price of the options is \$10.85 per share, which was the closing price on the grant date. The options will generally vest 25% a year over four years (subject to continued employment) and have a term of 10 years.

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The equity grants are also subject to the stockholders agreement described under Certain Relationships and Related Party Transactions.

***Fiscal 2008 Equity Grants***

In fiscal 2008, Mr. Robinson was also provided the opportunity to receive a grant of 16,500 stock options in recognition of his fiscal 2007 performance but, upon his recommendation, these awards were instead granted to other employees he supervised.



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The following table provides information regarding outstanding awards made to our Named Executive Officers as of our most recent fiscal year end, September 30, 2008.

Name	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(1)
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(1)
Edgar Bronfman, Jr.		2,750,000(2)		\$ 5.29	3/14/2018			2,750,000(2)	\$ 20,900,000
Michael D. Fleisher		22,500(3)		\$ 5.29	3/14/2018	224,052(3)	\$ 1,702,795		
Steven Macri	12,810(4)	4,270(4)		\$ 9.14	2/21/2015				
		22,000(4)		\$ 6.34	12/14/2017				
		175,000(4)		\$ 7.56	8/14/2018				
Lyor Cohen		1,500,000(5)		\$ 5.29	3/14/2018			1,750,000(5)	\$ 13,300,000
David H. Johnson		16,250(6)		\$ 5.29	3/14/2018	29,874(6)	\$ 227,042		
		100,000(6)		\$ 8.03	5/14/2018				
Paul M. Robinson	21,350(7)	7,117(7)		\$ 6.20	9/30/2014				
	25,000(7)	75,000(7)		\$ 10.85	8/14/2017				

- Calculations of market value of shares of restricted stock that have not vested as of September 30, 2008 reflect the closing price of our common stock on September 30, 2008 on the New York Stock Exchange (\$7.60). The closing price of our common stock on January 9, 2009 was \$3.03 per share. The reported value for Mr. Bronfman's and Mr. Cohen's performance-based restricted stock is based on the closing stock price on September 30, 2008 assuming achievement of the maximum levels of performance. The shares will vest as described below, subject to the additional performance criteria described above under Summary of NEO Employment and Equity Agreements. The time-vesting portion of the performance-based restricted stock awards will vest sooner in the event of a change in control of the Company as described further under Potential Payments upon Termination or Change in Control below.
- Mr. Bronfman's unexercisable options vest 20% a year over five years from the grant date of March 15, 2008. Mr. Bronfman's unvested restricted stock vests 20% a year over five years from the grant date of March 15, 2008, subject to the additional performance criteria described above under Summary of NEO Employment and Equity Agreements.
- Mr. Fleisher's unexercisable options vest as follows: (a) 5,625 on March 14, 2009, (b) 5,625 on March 14, 2010, (c) 5,625 on March 14, 2011 and (d) 5,625 on March 14, 2012. Mr. Fleisher's unvested restricted stock vested on December 21, 2008, the performance criteria relating to two-thirds of such shares having been earlier satisfied. Mr. Fleisher entered into a new employment agreement in November 2008 after the end of fiscal 2008, which provided for the grant of additional equity awards, as described under Summary of NEO Employment and Equity Agreements above.
- Mr. Macri's unexercisable options vest as follows: (a) 4,270 on February 21, 2009, (b) 5,500 on December 14, 2009, (c) 5,500 on December 14, 2010, (d) 5,500 on December 14, 2011, (e) 5,500 on December 14, 2012, (f) 43,750 on August 14, 2009, (g) 43,750 on August 14, 2010, (h) 43,750 on August 14, 2011 and (i) 43,750 on August 14, 2012. His exercisable options vested as follows: (a) 4,270 on February 21, 2006, (b) 4,270 on February 21, 2007 and (c) 4,270 on February 21, 2008.
- Mr. Cohen's unexercisable options vest 20% a year over five years from the grant date of March 15, 2008. Mr. Cohen's unvested restricted stock vests 20% a year over five years from the grant date of March 15, 2008, subject to the additional performance criteria described above under Summary of NEO Employment and Equity Agreements.
- Mr. Johnson's unexercisable options vest as follows: (a) 4,062 on March 14, 2009, (b) 4,063 on March 14, 2010, (c) 4,062 on March 14, 2011, (d) 4,063 on March 14, 2012, (e) 25,000 on May 14, 2009, (f) 25,000 on May 14, 2010, (g) 25,000 on May 14, 2011 and (h) 25,000 on May 14, 2012. Mr. Johnson's

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unvested restricted stock vested on October 1, 2008, the performance criteria relating to two-thirds of such shares having been earlier satisfied.

- (7) Mr. Robinson's unexercisable options vest as follows: (a) 7,117 vested on October 1, 2008, (b) 25,000 on August 14, 2009, (c) 25,000 on August 14, 2010 and (d) 25,000 on August 14, 2011. His exercisable options vested as follows: (a) 7,116 on October 1, 2005, (b) 7,117 on October 1, 2006, (c) 7,117 on October 1, 2007 and (d) 25,000 on August 14, 2008.

**Table of Contents****Option Exercises and Stock Vested in Fiscal 2008**

The following table provides information regarding the amounts received by our Named Executive Officers upon exercise of options or similar instruments or the vesting of stock or similar instruments during our most recent fiscal year ended September 30, 2008.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(5)
Edgar Bronfman, Jr.			820,986(1)	\$ 4,925,916
Michael D. Fleisher			224,052(2)	\$ 1,382,400
Steven Macri				
Lyor Cohen			597,526(3)	\$ 3,585,156
David H. Johnson			29,874(4)	\$ 306,208
Paul M. Robinson				

- (1) Represents the vesting of 25% of Mr. Bronfman's March 1, 2004 restricted stock grant in accordance with the terms of the grant. The closing price of our common stock on February 29, 2008, the last trading date prior to March 1, 2008, the date of vesting, was \$6.00.
- (2) Represents the vesting of 25% of Mr. Fleisher's December 21, 2004 restricted stock grant in accordance with the terms of the grant. The closing price of our common stock on December 21, 2007, the date of vesting, was \$6.17.
- (3) Represents the vesting of 25% of Mr. Cohen's March 1, 2004 restricted stock grant in accordance with the terms of the grant. The closing price of our common stock on February 29, 2008, the last trading date prior to March 1, 2008, the date of vesting, was \$6.00.
- (4) Represents the vesting of 25% of Mr. Johnson's January 28, 2005 restricted stock grant in accordance with the terms of the grant. The closing price of our common stock on September 29, 2006, the last business day prior to October 1, 2007, the date of vesting, was \$10.25.
- (5) Calculations of market value of shares of stock acquired on vesting reflect the market price of our common stock on date of vesting as reflected in footnotes (1) through (4) above. The closing price of our common stock on January 9, 2009 was \$3.03 per share. Certain of the NEOs purchased their shares of restricted common stock for the amounts set forth in their respective equity agreements described under Summary of NEO Employment and Equity Agreements above.

