TIME WARNER INC
Form DEF 14A
April 04, 2006
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Information Required in Proxy Statement

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to § 240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Time Warner Inc.

(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):

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April 4, 2006

Dear Fellow Stockholder:

You are cordially invited to attend Time Warner Inc. s 2006 annual meeting of stockholders. The meeting will be held on Friday, May 19, 2006, at 10:00 am in Atlanta, Georgia in the Georgia World Congress Center, Georgia Ballroom, Building C, Level 3. A map with directions to the meeting is provided on the back cover of the Proxy Statement.

As a stockholder, you will be asked to vote on a number of important matters. We encourage you to vote on all the matters listed in the enclosed Notice of Annual Meeting of Stockholders. The Board of Directors recommends a vote **FOR** the proposals listed as items 1, 2 and 3 in the Notice and **AGAINST** each of the stockholder proposals listed as items 4, 5 and 6 in the Notice. **Your vote is important. Please promptly submit your proxy by telephone, Internet or mail.**

In a letter to stockholders earlier this year, I provided an update on Time Warner s business strategy and performance. At that time, I also promised to let you know our response to the recommendations of Icahn Partners LP and its investment banking firm.

As we ve reported to you in the past, the Company s Board and management continually evaluate strategic alternatives to enhance the value of Time Warner. In addition to opportunities identified by the Company and its advisors, we have considered the recommendations submitted to us by Icahn Partners and its investment banking firm. While we have concluded that it is not in your Company s best interests to adopt the specific recommendations of Icahn Partners and its advisors, we have taken a number of important steps. As we announced on February 17th, the Company has:

- expanded its share repurchase program to $20 billion through the end of 2007;
- begun the process of adding two new independent directors to the Board by July 31, 2006; and
- committed to reducing costs by a total of $1 billion against planned expenses by the end of 2007 and to continuing a dialogue with Icahn Partners.

Also, on February 17th, Icahn Partners announced that it has abandoned plans to propose its own nominees for election to Time Warner s Board at the Company s 2006 annual meeting of stockholders.

Your Company s Board and management remain dedicated to exploring a variety of strategic options to maximize shareholder value. As we do so, the Company will continue to execute its strategy of focusing on businesses with attractive growth prospects, managing those businesses to stay atop their industries, and allocating our financial resources in a disciplined manner to deliver sustained growth to our stockholders.

We will also continue our dialogue with the Company s owners. If you are planning to attend the annual meeting in person, because of security procedures, **you will need to register in advance to gain admission to the meeting**. You can register by calling (866) 356-3366 or via the Internet at *www.timewarner.com/registration2006* by Wednesday, May 17, 2006. If you are unable to attend the meeting, it will be audiocast live on the Internet at *www.timewarner.com/annualmeetingmaterials*.

I look forward to greeting those of you who are able to attend the annual meeting in Atlanta.

Sincerely,

Richard D. Parsons

Chairman of the Board

and Chief Executive Officer

YOUR VOTE IS IMPORTANT. PLEASE PROMPTLY SUBMIT YOUR PROXY

BY TELEPHONE, INTERNET OR MAIL.

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Time Warner Inc.

One Time Warner Center

New York, NY 10019-8016

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting (the Annual Meeting) of Stockholders of Time Warner Inc. (the Company) will be held on Friday, May 19, 2006 at 10:00 am (local time). The meeting will take place at:

Georgia World Congress Center

Georgia Ballroom

Building C, Level 3

Atlanta, Georgia

(see directions on back cover)

The purposes of the meeting are:

1. To elect 11 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 auditors of the Company for 2006;
3. To consider and approve the Time Warner Inc. 2006 Stock Incentive Plan;
4. To consider and vote on the stockholder proposals described in the attached Proxy Statement, if properly presented at the Annual Meeting; and
5. To transact such other business as may properly come before the Annual Meeting.

The close of business of March 24, 2006 is the record date for determining stockholders entitled to vote at the Annual Meeting. Only holders of the Company s common stock and series common stock as of the record date are entitled to vote on some or all of the matters listed in this Notice of Annual Meeting.

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, or submit your proxy by telephone or the Internet. 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 may register in advance by telephone at (866) 356-3366 or by Internet at *www.timewarner.com/registration2006*. The annual meeting will start promptly at 10:00 am. To avoid disruption, admission may be limited once the meeting begins.

TIME WARNER INC.

PAUL F. WASHINGTON

Secretary

April 4, 2006

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TIME WARNER INC.

One Time Warner Center

New York, NY 10019-8016

PROXY STATEMENT

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Time Warner Inc., a Delaware corporation (Time Warner or the Company), for use at the Annual Meeting of the Company s stockholders (the Annual Meeting) to be held on Friday, May 19, 2006, in Atlanta, Georgia in the Georgia World Congress Center, Georgia Ballroom, Building C, Level 3, commencing at 10:00 am, local time, and at any adjournment or postponement, for the purpose of considering and acting upon the matters set forth in the accompanying Notice of Annual Meeting of Stockholders. Stockholders attending the Annual Meeting in person should follow the directions provided on the back cover of the Proxy Statement.

This Proxy Statement and accompanying forms of proxy and voting instructions are first being mailed on or about April 6, 2006 to stockholders entitled to vote at the Annual Meeting. For information about stockholders eligibility to vote at the Annual Meeting, shares outstanding on the record date and the ways to submit and revoke a proxy, please see Voting at the Annual Meeting, below.

Annual Report

A copy of the Company s Annual Report to Stockholders for the year 2005, has been sent simultaneously with this Proxy Statement or has been previously provided to all stockholders entitled to vote at the Annual Meeting.

Recommendations of the Board of Directors

The Board of Directors recommends a vote **FOR** the election of the nominees for election as directors; **FOR** ratification of the appointment of Ernst & Young LLP as independent auditors of the Company for 2006; **FOR** approval of the Time Warner Inc. 2006 Stock Incentive Plan; and **AGAINST** the stockholder proposals described in this Proxy Statement.

CORPORATE GOVERNANCE

Time Warner is committed to maintaining strong corporate governance practices that allocate rights and responsibilities among stockholders, the Company s Board of Directors (the Board or the Board of Directors) and management in a manner that benefits the long-term interests of the Company s stockholders. Accordingly, the Company s corporate governance practices are designed not just to satisfy regulatory requirements, but to provide for effective oversight and management of the Company.

For a number of years, the Board has devoted substantial attention to the subject of corporate governance. For example, over four years ago, the Nominating and Governance Committee of the Board, with the assistance of outside corporate governance advisors, began work on developing a Corporate Governance Policy. The Board first adopted this Policy in January 2002 and has refined it from time to time since then. The Corporate Governance Policy sets forth the basic rules of the road to guide how the Board and its committees operate.

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Similarly, before regular executive sessions became regulatory requirements, the Board of Directors began holding these sessions without management present, conducted examinations of management s and the Board s performance, adopted a code of conduct for employees, and enacted a set of ethics guidelines specifically for outside directors. The Board of Directors has engaged in a regular process of reviewing its corporate governance practices, including comparing its practices with those recommended by various corporate governance authorities, the expectations of the Company s stockholders, and the practices of other leading public companies. The Company also regularly reviews its practices in light of proposed and adopted laws and regulations, including the Sarbanes-Oxley Act of 2002, the rules of the Securities and Exchange Commission (SEC), and the rules and listing standards of the New York Stock Exchange (NYSE).

In 2006, the Board took a number of additional steps to enhance the Company s corporate governance practices. As discussed in greater detail below, the Board amended the Company s By-laws to provide a clear and timely process for the Board to address a majority-withheld vote in an uncontested election for director. The Board formally designated a Lead Independent Director and has codified the responsibilities of that position in its Corporate Governance Policy. The Board also amended its Corporate Governance Policy to formalize its emergency succession plan for the Chief Executive Officer position. Finally, the Board amended the Audit and Finance Committee Charter to codify, in greater detail, certain responsibilities of the Company s Internal Audit function.

During 2006, the Board also has been considering changes to the Company s Restated Certificate of Incorporation and By-laws regarding the vote required for stockholders to amend the Company s By-laws. Currently, a majority of the Board can amend the By-laws and, pursuant to the Company s Restated Certificate of Incorporation and By-laws, the affirmative vote of 80% or more of the combined voting power of all classes and series of capital stock entitled generally to vote in the election of directors, voting as a class, is required for stockholders to amend the Company s By-laws. After due consideration of the matter, including discussions with stockholders, the Board has determined that it will present a proposal for consideration at the 2007 annual meeting of stockholders to amend the Company s Restated Certificate of Incorporation to eliminate the current super-majority voting standard for amending the Company s By-laws and to replace it with a majority-vote standard under which a majority of the combined voting power of all classes and series of capital stock entitled generally to vote in the election of directors, voting as a class, would be able to amend the Company s By-laws. The Board also would amend the By-laws to provide for the same majority-vote requirement.

Information on the Company s corporate governance is available to the public under both Corporate Governance at *www.timewarner.com/governance* and Investor Relations at www.timewarner.com/investors on the Company s website. The information on the website includes: the Company s By-laws, its Corporate Governance Policy, the charters of the Board s three standing committees, and the Company s codes of conduct. These documents are also available in print by writing to the Company s Corporate Secretary at the following address: Office of the Corporate Secretary, Time Warner Inc., One Time Warner Center, New York, NY 10019-8016.

The remainder of this section of the Proxy Statement summarizes the key features of Time Warner s corporate governance practices:

Board Size

The Board of Directors has adopted a policy that its size should generally be in the range of 12 to 16 members. In establishing its size, the Board considers a number of factors, including (i) resignations and retirements from the current Board, (ii) the availability of candidates, and (iii) balancing the desire of having a small enough Board to facilitate deliberations with, at the same time, having a large enough Board to have the diversity of backgrounds, professional experience and skills so that the Board and its committees can effectively perform their responsibilities in overseeing Time Warner s businesses. While the Board is currently proposing 11 directors for election at the Annual Meeting, it plans to add at least two new independent directors by July 31, 2006, which would bring the size of the Board to at least 13 members.

Criteria for Membership on the Board

While a significant amount of public attention has been focused on the need for a majority of members of a Board to be independent a requirement that Time Warner fully supports and, indeed, is committed to exceeding independence is just one of the important factors that the Board and its Nominating and Governance Committee take into consideration in selecting nominees for director. The Nominating and Governance Committee and the Board of Directors apply the same criteria to all candidates, regardless of whether the candidate is proposed by a stockholder or some other source.

Overall Composition. As a threshold matter, the Board of Directors believes it is important for the Board as a whole to reflect the appropriate combination of skills, professional experience, and diversity of backgrounds in light of the Company s current and future business needs.

Personal Qualities. Each director must possess certain personal qualities, including financial literacy and a demonstrated reputation for integrity, judgment, business acumen, and high personal and professional ethics. In addition, each director must be at least 21 years of age at the commencement of service as a director and less than 72 years of age at the time of nomination.

Commitment to Time Warner and its Stockholders. Each director must have the time and ability to make a constructive contribution to the Board, as well as a clear commitment to fulfilling the director s fiduciary duties and serving the interests of all the Company s stockholders.

Other Commitments. Each director must satisfy the requirements of antitrust laws that limit service as an officer or director of a significant competitor of the Company. In addition, in order to ensure that directors have sufficient time to devote to their responsibilities, the Board determined that directors should generally serve on no more than five other public company boards.

Additional Criteria for Incumbent Directors. During their terms, all incumbent directors on the Company s Board are expected to attend the meetings of the Board and committees on which they serve and the annual meetings of stockholders; to stay informed about the Company and its businesses; to participate in discussions; to comply with applicable Company policies; and to provide advice and counsel to the Company s management.

Additional Criteria for New Directors. As part of its annual assessment of the Board s current composition in light of the Company s current and expected business needs, the Nominating and Governance Committee has identified additional criteria for new members of the Board. The following attributes may evolve over time depending on changes in the Board and the Company s business needs and environment, and may be changed before the proxy statement for the 2007 annual stockholders meeting.

Professional Experience. New candidates for the Board should have significant experience in areas such as the following: (i) chief executive officer of a major corporation (or a comparable position in the government or non-profit sector); (ii) chief financial officer of a major corporation (or a comparable position in the government or non-profit sector); or (iii) a high-level position and expertise in one of the following areas consumer technology, media and communications, or international business and relations.

Diversity. The Committee also believes it would be desirable for new candidates for the Board to enhance the gender, ethnic, and/or geographic diversity of the Board.

Committee Eligibility. In addition to satisfying the independence requirements that apply to directors generally (see below), the Committee believes that it would be desirable for new candidates for the Board to satisfy the requirements for serving on the Board s committees, as set forth in the charters for those committees and applicable regulations.

Director Experience. The Committee believes it would also be desirable for candidates for the Board to have experience as a director of a major public corporation.

Independence. In addition to the foregoing criteria, the Board of Directors and Nominating and Governance Committee have established a policy that a majority of the directors, and all new directors, must satisfy the requirements to be an independent member of the Board. In addition, the Board has established the goal that a substantial majority of the Board should be independent. The Board has determined that 11 of the 14 current directors (or 79% of the Board), and 9 of the 11 nominees for director (or 82% of the Board), are independent in accordance with the Company s criteria. The Board applies the following NYSE criteria in making its independence determinations:

No Material Relationship. The director must not have *any* material relationship with the Company. In making this determination, the Board considers all relevant facts and circumstances, including commercial, charitable, and familial relationships that exist, either directly or indirectly, between the director and the Company.

