

TIME WARNER INC.
Form S-3ASR
February 25, 2016
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As filed with the Securities and Exchange Commission on February 25, 2016

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

TIME WARNER INC.

(Exact name of registrant as specified in its charter)

One Time Warner Center

New York, NY 10019-8016

Delaware

(212) 484-8000

13-4099534

(State or other jurisdiction of

Address, including zip code, and telephone number,

(I.R.S. Employer

incorporation or organization) including area code, of registrant's principal executive offices) Identification No.)

HISTORIC TW INC.

(Exact name of registrant as specified in its charter)

Delaware

One Time Warner Center

13-3527249

New York, NY 10019-8016

(212) 484-8000

(State or other jurisdiction of incorporation or organization) **HOME BOX OFFICE, INC.** *(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)* *(I.R.S. Employer Identification No.)*

(Exact name of registrant as specified in its charter)

1100 Avenue of the Americas

New York, NY 10036-6712

Delaware

(212) 512-1000

05-0545061

(State or other jurisdiction of incorporation or organization) **TURNER BROADCASTING SYSTEM, INC.** *(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)* *(I.R.S. Employer Identification No.)*

(Exact name of registrant as specified in its charter)

One CNN Center

Atlanta, Georgia 30303

Georgia

(404) 827-1500

58-0950695

(State or other jurisdiction of incorporation or organization) **Paul T. Cappuccio** *(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)* *(I.R.S. Employer Identification No.)*

Executive Vice President

and General Counsel

Time Warner Inc.

One Time Warner Center

New York, NY 10019-8016

(212) 484-8000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Eric L. Schiele

Cravath, Swaine & Moore LLP

Edgar Filing: TIME WARNER INC. - Form S-3ASR

Worldwide Plaza

825 Eighth Avenue

New York, NY 10019-7415

(212) 474-1000

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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

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

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller reporting company
 (Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Aggregate Amount to be Registered/Proposed Maximum Offering Price Per Unit/Proposed Maximum Aggregate Offering Price/Amount of Registration Fee(1)
Debt Securities(2)	
Guarantees of Debt Securities(2)(3)	
Preferred Stock(2)	
Common Stock(2)	

Warrants(2)

Total

- (1) Pursuant to Form S-3 General Instruction II(E) information is not required to be included. An indeterminate aggregate initial offering price or number of debt securities, preferred stock, common stock and warrants of Time Warner Inc. is being registered as may from time to time be issued at currently indeterminable prices, along with related guarantees of debt securities. Securities registered hereunder may be sold separately or together with other securities registered hereunder. The proposed maximum initial offering prices per unit will be determined, from time to time, by Time Warner Inc. in connection with the issuance by Time Warner Inc. of the securities registered under this registration statement. Prices, when determined, may be in United States dollars or the equivalent thereof in one or more foreign currencies, foreign currency units or composite currencies. If any debt securities or preferred stock are issued at an original issue discount, then the amount registered shall include the principal or liquidation amount of such securities measured by the initial offering price thereof. In reliance on Rule 456(b) and Rule 457(r) under the Securities Act, Time Warner Inc. hereby defers payment of the registration fee required in connection with this registration statement.
- (2) Including securities as may from time to time be issued upon conversion, exchange or exercise of other securities registered hereunder. Separate consideration may or may not be received for securities that are issuable on exercise, conversion or exchange of other securities.
- (3) Pursuant to Rule 457(n), no separate fee will be required to be paid in respect of guarantees of the debt securities that are being registered concurrently.

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PROSPECTUS

Debt Securities

Preferred Stock

Common Stock

Warrants

This prospectus contains a general description of the securities which we may offer for sale. The specific terms of the securities will be contained in one or more supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest.

The securities will be issued by Time Warner Inc. The debt securities will be fully, irrevocably and unconditionally guaranteed on an unsecured basis by Historic TW Inc.; and Home Box Office, Inc. and Turner Broadcasting System, Inc. will fully, irrevocably and unconditionally guarantee on an unsecured basis Historic TW Inc.'s guarantee of the debt securities. See Description of the Debt Securities and the Guarantees.

