

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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

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**Time Warner Inc.**

(Name of Registrant as Specified In Its Charter)

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

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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 17<sup>th</sup>, 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 17<sup>th</sup>, 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.

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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](http://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](http://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.

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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](http://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.

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## CORPORATE GOVERNANCE

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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](http://www.timewarner.com/governance) and Investor Relations at [www.timewarner.com/investors](http://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

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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.

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*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

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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 -

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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**

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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

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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](http://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

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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	Age	Principal Occupation
Director of the Company		During the Past Five Years
James L. Barksdale 2001	63	<b>Chairman and President of Barksdale Management Corporation</b> , 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**