Employment. The director must not have been an employee of the Company at any time during the past three years. In addition, a member of the director s immediate family (including the director s spouse; parents; children; siblings; mothers-, fathers-, brothers-, sisters-, sons- and daughters-in-law; and anyone who shares the director s home, other than household employees) must not have been an executive officer of the Company in the prior three years.

Other Compensation. The director or immediate family member must not have received more than $100,000 per year in direct compensation from the Company, other than in the form of director fees, pension, or other forms of deferred compensation, during the past three years.

Auditor Affiliation. The director must not be a current partner or employee of the Company s internal or external auditor and the director s immediate family member must not be a current employee of such auditor who participates in the firm s audit, assurance or tax compliance (but not tax planning) practice or a current partner of such auditor. In addition, the director or an immediate family member must not have been within the last three years a partner or employee of such firm who personally worked on the Company s audit.

Interlocking Directorships. During the past three years, the director or immediate family member cannot have been employed as an executive officer by another entity where one of Time Warner s current executive officers served at the same time on the compensation committee.

Business Transactions. The director must not be an employee of another entity that, during any one of the past three years, received payments from the Company, or made payments to the Company, for property or services that exceed the greater of $1 million or 2% of the other entity s annual consolidated gross revenues. In addition, a member of the director s immediate family cannot have been an

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executive officer of another entity that, during any one of the past three years, received payments from the Company, or made payments to the Company, for property or services that exceed the greater of $1 million or 2% of the other entity s annual consolidated gross revenues.

Additional Categorical Criteria. In addition to applying the NYSE requirements summarized above, the Board has also developed the following categorical standards, which it uses to guide it in determining whether a material relationship exists with the Company that would affect a director s independence:

Ø *Charitable Contributions.* Discretionary charitable contributions by the Company to established non-profit entities with which a director or a member of the director s family is affiliated shall generally be deemed not to create a material relationship, unless they occurred within the last three years and (i) were inconsistent with the Company s philanthropic practices; or (ii) were provided to an organization where the director or spouse is an executive officer or director and the Company s contributions for the most recently completed fiscal year represent more than (a) the greater of $100,000 or 10% of that organization s annual gross revenues for organizations with gross revenues up to $10 million per year or (b) the greater of $1 million or 2% of that organization s annual gross revenues for organizations with gross revenues of more than $10 million per year; or (iii) the aggregate amount of the Company s contributions to the organizations where a director or spouse is an executive officer or director is more than the greater of $1 million or 2% of all such organizations annual gross revenues.

Ø *Employment and Benefits.* The employment by the Company of a member of a director s family shall generally be deemed not to create a material relationship, unless such employment (i) is of the type set forth above under Employment and Other Compensation or (ii) involves employment at a salary of more than $50,000 per year of a director s current spouse, domestic partner, or child. Further, vested and non-forfeitable equity-based benefits and retirement benefits provided to directors or their family members under qualified plans as a result of prior employment shall generally be deemed not to create a material relationship.

Ø *Other Transactions.* Transactions between the Company and another entity with which a director or a member of a director s family is affiliated shall generally be deemed not to create a material relationship unless (i) they are of the type set forth above under Business Transactions; (ii) they occurred within the last three years and were inconsistent with other transactions in which the Company has engaged with third parties; (iii) they occurred within the last three years and the director is an employee or substantial owner of the other entity and such transactions represent more than 5% of the Company s annual consolidated gross revenues; or (iv) they occurred within the last three years and the director s immediate family member serves as an executive officer of the other entity and such transactions represented more than 5% of the Company s annual consolidated gross revenues.

Ø *Interlocking Directorships.* Service by an employee of the Company or one of its consolidated subsidiaries as a director of an entity where a director, or a director s immediate family member, serves as an executive officer shall generally be deemed not to create a material relationship unless the

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Company employee (i) is an executive officer of the Company; (ii) reports directly to the Board; or (iii) has annual compensation that is approved by the Board s Compensation and Human Development Committee.

Independent Judgment. Finally, in addition to the foregoing independence criteria, which relate to a director s relationship with the Company, the Board also requires that independent directors be free of any other affiliation whether with the Company or another entity that would interfere with the exercise of independent judgment.

Director Nomination Process

There are a number of different ways in which an individual may be nominated for election to the Board of Directors.

Nominations Developed by the Nominating and Governance Committee. The Nominating and Governance Committee may identify and propose an individual for election to the Board. This involves the following steps:

Assessment of Needs. As described above, the Nominating and Governance Committee conducts periodic assessments of the overall composition of the Board in light of the Company s current and expected business needs and, as a result of such assessments, the Committee may establish specific qualifications that it will seek in Board candidates. The Committee reports on the results of these assessments to the full Board of Directors.

Identifying New Candidates. In light of such assessments, the Committee may seek to identify new candidates for the Board (i) who possess the specific qualifications established by the Committee and (ii) who satisfy the other requirements for Board service. In identifying new director candidates, the Committee seeks advice and names of candidates from Committee members, other members of the Board, members of management, and other public and private sources. The Committee may also, but need not, retain a search firm in order to assist it in these efforts.

Reviewing New Candidates. The Committee reviews the potential new director candidates identified through this process. This involves reviewing the candidates qualifications as compared to the specific criteria established by the Committee and the more general criteria established by the By-laws and Corporate Governance Policy. The Committee may also select certain candidates to be interviewed by one or more Committee members.

Reviewing Incumbent Candidates. On an annual basis, the Committee also reviews incumbent candidates for renomination to the Board. This review involves an analysis of the criteria set forth above that apply to incumbent directors.

Recommending Candidates. The Nominating and Governance Committee recommends a slate of candidates for the Board of Directors to submit for approval to the stockholders at the annual stockholders meeting. This slate of candidates may include both incumbent and new nominees. In addition, apart from this annual process, the Committee may, in accordance with the By-laws, recommend that the Board elect new members of the Board who will serve until the next annual stockholders meeting.

Stockholder Nominations Submitted to the Committee. Stockholders may also submit names of director candidates, including their own, to the Nominating and Governance Committee for its consideration. The process for stockholders to use in submitting suggestions to the Nominating and Governance Committee is set forth below at Procedures for Submitting Stockholder Proposals Procedures for Submitting Director Recommendations and Nominations.

Stockholder Nominations Submitted to Stockholders. Stockholders may choose to

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submit nominations directly to the Company s stockholders. The Company s By-laws set forth the process that stockholders may use if they choose this approach, which is described below at Procedures for Submitting Stockholder Proposals Procedures for Submitting Director Recommendations and Nominations.

Director Elections. The Company s By-laws provide a procedure for the Board of Directors to follow in the event a nominee for election as a director in an uncontested election receives more withhold votes than for votes. Under this procedure, if a nominee (whether a new or incumbent director) in an uncontested election receives a majority-withheld vote, he or she must submit an offer to resign from the Board no later than two weeks after the certification by the Company of the voting results. The Board will then consider the resignation offer and may either accept the offer or reject the resignation offer and seek to address the underlying cause(s) of the withhold votes. The Board is required to make its determination within 90 days following the certification of the stockholder vote and make a public announcement of its decision, including a statement regarding the reasons for its decision if the Board rejects the resignation offer. This procedure also provides that the Chairman of the Nominating and Governance Committee has the authority to manage the Board s review of the resignation offer, except in the circumstance in which it is the Chairman of the Nominating and Governance Committee who has received the majority-withheld vote. In such a circumstance, the remaining independent directors who did not receive the majority-withheld vote would select a director to manage the process.

Board Responsibilities

The Board s primary responsibility is to seek to maximize long-term stockholder value. The Board selects senior management of the Company, monitors management s and the Company s performance, and provides advice and counsel to management. Among other things, at least annually, the Board reviews the Company s strategy and approves a business plan and budget for the Company. As part of the Board s review of the Company s strategy, the Board evaluates the Company s businesses and determines whether, in its view, stockholder value would be enhanced by expanding, divesting or otherwise restructuring the ownership of any of these businesses. The Board also reviews and approves transactions in accordance with guidelines that the Board may adopt from time to time. In fulfilling the Board s responsibilities, directors have full access to the Company s management, internal and external auditors, and outside advisors.

Board Meetings and Executive Sessions

The Board of Directors not only holds regular quarterly meetings, but also holds at least three special-purpose meetings each year to review the Company s strategy, to approve its annual business plan and annual budget, and to act on the Company s annual proxy statement and financial filings with the SEC. The Board of Directors also communicates informally with management on a regular basis.

Non-employee directors meet by themselves, without management or employee directors present, at every regularly scheduled Board meeting. Additionally, the Independent Directors (as defined below) meet together without any other directors or management present at least twice a year. Any director may request additional executive sessions.

These executive sessions are led by the Chair of the committee that is responsible for the subject matter at issue (*e.g.*, the Audit and Finance Committee Chair would lead a discussion of audit-related matters). When it is not clear which committee has specific responsibility for the subject matter, the Chair of the Nominating and Governance Committee presides. By a majority vote, the Board, non-employee directors, or independent directors may retain their own counsel or other advisors.

Lead Independent Director

The Company s Corporate Governance Policy provides that, unless the Board of Direc -

tors determines otherwise, the Chairman of the Nominating and Governance Committee will be the Lead Independent Director. The Lead Independent Director has responsibilities including presiding at executive sessions of the Board (see Board Meetings and Executive Sessions above) and serving as the liaison between the Chairman and the other Directors (including in connection with the Board s self-evaluation and its evaluation of the Chairman and the CEO). In addition, the Lead Independent Director s responsibilities include: managing the Board s process in the event a Director candidate receives a majority-withhold vote; advising the Chairman of the Board with respect to the schedule, agenda and information for Board meetings (including possessing the ability to include specific items on those agendas); advising the Chairman of the Board with respect to consultants who may report directly to the Board; and being available, as appropriate, for communication with the Company s stockholders.

Committees of the Board

The Board has three standing committees: the Audit and Finance Committee, the Compensation and Human Development Committee and the Nominating and Governance Committee.

Each committee is composed entirely of Independent Directors (as defined below). The Chair of each committee is elected by the Board and rotated periodically. Each committee also holds regular executive sessions at which only committee members are present. Each committee is also authorized to retain its own outside counsel and other advisors as it desires.

As noted above, charters for each standing committee are available on the Company s website, but a brief summary of the committees responsibilities follows:

Audit and Finance Committee. The Audit and Finance Committee assists the Board of Directors in fulfilling its responsibilities in connection with the Company s (i) independent auditors, (ii) internal auditors, (iii) financial statements, (iv) earnings releases and guidance, (v) financial and capital structure and strategy, as well as (vi) the Company s compliance program, internal controls, and risk management.

Nominating and Governance Committee. The Nominating and Governance Committee is responsible for assisting the Board in relation to (i) corporate governance, (ii) director nominations, (iii) committee structure and appointments, (iv) CEO performance evaluations and succession planning, (v) Board performance evaluations, (vi) director compensation, (vii) regulatory matters relating to corporate governance, and (viii) stockholder proposals and communications.

Compensation and Human Development Committee. The Compensation and Human- Development Committee is responsible for (i) approving compensation and employment agreements for, and reviewing benefits provided to, the Company s senior executives, (ii) overseeing the Company s disclosure regarding executive compensation, (iii) reviewing the Company s overall compensation structure and benefit plans, (iv) reviewing officer appointments, and (v) overseeing the Company s human development programs designed to attract, retain, develop, and motivate the Company s employees.

Board Self-Evaluation

The Board of Directors conducts a self-evaluation of its performance annually, which includes a review of the Board s composition, responsibilities, structure, processes and effectiveness. Each committee of the Board conducts a similar self-evaluation with respect to such committee.

Director Orientation and Education

Each individual, upon joining the Board of Directors, is provided with an orientation regarding the role and responsibilities of the Board and the Company s operations. As part of this orientation, new directors have opportunities to meet with members of the Company s senior management. The Company is also committed to the ongoing education of its directors. From time to time, the Company s executives and the heads of its business groups make presentations to the Board regarding their respective areas. Moreover, the Company reimburses directors for reasonable expenses relating to ongoing director education.

Non-Employee Director Compensation and Stock Ownership

The Board of Directors is responsible for establishing compensation for the Company s non-employee directors. At least every two years (completed most recently in January 2005), the Nominating and Governance Committee reviews the compensation for non-employee directors, including reviewing compensation provided to non-employee directors at other companies, and makes a recommendation to the Board for its approval. It is the Company s policy that the majority of non- employee directors compensation should be equity-based. (For details on the compensation currently provided to non-employee directors, please see Compensation Director Compensation.)

It is also the Board s policy that non-employee directors are encouraged to own the Company s stock. Non-employee directors are expected to own at least 5,000 shares of the Company s stock within three years of joining the Board. Additionally, in January 2003, the Board of Directors adopted a policy requiring non-employee directors to retain for a period of at least one year shares of Company common stock representing at least 75% of the estimated after-tax gain realized upon the exercise of stock options, after paying the exercise price, or the vesting of restricted stock. (For purposes of this calculation, the tax rate is deemed to be 50%.)

The Company also expects all directors to comply with all federal, state and local laws regarding trading in securities of the Company and disclosing material, non-public information regarding the Company, and the Company has procedures in place to assist directors in complying with these laws.

Codes of Conduct

In order to help assure the highest levels of business ethics at the Company, the Board of Directors has adopted the following three codes of conduct, which are posted on the Company s website at *www.timewarner.com/governance*.

Standards of Business Conduct. The Company s Standards of Business Conduct apply to the Company s employees, including any employee directors. The Standards of Business Conduct establish policies pertaining to employee conduct in the workplace, electronic communications and information security, accuracy of books, records and financial statements, securities trading, confidentiality, conflicts of interest, fairness in business practices, the Foreign Corrupt Practices Act, antitrust laws and political activities and solicitations.