The common stock of Time Warner Inc. is listed on the New York Stock Exchange under the trading symbol TWX.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Investing in our securities involves risks. See Risk Factors on page 5 of this prospectus. You should carefully review the risks and uncertainties described under the heading Risk Factors contained in the applicable prospectus supplement and any related free writing prospectus, and under similar headings in the other documents that are incorporated by reference into this prospectus.

The date of this prospectus is February 25, 2016.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the U.S. Securities and Exchange Commission, which we refer to in this prospectus as the SEC, using the shelf registration process. Under the shelf registration process, we may from time to time sell the securities described in this prospectus in one or more offerings.

The securities may be sold for U.S. dollars, foreign-denominated currency or currency units. Amounts payable with respect to any securities may be payable in U.S. dollars or foreign-denominated currency or currency units as specified in the prospectus supplement.

This prospectus provides you with a general description of the securities that we may offer. Each time we offer securities, we will provide you with a prospectus supplement containing specific information about the terms of the offering and the means of distribution. A prospectus supplement may include other special considerations applicable to such offering of securities. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement. You should carefully read this prospectus and any prospectus supplement together with the additional information described under the heading **Where You Can Find More Information**.

The prospectus supplement may also contain information about any material U.S. Federal income tax considerations relating to the securities covered by the prospectus supplement.

We may sell securities to underwriters who will sell the securities to the public on terms fixed at the time of sale. In addition, the securities may be sold by us directly or through dealers or agents designated from time to time, which agents may be affiliates of ours. If we, directly or through agents, solicit offers to purchase the securities, we reserve the sole right to accept and, together with our agents, to reject, in whole or in part, any offer.

The prospectus supplement will also contain, with respect to the securities being sold, the names of any underwriters, dealers or agents, together with the terms of offering, the compensation of any underwriters and the net proceeds to us.

In this prospectus, unless the context otherwise requires, the terms **Time Warner**, **we**, **our**, **our company**, **the Company** and **us** refer to Time Warner Inc., a Delaware corporation whose shares of common stock are publicly traded on the New York Stock Exchange under the symbol **TWX**, and its subsidiaries.

This prospectus contains summaries of certain provisions contained in some of the documents described herein. Please refer to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of the documents referred to herein have been filed, or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described under **Where You Can Find More Information**.

WHERE YOU CAN FIND MORE INFORMATION

Time Warner files annual, quarterly and current reports, proxy statements and other information with the SEC. You may obtain such SEC filings from the SEC's website at <http://www.sec.gov>. You can also read and copy these materials at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information about the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. Historic TW Inc., Home Box Office, Inc. and Turner Broadcasting System, Inc. do not file separate reports, proxy statements or other information with the SEC under the Securities Exchange Act of 1934, as amended, which we refer to in this

prospectus as the Exchange Act.

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As permitted by SEC rules, this prospectus does not contain all of the information we have included in the registration statement and the accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement, exhibits and schedules for more information about us and the securities. The registration statement, exhibits and schedules are available through the SEC's website or at its public reference room.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference information Time Warner has filed with it, which means that we can disclose important information to you by referring you to those documents. The information we incorporate by reference is an important part of this prospectus, and later information that Time Warner files with the SEC will automatically update and supersede this information. The following documents have been filed by us with the SEC and are incorporated by reference into this prospectus:

Annual report on Form 10-K for the year ended December 31, 2015 (filed February 25, 2016) (the 2015 Form 10-K);

Current reports on Form 8-K, dated January 7, 2016 (filed January 7, 2016) and January 28, 2016 (filed February 2, 2016); and

Current report on Form 8-K, dated January 11, 2001 (filed January 12, 2001), and amended on January 25, 2001, February 9, 2001 and March 30, 2001, in which it is reported that our common stock is deemed registered pursuant to Rule 12g-3(c) under the Exchange Act.

All documents and reports that we file with the SEC (other than any portion of such filings that are furnished under applicable SEC rules rather than filed) under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this prospectus until the termination of the offering under this prospectus shall be deemed to be incorporated into this prospectus by reference. The information contained on our website (<http://www.timewarner.com>) is not incorporated into this prospectus.

You may request a copy of these filings, other than an exhibit to these filings unless we have specifically included or incorporated that exhibit by reference into the filing, from the SEC as described under "Where You Can Find More Information" or, at no cost, by writing or telephoning Time Warner at the following address or telephone number:

Time Warner Inc.

