

TIME WARNER INC.
Form DEFA14A
May 19, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

**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

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

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):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Explanatory Note: As part of Time Warner Inc.'s regular, ongoing engagement with shareholders, Time Warner is planning to have a number of in-person meetings with shareholders. The attached Proxy Statement Summary is intended to facilitate discussions at those meetings and presents information regarding the Company's businesses, performance, executive compensation programs, and governance practices taken from the Company's 2014 Proxy Statement.

2014 Proxy Statement Summary
May 2014

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Executive Summary

Clear Operating Strategy

Sound Corporate &

Compensation Governance

Practices

Use leading scale and brands to create the best content

Lead digital transition of our industry

Expand internationally in faster-growing territories

Focus on operating and capital efficiency

Compensation Program

Closely Aligned With

Performance

Significant emphasis on variable performance-based compensation (93% of total target pay for CEO)

Mix of performance measures across varying time horizons

Challenging financial and strategic goals set at the beginning of each performance period
Informed by shareholder perspectives; following long-standing practice of ongoing shareholder
engagement, held conversations with shareholders representing > 40% of common stock in late 2013
93%

of
votes
cast
by
shareholders

in
2013
were

in
favor
of

named
executive
officer
compensation

Focused Business Model
Sustained Strong Financial
Performance

Global leader in media and entertainment with a focus on video content

Three ongoing operating divisions: Turner, HBO, and Warner Bros.

Time Inc. will be spun-off on June 6, 2014

Adjusted
Operating
Income

5-year
compound
annual
growth

rate
of
9.5%;

2013
growth
of

7.7%
to
a

record \$6.6B

Free Cash Flow grew 20% in 2013, to \$3.5B

Adjusted EPS 5-year compound annual growth rate of 21.6%; 2013 growth of 16.4% to \$3.77

3

Board's leadership structure and composition provide effective independent oversight
Committee follows strong governance practices to determine executive compensation

Overview of Our Businesses

4

Owns and operates leading cable television networks and related digital properties in the U.S. and internationally, including TBS, TNT, CNN, Cartoon Network, Adult Swim, truTV and Turner Sports

Turner accounted for 33% of the Company's total revenues in 2013

Operates leading premium pay television services HBO and Cinemax, in the U.S. and internationally

Home Box Office accounted for 17% of the Company's total revenues in 2013

Global leader in entertainment with businesses that produce and distribute feature films, television programming, home entertainment, comic books, and

videogames, and license characters and brands for consumer products

Warner Bros. accounted for 39% of the Company's total revenues in 2013

One of the largest magazine publishers based on readership and print advertising revenues; also operates related websites and operations

Time Inc. accounted for 11% of the Company's total revenues in 2013

The Company will spin off Time Inc. to its shareholders on June 6, 2014

Our Operating Strategy

2013 Highlights

Lead digital transition of
our industry

Use leading scale and
brands to create the
best content

Expand internationally
in faster-growing
territories

Turner

o

TBS #1 ad-supported cable network in primetime among adults 18-34 and adults 18-49

- o Adult Swim #2 among adults 18-34
- o TNT aired four of the top 15 original series on ad-supported cable Home Box Office
- o More Primetime Emmy awards than any other network for the 12th year in a row Warner Bros.
- o #1 at the worldwide box office, with films grossing over \$5 billion in 2013
- o #1 producer of primetime broadcast series with > 60 series airing for the 2013-2014 season

Continued to lead the development of new digital services and business models, such as TV Everywhere (including HBO GO), UltraViolet, Disc-to-Digital and digital magazines

HBO
GO
active
users
grew
over
30%
and
average
monthly
usage
grew
at
a
double
digit
rate

Increased monetization of content through platforms such as subscription video on demand

Turner
launched
networks
in
Asia
and
Latin
America,
expanding
to
more
than
150
channels
in
over 200 countries

Home
Box

Office
launched
premium
services
in
Denmark,
Norway
and
India
and
purchased
its
partners
interests in HBO Asia, HBO South Asia and HBO Nordic
5

Sustained Strong Financial Performance*

Free Cash Flow (\$B)

Return on Invested Capital

1-YR Growth: 7.7%

3-YR CAGR: 6.9%

Adjusted Operating Income (\$B)

Adjusted EPS

1-YR Growth: 16.4%

3-YR CAGR: 15.8%

6

* See Annex A for definitions of non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures.