**Potential Payments upon Termination or Change-In-Control**

We have entered into certain employment and equity agreements and maintain certain plans that, by their terms, will require us to provide compensation and other benefits to our NEOs if their employment terminates or they resign under certain circumstances or upon a change in control.

The following discussion summarizes the potential payments upon a termination of employment in various circumstances. The amounts discussed apply the assumptions that employment terminated on September 30, 2008, and calculations of equity awards reflect the closing price of our common stock on September 30, 2008 on the New York Stock Exchange (\$7.60) and the NEO does not become employed by a new employer or return to work for the Company. For Mr. Fleisher, severance payments reflect the terms of his prior employment agreement, which was in effect during fiscal 2008. Mr. Fleisher entered into a new employment agreement in November 2008 after the end of fiscal 2008 described under Summary of NEO Employment and Equity Agreements above.

The amounts set forth below do not include accrued obligations such as salary and bonus amounts payable with respect to days previously worked and accrued vacation time and other accrued amounts that were fully earned and vested as of September 30, 2008 and would be payable in connection with the executive's employment as these are available generally to all salaried employees of the Company and do not discriminate in scope, terms or operation in favor of executive officers.

See Summary of NEO Employment and Equity Agreements above for a description of their respective agreements.

**Table of Contents*****Estimated Benefits upon Termination for Cause or Resignation Without Good Reason***

In the event an NEO is terminated for cause, or resigns without good reason as such terms are defined below, the NEO is only eligible to receive compensation and benefits accrued through the date of termination. Therefore, no amounts other than accrued amounts would be payable to Messrs. Bronfman, Cohen, Fleisher, Johnson, Macri and Robinson in this instance pursuant to their employment agreements.

In the event of such a termination or resignation, our NEOs would be eligible for certain payments under their equity agreements.

Therefore, assuming the Company exercised the call option for all unvested restricted stock with respect to the 2004 equity agreements for Messrs. Fleisher and Johnson as of September 30, 2008, as the initial price paid for shares that were purchased by employees was less than the fair market value on such date, Messrs. Fleisher and Johnson would be entitled to the payments referred to in the following table pursuant to their equity agreements.

For restricted stock sold to our NEOs in 2004, unvested shares of restricted stock are subject to a call option at the lower of the initial amount paid for such shares or the fair market value of such shares on the date of termination. Vested restricted shares are subject to a call option at the fair market value of the shares on the date of termination. The call option in each case is at the Company's option. Only Messrs. Fleisher and Johnson had unvested restricted stock related to a 2004 equity agreement at September 30, 2008.

For other grants of restricted stock to our NEOs other than those sold to our NEOs in 2004, unvested shares of restricted stock generally are cancelled effective upon the termination date. Vested and unvested options generally are cancelled effective upon the date of termination. In certain circumstances, Messrs. Bronfman, Cohen and Fleisher would have 30 days following termination to exercise some of their vested options. However, none of these restricted shares or options were vested at September 30, 2008. The following table assumes that the Company would not exercise any call right with respect to vested shares since the fair market value of the shares on September 30, 2008 was in excess of the initial price paid for the shares.

	Salary (other than accrued amounts)	Target Bonus	Equity Awards(1)	Benefits	Total
Edgar Bronfman, Jr.					
Michael D. Fleisher			\$ 233,014		\$ 233,014
Steven Macri					
Lyor Cohen					
David H. Johnson			\$ 31,068		\$ 31,068
Paul M. Robinson					

(1) Amounts are based on the initial price paid for the shares of restricted stock by the respective NEOs pursuant to their equity agreements described further above under Summary of NEO Employment and Equity Agreements.

See Estimated Benefits upon a Change in Control below for a discussion of the potential vesting of restricted stock and options for Mr. Bronfman in connection with certain changes in control involving EMI.

***Estimated Benefits upon Termination without Cause or Resignation for Good Reason***

Upon termination without cause or resignation for good reason, each of our NEOs, with the exception of Mr. Cohen, are entitled to severance benefits equal to one year of his then-current base salary and target bonus plus a pro-rated annual bonus and continued participation in the group health and life insurance plans of the Company in which he currently participates for up to one year after termination. Mr. Cohen would be entitled to the above benefits with the exception that he would be entitled to severance benefits equal to two years of his then-current base salary except if he terminates for good reason due to a change in reporting lines as described further following the table below. None of the NEOs have restricted stock or options that would vest upon a termination without cause or resignation for good reason with the exception of terminations in connection

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with certain change in control transactions. See **Estimated Benefits upon a Change in Control** below for a discussion of the potential vesting of restricted stock and options for Mr. Bronfman in connection with certain changes in control involving EMI.

	<b>Salary (other than accrued amounts)</b>	<b>Target Bonus</b>	<b>Equity Awards</b>	<b>Benefits(4)</b>	<b>Total</b>
Edgar Bronfman, Jr.	\$ 1,000,000	\$ 6,000,000(1)		\$ 50,000	\$ 7,050,000
Michael D. Fleisher	\$ 1,925,000(2)	\$ 1,100,000(2)		\$ 50,000	\$ 3,075,000
Steven Macri	\$ 1,200,000(2)	\$ 600,000(2)		\$ 50,000	\$ 1,850,000
Lyor Cohen	\$ 6,000,000	\$ 5,000,000(3)		\$ 50,000	\$ 11,050,000
David H. Johnson	\$ 700,000	\$ 1,600,000(3)		\$ 50,000	\$ 2,350,000
Paul M. Robinson	\$ 1,100,000(2)	\$ 500,000(2)		\$ 50,000	\$ 1,650,000

- (1) Represents Mr. Bronfman's target bonus of \$3.0 million plus one year of pro-rated target bonus for the year of termination (assuming a full year of employment in the year of termination).
- (2) Amount under salary (other than accrued benefits) represents the lump sum severance payable on termination. Amount under target bonus represents a full year of pro-rated target bonus for the year of termination (assuming a full year of employment in the year of termination).
- (3) Represents two times the NEO's target bonus, representing the target bonus and a full year of pro-rated target bonus for the year of termination (assuming a full year of employment in the year of termination).
- (4) Health and welfare benefits and life insurance premiums will be continued at current rates. Amount to continue such benefits as part of our ongoing benefit plans are de minimus (expected to be approximately \$50,000 for each NEO for the twelve-month period they are eligible to continue to receive coverage). If Mr. Cohen resigns for "good reason" solely due to an adverse change to his reporting lines such that he no longer reports to the CEO, then his severance amount would be limited to \$4.0 million rather than the amount shown in the table.

**Estimated Benefits upon a Change in Control**

Upon termination upon a change in control, each of our NEOs, with the exception of Mr. Cohen, are entitled to severance benefits equal to one year of his then-current base salary and target bonus plus a pro-rated annual bonus and continued participation in the group health and life insurance plans of the Company in which he currently participates for up to one year after termination. Mr. Cohen would be entitled to the above benefits with the exception that he would be entitled to severance benefits equal to two years of his then-current base salary. In addition, the NEOs would also generally be entitled to vesting of their unvested restricted stock and options upon a termination without cause or resignation for "good reason" in connection with a change of control, other than with respect to performance-based restricted stock awards. The NEOs would, therefore, additionally recognize the market value of their shares that are not yet vested as set forth above under **Outstanding Equity Awards at 2008 Fiscal-Year End**. For the 2008 equity grants for Messrs. Bronfman and Cohen, the summary below assumes that Messrs. Bronfman and Cohen receive no benefits related to their restricted stock grants as the related performance criteria have not been met but assumes all criteria with respect to their option grants would be met and they would fully vest upon a change in control.