Code of Ethics for Senior Executives and Senior Financial Officers. The Company s Code of Ethics for Senior Executives and Senior Financial Officers applies to certain executive officers of the Company, including the Company s Chief Executive Officer, Group Chairmen, Chief Financial Officer and Controller, and serves as a supplement to the Standards of Business Conduct. Among other things, the code mandates that the designated officers engage in honest and ethical conduct, avoid conflicts of interest and disclose any relationship that could give rise to a conflict, protect the confidentiality of non-public information about the Company, work to achieve responsible use of the Company s assets and resources, comply with all applicable governmental rules and regulations and promptly report any possible violation of the code. Additionally, the code requires that these individuals promote full, fair, understandable and accurate disclosure in the Company s publicly filed reports and other public communications and sets forth standards for accounting practices and records. Individuals to whom the code applies are held accountable for their adherence to it. Failure to observe the terms of this code or the Standards of Business Conduct can result in disciplinary action (including termination of employment).

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Guidelines for Non-Employee Directors. The Guidelines for Non-Employee Directors assist the Company s non-employee directors in fulfilling their fiduciary and other duties to the Company. In addition to affirming the directors duties of care and loyalty, the guidelines set forth specific policies addressing, among other things, securities trading and reporting obligations, gifts, the Foreign Corrupt Practices Act, political contributions and antitrust laws.

Communication with the Directors

The Company s Independent Directors have approved a process for stockholders to communicate with directors. This process is described below at Communicating with the Board of Directors.

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DIRECTORS

Term

The Company s directors are elected annually. The nominees for director at the Annual Meeting will be elected to serve for a one-year term until the next annual meeting of stockholders and until their successors have been duly elected and qualified or until their earlier death, resignation or retirement.

Director Independence and Qualifications

As set forth in the Company s Corporate Governance Policy, in selecting its slate of nominees for election to the Board, the Nominating and Governance Committee and the Board have evaluated, among other things, each nominee s independence, satisfaction of regulatory requirements, financial literacy, personal and professional accomplishments and experience in light of the needs of the Company and, with respect to incumbent directors, past performance on the Board. See Governance Criteria for Membership on the Board. Each of the nominees is currently a director of the Company. The By-laws require a majority of the Board to be independent, but the Board s objective is that a substantial majority of its members be independent. The Board of Directors has determined that 9 of the 11 director nominees (82%) have no material relationship with the Company either directly or indirectly and are independent within the meaning of the listing requirements of the New York Stock Exchange and the Company s more rigorous independence standards (such directors, the Independent Directors, and all other directors, the Affiliated Directors). In addition, the Board has determined that each director nominee is financially literate and possesses the high level of skill, experience, reputation and commitment that is mandated by the Board. The biographical information below identifies the Independent Directors and Affiliated Directors.

Set forth below are the principal occupation and certain other information, as of March 31, 2006, for the 11 nominees, each of whom currently serves as a director. To the extent that any of the current directors previously served as a director of either AOL LLC (formerly named America Online, Inc.) (AOL or America Online) or the company then known as Time Warner Inc. (Historic TW) prior to their merger (the AOL-Historic TW Merger) on January 11, 2001 (the Merger Date), this prior service is included in the information set forth below.

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Nominees for Election at the Annual Meeting

Name and Year First Became a Director of the Company	Age	Principal Occupation During the Past Five Years
James L. Barksdale 2001	63	**Chairman and President of Barksdale Management Corporation**, a private investment management company. He is also a partner and co-founder of The Barksdale Group April 1999 to present. Prior Professional Experience: Previously, Mr. Barksdale served in the following positions: President and CEO, Netscape Communications Corp. 1995 to 1999 (when it was acquired by America Online). Chief Executive Officer, AT&T Wireless Services (formerly McCaw Cellular Communications) 1993 to 1994. Executive Vice President and Chief Operating Officer, Federal Express Corporation 1983 to 1992. Chief Information Officer, Federal Express Corporation 1979 to 1983. Chief Information Officer and other management positions, Cook Industries 1972 to 1979. Company Directorship: Mr. Barksdale is an **Independent Director**. He was a Director of America Online from March 1999 until the AOL-Historic TW Merger in January 2001, and has been a Director of the Company since that date. Other Directorships: Mr. Barksdale serves on the boards of FedEx Corporation and Sun Microsystems, Inc. He also serves as a special advisor to Kleiner Perkins Caufield & Byers, a venture capital firm.

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Name and Year First Became a Director of the Company	Age	Principal Occupation During the Past Five Years
Stephen F. Bollenbach 2001	63	**Co-Chairman and Chief Executive Officer of Hilton Hotels Corporation** May 2004 to present. Prior Professional Experience: Previously, Mr. Bollenbach served in the following positions: President and Chief Executive Officer, Hilton Hotels Corporation 1996 to 2004. Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company 1995 to 1996. President and Chief Executive Officer, Host Marriott Corporation 1993 to 1995. Chief Financial Officer, Marriott Corp. 1992 to 1993. Company Directorship: Mr. Bollenbach is an **Independent Director**. He was a Director of Historic TW from 1997 until the AOL-Historic TW Merger in January 2001, and has been a Director of the Company since that date. Other Directorships: Mr. Bollenbach serves as a director of Harrah s Entertainment, Inc. and Hilton Hotels Corporation
Frank J. Caufield 2001	66	**Co-Founder and General Partner of Kleiner Perkins Caufield & Byers (KPCB)** 1978 to present. KPCB is one of the largest venture capital firms in the U.S. Prior Professional Experience: Previously, Mr. Caufield served as General Partner and Manager, Oak Grove Ventures, a venture capital partnership in Menlo Park, California 1973 to 1978. Company Directorship: Mr. Caufield is an **Independent Director**. He was a Director of America Online from 1991 until the AOL-Historic TW Merger in January 2001, and has been a Director of the Company since that date. Other Directorships: Mr. Caufield serves as a director of JER Investors Trust Inc.

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Name and Year First Became a Director of the Company	Age	Principal Occupation During the Past Five Years
Robert C. Clark 2004	62	**Distinguished Service Professor at Harvard University** July 2003 to present. His research and teaching interests are centered on corporate governance. Prior Professional Experience: Previously, Mr. Clark served in the following positions: Dean and Royall Professor of Law, Harvard Law School 1989 to 2003. Professor, Harvard Law School 1978 to 2003. Concentrated on corporate law; author of *Corporate Law*. Professor, Yale Law School 1974 to 1978. Associate, Ropes & Gray 1972 to 1974. Practice involved commercial and corporate law. Company Directorship: Mr. Clark is an **Independent Director**. He has been a Director of the Company since January 2004. Other Directorships: Mr. Clark is a director of Collins & Aikman Corporation and Omnicom Group, Inc. He is also a trustee of TIAA, a leading pension fund serving the higher education community.
Jessica P. Einhorn 2005	58	**Dean of the Paul H. Nitze School of Advanced International Studies (SAIS) at The Johns Hopkins University** June 2002 to present. Prior Professional Experience: Previously, Ms. Einhorn served in the following positions: Consultant, Clark & Weinstock, a strategic communications and public affairs consulting firm 2000 to 2002. Visiting fellow, International Monetary Fund 1998 to 1999. Executive positions at The World Bank, an international economic development organization 1978 to 1979 and 1981 to 1999, including Managing Director for Finance and Resource Mobilization 1996 to 1998. Company Directorship: Ms. Einhorn is an **Independent Director**. She has been a Director of the Company since May 2005.

Other Directorships: Ms. Einhorn serves as chair of the global advisory board of J.E. Robert Companies. She is also a trustee for the Rockefeller Brothers Fund and a director of the Institute for International Economics, the Center for Global Development, and the National Bureau of Economic Research.

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Name and Year First Became a Director of the Company	Age	Principal Occupation During the Past Five Years
Reuben Mark 2001	67	**Chairman and Chief Executive Officer of Colgate-Palmolive Company** May 1986 to present. Prior Professional Experience: Previously, Mr. Mark served in the following positions: Chief Executive Officer, Colgate-Palmolive Company 1984 to 1986. Executive positions at Colgate-Palmolive, including President and Chief Operating Officer; Group Vice President in charge of U.S. operations; Vice President for the Far East; President of Colgate-Canada; and President of Colgate s Venezuelan subsidiary 1963 to 1984. Company Directorship: Mr. Mark is an **Independent Director**. He was a Director of Historic TW from 1993 until the AOL-Historic TW Merger in January 2001, and has been a Director of the Company since that date. Other Directorships: Mr. Mark is a member of the Board of Directors of Cabela s Incorporated, Colgate-Palmolive and Pearson plc. He has advised Time Warner that prior to its annual stockholders meeting in 2006, he will reduce his board memberships to two in addition to his membership on the board of Colgate-Palmolive Company.

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Name and Year First Became a Director of the Company	Age	Principal Occupation During the Past Five Years
Michael A. Miles 2001	66	**Special Limited Partner, Forstmann Little & Company** February 1995 to present. Prior Professional Experience: Previously, Mr. Miles served in the following positions: Chairman of the Board and Chief Executive Officer of Philip Morris Companies Inc. (now named Altria Group, Inc.) 1991 to 1994. Vice Chairman and a member of the Board of Directors of Philip Morris Companies Inc. and Chairman and Chief Executive Officer of Kraft Foods, Inc. 1989 to 1991. Previously served as Kraft Foods President and Chief Executive Officer, and President and Chief Operating Officer 1982 to 1991. Executive positions at Heublein, Inc., including Senior Vice President of Foods and Chairman of Kentucky Fried Chicken Corporation (KFC) Worldwide; Senior Vice President of Marketing for its Kentucky Fried Chicken subsidiary; Vice President and General Manager of Heublein s Grocery Products Group; Group Vice President of Heublein s international operations 1971 to 1982.

Executive positions at Leo Burnett Co., a Chicago-based advertising agency 1961 to 1971.

Company Directorship: Mr. Miles is an **Independent Director**. He was a Director of Historic TW from 1995 until the AOL-Historic TW Merger in January 2001, and has been a Director of the Company since that date.

Other Directorships: Mr. Miles is a member of the Board of Directors of AMR Corporation, Citadel Broadcasting Corporation, Dell Inc. and Sears Holdings Corporation.

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Name and Year First Became a Director of the Company	Age	Principal Occupation During the Past Five Years
Kenneth J. Novack 2001	64	**Senior Counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC**, a Boston-based law firm January 2004 to present. Prior Professional Experience: Previously, Mr. Novack served in the following positions: Vice Chairman of the Company from the AOL-Historic TW Merger in January 2001 to December 2003. Vice Chairman, America Online May 1998 to the AOL-Historic TW Merger in January 2001. Of Counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC 1998 to 2001. Attorney, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC 1966 to 1998, served on its executive committee from 1970 to 1998 retirement. Company Directorship: Mr. Novack is an **Affiliated Director**. He was a Director of America Online from January 2000 until the AOL-Historic TW Merger in January 2001, and has been a Director of the Company since that date. Other Directorships: Mr. Novack is a member of the Board of Directors of Appleton Partners, Inc., BBN Technologies, Inc. and Paratek Pharmaceuticals, Inc. and is an Advisory Director for Gordon Brothers Group. He is also Special Advisor to General Catalyst Partners, a private equity firm.
Richard D. Parsons 2001	57	**Chairman of the Board and Chief Executive Officer of the Company** May 2003 to present.

Prior Professional Experience: Previously, Mr. Parsons served in the following positions:

Chief Executive Officer of the Company May 2002 to May 2003.

Co-Chief Operating Officer of the Company Merger Date to May 2002.

President, Historic TW February 1995 to the Merger Date.

Chairman and Chief Executive Officer, The Dime Savings Bank of New York, FSB January 1991 to February 1995.

Company Directorship: Mr. Parsons is an **Affiliated Director**. He was a director of Historic TW from 1991 until the AOL-Historic TW Merger in January 2001, and has been a Director of the Company since that date.

Other Directorships: Citigroup and Estee Lauder Companies, Inc.

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Name and Year First Became a Director of the Company	Age	Principal Occupation During the Past Five Years
Francis T. Vincent, Jr. 2001	67	**Chairman, Vincent Enterprises (private investments)** January 1995 to present. Prior Professional Experience: Previously, Mr. Vincent served in the following positions: Commissioner of Major League Baseball 1989 to 1992, and Deputy Commissioner of Major League Baseball 1989. Executive positions at The Coca-Cola Company, including responsibility for all of its entertainment activities 1982 to 1988, and Chairman and CEO of The Coca-Cola Company s Entertainment Business Sector (following the acquisition of Columbia Pictures Industries, Inc.) 1982 to 1988. President and Chief Executive Officer, Columbia Pictures Industries, Inc. 1978 to 1988. Associate Director of the Division of Corporation Finance of the U.S. Securities and Exchange Commission 1978. Company Directorship: Mr. Vincent is an **Independent Director**. He was a Director of Historic TW from 1993 until the AOL-Historic TW Merger

in January 2001, and has been a Director of the

Company since that date.

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Name and Year First Became a Director of the Company	Age	Principal Occupation During the Past Five Years
Deborah C. Wright 2005	48	**Chairman, President and Chief Executive Officer of Carver Bancorp, Inc. and Carver Federal Savings Bank** February 2005 to present. Carver Bancorp, Inc. is the holding company for Carver Federal Savings Bank, a federally chartered savings bank. Prior Professional Experience: Previously, Ms. Wright served in the following positions: President and Chief Executive Officer of Carver Bancorp, Inc. and Carver Federal Savings Bank 1999 to 2005. President and Chief Executive Officer of the Upper Manhattan Empowerment Zone Development Corporation, a redevelopment fund 1996 to 1999. Commissioner of the Department of Housing Preservation and Development 1994 to 1996. Member of the New York City Planning Commission 1992 to 1994, and served on the New York City Housing Authority Board 1990 to 1992. Company Directorship: Ms. Wright is an **Independent Director**. She has been a Director of the Company since May 2005.