Attn: Investor Relations

One Time Warner Center

New York, NY 10019-8016

Telephone: 1-866-INFO-TWX

We have not authorized anyone to provide any information or to make any representation other than those contained or incorporated by reference in this prospectus, in the related prospectus supplement or in any free writing prospectus

that we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not making an offer of the securities in any jurisdiction where the offer is not permitted. You should assume that the information in this prospectus, the prospectus supplement and any applicable free writing prospectus is accurate only as of the date on its cover page and that any information we have incorporated by reference is accurate only as of the date of each such document incorporated by reference.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or any other subsequently filed document that is deemed to be incorporated by reference into this prospectus modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

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STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This prospectus contains such forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to in this prospectus as the Securities Act, and Section 21E of the Exchange Act. These statements may be made directly in this prospectus referring to us and they may also be made a part of this prospectus by reference to other documents filed with the SEC, which is known as incorporation by reference.

Forward-looking statements often include words such as anticipates, estimates, expects, projects, intends, plans, believes and words and terms of similar substance in connection with discussions of future operating or financial performance. All forward-looking statements are based on management's current expectations and assumptions regarding our business and performance, the economy and other future conditions and forecasts of future events, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. The Company's actual results may differ materially from those expressed or implied in its forward-looking statements. Important factors that could cause the Company's actual results to differ materially from those in its forward-looking statements include government regulation, economic, strategic, political and social conditions and the following factors:

recent and future changes in technology, services and standards, including, but not limited to, alternative methods for the delivery, storage and consumption of digital media and evolving home entertainment formats;

changes in consumer behavior, including changes in spending behavior and changes in when, where and how content is consumed;

the popularity of the Company's content;

changes in the Company's plans, initiatives and strategies, and consumer acceptance thereof;

changes in the plans, initiatives and strategies of the third parties that distribute, license and/or sell the Company's content;

the Company's ability to renew affiliate agreements on favorable terms;

competitive pressures, including as a result of audience fragmentation and changes in technology and consumer viewing behavior;

changes in advertising market conditions or advertising expenditures due to various factors, including decreasing numbers of multichannel video service subscribers, changes in consumer viewing behavior, economic conditions, pressure from public interest groups, changes in laws and regulations and other societal or political developments;

the Company's ability to deal effectively with economic slowdowns or other economic or market difficulties;

changes in foreign exchange rates;

increased volatility or decreased liquidity in the capital markets, including any limitation on the Company's ability to access the capital markets for debt securities, refinance its outstanding indebtedness or obtain bank financings on acceptable terms;

piracy and the Company's ability to exploit and protect its intellectual property rights in and to its content and other products;

the failure to achieve the anticipated benefits of the Company's enterprise efficiency initiatives;

the effects of any significant acquisitions, dispositions and other similar transactions by the Company;

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a disruption or failure of the Company's or its vendors' network and information systems or other technology relied on by the Company;

the failure to meet earnings expectations;

lower than expected valuations associated with the cash flows and revenues at Time Warner's reporting units, which could result in Time Warner's inability to realize the value recorded for intangible assets and goodwill at those reporting units;

the adequacy of the Company's risk management framework;

changes in U.S. GAAP or other applicable accounting policies;

changes in tax, federal communication and other laws and regulations;

currency exchange restrictions and currency devaluation risks in some foreign countries;

the effect of union or labor disputes or professional sports league player lockouts;

the impact of terrorist acts, hostilities, natural disasters (including extreme weather) and pandemic viruses; and

the other risks and uncertainties detailed in Part I, Item 1A. Risk Factors, in the 2015 Form 10-K, incorporated by reference herein.

Any forward-looking statements speak only as of the date on which they are made. None of Time Warner, Historic TW Inc., Home Box Office, Inc. or Turner Broadcasting System, Inc. is under any obligation, and each expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, subsequent events or otherwise.

All subsequent forward-looking statements attributable to us, Historic TW Inc., Home Box Office, Inc. or Turner Broadcasting System, Inc. or any person acting on our or their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

THE COMPANY

Time Warner

Time Warner is a leading media and entertainment company. Time Warner classifies its businesses into the following three reportable segments:

Turner, consisting principally of cable networks and digital media properties;

Home Box Office, consisting principally of premium pay television and streaming services domestically and premium pay, basic tier television and streaming services internationally; and

Warner Bros., consisting principally of television, feature film, home video and videogame production and distribution.