	<b>Salary (other than accrued amounts)</b>	<b>Target Bonus</b>	<b>Equity Awards(4)</b>	<b>Benefits(5)</b>	<b>Total</b>
Edgar Bronfman, Jr.	\$ 1,000,000	\$ 6,000,000(1)	\$ 6,352,500	\$ 50,000	\$ 13,402,500
Michael D. Fleisher	\$ 1,925,000(2)	\$ 1,100,000(2)	\$ 1,754,770	\$ 50,000	\$ 4,829,770
Steven Macri	\$ 1,200,000(2)	\$ 600,000(2)	\$ 34,720	\$ 50,000	\$ 1,884,720
Lyor Cohen	\$ 6,000,000	\$ 5,000,000(3)	\$ 3,465,000	\$ 50,000	\$ 14,515,000
David H. Johnson	\$ 700,000	\$ 1,600,000(3)	\$ 491,615	\$ 50,000	\$ 2,841,615
Paul M. Robinson	\$ 1,100,000(2)	\$ 500,000(2)	\$ 9,964	\$ 50,000	\$ 1,659,964

- (1) Represents Mr. Bronfman's target bonus of \$3.0 million plus one year of pro-rated target bonus for the year of termination (assuming a full year of employment in the year of termination).

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- (2) Amount under salary (other than accrued benefits) represents the lump sum severance payable on termination. Amount under target bonus represents a full year of pro-rated target bonus for the year of termination (assuming a full year of employment in the year of termination).
- (3) Represents two times the NEO's target bonus, representing the target bonus and a full year of pro-rated target bonus for the year of termination (assuming a full year of employment in the year of termination).
- (4) Calculations of market value of equity awards reflect the closing price of our common stock on September 30, 2008 on the New York Stock Exchange (\$7.60). The closing price of our common stock on January 9, 2009 was \$3.03 per share. Value reflects restricted stock that would vest upon a change in control plus the vesting of stock options, with the value of the options based on the spread between the exercise price and market price on September 30, 2008. Mr. Fleisher's November 15, 2008 equity grants are not reflected in this table.
- (5) Health and welfare benefits and life insurance premiums will be continued at current rates. Amount to continue such benefits as part of our ongoing benefit plans are de minimus (expected to be approximately \$50,000 for each NEO for the twelve-month period they are eligible to continue to receive coverage).

Upon the termination of Mr. Bronfman's employment for any reason other than for cause on or following an EMI change in control, the service condition with respect to Mr. Bronfman's 2008 equity grants will be deemed satisfied. Therefore, his options will become fully vested and exercisable and his restricted stock will vest subject to obtainment of the related performance conditions. An EMI change in control is any transaction that constitutes a change in control pursuant to which EMI Group Limited or its affiliates directly or indirectly acquires a controlling interest in the Company. As a result, following an EMI change in control, Mr. Bronfman could also realize the amounts set forth above under Equity Awards following a resignation without good reason, a termination without cause or a resignation for good reason.

***Estimated Benefits upon Death or Disability***

*Death.* Other than with respect to Messrs. Bronfman's and Cohen's fiscal 2008 equity grants and Mr. Fleisher's fiscal 2009 equity grant described under Summary of NEO Employment and Equity Agreements, none of our NEOs have any equity awards that would be accelerated upon such executive's death. In the employment agreements for Messrs. Bronfman, Cohen and Fleisher, we provide that we will also pay to the executive's estate an amount equal to one year of his then-current base salary and a pro-rated annual bonus within 10 days of any termination as a result of death. For the other NEOs, other than accrued benefits, no benefits are provided in connection with an NEO's death.

*Disability.* Other than with respect to Messrs. Bronfman's and Cohen's fiscal 2008 equity grants and Mr. Fleisher's fiscal 2009 equity grant described under Summary of NEO Employment and Equity Agreements, none of our NEOs have any equity awards that would be accelerated upon such executive's disability. In the employment agreements for Messrs. Bronfman, Cohen and Fleisher, we provide that we will also pay to the executive an amount equal to one year of his then-current base salary and a pro-rated annual bonus within 10 days of any termination as the result of disability. For the other NEOs, other than accrued benefits and short-term disability amounts, no benefits would be provided in connection with an NEO's disability. In the event an NEO becomes disabled during the term of employment, the NEO may participate in our health plans until age 65.

*Stock Awards.* The stock option and restricted stock agreements entered into in fiscal 2008 with Messrs. Bronfman and Cohen each provide for up to 12 months' additional vesting in the case of a termination of employment due to disability or death. For the 2008 equity grants for Messrs. Bronfman and Cohen, the below summary assumes that the NEOs receive no benefits related to their restricted stock grants as the related performance criteria have not been met but assumes one additional year of the service condition with respect to their option grants would be met and would vest upon death or disability.

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	<b>Salary (other than accrued amounts)</b>	<b>Bonus</b>	<b>Equity Awards(2)</b>	<b>Total</b>
Edgar Bronfman, Jr.	\$ 1,000,000	\$ 3,000,000(1)	\$ 1,270,500	\$ 5,270,500
Michael D. Fleisher	\$ 825,000	\$ 1,100,000(1)		\$ 1,925,000
Steven Macri				
Lyor Cohen	\$ 3,000,000	\$ 2,500,000(1)	\$ 693,000	\$ 6,193,000
David H. Johnson				
Paul M. Robinson				

- (1) Represents a full year of the NEO's pro-rated target bonus for the year of termination.
- (2) Calculations of market value of equity awards reflect the closing price of our common stock on September 30, 2008 on the New York Stock Exchange (\$7.60). The closing price of our common stock on January 9, 2009 was \$3.03 per share. Value reflects one additional year of the service condition with respect to their option grants that would be met and resulting vesting upon death or disability, with the value of the options based on the spread between the exercise price and market price on September 30, 2008.

**Relevant Provisions of Employment Agreements**

Upon termination of employment for any reason, all NEOs are entitled to unpaid salary and vacation time accrued through the termination date.

**Treatment of Outstanding Equity Awards as of September 30, 2008**

Outstanding equity awards held by our NEOs as of September 30, 2008 are described above under the heading "Outstanding Equity Awards at Fiscal Year-End" and under "Summary of NEO Employment and Equity Agreements" above. The following describes the treatment of these outstanding equity awards in the event employment terminates:

If an NEO is terminated for cause, shares of unvested restricted stock purchase by our NEOs in 2004 are subject to a call option at the lower of the initial amount paid for such shares or the fair market value of such shares on the date of termination. Vested restricted shares are subject to a call option at the fair market value of the shares on the date of termination. The call option in each case is at the Company's option. Other shares of unvested restricted stock granted to our NEOs will terminate effective upon the date of termination. Vested and unvested options will generally terminate effective upon the date of termination.