Other Directorships: Ms. Wright is a member of the Board of Directors of Carver Bancorp and Kraft Foods Inc.

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Attendance

During 2005, the Board of Directors met 12 times. No incumbent director attended fewer than 75% of the total number of meetings of the Board of Directors and the committees of which he or she was a member. In addition, the directors are encouraged and expected to attend the annual meetings of the Company s stockholders. All of the then-serving directors, except two, attended the 2005 Annual Meeting.

Committee Membership

The Company s By-laws currently establish three principal standing committees of the Board. The Board of Directors and the members of each of the committees meet regularly in executive session without management. The current members of the Board s principal committees are as follows:

Compensation and Human Development Committee. The members of the Compensation and Human Development Committee are Messrs. Caufield, Miles (Chair) and Vincent and Ms. Wright, each of whom is an Independent Director who is also independent under the NYSE listing standards. The authority and responsibility of the Compensation and Human Development Committee, which met eight times during 2005, are described above (see Corporate Governance Committees of the Board) and set forth in detail in its Charter, which is posted on the Company s website at *www.timewarner.com/governance*.

Nominating and Governance Committee. The members of the Nominating and Governance Committee are Messrs. Caufield and Clark, Ms. Einhorn and Ambassador Hills (Chair), each of whom is an Independent Director who is also independent under the NYSE listing standards. The authority and responsibility of the Nominating and Governance Committee, which met six times during 2005, are described above (see Corporate Governance Committees of the Board) and set forth in detail in its Charter, which is posted on the Company s website at *www.timewarner.com/governance*.

Audit and Finance Committee. The members of the Audit and Finance Committee are Messrs. Bollenbach (Chair), Clark, Mark and Vincent and Ms. Einhorn and Ms. Wright, each of whom is an Independent Director who is also independent under the NYSE listing standards. The Board has determined that each of the members of the Committee is financially literate in accordance with the NYSE listing standards. In addition, the Board has determined that each of Messrs. Bollenbach, Clark, Mark and Vincent and Ms. Wright is an audit committee financial expert as defined under SEC rules. The authority and responsibility of the Audit and Finance Committee, which met nine times during 2005, are described above (see Corporate Governance Committees of the Board) and set forth in detail in its Charter, which is posted on the Company s website at *www.timewarner.com/governance* and was attached to the Company s proxy statement in 2004.

In addition, in 2003, the Board of Directors established a Demand Committee to address a formal investigative demand made on behalf of two stockholders in connection with a potential stockholder derivative lawsuit. The members of the Demand Committee are Messrs. Mark and Miles (Chair) and Ambassador Hills, each of whom is an Independent Director.

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SECURITY OWNERSHIP

Security Ownership of the Board of Directors and Executive Officers

The following table sets forth as of January 31, 2006 for each current director, each nominee for election as a director, each of the persons named in the Summary Compensation Table below and for all current directors and executive officers as a group, information concerning the beneficial ownership of the Company s common stock, par value $.01 per share (Common Stock).

	Common Stock Beneficially Owned(1)		
Name	**Number of Shares**	**Option Shares(2)**	**Percent of Class**
James L. Barksdale(3)	495,619	88,000	*
Jeffrey L. Bewkes(9)	1,045,368	5,193,750	*
Stephen F. Bollenbach	14,224	106,000	*
Paul T. Cappuccio(9)	96,470	2,793,750	*
Frank J. Caufield	222,507	968,000	*
Robert C. Clark	7,988	4,000	*
Jessica P. Einhorn	0	0	*
Miles R. Gilburne	259,537	2,008,000	*
Carla A. Hills	25,576	110,500	*
Don Logan (4)	425,486	5,283,754	*
Reuben Mark	1,047,776	110,500	*
Michael A. Miles	53,317	110,500	*
Kenneth J. Novack(5)	34,329	5,859,602	*
Wayne H. Pace(9)	173,045	1,416,213	*
Richard D. Parsons(6)(9)	638,742	7,212,500	*
R. E. Turner(7)	32,272,578	8,906,000	*
Francis T. Vincent, Jr.(8)	79,427	101,500	*
Deborah C. Wright	1,000	0	*
All current directors and executive officers (21 persons) as a group(2)(3)(5)-(9)	36,628,919	36,949,084	1.63%

* Represents beneficial ownership of less than one percent of the issued and outstanding Common Stock on January 31, 2006.

(1) Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934. Unless otherwise indicated, beneficial ownership represents both sole voting and sole investment power. This table does not include, unless otherwise indicated, any shares of Common Stock or other equity securities of the Company that may be held by pension and profit-sharing plans of other corporations or endowment funds of educational and charitable institutions for which various directors and officers serve as directors or trustees. As of January 31, 2006, the only equity securities of the Company beneficially owned by the named persons or group were shares of Common Stock and options to purchase Common Stock. In addition, under the Company s deferred compensation programs, described below, a participant can elect to have the value of the deferred amounts ultimately paid out determined based on an assumed investment in the Company s Common Stock. As described below, the participants do not have any right to vote or receive Common Stock in connection with these assumed investments, and are ultimately paid in cash, but the assumed investments of the deferred amounts do represent an economic interest in Common Stock. The following share equivalents, or phantom units, have been credited to the following individuals under the deferred compensation programs: Mr. Bewkes, 55,435 share equivalents; Mr. Bollenbach, 12,331 share equivalents; Mr. Gilburne, 12,331 share equivalents; Mr. Mark, 8,736 share equivalents; Mr. Miles, 8,736 share equivalents; and Mr. Parsons, 101,983 share equivalents. These share equivalents are not included in the table above.

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(2) Reflects shares of Common Stock subject to options to purchase Common Stock issued by the Company which, on January 31, 2006, were unexercised but were exercisable on or within 60 days after that date. These shares are excluded from the column headed Number of Shares. Includes 11,229 stock options that Mr. Caufield transferred to a grantor retained annuity trust for the benefit of members of his family.

(3) Includes 1,200 shares of Common Stock held by a limited partnership of which Mr. Barksdale is the sole general partner and 6,450 shares of Common Stock held by a trust of which Mr. Barksdale is the sole trustee and beneficiary.

(4) Mr. Logan retired from the position of Chairman, Media and Communications Group effective the end of December 31, 2005. Includes 84,065 shares of Common Stock held by a trust under the Time Warner Savings Plan.

(5) Includes 375 shares of Common Stock held by an irrevocable trust for the benefit of Mr. Novack s children, one of whom is a minor, and 525 shares of Common Stock held by the Novack Family Foundation of which Mr. Novack and his wife are two of nine trustees. Mr. Novack disclaims beneficial ownership of shares held by the trust and the Novack Family Foundation.

(6) Includes 200 shares of Common Stock held by Mr. Parsons wife and 2,000 shares of Common Stock held by The Parsons Family Foundation, Inc. of which Mr. Parsons is one of five directors. Mr. Parsons disclaims beneficial ownership of shares held by his wife and The Parsons Family Foundation, Inc.

(7) Includes (a) 2,292,514 shares of Common Stock held by a trust over which Mr. Turner has sole voting and dispositive control, (b) 28,020,442 shares of Common Stock held by a limited partnership over which Mr. Turner has sole voting and dispositive control and (c) 251,501 shares of Common Stock held by the Turner Foundation, Inc., of which Mr. Turner is one of seven trustees. Mr. Turner disclaims beneficial ownership of shares held by the Turner Foundation, Inc.

(8) Includes 1,650 shares of Common Stock held by Mr. Vincent s wife. Mr. Vincent disclaims beneficial ownership of shares held by his wife.

(9) Includes (a) an aggregate of approximately 108,532 shares of Common Stock held by a trust under the Time Warner Savings Plan for the benefit of current directors and executive officers of the Company (including 94,368 shares for Mr. Bewkes, 691 shares for Mr. Cappuccio, 745 shares for Mr. Pace and 1,253 shares for Mr. Parsons), (b) an aggregate of 19,730 shares of Common Stock beneficially owned by certain relatives of such persons and (c) an aggregate of 11,229 stock options that have been transferred to entities for the benefit of relatives of such persons.

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Security Ownership of Certain Beneficial Owners

Set forth below is the name, address, stock ownership and voting power of each person or group of persons known by the Company to own beneficially more than 5% of the outstanding shares of the Company s Common Stock or Series LMCN-V Common Stock, par value $.01 per share (Series LMCN-V Stock), and, unless otherwise indicated, is based on information provided to the Company as of January 31, 2006 by the beneficial owner.

Name and Address of Beneficial Owner	Shares of Stock Beneficially Owned	Percent of Class	Percent of Voting Power
Series LMCN-V Stock			
Liberty Media Corporation(1)	171,185,826	100.0	*
12300 Liberty Boulevard			
Englewood, CO 80112			

* Less than 1%

(1) Consists of shares beneficially owned by Liberty Media Corporation (Liberty) through its direct and indirect subsidiaries. Under certain circumstances, each share of Series LMCN-V Stock is convertible by Liberty into one share of Common Stock; such circumstances are not currently present. Each share of Series LMCN-V Stock currently has $^{1}/100$ of a vote with respect to the election of directors and class voting rights on limited other matters. As of January 31, 2006, 83,940,790 shares of Series LMCN-V Stock had been converted into Common Stock in connection with a stock loan arrangement entered into between Liberty and a third party. Because Liberty can cause the third party to return the loaned shares to Liberty at any time, the converted shares of Series LMCN-V Stock are still deemed beneficially owned by Liberty and such shares will be converted back into shares of Series LMCN-V Stock upon return to Liberty. Liberty has no right to vote or direct the voting of the loaned Common Stock and may not directly or indirectly influence or attempt to influence its voting.

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AUDIT-RELATED MATTERS

Report of the Audit and Finance Committee

In accordance with its charter, the Audit and Finance Committee (the Committee) assists the Board of Directors in fulfilling responsibilities in a number of areas. These responsibilities include, among others: (i) the appointment and oversight of the Company s independent auditor, as well as the evaluation of the independent auditor s qualifications, performance and independence; (ii) the appointment and oversight of the Company s chief audit executive and the Company s internal audit function; (iii) oversight of the Company s ethics and compliance program; (iv) oversight of the Company s response to any regulatory actions involving financial, accounting and internal control matters; (v) oversight of the Company s risk management policies and processes; and (vi) review of the Company s earnings press releases, financial statements, and systems of disclosure controls and procedures and internal control over financial reporting.

To assist it in fulfilling its oversight and other duties, the Committee has retained outside counsel. In addition, the Committee regularly meets separately with the internal auditor, the independent auditor, management, in-house counsel and the Committee s outside counsel.

Independent Auditor and Internal Audit Matters. The Committee has discussed with the Company s independent auditor its plan for the audit of the Company s annual consolidated financial statements, including the independent auditor s evaluation of management s assessment of and the effectiveness of the Company s internal control over financial reporting, as well as reviews of the Company s quarterly financial statements. During 2005, the Committee met regularly with the independent auditor, with and without management present, to discuss the results of its audits and reviews, as well as its evaluations of the Company s internal controls and the overall quality of the Company s accounting principles. In addition, the Committee has discussed with the independent auditors the auditors independence from the Company and its management, including the matters in the written disclosures required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and also considered whether the provision of any of the non-audit services described below under Fees of Accountants is compatible with maintaining their independence. The Committee has also appointed, subject to stockholder ratification, Ernst & Young LLP as the Company s independent auditors for 2006, and the Board concurred in its appointment.

The Committee has also reviewed and approved the annual Internal Audit Plan and has met regularly with the chief audit executive, with and without management present, to review and discuss the Internal Audit reports, including reports relating to operational, financial and compliance matters.

Ethics and Compliance Matters. As reported previously, the accounting and financial disclosure practices of the Company had been the subject of investigations by the Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ). As announced on December 15, 2004, the Company and its subsidiary, America Online, reached a definitive agreement with the DOJ that resolved the DOJ s investigation of the Company. In addition, on March 21, 2005, the Company announced that the SEC approved the Company s proposed settlement, which resolved the SEC s investigation of the Company. During the course of these investigations, the Committee exercised oversight of the Company s responses thereto and will oversee the Company s compliance with the terms of the settlements.

The Committee also exercises oversight of pending stockholder litigation (which is discussed in more detail in the Company s Annual Report on Form 10-K for the year ended December 31, 2005). In connection with the

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consolidated securities class actions, the Company has reached an agreement with the lead plaintiff to settle those cases and, as of March 31, 2006, the parties were awaiting final approval of that settlement from the Court. In addition, in connection with the 11 shareholder derivative actions filed against the Company, the parties have reached an understanding to resolve these matters, subject to definitive documentation and necessary court approvals.

The Committee has reviewed and discussed with management the Company s ongoing efforts to sustain and enhance its ethics and compliance program to ensure that the program promotes an organizational culture that encourages ethical conduct and a commitment to compliance with the law. The Committee has regularly received reports from management concerning the Company s ethics and compliance program, as well as reports on specific ethics and compliance matters. For example, the Committee has reviewed and recommended that the Board of Directors approve the Company s Standards of Business Conduct, which forms the cornerstone of the Company s ethics and compliance program. The Committee has also overseen other initiatives in this area, including specific programs relating to compliance with Section 307 of the Sarbanes-Oxley Act of 2002 and the Foreign Corrupt Practices Act.