Time Warner is the issuer of the securities to be offered by this prospectus. Time Warner is a holding company that derives its operating income and cash flow from its investments in its subsidiaries, which include the Guarantors (as defined below). Its principal executive office is located at One Time Warner Center, New York, NY 10019-8016, telephone (212) 484-8000.

Guarantors

The debt securities to be offered pursuant to this prospectus and any applicable prospectus supplement will be fully, irrevocably and unconditionally guaranteed by Historic TW Inc. (Historic TW). In addition, Home

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Box Office, Inc. (HBO) and Turner Broadcasting System, Inc. (TBS) will fully, irrevocably and unconditionally guarantee the obligations of Historic TW under its guarantee (Historic TW, HBO and TBS are referred to herein as the Guarantors). See Description of the Debt Securities and the Guarantees Guarantees.

The following is a brief description of the Guarantors:

Historic TW Inc.

Historic TW is a wholly owned subsidiary of Time Warner. Historic TW is a holding company with substantially the same business interests as Time Warner. It derives its operating income and cash flow from its investments in its subsidiaries, which include HBO, TBS, and Warner Bros. Entertainment Inc. The principal executive office of Historic TW is located at One Time Warner Center, New York, NY 10019-8016, telephone (212) 484-8000.

Home Box Office, Inc.

HBO is a wholly owned indirect subsidiary of Historic TW. It derives its operating income and cash flow from its own operations and also from its subsidiaries and investments. The primary activities of HBO and its subsidiaries include the operation of the multichannel premium pay television services, HBO and Cinemax, and the HBO NOW streaming service domestically and premium pay, basic tier television and streaming services internationally. The principal executive office of HBO is located at 1100 Avenue of the Americas, New York, NY 10036-6712, telephone (212) 512-1000.

Turner Broadcasting System, Inc.

TBS is a wholly owned subsidiary of Historic TW. It derives its operating income and cash flow from its own operations and also from its subsidiaries and investments. The primary activities of TBS and its subsidiaries include the operation of a portfolio of cable television networks and related properties that offer programming on television and digital platforms in the United States and internationally. The principal executive office of TBS is located at One CNN Center, Atlanta, GA 30303, telephone (404) 827-1700.

RISK FACTORS

Investing in our securities involves risk. You should carefully consider the specific risks discussed or incorporated by reference in the applicable prospectus supplement, together with all the other information contained in the prospectus supplement or incorporated by reference in this prospectus. You should also consider the risks and uncertainties discussed under the caption Risk Factors included in the 2015 Form 10-K, which is incorporated by reference in this prospectus, and which may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges for Time Warner is set forth below for the periods indicated. Because there are no shares of preferred stock outstanding as of the date of this prospectus, no ratio of earnings to fixed charges and preferred dividends is presented.

For purposes of computing the ratio of earnings to fixed charges,

(a) earnings were calculated by

(1) adding:

(i) pretax income (loss) from continuing operations,

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(ii) adjustments for equity earnings or losses of investee companies that are 50% or less owned on a voting basis, net of cash distributions, and

(iii) fixed charges,

(2) and subtracting:

(i) capitalized interest,

(b) fixed charges consist of interest expense, capitalized interest and portions of rents representative of an interest factor from both continuing and discontinued operations.

The ratio of earnings to fixed charges is earnings (as defined in (a) above) divided by fixed charges (as defined in (b) above).

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Ratio of earnings to fixed charges	4.6x	4.2x	4.6x	3.8x	3.7x

USE OF PROCEEDS

We will use the net proceeds we receive from the sale of the securities offered by this prospectus for general corporate purposes, unless we specify otherwise in the applicable prospectus supplement. General corporate purposes may include additions to working capital, capital expenditures, repayment of debt, the financing of possible acquisitions and investments or stock repurchases.

DESCRIPTION OF THE DEBT SECURITIES AND THE GUARANTEES**General**

The following description of the terms of the debt securities sets forth certain general terms and provisions of the debt securities to which any prospectus supplement may relate. The particular terms of any debt securities and the extent, if any, to which such general provisions will not apply to such debt securities will be described in the prospectus supplement relating to such debt securities.