If an NEO resigns other than for good reason, outstanding vested stock options remain exercisable for 30 days (or if earlier, their expiration date). Unvested stock options are forfeited. Upon the termination of Mr. Bronfman's employment for any reason other than for cause on or following an EMI change in control, the service condition with respect to Mr. Bronfman's 2008 equity grants will be deemed satisfied. Therefore, his options will become fully vested and exercisable and his restricted stock will vest subject to obtainment of the related performance conditions. Other terms of equity awards are the same as those described above regarding a termination for cause.

If an NEO's employment is terminated without cause, or an NEO resigns for good reason, or an NEO's employment is terminated due to death or incapacity any outstanding unvested stock options will terminate upon the date of termination and all vested stock options will remain exercisable for 120 days (or if earlier, their expiration date). Upon the termination of Mr. Bronfman's employment for any reason other than for cause on or following an EMI change in control, the service condition with respect to Mr. Bronfman's 2008 equity grants will be deemed satisfied. Therefore, his options will become fully vested and exercisable and his restricted stock will vest subject to obtainment of the related performance conditions. Other terms of equity awards are the same as those described above regarding a termination for cause.

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If an NEO retires, outstanding stock options that were exercisable on the retirement date will remain exercisable until their expiration date. Other terms of equity awards are the same as those described above regarding a termination for cause.

If an NEO is terminated (1) due to his death, (2) by the Company due to his disability or without cause or (3) the NEO resigns for good reason, in each case on or after a change in control (as defined in his respective equity agreement), all shares of unvested restricted stock (other than performance-based restricted stock awards) and options shall become vested. In addition, in the case of a termination by the Company without cause or a resignation by the NEO for good reason in anticipation of a change in control, all shares of unvested restricted stock (other than performance-based restricted stock awards) and options shall become vested.

**Termination for Cause**

Under the terms of their employment agreements, we generally would have cause to terminate the employment of each of our NEOs in any of the following circumstances: (1) substantial and continual refusal to perform his duties with the Company, (2) engaging in willful malfeasance that has a material adverse effect on the Company, (3) conviction of a felony or entered a plea of nolo contendere to a felony charge and (4) with respect to Messrs. Bronfman, Cohen and Fleisher, a determination by the Board that the executive's representations that there were no contracts prohibiting the executive from entering into his employment agreement with the Company were untrue when made.

We are required to notify our NEOs after any event that constitutes cause before terminating their employment, and in general they have no less than 20 days after receiving notice to cure the event.

**Resignation for Good Reason or without Good Reason**

Our employment agreements for our NEOs provide that the executive generally would have good reason to terminate employment in any of the following circumstances: (1) if we assign duties inconsistent with the executive's current positions, duties or responsibilities or if we change the parties to whom the executive reports, (2) if we remove the executive from, or fail to re-elect the executive to, the executive's position, (3) if, in the case of Mr. Bronfman, he is not re-elected to the Board of Directors, (4) if we reduce the executive's salary, target bonus or other compensation levels, (5) if we require the executive to be based anywhere other than the New York metropolitan area, (6) if we breach certain of our obligations under the employment agreement, (7) if the Company fails to cause any successor to expressly assume the executive's employment agreements, (8) for Messrs. Cohen, Fleisher, Macri and Robinson, any change in reporting line such that they no longer report to the CEO or the senior-most executive of the Company, (9) with respect to Mr. Cohen, if any recorded music operations in the Americas or the U.K. of the Company or any of our respective directly or indirectly owned subsidiaries shall not be included within the Company's recorded music operations for which he is responsible or if there is any appointment of any Co-Chief Executive Officer of recorded music operations for which he is responsible (but the appointment of a President or Chief Operating Officer of the Company shall not constitute good reason so long as Mr. Cohen continues to report to the CEO) or (10) with respect to Mr. Fleisher, the appointment of any person other than Mr. Cohen or Mr. Fleisher as the Company's President, Chief Operating Officer or the equivalent.

Our NEOs generally are required to notify us within 60 days after becoming aware of the occurrence of any event that constitutes good reason, and in general we have 30 days to cure the event.

Each of Messrs. Bronfman, Cohen and Fleisher may terminate their employment with or without good reason, subject to the applicable post-employment covenants described below.



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### **Restrictive Covenants**

Our executive employment agreements contain several important restrictive covenants with which an executive must comply following termination of employment. For example, the entitlement of Messrs. Bronfman, Cohen, Fleisher, Macri and Robinson to payment of any unpaid portion of the severance amount indicated in the table as owing following a termination without cause or resignation for good reason is conditioned on the executive's compliance with covenants not to solicit certain of our employees. This non-solicitation covenant continues in effect during a period that will end six months or one year following the executive's termination of employment, depending on the level of the employee.

The employment agreements of our NEOs also contain covenants regarding non-disclosure of confidential information and, for Messrs. Bronfman, Cohen and Fleisher, recognition of the Company's ownership of works of authorship resulting from their services (both of unlimited duration) and, with respect to Mr. Bronfman, a one year post-employment non-competition covenant.

### **Compliance with Section 409A**

Our NEOs are generally expected to be specified employees for purposes of Section 409A of the Code. As a result, without triggering adverse consequences, we are prohibited from making any payment of deferred compensation within the meaning of Section 409A to them within six months of termination of employment for any reason other than death, to the extent such payments are triggered based on the employee's separation from service. We have reviewed each of our employment agreements with our NEOs and made such changes as are necessary to delay the payment of any amounts subject to the six-month mandatory delay until we are permitted to make payment under Section 409A and any other changes appropriate to comply with Section 409A.

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**CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

The Investor Group, through its beneficial ownership of our common stock, has voting control of the Company. Certain members of our Board of Directors are appointed by the Investor Group as described further under *Stockholders Agreement* below. We consider the Investor Group, in addition to our directors and executive officers and certain of their family members, to be related persons.

**Oversight of Related Person Transactions**

*Policies and Procedures Dealing with the Review, Approval and Ratification of Related Person Transactions.* The Company maintains written procedures for the review, approval and ratification of transactions with related persons. The procedures cover related party transactions between the Company and any of our executive officers and directors. More specifically, the procedures cover: (1) any transaction or arrangement in which the Company is a party and in which a related party has a direct or indirect personal or financial interest and (2) any transaction or arrangement using the services of a related party to provide legal, accounting, financial, consulting or other similar services to the Company. The Company's policy generally groups transactions with related persons into two categories: (1) transactions requiring the approval of the Audit Committee and (2) certain ordinary course transactions below established financial thresholds that are deemed pre-approved by the Audit Committee. The Audit Committee is deemed to have pre-approved any transaction or series of related transactions between us and an entity for which a related person is an executive or employee that is entered into in the ordinary course of business and where the aggregate amount of all such transactions on an annual basis is less than 2% of the annual consolidated gross revenues of the other entity. Regardless of whether a transaction is deemed pre-approved, all transactions in any amount are required to be reported to the Audit Committee.