Financial Statements as of December 31, 2005. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal and disclosure controls (including internal control over financial reporting). The independent auditors are responsible for performing an independent audit of the Company s consolidated financial statements and expressing opinions on the conformity of the consolidated financial statements with U.S. generally accepted accounting principles, and management s assessment of and the effectiveness of the Company s internal control over financial reporting.

In this context, the Committee has met and held discussions with management and the independent auditors with respect to the Company s audited financial statements for the fiscal year ended December 31, 2005. Management represented to the Committee that the Company s consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles.

In connection with its review of the Company s year-end financial statements, the Committee has reviewed and discussed with management and the independent auditors the consolidated financial statements, management s assessment of the effectiveness of the Company s internal control over financial reporting and the independent auditors evaluation of management s assessment of and the effectiveness of the Company s internal control over financial reporting. The Committee also discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended, including the quality and acceptability of the Company s accounting policies, financial reporting processes and controls.

In performing its functions, the Committee acts only in an oversight capacity and necessarily relies on the work and assurances of the Company s management and independent auditors, which, in their reports, express opinions on the conformity of the Company s annual financial statements to U.S. generally accepted accounting principles and management s assessment of and the effectiveness of the Company s internal control over financial reporting. In reliance on the reviews and discussions referred to in this Report and in light of its role and responsibilities, the Committee recommended to the Board of Directors, and the Board approved, that the audited financial statements of the Company be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for filing with the SEC.

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Members of the Audit and Finance Committee

Stephen F. Bollenbach (Chair)

Robert C. Clark

Jessica P. Einhorn

Reuben Mark

Francis T. Vincent, Jr.

Deborah C. Wright

Policy Regarding Pre-Approval of Services Provided by the Independent Auditors

The Audit and Finance Committee has established a policy (the Policy) requiring its pre-approval of all audit services and permissible non-audit services provided by the independent auditors, along with the associated fees for those services. The Policy provides for the annual pre-approval of specific types of services pursuant to policies and procedures adopted by the Audit and Finance Committee, and gives detailed guidance to management as to the specific services that are eligible for such annual pre-approval. The Policy requires the specific pre-approval of all other permitted services. For both types of pre-approval, the Audit and Finance Committee considers whether the provision of a non-audit service is consistent with the SEC s rules on auditor independence, including whether provision of the service (i) would create a mutual or conflicting interest between the independent auditors and the Company; (ii) would place the independent auditors in the position of auditing its own work; (iii) would result in the independent auditors acting in the role of management or as an employee of the Company; or (iv) would place the independent auditors in a position of acting as an advocate for the Company. Additionally, the Audit and Finance Committee considers whether the independent auditors are best positioned and qualified to provide the most effective and efficient service, based on factors such as the independent auditors familiarity with the Company s business, personnel, systems or risk profile and whether provision of the service by the independent auditors would enhance the Company s ability to manage or control risk or improve audit quality or would otherwise be beneficial to the Company.

The Audit and Finance Committee has delegated to its Chair the authority to address certain requests for pre-approval of services between meetings of the Audit and Finance Committee, and the Chair must report his pre-approval decisions to the Audit and Finance Committee at its next regular meeting. The Policy is designed to ensure that there is no delegation by the Audit and Finance Committee of authority or responsibility for pre-approval decisions to management of the Company. The Audit and Finance Committee monitors compliance by management with the Policy by requiring management, pursuant to the Policy, to report to the Audit and Finance Committee on a regular basis regarding the pre-approved services rendered by the independent auditors. Management has also implemented internal procedures to ensure compliance with the Policy.

Services Provided by the Independent Auditors

The Audit and Finance Committee is responsible for the appointment, compensation, retention and oversight of the work of the independent auditors. Accordingly, the Audit and Finance Committee has appointed Ernst & Young LLP (E&Y) to perform audit and other permissible non-audit services for the Company and its subsidiaries. The Company has formal procedures in place for the pre-approval by the Audit and

Finance Committee (or its Chair) of all services provided by E&Y. These pre-approval procedures are described above under Policy Regarding Pre-Approval of Services Provided by the Independent Auditors.

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The aggregate fees billed by E&Y to the Company for the years ended December 31, 2005 and 2004 are as follows:

Fees of Accountants

	2005	2004
Audit Fees(1)	$ 24,271,000	$ 23,657,000
Audit-Related Fees(2)	4,668,000	3,060,000
Tax Fees(3)	2,877,000	3,264,000
All Other Fees(4)		2,000
Total Fees for Services Provided	$ 31,816,000	$ 29,983,000

(1) *Audit Fees* were for audit services, including (a) the annual audit (including required quarterly reviews), subsidiary audits and other procedures required to be performed by the independent auditors to be able to form an opinion on the Company s consolidated financial statements (2004 amounts have been updated to include $1.5 million in fees related to 2004 audit services for which fees were finalized subsequent to the filing of the 2005 proxy statement); (b) the audits of management s assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting; (c) consultation with management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB or other regulatory or standard-setting bodies; (d) international statutory audits; (e) services that only the independent auditors reasonably can provide, such as services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings and assistance in responding to SEC comment letters; and (f) audit procedures related to the restatement of prior years financial statements.

(2) *Audit-Related Fees* were principally for services related to (a) closing balance sheet audits for asset dispositions; (b) agreed-upon procedures or expanded audit procedures to comply with contractual arrangements or regulatory reporting requirements; (c) information system controls reviews; (d) audits of employee benefit plans; and (e) due diligence services pertaining to potential acquisitions.

(3) *Tax Fees* were for services related to (a) tax compliance; (b) tax planning and tax advice; and (c) expatriate tax services.

(4) *All Other Fees* for 2004 were for limited corporate secretarial services for certain international subsidiaries, which have been assigned to other service providers, and All Other Fees for 2004 would have included $5,300 for certain expatriate-related services, except that no fees were charged or paid for such services because they had not been pre-approved by the Company s Audit and Finance Committee. During 2004 and 2005, the Company utilized an E&Y software application for the administration of data related to expatriate employees. Such services were not pre-approved by the Audit and Finance Committee. No fees were billed or paid for such services in either period. The licensing arrangement for this software application is no longer in effect.

None of the services related to Audit-Related Fees, Tax Fees or All Other Fees presented above was approved by the Audit and Finance Committee pursuant to the waiver of pre-approval provisions set forth in the applicable rules of the SEC.

During 2005, E&Y notified the Company that its South Africa affiliate had performed services from 2001 through 2004 for a Company affiliate that are not permitted under SEC auditor independence rules. The services involved serving as the registered office for the affiliate of the Company, and included the maintenance of the affiliate s records and the deposit of the affiliate s funds into an E&Y-linked bank account. Both the amount of the funds handled in the account and the fees paid to the E&Y affiliate in connection with those services were de minimis.

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The Audit and Finance Committee and E&Y have discussed E&Y s independence with respect to the Company in light of the foregoing facts. E&Y has confirmed to the Audit and Finance Committee that it is independent under applicable standards. The Audit and Finance Committee has concurred that there has been no impairment of E&Y s independence. In making this determination the Audit and Finance Committee considered, among other things, the de minimis amount of both the funds and fees involved, and that the operations conducted at the location involved were not material to the consolidated financial statements of the Company.

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COMPENSATION

Director Compensation

As part of its regular biennial review of director compensation, in January 2005, the Company s Board of Directors approved changes to the annual compensation paid to the Company s non-employee directors. These changes took effect in connection with the 2005 Annual Meeting of Stockholders. The compensation is designed to comply with the guidelines set forth in the Company s Corporate Governance Policy, which provide that non-employee director compensation should be largely equity-based and set at approximately the 75th percentile of the Company s peer groups. Consistent with these criteria and following consultation with an outside compensation advisor, the Board approved a total annual director compensation package consisting of (i) a cash retainer of $100,000, (ii) options to purchase 8,000 shares of Common Stock, as provided in the TW 1999 Plan (as defined below), and (iii) an award of restricted stock units valued at $75,000 under the Directors Restricted Stock Units Plan (as defined below), representing the Company s contingent obligation to deliver the designated number of shares of Common Stock upon completion of the vesting period. From 2003 through the 2005 Annual Meeting of Stockholders, each non-employee director received a balanced mix of compensation, including a cash retainer, stock options and restricted stock, with a majority of this compensation equity-based.

No additional compensation is paid for service as a committee chair or member or for attendance at meetings of the Board or a Board committee. Mr. Parsons, who is the only director who is also an officer of or employed by the Company or any of its subsidiaries, does not receive any additional compensation for his Board activities.

To provide for greater consistency in the compensation of non-employee directors, as part of its biennial review, the Board also addressed the compensation for directors who join the Board of Directors at a time other than in connection with an annual meeting of stockholders. In general, for directors who join the Board less than six months prior to the Company s next annual meeting of stockholders, the policy will be to increase the stock option grant on a pro-rated basis and to provide a pro-rated cash retainer consistent with the compensation package described above, subject to limitations that may exist under the applicable equity plan.

Each non-employee director elected at the 2005 annual meeting of stockholders received the following compensation for 2005:

Cash Retainer. Each non-employee director received an annual cash retainer of $100,000, unless the director elected to defer receipt of all or part of the retainer pursuant to the Company s deferred compensation plan for non-employee directors described below.

Options. Under the Time Warner Inc. 1999 Stock Plan (the TW 1999 Plan), each non-employee director (who has served for at least six months) received an annual grant of options to purchase 8,000 shares of Common Stock on the date following the annual meeting of stockholders of the Company. Pursuant to the TW 1999 Plan, each new non-employee director also received an initial grant of options to purchase 8,000 shares of Common Stock (or such higher number of options as determined by the Compensation and Human Development Committee for recruitment purposes) upon first being elected or appointed to the Board of Directors. All of such options have an exercise price equal to the fair market value of the Common Stock on the date of grant and a term of ten years and will vest in installments of 25% over a four-year period and immediately if the director does not stand for re-election or is not re-elected, unless the Board determines otherwise.

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Restricted Stock Units. Each non-employee director also received an annual award of restricted stock units, representing the Company s contingent obligation to deliver the designated number of shares of Common Stock upon completion of the vesting period, under the Time Warner Inc. 1988 Restricted Stock and Restricted Stock Units Plan for Non-Employee Directors (the Directors Restricted Stock Units Plan) with a value on the date of issuance of $75,000. This Plan was approved by the stockholders of Historic TW and was assumed by the Company in connection with the AOL-Historic TW Merger. The restricted stock units will vest and shares of Common Stock will be issued and delivered to the non-employee director (along with any distributions retained by the Company) in equal annual installments on the first four anniversaries generally of the first day of the month in which the restricted stock units were granted. The restricted stock units will vest in full upon the termination of the non-employee director s service on the Board of Directors on account of (i) retirement either due to mandatory retirement policy or having served five years as a director; (ii) failure to be re-elected by stockholders after nomination; (iii) death or disability; (iv) the occurrence of certain transactions involving a change in control of the Company; and (v) with the approval of the Board of Directors on a case-by-case basis, under certain other designated circumstances. If a non-employee director leaves the Board of Directors for any other reason, then all his or her unvested restricted stock units are forfeited to the Company. During the vesting period, the director does not vote the restricted stock units and may not transfer his or her rights with respect to the restricted stock units. The directors receive dividend equivalents on the restricted stock units in an amount equal to the regular quarterly cash dividends declared and paid by the Company at the same time that the dividends are paid on outstanding shares of Common Stock. In 2005, each non-employee director received 4,369 restricted stock units under the Directors Restricted Stock Units Plan.

Expenses. Non-employee directors are reimbursed for expenses (including costs of travel, food and lodging) incurred in attending Board, committee and stockholder meetings. While travel to such meetings may include the use of Company aircraft, if available or appropriate under the circumstances, the directors generally use commercial transportation services or their own transportation. Directors are also reimbursed for reasonable expenses associated with other business activities, including participation in Director education programs.

In addition, during 2005, the Company provided directors with representative samples of the Company s products, such as magazines, DVDs and other merchandise. The Company also invites directors and their spouses to attend Company-sponsored events, such as film premieres, screenings and cultural events. The Company believes that receiving these products and attending these types of functions serve a business purpose by expanding the directors knowledge of the Company s business, products, services, business partners, and other constituencies. In addition, the Company invites directors and their spouses to attend the Annual Meeting of Stockholders and related events. The Company generally provides for, or reimburses expenses of, the spouses travel, food and lodging for attendance at such events, which may result in a non-employee director recognizing income for tax purposes under applicable regulations. The Company therefore reimburses the non-employee director for the estimated taxes incurred in connection with any income recognized by the director as a result of the non-employee director s or spouse s attendance at such events. For the year ended December 31, 2005, the aggregate incremental cost to the Company of these Company products, events and related expenses was substantially less than $10,000 per director (the disclosure threshold under currently proposed regulations).

From time to time, spouses may also join non-employee directors on Company aircraft when a non-employee director is traveling to or from a Board, committee, or stockholder meeting. While the Company generally incurs no additional cost, this travel may result in the

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non-employee director recognizing income for tax purposes. The Company does not reimburse the non-employee director for the estimated taxes incurred in connection with such income.

Retention Guidelines. In addition, the non-employee directors are required to retain for a period of at least one year shares of Common Stock representing at least 75% of the after-tax gain that the director realizes upon the exercise of stock options, after paying the exercise price, or the vesting of restricted stock or restricted stock units (assuming a 50% tax rate for purposes of the calculation). The non-employee directors are subject to this stock retention guideline until one year after they leave the Board. The Board adopted this policy in furtherance of the Company s governance policy encouraging the directors to have an equity interest in the Company.