The debt securities will be issued from time to time in series under the Indenture, dated as of March 11, 2010 (the Indenture), among Time Warner, Historic TW, HBO, TBS and The Bank of New York Mellon, as Trustee. The statements set forth below are brief summaries of certain provisions contained in the Indenture, which summaries do not purport to be complete and are qualified in their entirety by reference to the Indenture, which is filed as an exhibit to the registration statement of which this prospectus is a part. Terms used herein that are otherwise not defined shall

have the meanings given to them in the Indenture. Such defined terms shall be incorporated herein by reference.

The Indenture does not limit the amount of debt securities which may be issued thereunder and debt securities may be issued thereunder up to the aggregate principal amount which may be authorized from time to time by us. Any such limit applicable to a particular series will be specified in the prospectus supplement relating to that series.

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The applicable prospectus supplement will disclose the terms of each series of debt securities in respect of which such prospectus supplement is being delivered, including the following:

the designation, issue date, currency or currency unit of payment if other than U.S. dollars and authorized denominations of such debt securities, if other than U.S. \$1,000 and integral multiples thereof;

the aggregate principal amount offered and any limit on any future issues of additional debt of the same series;

the date or dates on which such debt securities will mature (which may be fixed or extendible);

the rate or rates (or manner of calculation thereof), if any, per annum at which such debt securities will bear interest;

the dates, if any, on which such interest will be payable;

the terms of any mandatory or optional redemption (including any sinking, purchase or analogous fund) and any purchase at the option of Holders (including whether any such purchase may be paid in cash, common stock or other securities or property);

the terms of any mandatory or optional conversion or exchange provisions;

whether such debt securities will be issued in the form of global securities and, if so, the identity of the depositary with respect to such global securities; and

any other specific terms.

We may issue debt securities of any series at various times and we may reopen any series for further issuances from time to time without notice to existing Holders of securities of that series.

Some of the debt securities may be issued as original issue discount debt securities. Original issue discount debt securities bear no interest or bear interest at below-market rates. These are sold at a discount below their stated principal amount. If we issue these securities, the prospectus supplement will describe any special tax, accounting or other information that we think is important. We encourage you to consult with your own tax and financial advisors on these important matters.

Unless we specify otherwise in the applicable prospectus supplement, the covenants contained in the Indenture do not provide special protection to Holders of debt securities if we enter into a highly leveraged transaction, recapitalization or restructuring.

Unless otherwise set forth in the prospectus supplement, interest on outstanding debt securities will be paid to Holders of record on the date that is 15 days prior to the date such interest is to be paid, or, if not a business day, the next preceding business day. Unless otherwise specified in the prospectus supplement, debt securities will be issued in fully registered form only. Unless otherwise specified in the prospectus supplement, the principal amount of the debt securities will be payable at the corporate trust office of the Trustee in New York, New York. The debt securities may be presented for transfer or exchange at such office unless otherwise specified in the prospectus supplement, subject to the limitations provided in the Indenture, without any service charge, but we may require payment of a sum sufficient to cover any tax or other governmental charges payable in connection therewith.

Guarantees

Under the Guarantee (as defined below) of Historic TW, Historic TW, as primary obligor and not merely as surety, will fully, irrevocably and unconditionally guarantee to each Holder of debt securities and to the Trustee and its successors and assigns (1) the full and punctual payment of principal of and interest on the debt securities when due, whether at maturity, by acceleration, by redemption or otherwise, and all other monetary obligations

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of ours under the Indenture (including obligations to the Trustee) and the debt securities and (2) the full and punctual performance within applicable grace periods of all other obligations of ours under the Indenture and the debt securities. Such Guarantee will constitute a guarantee of payment, performance and compliance and not merely of collection. The obligations of Historic TW under the Indenture will be unconditional irrespective of the absence or existence of any action to enforce the same, the recovery of any judgment against us or any other Guarantor (except to the extent such judgment is paid) or any waiver or amendment of the provisions of the Indenture or the debt securities to the extent that any such action or similar action would otherwise constitute a legal or equitable discharge or defense of a guarantor (except that any such waiver or amendment that expressly purports to modify or release such obligations shall be effective in accordance with its terms). The obligations of Historic TW to make any payments may be satisfied by causing us or any other Person to make such payments. Historic TW shall further agree to waive presentment to, demand of payment from and protest to us or any other Person and shall also waive diligence, notice of acceptance of its Guarantee, presentment, demand for payment, notice of protest for non-payment, filing a claim if we or any other Person complete a merger or declare bankruptcy and any right to require a proceeding first against us or any other Person. These obligations shall be unaffected by any failure or policy of the Trustee to exercise any right under the Indenture or under any series of security. If any Holder of any debt security or the Trustee is required by a court or otherwise to return to us or Historic TW, or any custodian, trustee, liquidator or other similar official acting in relation to us or Historic TW, any amount paid by us or any of them to the Trustee or such Holder, the Guarantee of Historic TW, to the extent theretofore discharged, shall be reinstated in full force and effect.