Subsequent to the adoption of the written procedures above, the Company has followed these procedures regarding all reportable related person transactions. Following is a discussion of related person transactions.

**Stockholders Agreement**

The Company has entered into a stockholders agreement with WMG Acquisition Corp., WMG Holdings Corp., the Investor Group and certain of our executive officers and directors. The agreement, as amended, provides that the Company's Board of Directors consist of up to 14 members, with up to five directors appointed by THL, up to three directors appointed by Bain Capital, up to one director appointed by Providence Equity, one director who will at all times be the Chief Executive Officer, currently Edgar Bronfman, Jr., and the other directors to be chosen unanimously by the vote of the Company's Board of Directors. The agreement regarding the appointment of directors will remain until the earlier of a change in control or the last date permitted by applicable law, including any NYSE requirements. In addition, within a year of the Company ceasing to be a controlled company under the NYSE rules, the size and composition of the Company's Board of Directors will be adjusted to comply with the NYSE requirements. Each Investor Group director designee(s) may only be removed by the Investor Group that appointed such designee(s). The stockholders agreement contemplates that the Board of Directors of the Company will have an executive committee, an audit committee and a compensation committee and, at its discretion, a governance committee.

The stockholders agreement prohibits the parties from transferring stock to any of our competitors without the approval of our entire Board of Directors and the approval of the largest member of the Investor Group (determined by each member of the Investor Group's relative investments in us) and one other member of the Investor Group (the *Requisite Stockholder Majority*). The agreement also provides that each party to the stockholders agreement whose sale of shares pursuant to Rule 144 under the Securities Act of 1933, as amended, would be subject to aggregation with another stockholder shall notify all such stockholders when it has commenced a measurement period for purposes of the group volume limit in connection with a sale of shares under Rule 144 and what the volume limit for the measurement period, determined as of its commencement, will

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be. Each stockholder that is subject to such aggregation will have the right to sell shares that are subject to the group volume limit under Rule 144 pro rata during the applicable measurement period based on its percentage ownership of the shares that are held by all of the parties to the stockholders agreement at the start of the measurement period. These transfer restrictions will expire upon a change of control.

The Requisite Stockholder Majority has the right to require all other parties to the agreement to sell the same percentage of their stock to a buyer in a change of control transaction approved by a majority of the entire Board as is being sold to such buyer by the membership of the Requisite Stockholder Majority. A member of the Investor Group (or any affiliate thereof) that is also part of the Requisite Stockholder Majority exercising the foregoing right will not be able to be a buyer in such a change of control transaction unless the transaction is approved by each of the other groups.

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

The stockholders agreement gives any member of the Investor Group the right to require the Company to register (including by means of a shelf registration statement permitting sales of shares from time to time over an extended period) the stock held by such stockholders for sale to the public under the Securities Act of 1933, subject to certain limitations. In connection with each underwritten public offering, the Company's stockholders will be required to enter into a lockup agreement covering a period of no greater than 90 days (180 days for an initial public offering). The amended agreement also provides that if the Company registers shares of our common stock for sale to the public after our initial public offering, parties to the stockholders agreement will have the right to have their shares included in any such registration statement. Any registration is subject to a potential underwriters' cutback in the number of shares to be registered if the underwriters determine that marketing factors require a limitation on the number of shares to be underwritten.

## **Other Arrangements with Investor Group**

Employees of the Investor Group have from time to time filled management roles on an interim basis while we were transitioning to a permanent management team or for specific one-time tasks. For example, the position of Chief Financial Officer was previously filled by an employee of one of the members of the Investor Group. Such employees have not received any compensation from us for such services. At the time of the acquisition of the Company by the Investor Group from Time Warner Inc., we entered into an agreement whereby we agreed to pay The Firm, a music management firm, \$5 million for certain advisory services in connection with the acquisition. \$2 million of such amount was paid at the time of the closing of the acquisition. The remaining \$3 million was paid out at a rate of \$1 million per year each December starting in December 2005 through December 2007. During 2005, THL and Bain Capital acquired an interest in The Firm. They had no interest in The Firm at the time of entering into the original agreement or at the time of the initial payment.

## **Employment Contract**

Alex Zubillaga is the brother in law of Mr. Bronfman, our Chairman of the Board and CEO. On February 7, 2007, Warner Music Inc. entered into an employment agreement amendment, effective as of January 1, 2007, with Mr. Zubillaga, under which Mr. Zubillaga served as Executive Vice President, Digital Strategy and Business Development for the Company. The amendment provided for a three-year term beginning on January 1, 2007. Under the terms of the amendment, Mr. Zubillaga was paid an annual salary equal to \$750,000. Mr. Zubillaga was also eligible to receive an annual cash bonus, with a target of \$900,000, effective with respect to his fiscal 2007 bonus and thereafter. Mr. Zubillaga resigned from his position with the Company effective June 1, 2008. Mr. Zubillaga's employment agreement was approved by the Compensation Committee. During fiscal 2008, Mr. Zubillaga was paid \$895,385 pursuant to the terms of his employment contract prior to his resignation.

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### **Administration of Copyrights**

Warner/Chappell Music began administering certain copyrights of Mr. Bronfman, our Chairman or the Board and CEO, effective July 1, 2005 when the administration of such copyrights was transferred from Universal Music Publishing. The administration of such copyrights is on substantially the same terms as the prior agreement with Universal and the Company believes the fees in connection with such administration are representative of, or comparable to, such fees paid in similar transactions. The amount of any fees will vary year to year based on the use of such copyrights and associated royalties. Mr. Bronfman received royalty payments of \$101,012 during fiscal 2008 in connection with our administration of such copyrights.

### **Front Line Management Company**

On August 2007, the Company increased its minority equity stake in Front Line Management Group, Inc. ( Front Line ) by acquiring additional shares of Front Line from FLMG LLC, a subsidiary of IAC/InterActiveCorp ( IAC ), for \$109.9 million. Mr. Bronfman, our Chairman of the Board and CEO, is a director of IAC.

The Board of Directors of the Company approved the purchase from IAC following the recommendation of a special committee of independent directors. The special committee engaged Savvian Advisors, LLC to serve as financial advisor to the special committee. On June 29, 2007, Savvian delivered an opinion to the special committee that, as of the date of the opinion, the consideration to be paid by the Company to IAC was fair, from a financial point of view, to the Company.

On June 9, 2008, the Company sold a portion of its stake in Front Line to Madison Square Garden for \$18.6 million in cash. On October 22, 2008, the Company entered into an agreement to sell its remaining stake in Front Line to Ticketmaster for \$123.0 million in cash. The transaction closed on October 29, 2008.