Deferred Compensation Plan. The Company has a deferred compensation plan for non-employee directors. Under this plan, non-employee directors may elect each year to defer payment of 10% to 100% of their cash compensation payable during the next calendar year. During the time that the cash compensation amounts are deferred, each director can elect from the following crediting alternatives to determine the amounts that will be paid: (i) the amount deferred plus annual interest at the prime rate in effect on May 1 plus 2%, (ii) the value of a hypothetical investment in shares of Common Stock made at the time of the deferral, plus dividend equivalents based on any dividends paid by the Company on the Common Stock, and (iii) an allocation of 50% of the amount deferred to each of the crediting alternatives. The crediting election can be changed by the director at any time with respect to cash compensation earned after the date of the election. Amounts deferred are payable in cash in a lump sum or in installments, based on the director s election, as soon as practicable after a director leaves the Board.

Prior Retirement Programs. The Company does not currently maintain a retirement plan for its non-employee directors. America Online also did not maintain a retirement plan for its non-employee directors. Directors who served as non-employee directors of Historic TW prior to the AOL-Historic TW Merger accrued benefits under two Historic TW plans, as previously disclosed in Historic TW s proxy statements. Under the terms of Historic TW s directors retirement plan, after leaving the Board each of the following directors will receive an annual payment of $30,000 for the number of years following the director s name, which reflects the number of years the director served as a non-employee director of Historic TW prior to May 1996, when the plan was frozen: Mr. Miles, 1.5 years; each of Ambassador Hills and Messrs. Mark and Vincent, three years; and Mr. Parsons, four years. Historic TW also had a deferred compensation plan for non-employee directors under which the directors could elect to defer all or a portion of their cash compensation. Amounts deferred under the prior deferred compensation plan are increased based on the seven-year Treasury bond rate or the hypothetical investment of the amounts deferred in shares of Common Stock and any dividends thereon, with the higher valuation of the two used to determine the amount paid upon distribution. Amounts deferred are payable generally upon the director reaching age 70 or ceasing to be a director of the Company for certain enumerated reasons. The Company currently maintains accounts under this plan on behalf of Mr. Bollenbach and Mr. Miles. In addition, as disclosed previously in the Company s proxy statements, as a result of their past service as executive officers of the Company, each of Messrs. Novack and Turner will receive, or is receiving, retirement benefits under the terms of the Company s benefit plans.

Executive Compensation

Compensation and Human Development Committee Report on Compensation of Executive Officers of the Company

The Compensation and Human Development Committee of the Board of Directors (the Compensation Committee or the

Committee) has adopted and furnished the following report on executive compensation. First, this report discusses generally the Compensation Committee s role in developing, reviewing and approving the compensation philosophy, structure and levels for the Company. Second, the report describes the Committee s compensation philosophy for providing a compensation package that attracts, retains and motivates executive talent, holds them accountable for performance and aligns their interests with those of the stockholders. Next, the report describes how this philosophy is reflected in the structure and mix of the executives short- and long-term compensation. Then the Committee explains in detail how it determined 2005 cash and equity compensation for the Chief Executive Officer and other executive officers of Time Warner.

As noted elsewhere in this Proxy Statement, the Company has devoted substantial attention to the subject of corporate governance, including with respect to the Compensation Committee. Accordingly, as set forth in the Compensation Committee s Charter, the Board has determined that the Compensation Committee is, and must be, composed exclusively of Independent Directors. It is responsible for reviewing and establishing the compensation not just for the Chief Executive Officer and the other four most highly paid executive officers, but for all of the Company s executive officers and divisional chief executive officers. It also exercises oversight of the compensation practices with respect to the Company s employees generally. To assist the Compensation Committee with its responsibilities, it is regularly provided with briefing materials and it is authorized to retain, and has retained, an independent compensation consultant who reports directly to the Committee. The Compensation Committee reports to the Board of Directors on its actions and recommendations following every meeting, and regularly meets in executive session without members of management present. Although the Board has delegated authority with respect to the Company s executive and general employee compensation programs and practices to the Compensation Committee, the Board also reviews the Company s compensation and benefits programs each year.

Compensation Philosophy

The Compensation Committee is guided by the following five key principles in determining the compensation of the Company s senior executives:

Competition. Compensation should reflect the competitive marketplace, so the Company can attract, retain, and motivate talented executives.

Accountability for Business Performance. Compensation should be tied in part to financial performance, so that executives are held accountable through their compensation for the performance of the businesses for which they are responsible.

Accountability for Individual Performance. Compensation should be tied in part to the individual s performance to encourage and reflect individual contributions to the Company s performance.

Alignment with Stockholder Interests. Compensation should be tied in part to the Company s stock performance through stock options and restricted stock or restricted stock units, to align executives interests with those of the Company s stockholders.

Independence. An independent committee of the Board, with the assistance of an independent compensation consultant that is retained by and reports directly to the Committee, should be, and is, responsible for reviewing and establishing the compensation not just for the Chief Executive Officer and the other four most highly paid executive officers, but for all of the Company s executive officers and divisional chief executive officers, as well as the Company s overall compensation programs.

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2004-2005 Review of Compensation Practices

The Compensation Committee is mindful that the competitive and regulatory landscape of executive compensation continues to evolve. Commencing in 2004 and continuing into 2005, the Compensation Committee oversaw a comprehensive review of the Company s compensation programs and practices at both the executive and non-executive level, including examining variations on and alternatives to the traditional mix of salary, annual cash bonus, stock options and restricted stock or restricted stock units. As a consequence of this review, the Compensation Committee determined that its executive compensation philosophy and structure were, for the most part, still appropriate.

In connection with this compensation review, the Compensation Committee adopted several changes for 2005. First, to reflect a more targeted approach to evaluating competitive compensation levels, the Committee refined the peer groups that it would use in analyzing executive compensation, as discussed further below. Second, the Company adopted a more consistent approach to the structure of annual bonus and long-term compensation across the Company. Third, to address stockholder concerns regarding share dilution and taking into both account stock option expensing requirements and the Company s strategy to use a more balanced mix of compensation instruments, the Company has significantly reduced the annual equity grant rates to approximately 1.5% of outstanding shares during 2005, which will decrease the compensation expense recognized and dilutive impact of the Company s stock-based compensation program. Fourth, the Compensation Committee determined to award restricted stock units instead of restricted stock in most instances because restricted stock units provide some advantages from both the Company s and the employees perspective.

Elements of Executive Officer Compensation

The Compensation Committee applied its guiding philosophical principles and its conclusions from the compensation review in developing and establishing the elements of the Company s executive compensation program and in determining the compensation for each senior executive in 2005. The Company s executive compensation program for corporate executives provides a balanced mix of pay that incorporates the following key components:

- an annual base salary;
- a performance-based annual cash bonus, which is based on financial and individual goals; and
- longer-term awards, generally consisting of a blend of stock options and restricted stock units, which are intended to retain executives and align their compensation with stockholder interests.

In February 2006, the Compensation Committee adopted a new policy that links a portion of full-value stock awards to performance. Pursuant to the policy, beginning with awards in 2007, at least 50% of the full-value stock awards made to senior executives of Time Warner will be performance-based, such that achievement of performance measures will determine the size and/or vesting of the awards. Full-value stock awards are equity-based awards other than stock options or stock appreciation rights and includes awards such as restricted stock, restricted stock units, performance shares and other stock-based awards. The Compensation Committee also adopted a new policy that, as a factor in determining the annual compensation for each of the Company s senior executives, the Committee will consider the Company s efforts to strengthen its compliance and ethics program and to enhance its system of internal control over financial reporting.

The Company also provides certain personal benefits to executive officers. Pursuant and subject to the Company s security policies, Messrs. Parsons, Bewkes, and Logan were provided with a car and driver during 2005, Mr. Parsons was required to use Company aircraft for business and personal use, and Messrs. Bewkes and Logan could be required to do so

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for security purposes. Other executive officers were eligible to use a private car service and, in limited circumstances and subject to the controls in the Company s travel policies, were permitted to make personal use of corporate aircraft. Executive officers were eligible to receive other benefits, including reimbursement for financial planning services and dining clubs used for business purposes. As part of its oversight of executive compensation, the Compensation Committee reviews the personal benefits the Company provides to executives on at least an annual basis.

Application of Compensation Philosophy in 2005

Peer Comparisons

As in prior years, for 2005, the Compensation Committee reviewed the compensation for the Company s senior executives against the compensation provided to executives in comparable positions at peer companies. In the Committee s view, this analysis helps to ensure that the total compensation provided to the Company s senior executives is set at an appropriate level to reward, retain and attract top performers over the long term.

As the basis for its 2005 comparative review, the Compensation Committee, with assistance from its independent compensation consultant, determined the appropriate companies to include in the executive compensation peer groups. The Compensation Committee believes that the Company s most direct competitors for executive talent include a broader range of large capitalization companies than those firms with which the Company might be compared for stock performance purposes. As a result, the Compensation Committee included companies beyond those included in the Company s peer group index that appears in this Proxy Statement in the compensation comparison groups. For 2005, the Committee compared the Company s senior executive compensation levels with those of several peer groups, including: (i) a group composed of the major media and entertainment companies (the media peer group); (ii) a broader industry group of technology, media, telecommunications and consumer products companies comparable in size to the Company (the industry group); and (iii) companies with more than $10 billion in annual revenues. The Compensation Committee believes that using the media peer group and the industry group provides comparative data on the companies that are most likely to compete directly with the Company for senior executive talent, while the peer group of companies with more than $10 billion in annual revenues provides a broader reference for compensation levels and practices among larger companies generally.

Consistent with the Company s financial performance expectations, its size and complexity, and each executive s position relative to similarly situated executives in each of the peer groups noted above, the Committee generally targets total direct compensation, which is composed of base salary, annual cash bonus, and the estimated value of stock-based awards, for senior executives at approximately the 75th percentile of the peer groups. Actual total direct compensation, however, generally is between the 50th and 90th percentiles depending on (i) the Company s financial performance; (ii) each executive s individual performance; (iii) the peer groups used for comparison; (iv) internal equity considerations among all senior executives; and (v) the particular circumstances of the executive in question (including the effects of pre-existing employment agreements).

2005 Base Salary

In establishing salary levels for 2005, the Compensation Committee considered, as appropriate, the nature and scope of each executive s responsibilities, the executive s prior compensation and performance in his or her job, the pay levels of similarly situated executives within the Company, the terms of employment agreements, and data on market compensation levels (including the peer groups described above). As

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a result of this review, in particular the fact that the salaries were within competitive market ranges, the salaries of the executive officers listed in the Summary Compensation Table below remained unchanged for 2005 from 2004 and, except for Mr. Cappuccio, have remained the same as in 2003. Looking forward to 2006 compensation matters, the Compensation Committee approved an increase in the base salary of Jeffrey Bewkes from $1 million to $1.25 million in connection with his being promoted to President and Chief Operating Officer effective January 1, 2006.

2005 Annual Bonuses

In the Compensation Committee s view, the use of annual cash bonuses creates a direct link between executive compensation and individual and business performance. The Compensation Committee s determination of the annual bonus for Mr. Parsons and each of the other executive officers of the Company named in the Summary Compensation Table appearing below starts with the Annual Bonus Plan for Executive Officers, which is a performance-based plan that has been approved by the Company s stockholders and is intended to satisfy the requirements of Section 162(m) of the Internal Revenue Code. For bonuses paid within the maximum amounts determined pursuant to the Annual Bonus Plan, the Company can deduct for income tax purposes the amounts paid. The maximum bonuses paid to the executives subject to Section 162(m) that can be deducted for income tax purposes are calculated using a formula set forth in the Annual Bonus Plan that is based on the percentage by which the Company s 2005 earnings before interest, taxes, depreciation and amortization (EBITDA), as defined and calculated pursuant to the Annual Bonus Plan, exceeded the Company s average EBITDA for the preceding three years.

The Company has had a number of lawsuits pending against it in connection with investigations brought by the SEC and DOJ into accounting and securities laws matters, including a primary securities class action, actions alleging violations of ERISA, shareholder derivative actions and individual shareholder suits. During 2005, the Company established a reserve of $3 billion in connection with reaching a settlement in the primary securities class action and based on its ability at that point, to estimate the ultimate costs to resolve the remaining litigation. As a result of the reserve, the Company s EBITDA for 2005, as calculated pursuant to the Annual Bonus Plan, is less than the average EBITDA for the preceding three years and, thus, the Compensation Committee was advised that cash bonuses paid to Mr. Parsons and the four other named executive officers with respect to 2005 probably would not meet the requirements of Section 162(m) of the Internal Revenue Code to be considered performance-based compensation and, thus, probably would not be deductible for income tax purposes by the Company.

The Compensation Committee considered whether it was nonetheless in the best interest of the Company to pay a cash bonus to the executives. In making this determination, the Compensation Committee considered the following factors:

- The circumstances that resulted in the 2005 EBITDA, as calculated under the Annual Bonus Plan, being less than the average EBITDA over the prior three years, including the settlement of the primary securities class action, which the Board determined was in the best interest of the Company.

- It would be an illogical result if the individual participants in the Annual Bonus Plan effectively were penalized for the resolution of the litigation, which benefited the Company and eliminated a significant uncertainty. Not paying bonuses to these executives would not appropriately reflect their performance and the contributions made by them during 2005, and it could lead to undesired disincentives.