\$4.2

\$4.6

\$5.4

\$5.9

\$6.1

\$6.6

2008

2009

2010

2011

2012

2013

2008

2009

2010

2011

2012

2013

\$1.42

\$1.82

\$2.43

\$2.86

\$3.24

\$3.77

2009

2010

2011

2012

2013

\$2.9

\$2.7

\$2.7

\$2.9

\$3.5

20%

19%

19%

2011

2012

2013

Commitment to Driving Shareholder Value

Direct Returns of Capital (\$B)

Total Shareholder Return

7

~\$19.7B in returns

since 2009

\$2.1

\$3.0

\$5.6

\$4.3

\$4.8

2009

2010

2011

2012

2013

Share Repurchases

Dividends

48.6%

133.1%

282.3%

32.4%

56.8%

128.2%

1-YR

3-YR

5-YR

Time Warner

S&P 500

Compensation Mix Focused on Components that
Drive Performance
Chairman / CEO Pay
Pay for Other NEOs
93% Variable
81% Variable
8
7%
36%
57%
13%
19%
43%

25%

Base Salary

Target Annual Cash Bonus

Target Value of Performance Long-Term

Incentive Awards (PSUs & Stock Options)

Base Salary

Target Annual Cash Bonus

Target Value of Performance Long-Term

Incentive Awards (PSUs & Stock Options)

Target Value of Long-Term Incentive

Awards (RSUs)

Performance Measures and 2013 Results
Incentive
Component
Time
Horizon
Performance
Measure
How TWX & NEOs Performed
on the Performance Measures
2013 Outcome Linked to
Performance
Annual Cash
Bonus

1-year
Adj. Divisional Pre-Tax Income
70%
8% growth in 2013
145% financial
performance rating
(maximum
150%)
Free Cash Flow
20% growth in 2013
Annual progress on key long-term
strategic objectives
30%
Individual performance
achievements described on
pages 45-46 of the proxy
statement
Individual performance
ratings ranged from
130% to 140%
(maximum
150%)
PSUs with a
Performance
Period Ending
in 2013
3-year
TSR relative to the S&P 500
130.7% TSR (2011-2013)
91
percentile
of
the
S&P
500
182.2% payout for
2011-2013 PSUs
Stock Options
4-year
vesting
period
TWX common stock price
1-year increase
45.8%
3-year increase
116.7%
5-year increase
235.7%
Value realized
determined by long-

term stock price
performance
9

1

For PSUs, (1) TSR is calculated using the average closing price for the 30 trading days ending on the first and last days of the

from

the

S&P

500

Index

during

the

performance

period

due

to

the

decline

of

such

companies

stock

price

below

the

minimum

market

capitalization

standard

only

if

their

stock

is

no

longer

traded

on

a

national

exchange

Multiple performance measures that are important to investors

Varying time horizons

1

1

st

More
Challenging
Financial
Goals
for
2013
*

2013 Adjusted Divisional Pre-Tax Income and Free Cash Flow goals for annual cash bonuses were significantly more challenging than for 2012

Higher growth required to achieve the same rating across entire range of outcomes

Adjusted Divisional Pre-Tax Income Growth

Required for 150% Rating

Free Cash Flow

Required for 150% Rating

10

*

See

Annex

A

for

definitions

of

non-GAAP

financial

measures

and

reconciliations

to

the

most

directly

comparable

GAAP

financial

measures.

6%

9%

2012

2013

\$2,565

\$3,195

2012

2013

CEO Pay

The Company entered into a new five-year employment agreement with Mr. Bewkes in 2012, effective January 1, 2013. Terms disclosed in the proxy statement filed last year

Structure of the agreement reflects input from shareholders

Increase in target compensation consisted only of long-term performance-based incentive opportunity

No increase in base salary or target bonus

No upfront grant of equity awards, and no further grants of time-vested RSUs

Removed exercise tax gross-up

Stock ownership requirement increased to 8x base salary (up from 5x)

2013 CEO compensation reflects the terms of the agreement

Mr. Bewkes

2013 Compensation

Base Salary

No change

Annual Cash Bonus

No change in target bonus

Financial criteria:

o

Committee approved a 145% financial performance rating

Individual performance:

o

Committee approved a 140% individual performance rating

Long-Term Incentive

Awards

Target annual value of long-term incentive awards increased

Awards entirely performance-based, with 50% of target value in PSUs and 50% in stock options

11

Best Practices in Compensation Governance

Regular engagement with shareholders, with input reflected in compensation plan design

Emphasis on variable compensation with multiple performance metrics

Substantial share ownership and retention requirements

Limited personal benefits

Limit on annual equity dilution

No gross-ups, including for change-in-control

Clawback policy

Use of independent compensation consultant

Annual compensation-related risk review and disclosure

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Sound Corporate Governance

Lead Independent Director

has robust authority, including authority over meeting agendas

Board Leadership Policy requires consideration of Board leadership at least annually, with disclosure to shareholders on factors reviewed (see 2014 report posted at www.timewarner.com/leadership)

Stephen Bollenbach has served as Lead Independent Director since

May 2012

Director

Qualifications:

The

Board

believes

that

the
Company
is
best
served
by
a
board
of
directors
consisting
of

individuals who have a variety of complementary skills, professional experience, and backgrounds, and who bring diverse viewpoints and perspectives to the Board

Board Independence:

All directors, other than the CEO, are independent and each Board committee consists solely of independent directors

Board Refreshment:

The Board believes it is well-served by having non-employee directors with a mix of tenures and expects that average tenure will generally not exceed 10 years

Director Accountability:

Board is elected annually (no classified board) under a majority-vote standard

Special
Meeting

Rights:

Shareholders

have

the

right

to

request

special

meetings

(15%

threshold)

ESG Disclosure:

The Company keeps the investment community informed on activities relating to environmental, social and governance matters, including through updates on corporate social responsibility (additional details at

www.timewarner.com/citizenship)

13

Non-GAAP Financial Measures -

Definitions

A-1

Annex A

Adjusted Operating Income (Loss) is defined as Operating Income (Loss) excluding the impact of noncash impairments of goodwill, intangible and fixed assets; gains and losses on operating assets (other than deferred gains on sale-leasebacks); gains and losses recognized in connection with pension and other postretirement benefit plan curtailments or settlements; external costs related to mergers, acquisitions or dispositions, as well as contingent consideration related to such transactions, to the extent such costs are expensed; and amounts related to securities litigation and government investigations.

Adjusted Divisional Pre-Tax Income is defined as Adjusted Operating Income plus Income (loss) from equity method investments.

Adjusted EPS is defined as Diluted Income per Common Share from Continuing Operations attributable to Time Warner Inc. common shareholders excluding noncash impairments of goodwill, intangible and fixed assets and investments; gains and losses

operating assets (other than deferred gains on sale-leasebacks), liabilities and investments; gains and losses recognized in connection with pension and other postretirement benefit plan curtailments or settlements; external costs related to mergers, acquisitions, investments or dispositions, as well as contingent consideration related to such transactions, to the extent such costs are expensed; amounts related to securities litigation and government investigations; and amounts attributable to businesses classified as discontinued operations, as well as the impact of taxes and noncontrolling interests on the above items.

For periods ending on or after July 1, 2012, **Free Cash Flow** is defined as Cash Provided by Operations from Continuing Operations plus payments related to securities litigation and government investigations (net of any insurance recoveries), external costs related to mergers, acquisitions, investments or dispositions, to the extent such costs are expensed, contingent consideration payments made in connection with acquisitions, and excess tax benefits from equity instruments, less capital expenditures, principal payments on capital leases and partnership distributions, if any. For periods ending prior to that date, Free Cash Flow is defined as Cash Provided by Operations from Continuing Operations plus payments related to securities litigation and government investigations (net of any insurance recoveries), external costs related to mergers, acquisitions, investments or dispositions, to the extent such costs are expensed, and excess tax benefits from equity instruments, less capital expenditures, principal payments on capital leases and partnership distributions, if any. A change to the definition of Free Cash Flow for periods prior to July 1, 2012, to adjust for contingent consideration payments made in connection with acquisitions would have had no impact on the reported Free Cash Flow for such periods.

Year Ended December
31,
2013
2012
2011
2010
2009
2008
Adjusted Operating Income
\$
6,599
\$
6,126

\$
5,864
\$
5,400
\$
4,618
\$
4,193
Asset impairments
(140)
(186)
(44)
(20)
(85)
(7,213)
Gain (loss) on operating assets, net
142
9
7
70
(3ze: 10pt; font-family: 'Times New Roman', Times; color: #000000; background: #FFFFFF">

* *Attorney-in-fact for each of the persons indicated*

II-11

Signatures

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Akron, State of Ohio, on March 29, 2010.

Wheel Assemblies Inc.

By: /s/ Damon J. Audia

Name: Damon J. Audia

Title: Vice President and Treasurer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
*	Director, President and Chief Executive Officer (Principal Executive Officer)	
Richard J. Kramer		
/s/ Damon J. Audia	Director, Vice President and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 29, 2010
Damon J. Audia		
*	Director	
Michael R. Rickman		
*By:		March 29, 2010
/s/ Damon J. Audia		
Damon J. Audia		

* *Attorney-in-fact for each of the persons indicated*

Signatures

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Akron, State of Ohio, on March 29, 2010.

Wingfoot Commercial Tire Systems, LLC

By: /s/ Damon J. Audia

Name: Damon J. Audia

Title: Vice President and Treasurer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* D. Brent Copeland	President and Chief Operating Officer (Principal Executive Officer)	
* Todd M. Tyler	Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	
* Thomas A. Connell	Director	
* Evan M. Scocos	Director	
* M. Joseph Copeland	Director	
* Richard J. Kramer	Director	
* Michael R. Rickman	Director	
/s/ Damon J. Audia	Director	March 29, 2010

Damon J. Audia

*

Director

Richard J. Noechel

*By:

March 29, 2010

/s/ Damon J. Audia

Damon J. Audia

* *Attorney-in-fact for each of the persons indicated*

II-13

Signatures

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Smith, State of Arkansas, on March 29, 2010.

Wingfoot Ventures Eight Inc.

By: /s/ Todd M. Tyler

Name: Todd M. Tyler

Title: Vice President, Treasurer and Secretary

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* D. Brent Copeland	Director and President (Principal Executive Officer)	
* Todd M. Tyler	Director, Vice President, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)	
* Randall M. Loyd	Director	
*By: /s/ Damon J. Audia		March 29, 2010
Damon J. Audia		

* *Attorney-in-fact for each of the persons indicated*