### **Green Owl Records**

The Company entered into a distribution and upstream deal with Green Owl Records on October 15, 2007. Benjamin Brewer is the majority shareholder of Green Owl Records. He is one of four shareholders. Mr. Bronfman, our Chairman of the Board and CEO, is the father of Mr. Brewer. The term of the agreement is two years and the Company has an option to extend for a further year. The agreement with Green Owl Records commits the Company to overhead payments of \$120,000 per year, \$50,000 per year of which will fund the recording of two artist albums. None of the overhead is to be received by Mr. Brewer. The Company believes the other terms of such agreement with Green Owl Records (e.g., the distribution fee and terms relating to artists upstreamed at the Company's option) are representative of, or comparable to, terms contained in similar transactions. During fiscal 2008, the Company paid Green Owl Records \$85,000 pursuant to the agreement.

### **la la media, inc.**

The Company purchased a minority interest in la la media, inc. for \$20 million. The Company also received warrants issued as of October 29, 2007 that entitle us to purchase additional shares of la la for approximately \$4.0 million if 25 million compact discs are shipped into distribution by the Company or our affiliates with LALA.COM promotional placements no later than five years following the date of issuance of the warrants. The Company also has a license agreement with la la, which we believe is on fair market terms. Affiliates of Bain Capital own approximately 20% of la la.

### **Lev Group Ltd.**

As of November 7, 2006, we entered into an exclusive three-year license agreement with Lev Group Ltd. for the distribution of Warner Music Group repertoire in Israel in digital and physical formats. The term of the agreement is from January 1, 2007 to December 31, 2009. Annual advances payable by Lev Group Ltd. to WEA

## **Table of Contents**

International Inc. are \$800,000 in year one, \$900,000 in year two and \$1.1 million in year three. These advances are recoupable from royalties accruing on the sales of our repertoire in Israel. The sister of Mr. Bronfman, our Chairman of the Board and CEO, owns 100% of Lev Group Ltd. We received scheduled advance payments in fiscal 2008 of approximately \$800,000.

### **TDC**

On March 31, 2008, we entered into a two-year subscription licensing agreement with TDC A/S for content resale through TDC's online and mobile services in Denmark, including a bundled tethered download service known as UMAP. TDC is a leading provider of telecommunications services in Denmark. The term of the agreement is from April 1, 2008 (being the launch date for the UMAP service) to March 31, 2010. The agreement provides for the Company to receive a pro rata share of fees in each year of the agreement based on the consumption of the Company's content, subject to an annual guaranteed minimum payment to the Company, half of which is payable on launch of such service. Additional fees are payable in respect of TDC's portable service and standard subscription download service. Providence Equity indirectly owns greater than 5% of TDC and is represented on the Board of Directors of TDC's parent company. The Company received approximately \$1.0 million of fees from TDC in fiscal 2008 related to this license.

### **Thumbplay**

In 2008, the Company entered into an off-deck (off-deck refers primarily to services delivered through the Internet, which are independent of a carrier's own product and service offerings) ringtone aggregator agreement with Thumbplay, Inc. The term of the agreement is through November 30, 2009. The Company receives fees for the sales of ringtones and referral fees that the Company believes are representative of, or comparable to, terms contained in similar transactions. Affiliates of Bain Capital own approximately 10% of Thumbplay. The Company earned approximately \$600,000 of fees from Thumbplay in fiscal 2008 related to this agreement.

### **Univision Home Entertainment**

As of January 8, 2008, REP Sales, Inc. d/b/a Ryko Distribution, a subsidiary of the Company, entered into a standard U.S. distribution agreement with a manufacturing component with Univision Home Entertainment, Inc. The term of the agreement is three years. The Company will receive distribution fees, and in the event the Company manufactures products on Univision's behalf, manufacturing fees, on terms that the Company believes are representative of, or comparable to, terms contained in similar transactions. THL and Providence Equity each indirectly own interests of greater than 5% in Univision and THL and Providence Equity are each represented on the Board of Directors of Univision's parent company.

### **Other Related Person Transactions with Officers and Directors**

We were reimbursed approximately, \$127,000, \$140,000 and \$140,000 during fiscal 2008, 2007 and 2006, respectively, by Mr. Bronfman, our Chairman of the Board and CEO, and a company he controls, for personal use of some of our staff and office facilities.

See Board of Directors and Governance Compensation Committee Interlocks and Insider Participation for additional transactions.

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**AUDIT COMMITTEE REPORT**

The Audit Committee currently consists of Mr. Bonnie, Ms. Grann and Ms. Hooper and Ms. Hooper is the chair. The Audit Committee has the responsibility and authority described in the Warner Music Group Corp. Audit Committee Charter, which has been approved by the Board of Directors. A copy of the Audit Committee Charter is available on our website at [www.wmg.com](http://www.wmg.com) by clicking on Investor Relations and then on Corporate Governance. The Board of Directors has determined that each of Mr. Bonnie, Ms. Grann and Ms. Hooper meets the independence requirements set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended, and the applicable rules of the NYSE and that Ms. Hooper qualifies as an audit committee financial expert as such term is defined in Item 407(d)(5)(ii) of Regulation S-K under the Securities Exchange Act of 1934, as amended.

This report reviews the actions taken by the Audit Committee with regard to our financial reporting process for fiscal 2008 and particularly with regard to our audited consolidated financial statements and the related schedule included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

The Audit Committee oversees the accounting and financial reporting processes of the Company and our subsidiaries and the audits of the financial statements of the Company. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. Our independent accountants are responsible for performing an independent audit of our consolidated financial statements and the related schedule in accordance with the standards of the Public Company Accounting Oversight Board and issuing a report thereon and a report on the effectiveness of internal control over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes. In carrying out its oversight responsibilities, the Audit Committee is not providing any expert or special assurance as to the Company's financial statements or systems of internal controls or any professional certification as to the independent accountants' work. The Audit Committee has implemented procedures to ensure that, during the course of each fiscal year, it devotes the attention that it deems necessary or appropriate to fulfill its oversight responsibilities under the Audit Committee's charter.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management the audited financial statements for the fiscal year ended September 30, 2008. In addition, the Audit Committee reviewed with the Company's independent accountants, Ernst & Young LLP, who are responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles, their judgments as to the quality, rather than just the acceptability, of our accounting principles and such other matters as are required to be discussed with the Audit Committee under Statement on Auditing Standards No. 61, as amended (AICPA Professional Standards, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, other standards of the Public Company Accounting Oversight Board SEC rules, and other professional standards, which include, among other items, matters related to the conduct of the audit of the Company's consolidated financial statements. The Audit Committee also reviewed with Ernst & Young LLP the Report of Independent Registered Public Accounting Firm on the effectiveness of the Company's internal control over financial reporting included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

The Audit Committee has received and reviewed the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young LLP's communications with the Audit Committee concerning independence and has discussed with Ernst & Young LLP their independence from management and the Company and has considered the compatibility with Ernst & Young LLP's independence of the non-audit services performed for the Company by Ernst & Young LLP.

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The Audit Committee discussed with Ernst & Young LLP the overall scope and plans for their audit. The Audit Committee met with Ernst & Young LLP, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal control over financial reporting and the overall quality of the Company's financial reporting.