- If the reserve were excluded from the calculation, 2005 EBITDA would have exceeded the three-year average EBITDA

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and permitted significant maximum bonuses. Further, excluding the impact of the reserve is consistent with how the Company measures its performance for other purposes and with how investors measure the Company s performance.

The impact to the Company of not deducting the bonuses for income tax purposes, including the expectation that there would be no material effect on the Company s cash tax payments for 2005 because of the Company s net operating losses.

In determining the bonuses to be paid to senior executives for the next three years, the Committee intends to exclude the impact of the 2005 reserve on the calculation of the three-year average EBITDA under the Annual Bonus Plan so the approach is consistent with the approach taken for 2005 and there is no undue benefit to the executives as a result of the reserve.

In light of these factors, the Compensation Committee determined that it was appropriate to pay bonuses to the executives for 2005 based on the individuals bonus targets, the Company-wide financial performance and the individual goals discussed below. The Compensation Committee had established the goals in January 2005 originally for the purpose of guiding both the executives actions and performance during 2005 and the Compensation Committee s review and determination at the end of the year of the appropriate level of bonuses to be paid, including the exercise of its negative discretion to reduce the bonuses from the maximum bonus that could be paid and be fully deductible under Section 162(m).

2005 Goals and Accomplishments. The Compensation Committee establishes specific criteria to assist it in determining the annual bonuses for the Chief Executive Officer and other executives. At the beginning of 2005, the Committee established a target bonus for each executive based on competitive compensation levels, the Company s compensation strategy, and the target bonus amount in each executive s employment agreement. Each target bonus was expected to be less than the maximum amount that could be paid under the Annual Bonus Plan. For executive officers, the Committee also established Company-wide financial goals based on adjusted operating income before depreciation and amortization (known as Adjusted OIBDA), and free cash flow (as defined) targets, and individual goals for each executive based on qualitative measures. Then, in early 2006, the Compensation Committee assessed how the Company and each executive performed against the pre-established goals and targets. For corporate executives, the Company s financial goals represented 70% of the bonus formula and the individual goals represented the remaining 30%. A similar formula also applied for divisional executives, with divisional financial goals generally representing about 70% of the bonus formula and non-financial goals generally representing the remaining 30%. The financial goals provide a measure to determine how much the executives are rewarded for delivering financial results, while the non-financial goals assist the Committee in assessing the individual executive s performance in key areas that help drive operating and financial results.

In evaluating the Company s performance and each individual executive s 2005 performance, the Compensation Committee determined that the Company and its executives generally met or exceeded the financial and individual goals that were established for 2005.

With respect to the financial goals, the Company met or exceeded its main financial targets. It achieved 8% growth in Adjusted OIBDA and generated $4.4 billion of free cash flow (as defined).

In addition, in establishing bonus payments for the executive officers, these financial accomplishments were considered in conjunction with the Company s other significant achievements during 2005. For example:

The Company continued to make key investments in its businesses while also returning value directly to stockholders, including through the institution of a quarterly dividend that will aggregate approximately $1 billion each year and a $12.5 billion share repurchase program through July 2007 (expanded in February 2006 to $20 billion and extended through December 2007), and retaining the financial flexibility to make strategic investments in the future.

The Company s Cable segment entered into agreements to acquire substantially all the assets of Adelphia Communications Corporation and to redeem the existing interests of Comcast Corporation in the Cable segment.

The Company s AOL segment entered into an agreement with Google Inc. that provides for a range of expanded commercial relationships that should enhance AOL s advertising-focused audience business and will result in Google making a $1 billion investment for 5% of AOL.

The Company and its AOL subsidiary reached a definitive agreement with the U.S. Securities and Exchange Commission (SEC) to resolve the SEC s investigation of the Company that began in 2002.

The Company reached a settlement agreement, subject to final court approval, in the primary securities class action pending against the Company.

The Company continued to demonstrate industry leadership in terms of the quality, range, originality and acclaim of its products: the movie studios combined ranked #1 in the 2005 domestic and international box offices; the cable networks ranked #1 with TNT as the #1 ad-supported network and HBO as the premier pay channel; Time Inc. purchased the remaining interest in the publisher of Essence and a leading Mexican magazine publisher, expanding its reach to new consumer audiences; and Time Warner Cable passed 1 million customers for its Digital Phone product in 2005.

The Company made progress on other goals such as improving professional development opportunities and diversity initiatives, which contributed to an improved work environment to help attract and retain talented employees.

These accomplishments, in addition to the Company s financial performance as a whole and each executive s substantial individual contributions during the year, served as the basis for the assessment of the compensation of the Company s executives.

Mr. Parsons Annual Bonus. The Compensation Committee believes that Mr. Parsons annual cash bonus should be clearly linked to the Company s financial performance. In determining and approving Mr. Parsons bonus, the Committee evaluated (i) the Company s financial performance against the pre-established goals, which accounted for 70% of Mr. Parsons total bonus; and (ii) Mr. Parsons individual performance against his pre-established goals, covering his roles as both the Chairman of the Board and the Chief Executive Officer of the Company, which together accounted for the remaining 30% of Mr. Parsons total bonus.

In considering the individual performance of Mr. Parsons, the Compensation Committee noted, among other things, Mr. Parsons leadership role in the Company s progress on a number of strategic initiatives, including: (i) the Company s expansion of its Cable segment through the agreements for Time Warner Cable to acquire a substantial amount of Adelphia s cable assets and to redeem Comcast s interests in Time Warner Cable; (ii) the expanded alliance between AOL and Google; and (iii) the development and implementation of programs utilizing digital technologies, such as Time Warner Cable s Digital Phone service. The Committee also noted Mr. Parsons performance in leading and supporting the work of the Board of Directors; in representing the Company with stockholders, the press and the public; and in attracting, retaining and overseeing the efforts to strengthen further the Company s management team.

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As a result, in recognition of Mr. Parsons and the Company s significant accomplishments in 2005, the Compensation Committee approved performance ratings that reflect the Company s performance on financial goals and Mr. Parsons performance on individual goals. The Compensation Committee approved a 2005 bonus of $7.5 million. This bonus amount is less than the bonuses paid to Mr. Parsons for 2003 and 2004 because the Company did not exceed its financial goals by as much as it had in 2004 and 2003. The bonus places Mr. Parsons total cash compensation for 2005 at the low end of the media peer group and in the upper quartile of total cash compensation paid to chief executives in the other peer groups used by the Compensation Committee.

Annual Bonuses for Senior Executives Other than the Chief Executive Officer. The Compensation Committee established the 2005 cash bonuses for other senior executives in a similar manner as for Mr. Parsons. In establishing the 2005 bonuses, the Committee reviewed the Company s financial performance and the individual performance of each senior executive. As with Mr. Parsons, the same weighting was given to the Company s overall financial goals in establishing the 2005 bonuses for the Company s executive officers. In light of their and the Company s achievements, the Company s senior executives were awarded 2005 annual cash bonuses (set forth in the Summary Compensation Table below) that are higher than the target bonus amounts for such executives, but lower than the bonuses paid for 2004. These bonus amounts reflect the overall and relative financial performance of the Company and the divisions, and the significant personal accomplishments of each executive during 2005.

2005 Stock-Based Awards

The Compensation Committee believes that awards of stock options and restricted stock, or restricted stock units, provide retention value and help to align the interests of executives with the interests of stockholders by linking the executives compensation to the performance ofthe Company s stock. The restricted stock units awarded in February 2005 vest in two equal installments on the third and fourth anniversaries of the date of grant, and the stock options awarded at the same time vest in four equal installments on each of the first four anniversaries of the date of grant. The Compensation Committee believes that the use of a multi-year vesting schedule not only encourages executive retention, but also emphasizes a longer-term perspective. The size of the awards reflects each executive s position relative to other executives and current total target compensation as well as the total compensation paid to comparable executives in the peer groups discussed above.

As noted above, the Company s awards of long-term incentives to senior executive officers generally reflect a blend of stock options and restricted stock units. The stock option component is designed to incent and reward executives for increases in stockholder value executives earn nothing from the stock options unless the value of the Company s Common Stock increases following the grant. The restricted stock unit component is designed to incent and reward superior performers to remain with the Company and remain focused during periods of stock market fluctuations when stock options may have no realizable value. Compared with granting only stock options, the blended grants of stock options and restricted stock units utilize fewer shares under the Company s equity plans at a comparable cost to the Company.

Consistent with this philosophy, during fiscal 2005, the Compensation Committee approved long-term incentive awards to Mr. Parsons consisting of stock options covering 650,000 shares of Common Stock and 180,000 restricted stock units. The Committee determined the amount of these awards after reviewing Mr. Parsons individual performance and competitive compensation data. The estimated value of Mr. Parsons stock-based awards ranges from just below the 50^{th} percentile to just below the 75^{th} percentile of long-term incentive compensation paid to chief executives in the peer groups used by the Compensation Committee.

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For 2005, Mr. Parsons actual total direct compensation, which includes base salary, annual cash bonus, and the estimated value of stock-based awards, ranges from below the 50th percentile to the 90th percentile of the total direct compensation paid to chief executives in the three peer groups used by the Compensation Committee. Mr. Parsons total direct compensation is at the low end of the range when compared to the media peer group, below the 75th percentile of the industry group and at the higher end of the range when compared to the companies with more than $10 billion in annual revenues. The Compensation Committee believes Mr. Parsons compensation package is appropriate in view of his performance.

Stock Ownership and Retention Guidelines. Since January 2003, the Company s executives have been subject to Board-adopted stock ownership guidelines and stock retention requirements with respect to stock option awards, which are discussed in more detail under Executive Compensation Stock Ownership and Retention Policy in this Proxy Statement. The Compensation Committee believes that these standards help to further assure the alignment of executive compensation with the interests of stockholders.

Consistent with the Company s stock retention guidelines, beginning with the exercise of the stock options awarded in 2003, the executive officers must retain for at least twelve months shares of Common Stock representing at least 75% of the after-tax gain that the executive realizes upon the exercise, after paying the exercise price (assuming a 50% tax rate for purposes of the calculation).

Employment Agreements

Consistent with the Company s goal of attracting and retaining executives in a competitive environment, the Company has entered into employment agreements with the Company s senior executive officers. These employment agreements have been, and under the Compensation Committee s policies must be, reviewed and approved by the Compensation Committee. While the agreements specify a minimum salary and annual bonus target, annual bonuses and stock-based awards are generally subject to the discretion of the Compensation Committee. All of the executive officers named in the Summary Compensation Table below were employed in 2005 under existing employment agreements. During 2005, the Compensation Committee reviewed and approved an amendment and extension to Mr. Pace s employment agreement, which is described below under Employment Arrangements.

Review of All Components of Executive Compensation

The Compensation Committee and the Board of Directors have reviewed information about all components of the compensation provided to the Company s executive officers, including base salary, annual bonus, long-term equity compensation, the key terms of employment agreements, the accumulated unrealized stock option and unvested restricted stock and restricted stock unit values, perquisites and other personal benefits, the earnings and accumulated payout obligations under the Company s qualified and non-qualified deferred compensation programs, the projected payouts under the Company s pension plan and the projected payouts in the event of retirement and severance. A summary of the Company s compensation programs, practices and internal controls, and tables quantifying the estimated values of these components for each executive were presented to and reviewed by the Compensation Committee and the Board.

Section 162(m) Considerations

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for non-performance-based compensation over $1 million paid for any fiscal year to each of the individuals who were, at the end of the fiscal year, the corporation s chief executive officer and the four other most highly compensated executive officers.

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Base Salary. The Company believes that the base salary paid to the individual executive officers covered by Section 162(m) will be deductible by the Company, except for $500,000 of Mr. Parsons 2005 salary. Similarly, in 2006, the Company believes that $500,000 of Mr. Parsons 2006 salary and $250,000 of Mr. Bewkes 2006 salary will not be deductible.

Annual Cash Bonus. The Company does not intend to take a deduction for the cash bonuses paid for 2005 to the executive officers covered by Section 162(m).

Stock-Based Awards. The Company has adopted a general policy of awarding stock options to its executive officers only pursuant to plans that the Company believes satisfy the requirements of Section 162(m). However, individuals who are promoted to executive officer positions may hold stock options that were granted prior to their promotion pursuant to plans that do not satisfy the requirements of Section 162(m) because the plan was not approved by the Company s stockholders. All of the Company s stock option plans under which awards are currently made have been approved by the Company s stockholders. In addition, restricted stock and restricted stock units that vest over time are not considered performance-based compensation under Section 162(m), so compensation realized by the individual executive officers covered by Section 162(m) from the vesting of restricted stock or restricted stock units will not be deductible by the Company. As indicated earlier in this report, for awards made beginning in 2007, the Committee has adopted a policy that at least 50% of full-value stock awards to senior executives of Time Warner will be performance-based, and the Company expects that compensation realized from such awards will be deductible by the Company.

Other Annual Compensation. Any other annual compensation paid or imputed to the individual executive officers covered by Section 162(m) (including the value of personal benefits provided to executive officers) that causes non-performance-based compensation to exceed the $1 million limit will not be deductible by the Company.

The deductibility of some types of compensation payments can depend upon the timing of an executive s vesting or exercise of previously granted rights. Interpretations of and changes in applicable tax laws and regulations as well as other factors beyond the Compensation Committee s control also can affect deductibility of compensation. For these and other reasons, the Compensation Committee has determined that it will not necessarily seek to limit executive compensation to that deductible under Section 162(m).

Members of the Compensation Committee

Frank J. Caufield

Michael A. Miles (Chair)

Francis T. Vincent, Jr.