The Audit Committee has also evaluated the performance of Ernst & Young, including, among other things, the amount of fees paid to Ernst & Young LLP for audit and non-audit services during the fiscal year ended September 30, 2008. Information about Ernst & Young LLP's fees for the fiscal year ended September 30, 2008 is discussed below in this Proxy Statement under Independent Registered Public Accountants. Based on its evaluation, the Audit Committee has selected Ernst & Young LLP to serve as the Company's independent registered public accountants for the fiscal year ending September 30, 2009.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended September 30, 2008 filed with the SEC, and the Board of Directors approved such inclusion.

Respectfully submitted by the Audit Committee,

Michele J. Hooper, *Chair*

Shelby W. Bonnie

Phyllis E. Grann

**Table of Contents****INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee of the Board of Directors has selected the firm of Ernst & Young LLP, to serve as independent registered public accountants for the fiscal year ending September 30, 2009. Ernst & Young LLP has audited the Company's financial statements since the Company was acquired from Time Warner Inc. in March 2004. In accordance with standing policy, Ernst & Young LLP periodically changes the personnel who work on the audit of the Company.

**Fees Paid to Ernst & Young LLP**

The following table sets forth the aggregate fees paid to Ernst & Young LLP for audit services rendered in connection with the Company's consolidated financial statements and reports for the fiscal years ended September 30, 2008 and September 30, 2007 on behalf of the Company and our subsidiaries, as well as all out-of-pocket costs incurred in connection with these services (in thousands):

	Year Ended September 30, 2008	Year Ended September 30, 2007
Audit Fees	\$ 8,757	\$ 8,981
Audit-Related Fees	207	155
Tax Fees	66	58
All Other Fees		
<b>Total Fees</b>	<b>\$ 9,030</b>	<b>\$ 9,194</b>

**Audit Fees:** Consists of fees billed for professional services rendered for the audit of the Company's consolidated financial statements, the review of the interim condensed consolidated financial statements included in quarterly reports, services that are normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements and attest services, except those not required by statute or regulation.

**Audit-Related Fees:** Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under Audit Fees. These services include employee benefit plan audits, auditing work on proposed transactions, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.

**Tax Fees:** Consists of tax compliance/preparation and other tax services. Tax compliance/preparation consists of fees billed for professional services related to federal, state and international tax compliance, assistance with tax audits and appeals, expatriate tax services, and assistance related to the impact of mergers, acquisitions and divestitures on tax return preparation. Other tax services consist of fees billed for other miscellaneous tax consulting and planning.

**Pre-approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accountants**

The Audit Committee pre-approves all audit and permissible non-audit services provided by Ernst & Young LLP. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by Ernst & Young LLP. Under this policy, pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and includes an anticipated budget. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. The Audit Committee has delegated pre-approval authority to the Chair of the Audit Committee. Pursuant to this delegation, the Chair must report any pre-approval decision to the Audit Committee at its first meeting after the pre-approval was obtained.



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The Company became subject to the rules of the SEC regarding qualifications of accountants, including the pre-approval provisions, on May 10, 2005, the effective date of our registration statement relating to our initial public offering. Our wholly owned subsidiary, WMG Acquisition Corp., became subject to the rules of the SEC regarding qualifications of accountants, including the pre-approval provisions, on February 10, 2005, the effective date of its registration statement relating to the exchange offer to exchange outstanding unregistered notes for freely tradeable exchange notes that were registered under the Securities Act of 1933, as amended. Subsequent to WMG Acquisition Corp. becoming subject to the pre-approval provisions, the waiver of pre-approval provisions set forth in the applicable rules of the SEC were not utilized for the services related to Audit-Related Fees or Tax Fees above and the Audit Committee did not approve any such fees subject to the waiver of pre-approval provisions (i.e., all such fees were pre-approved).

**Other**

A representative of Ernst & Young LLP is expected to be present at the Annual Meeting, will have an opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, officers and holders of more than 10% of the Company's common stock (collectively, "Reporting Persons"), to file with the SEC initial reports of ownership and reports of changes in ownership of common stock of the Company. Such Reporting Persons are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file. Based on our review of the copies of such filings received by it with respect to the fiscal year ended September 30, 2008, the Company believes that all required persons complied with all Section 16(a) filing requirements.

**STOCKHOLDERS PROPOSALS**

Stockholders who, in accordance with Rule 14a-8 of the SEC, wish to present proposals for inclusion in the proxy materials to be distributed by us in connection with our fiscal 2009 annual meeting must submit their proposals to Warner Music Group Corp., 75 Rockefeller Plaza, New York, New York 10019, Attention: Corporate Secretary, on or before September 23, 2009. Any such proposal must meet the requirements set forth in the rules and regulations of the SEC, including Rule 14a-8, in order for such proposal to be eligible for inclusion in our fiscal 2009 proxy statement.

In addition, the Company's by-laws establish an advance notice procedure, which was amended in fiscal 2009, with regard to certain matters, including nominations of persons for election as directors or stockholder proposals, to be brought before an annual meeting of stockholders. In accordance with our by-laws, in order to be properly brought before the fiscal 2009 annual meeting, a stockholder's notice of the matter the stockholder wishes to present must be delivered to Warner Music Group Corp., 75 Rockefeller Plaza, New York, New York 10019, Attention: Corporate Secretary, not less than 90 days nor more than 120 days prior to the anniversary date of the preceding year's annual meeting and must contain specified information concerning the matters to be brought before such meeting and concerning the stockholder proposing such matters. Therefore, to be presented at the Company's fiscal 2009 annual meeting, such a proposal must be received by the Company on or after October 26, 2009 but no later than November 25, 2009. If the fiscal 2009 annual meeting is advanced by more than 30 days, or delayed by more than 70 days, from the anniversary of the date of the 2008 Annual Meeting, notice must be received not earlier than 120 days prior to such annual meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such annual meeting or the 10th day following the day on which public announcement of the date of the 2009 annual meeting is first made.

If a stockholder who has notified the Company of his intention to present a proposal at an annual meeting does not appear or send a qualified representative to present his proposal at such meeting, the Company need not present the proposal for a vote at such meeting.

In order to curtail any controversy as to the date on which a proposal was received by the Company, it is suggested that proponents submit their proposal by certified mail, return receipt requested or other means, including electronic means, that permit them to prove date of delivery.

**EXPENSES AND SOLICITATION**

This proxy is solicited on behalf of the Board of Directors. The Company will pay the cost of distributing this Proxy Statement and related materials. Our officers may solicit proxies by mail or telephone. We will furnish copies of these materials to banks, brokers, fiduciaries, custodians and other nominees that hold shares on behalf of beneficial owners so that they may forward the materials to the beneficial owners. The Company may, if appropriate, retain an independent proxy solicitation firm to assist the Company in soliciting proxies. If the Company does retain a proxy solicitation firm, the Company would pay such firm's customary fees and expenses which fees would be expected to be approximately \$10,000, plus expenses.