Deborah C. Wright

Executive Compensation Summary Table

The following table presents information concerning total compensation paid to the Chief Executive Officer and each of the four most highly compensated executive officers of the Company who served in such capacities on December 31, 2005 (collectively, the named executive officers).

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SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Term Compensation				
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation(4)	Restricted Stock Awards(5)	Securities Underlying Options(6)	All Other Compensation(7)	Option Grants(8)	Total Compensation
Richard D. Parsons(1)									
	2005	$ 1,500,000	$ 7,500,000	$ 434,003	$ 3,220,200	650,000	$ 14,558	$ 3,335,313	$ 16,004,074
Chairman of the Board and Chief Executive Officer	2004	1,500,000	8,000,000	290,715	3,446,000	500,000	8,450	2,992,388	16,237,553
	2003	1,500,000	8,000,000	267,715	2,106,000	500,000	8,250	1,998,163	13,880,128
Jeffrey L. Bewkes(2)	2005	$ 1,000,000	$ 6,000,000	$ 73,767	$ 2,683,500	525,000	$ 11,922	$ 2,693,906	$ 12,463,095
	2004	1,000,000	6,500,000	116,106	2,584,500	425,000	8,450	2,543,529	12,752,585
President and Chief Operating Officer	2003	1,000,000	6,500,000	106,841	10,797,750	450,000	8,250	1,798,346	20,211,187
Don Logan(3)									
	2005	$ 1,000,000	$ 6,000,000	$ 512,910	$ 2,683,500	525,000	$ 17,095	$ 2,693,906	$ 12,907,411
Chairman, Media & Communications Group	2004	1,000,000	6,500,000	351,219	2,584,500	425,000	8,450	2,543,529	12,987,698
	2003	1,000,000	6,500,000	352,736	1,842,750	450,000	8,250	1,798,346	11,502,082
Wayne H. Pace									
	2005	$ 1,000,000	$ 2,700,000	$ 373,276	$ 1,341,750	275,000	$ 8,400	$ 1,411,094	$ 6,834,520
Executive Vice President and Chief Financial Officer	2004	1,000,000	2,900,000	218,067	1,292,250	225,000	8,450	1,346,574	6,765,341
	2003	1,000,000	2,700,000	491,411	813,969	245,000	8,250	979,100	5,992,730
Paul T. Cappuccio									
	2005	$ 1,000,000	$ 2,700,000	$ 5,450	$ 715,600	155,000	$ 8,400	$ 795,344	$ 5,224,794
Executive Vice President and General Counsel	2004	980,769	2,800,000		861,500	100,000	8,450	598,478	5,249,197
	2003	750,000	2,000,000	159,934	465,426	140,000	8,250	559,486	3,943,096

(1) Mr. Parsons became Chairman of the Board and Chief Executive Officer of the Company on May 16, 2003, having served as Chief Executive Officer from May 16, 2002.

(2) Mr. Bewkes became President and Chief Operating Officer of the Company on January 1, 2006, having served as Chairman, Entertainment & Networks Group of the Company from July 18, 2002 through December 31, 2005.

(3) Mr. Logan retired from the position of Chairman, Media & Communications Group of the Company effective the end of December 31, 2005, having served in that position from July 18, 2002.

(4) The amounts of personal benefits shown in this column for 2005 include: financial services of $100,000 to each of Messrs. Parsons and Logan, $32,550 to Mr. Bewkes and $10,000 to Mr. Pace; transportation-related benefits of $321,127 to Mr. Parsons, $36,307 to Mr. Bewkes, $387,470 to Mr. Logan, $338,796 to Mr. Pace and $410 to Mr. Cappuccio; reimbursement for health club membership of $698 to Mr. Bewkes; and, pursuant to the terms of their employment agreements, cash payments to cover the cost of group term life insurance of $12,036 to Mr. Parsons, $4,212 to Mr. Bewkes, $25,440 to Mr. Logan, $24,480 to Mr. Pace and $5,040 to Mr. Cappuccio. Transportation-related benefits consist of the incremental cost to the Company of personal use of (a) aircraft owned (based on fuel, landing, repositioning and catering costs and crew travel expenses) or leased (based on hourly fees) by the Company and

(b) Company-provided car and specially-trained driver for Messrs. Parsons, Bewkes and Logan (based on the portion of the usage that was personal) and commercial car services for Messrs. Pace and Cappuccio. For security reasons, Mr. Parsons is required to use Company aircraft and automobiles for business and personal use, and Messrs. Bewkes and Logan may be required to do so. The incremental cost to the Company of such personal transportation is nonetheless included in the total presented. In 2004, in connection with its security program, the Company installed a residential alarm system at Mr. Parsons residence at a cost of $5,725 and paid a fee of $210 for monitoring services. During 2005, the Company paid an annual fee of $840 for monitoring services. During 2003 and 2004, in lieu of reimbursing Mr. Parsons for his hotel business expenses in Los Angeles, and consistent with the Company s security program, the Company paid $4,000 per month plus monthly maintenance and utilities costs averaging approximately $365 for a rented apartment for Mr. Parsons in Los Angeles. Because the Company considers the cost a business expense, the amount paid by the Company was not included in Other Annual Compensation. This arrangement was terminated for

2005. In 2003, Mr. Cappuccio was reimbursed for housing expenses of $153,000, which reimbursement is no longer provided. For information about transactions between the Company and certain named executive officers, see Additional Information.

(5) Amounts set forth in the restricted stock award column represent the grant-date value of restricted stock and restricted stock unit awards (based on $17.89 per share price in 2005, $17.24 per share price in 2004 and $10.54 per share price in 2003, except for the 2003 award to Mr. Bewkes, described below). The awards in 2003 vest on each of the second, third and fourth anniversaries of the date of grant, assuming continued employment, except for the separate award of 500,000 shares of restricted stock to Mr. Bewkes (which is valued based on a $17.92 per share price), which will vest on December 31, 2007, assuming continued employment. The awards in 2005 and 2004 vest equally on each of the third and fourth anniversaries of the date of grant, assuming continued employment. On December 31, 2005, based on the closing price of the Common Stock on the NYSE ($17.44 per share), the number and net value of the shares of restricted stock and restricted stock units held by each of the executive officers were: Mr. Parsons 513,600 shares and units valued at $8,953,848; Mr. Bewkes 916,900 shares and units valued at $15,983,067; Mr. Logan 416,900 shares and units valued at $7,268,067; Mr. Pace 201,637 shares and units valued at $3,515,283; and Mr. Cappuccio 119,526 shares and units valued at $2,083,738. Each of the named executive officers has a right to receive dividends on unvested shares of restricted stock or dividend equivalents on unvested restricted stock units, if paid, and to vote with respect to shares of unvested restricted stock.

(6) None of the stock options reflected was awarded with tandem stock appreciation rights.

(7) The amounts shown in this column include the following:

(a) Pursuant to the Time Warner Savings Plan (the Savings Plan), a defined contribution plan available generally to employees of the Company, for the 2005 plan year, each of the named executive officers deferred a portion of his annual compensation and Time Warner contributed $8,400 as a matching contribution on the amount deferred by the executive.

(b) The Company maintains a program of life and disability insurance generally available to all salaried employees on the same basis. This group term life insurance coverage was reduced to $50,000 for each of Messrs. Parsons, Bewkes, Logan, Pace and Cappuccio, who were each given a cash payment to cover the cost of specified coverage under a voluntary group program available to employees generally. Such payments are included in the Other Annual Compensation column. During 2004 and 2003, the Company maintained for certain members of senior management, including the named executive officers, certain supplemental life insurance benefits and paid premiums for this supplemental coverage of approximately $250 each. Starting in 2005, the supplemental insurance coverage is no longer maintained. The Company also maintains split-dollar life insurance policies on the lives of Messrs. Parsons, Bewkes and Logan. Starting in 2003, the Company no longer pays the premiums on these split-dollar life insurance policies. Instead, the premium is satisfied from the accreting value of the policy. Pursuant to tax rules, the Company imputed income in the following amounts allocated to the term portion of the split-dollar coverage for 2005: Mr. Parsons, $6,158; Mr. Bewkes, $3,522; and Mr. Logan, $8,695. It is anticipated that the Company will recover the net after-tax cost of the premiums paid by it in the past on these policies or the cash surrender value thereof. For a description of life insurance coverage for certain executive officers provided pursuant to the terms of their employment agreements, see Employment Arrangements.

(8) These amounts represent the estimated present value of these stock options at the respective date of grant, calculated using the Black-Scholes option pricing model, based on the following assumptions used in developing the grant valuations: an expected volatility of 24.4% for options granted in 2005 determined using implied volatilities based primarily on traded Time Warner options, 35.0% for options granted in 2004 based on an average of both historical volatilities and implied volatilities and 54.6% for options granted in 2003 based on the historical volatility of the Common Stock; an expected term to exercise of 4.79, 4.65 and 3.12 years from the date of grant for options granted in 2005, 2004 and 2003, respectively; a risk-free interest rate of 3.9%, 3.33% and 2.54% for options granted in 2005, 2004 and 2003, respectively; and a dividend yield of 0% for options granted in years 2005, 2004 and 2003. The actual value of the options, if any, realized by an officer will depend on the extent to which the market value of the Common Stock exceeds the exercise price of the option on the date the option is exercised. Consequently, there is no assurance that the value realized by an officer will be at or near the value estimated above. These amounts should not be used to predict stock performance.

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Stock Option Grants in 2005

The following table sets forth certain information with respect to employee options to purchase shares of Common Stock (options) awarded during 2005 by the Company to the named executive officers. All such options were nonqualified options. No stock appreciation rights, alone or in tandem with such stock options, were awarded in 2005.

Stock Option Grants in 2005

	Individual Grants(1)				
Name	**Number of Securities Underlying Options Granted**	**Percent of Total Options Granted to Employees in 2005**	**Exercise or Base Price ($/sh)**	**Expiration Date**	**Grant Date Present Value(2)**
Richard D. Parsons	650,000	1.2%	$ 17.97	2/17/15	$ 3,335,313
Jeffrey L. Bewkes	525,000	1.0%	$ 17.97	2/17/15	$ 2,693,906
Don Logan	525,000	1.0%	$ 17.97	2/17/15	$ 2,693,906
Wayne H. Pace	275,000	.5%	$ 17.97	2/17/15	$ 1,411,094
Paul T. Cappuccio	155,000	.3%	$ 17.97	2/17/15	$ 795,344

(1) These options for the five named executive officers have been awarded pursuant to plans approved by the stockholders. The terms are governed by the plans and the recipient s option agreement. The option exercise price is the fair market value of the Common Stock on the date of grant. The options shown in the table become exercisable in installments of 25% on the first four anniversaries of the date of grant, subject to acceleration upon the occurrence of certain events. Payment of the exercise price of an option may be made in cash and/or full shares of Common Stock already owned by the holder of the option. The payment of withholding taxes due upon exercise of an option may generally be made in cash and/or full shares of Common Stock.

(2) These amounts represent the estimated present value of these stock options at the respective date of grant calculated using the Black-Scholes option pricing model, based on the following assumptions used in developing the grant valuations: an expected volatility of 24.4% determined using implied volatilities based primarily on traded Time Warner options; an expected term to exercise of 4.79 years from the date of grant; a risk-free interest rate of 3.9%; and a dividend yield of 0%. Subsequent to the first quarter of 2005, the Company began valuing stock options using an expected dividend yield of approximately 1.1%, reflecting the dividend policy announced by the Company in May 2005. The actual value of the options, if any, realized by an officer will depend on the extent to which the market value of the Common Stock exceeds the exercise price of the option on the date the option is exercised. Consequently, there is no assurance that the value realized by an officer will be at or near the value estimated above. These amounts should not be used to predict stock performance.

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Option Exercises and Values in 2005

The following table sets forth as to each of the named executive officers information on option exercises during 2005 and the status of his options on December 31, 2005: (i) the number of shares of Common Stock underlying options exercised during 2005; (ii) the aggregate dollar value realized upon exercise of such options; (iii) the total number of shares of Common Stock underlying exercisable and nonexercisable stock options held on December 31, 2005; and (iv) the aggregate dollar value of in-the-money exercisable and nonexercisable stock options on December 31, 2005. The number of shares covered and the option exercise prices have been adjusted to reflect the exchange ratios of common stock of America Online and Historic TW for Company Common Stock on the Merger Date and the Company s assumption on the Merger Date of the option plans and agreements under which the options were awarded.

The option exercise price of all the options held by the named executive officers is the fair market value of the Common Stock on the date of grant, except for half of the regular annual options awarded to Mr. Parsons in 1996 through 2001, half of which have an exercise price 25% above the fair market value of the common stock on the date of grant and the other half of which have an exercise price 50% above such fair market value. All such nonqualified options permit a portion of each award to be transferred by gift directly or indirectly to members of the holder s immediate family.

The options held by the named executive officers remain exercisable for three months to five years in the event their employment is terminated without cause or as a result of the Company s breach of an employment agreement. For some executive officers, some of their options remain exercisable for the full term of the options if their employment is terminated for any reason other than for cause, including death. Otherwise, options may generally be exercised for one or three years after death or total disability (depending on their date of grant) and some options may be exercised for five years after retirement. All options terminate either immediately or one month after the holder s employment is terminated for cause. The terms of the options shown in the chart are ten years.

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Aggregate Option Exercises During 2005

and

Option Values on December 31, 2005

			Number of Shares Underlying Unexercised Options on 12/31/05		Dollar Value of Unexercised In-the-Money Options on 12/31/05*	
Name	Number of Shares Underlying Options Exercised	Dollar Value Realized on Exercise	Exercisable	Nonexercisable	Exercisable	Nonexercisable
Richard D. Parsons						