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### **HOUSEHOLDING**

Our Annual Report, including our audited financial statements for the fiscal year ended September 30, 2008, is being mailed to you along with this Proxy Statement. In order to reduce printing and postage costs, in certain circumstances only one Annual Report or Proxy Statement, as applicable, will be mailed to multiple stockholders sharing an address unless the Company receives contrary instructions from one or more of the stockholders sharing an address. If your household has received only one Annual Report and one Proxy Statement, the Company will deliver promptly a separate copy of the Annual Report and the Proxy Statement to any stockholder who sends a written or oral request to Warner Music Group Corp., 75 Rockefeller Plaza, New York, New York 10019, (212) 275-2000, Attention: Corporate Secretary. If your household is receiving multiple copies of the Company's annual reports or proxy statements and you wish to request delivery of a single copy, you may send a written request to Warner Music Group Corp., 75 Rockefeller Plaza, New York, New York 10019, (212) 275-2000, Attention: Corporate Secretary.

### **OTHER BUSINESS**

Management does not know of any other matters to be brought before the Annual Meeting except those set forth in the notice thereof. If other business is properly presented for consideration at the Annual Meeting, it is intended that the proxies will be voted by the persons named therein in accordance with their judgment on such matters.

Even if you plan to attend the Annual Meeting in person, please sign, date and return the enclosed proxy promptly or vote in accordance with the instructions listed on the proxy card. A postage-paid return-addressed envelope is enclosed for your convenience. Your cooperation in giving this matter your immediate attention and in returning your proxies will be appreciated.

### **WHERE YOU CAN FIND MORE INFORMATION**

We maintain an Internet site at [www.wmg.com](http://www.wmg.com). We use our website as a channel of distribution of material company information. Financial and other material information regarding Warner Music Group is routinely posted on and accessible at <http://investors.wmg.com>. In addition, you may automatically receive email alerts and other information about Warner Music Group by enrolling your email by visiting the email alerts section at <http://investors.wmg.com>. We make available on our Internet website free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K as soon as practicable after we electronically file such reports with the SEC. In addition, copies of our (i) Corporate Governance Guidelines, (ii) charters for the Audit Committee, Compensation Committee and Executive, Nominating and Corporate Governance Committee and (iii) Code of Conduct which is applicable for all or our employees including our principal executive, financial and accounting officers, are available on the Company's website at [www.wmg.com](http://www.wmg.com) by clicking on Investor Relations and then on Corporate Governance. Copies will be provided to any stockholder upon written request to Warner Music Group Corp., Investor Relations, 75 Rockefeller Plaza, New York, New York 10019, via electronic mail at [Investor.Relations@wmg.com](mailto:Investor.Relations@wmg.com) or by contacting our Investor Relations department at (212) 275-2000. Our website and the information posted on it or connected to it shall not be deemed to be incorporated by reference into this Proxy Statement.

**UPON WRITTEN REQUEST TO WARNER MUSIC GROUP CORP., INVESTOR RELATIONS, 75 ROCKEFELLER PLAZA, NEW YORK, NEW YORK 10019, WARNER MUSIC GROUP CORP. WILL MAIL WITHOUT CHARGE A COPY OF OUR ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008, INCLUDING OUR CONSOLIDATED FINANCIAL STATEMENTS, SCHEDULES AND LIST OF EXHIBITS. OUR ANNUAL REPORT ON FORM 10-K IS ALSO AVAILABLE AT [WWW.WMG.COM](http://WWW.WMG.COM).**

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**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS**

**Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be held on February 23, 2009.**

**The Proxy Statement and Annual Report are available at [HTTP://MATERIALS.PROXYVOTE.COM/934550](http://MATERIALS.PROXYVOTE.COM/934550).**

For the date, time, location and information on how to obtain directions to attend the Annual Meeting, please see Annual Meeting Matters. For information on how to vote in person at the Annual Meeting, an identification of the matters to be voted upon at the Annual Meeting and the Board of Director s recommendations regarding those matters, please see General Information About Voting.

BY ORDER OF THE BOARD OF DIRECTORS

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

Dated: January 21, 2009

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**WARNER MUSIC GROUP CORP.**

**75 ROCKEFELLER PLAZA**

**NEW YORK, NY 10019**

**VOTE BY MAIL**

Mark, sign and date this proxy card and return it in the postage- paid envelope we have provided or return it to Warner Music Group Corp., c/o Broadridge Financial Solutions, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

WRNER1

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**WARNER MUSIC GROUP CORP.**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE**

**FOR THE ELECTION OF ALL DIRECTOR NOMINEES AND FOR PROPOSAL**

**2. Vote on Directors**

**For All**   **Withhold All**   **For All Except**

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

1. Election of Directors:

**NOMINEES:**

- |                         |                       |    |    |    |
|-------------------------|-----------------------|----|----|----|
| 01) Edgar Bronfman, Jr. | 07) Scott L. Jaeckel  | .. | .. | .. |
| 02) Shelby W. Bonnie    | 08) Seth W. Lawry     |    |    |    |
| 03) Richard Bressler    | 09) Thomas H. Lee     |    |    |    |
| 04) John P. Connaughton | 10) Ian Loring        |    |    |    |
| 05) Phyllis E. Grann    | 11) Mark Nunnely      |    |    |    |
| 06) Michele J. Hooper   | 12) Scott M. Sperling |    |    |    |

**Vote on Proposal**

**For**   **Against**   **Abstain**

2. To ratify the appointment of Ernst & Young LLP as independent registered public accountants of the Company for its fiscal year ending September 30, 2009

..   ..   ..

For address changes and/or comments, please check this box and write them on the back where indicated.

Note: Please sign exactly as your name or names appear(s) on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

Please indicate if you plan to attend this meeting.   ..   ..

**Yes**   **No**

Signature [PLEASE SIGN WITHIN BOX]   Date

Signature (Joint Owners)

Date

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**ANNUAL MEETING OF STOCKHOLDERS OF  
WARNER MUSIC GROUP CORP.**

**February 23, 2009**

**Please date, sign and mail**

**this proxy card in the**

**envelope provided as soon**

**as possible.**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Proxy Statement and Annual Report are available at <http://materials.proxyvote.com/934550>

↓ Please detach along perforated line and mail in the envelope provided. ↓

**WARNER MUSIC GROUP CORP.**

**ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON TUESDAY, FEBRUARY 23, 2009**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Edgar Bronfman, Jr., Paul M. Robinson and Trent N. Tappe as proxies, each with full power of substitution, to represent and vote as designated on the reverse side, all the shares of Common Stock of Warner Music Group Corp. held of record by the undersigned on January 9, 2009, at the fiscal 2008 Annual Meeting of Stockholders to be held at 10:00 a.m. (local time) at 66 East 55<sup>th</sup> Street, New York, New York 10022 on Tuesday, February 23, 2009, or any adjournment or postponement thereof.

This proxy is solicited on behalf of the Board of Directors of the Company. This proxy, when properly executed, will be voted in accordance with the instructions given on the reverse side. **If no instructions are given, this proxy will be voted FOR the election of all of the Director nominees listed in proposal 1 and FOR proposal 2.** In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.**

**Address Changes/Comments:** \_\_\_\_\_  
-

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**(Continued and to be signed on the reverse side)**