Further, Historic TW agrees to pay any and all reasonable costs and expenses (including reasonable attorneys' fees) incurred by the Trustee or any Holder of debt securities in enforcing any of their respective rights under the Guarantee. The Indenture provides that the Guarantee of Historic TW is limited to the maximum amount that can be guaranteed by Historic TW without rendering its Guarantee voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Additionally, HBO and TBS will fully, irrevocably and unconditionally guarantee Historic TW's Guarantee of the debt securities under substantially the same terms as the Guarantee of Historic TW of our indebtedness (the guarantees of the Guarantors each being a Guarantee and, collectively, the Guarantees).

The Indenture provides that any Guarantor shall be automatically released from its obligations under its Guarantee upon receipt by the Trustee of a certificate of a Responsible Officer of Time Warner certifying that such Guarantor has no outstanding Indebtedness For Borrowed Money, as of the date of such certificate, other than any other guarantee of Indebtedness For Borrowed Money that will be released concurrently with the release of such Guarantee. However, there is no covenant in the Indenture that would prohibit any such Guarantor from incurring Indebtedness For Borrowed Money after the date such Guarantor is released from its Guarantee.

The Indenture further provides that we and the Trustee may enter into a supplemental indenture without consent of the Holders to add additional guarantors in respect of the debt securities.

Ranking

The debt securities will be unsecured and senior obligations of Time Warner, and will rank equally with other unsecured and unsubordinated obligations of Time Warner. The Guarantees of the debt securities will be unsecured and senior obligations of Historic TW, HBO and TBS, as applicable, and will rank equally with all other unsecured and unsubordinated obligations of Historic TW, HBO and TBS, respectively. Each of Time Warner, Historic TW, HBO and TBS is a holding company for other non-guarantor subsidiaries, and therefore the debt securities and the Guarantees will be effectively subordinated to all existing and future liabilities, including indebtedness, of such non-guarantor subsidiaries. Such non-guarantor subsidiaries include Warner Bros. Entertainment Inc. Furthermore, the

ability of each of Time Warner and Historic TW and, to a certain extent, HBO and TBS to service its indebtedness and other obligations is dependent upon the earnings and cash flow of their respective subsidiaries and the distribution or other payment to them of such earnings or cash flow.

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Certain Covenants

We and Historic TW, HBO and TBS have agreed to certain restrictions on our activities for the benefit of the Holders. The restrictive covenants summarized below will apply, unless the covenants are waived or amended, so long as any of the debt securities issued under the Indenture are outstanding, unless the prospectus supplement states otherwise. The Indenture does not restrict us or our subsidiaries from paying dividends or incurring additional debt. In addition, except as summarized below, the Indenture and the debt securities do not contain any covenants or other provisions designed to afford Holders of debt securities protection in the event of a recapitalization or highly leveraged transaction involving our company.

Any additional restrictive covenants of Time Warner, Historic TW, HBO or TBS pertaining to a series of debt securities will be set forth in a prospectus supplement relating to such series of debt securities.

Limitation on Liens. The Indenture provides that neither we nor any Material Subsidiary of ours shall incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness For Borrowed Money that is secured by a lien on any asset now owned or hereafter acquired by us or it unless we make or cause to be made effective provisions whereby the debt securities will be secured by such lien equally and ratably with (or prior to) all other indebtedness thereby secured so long as any such indebtedness shall be secured. The foregoing restriction does not apply to the following:

liens existing as of the date of the Indenture;

liens created by Subsidiaries of ours to secure indebtedness of such Subsidiaries to us or to one or more other Subsidiaries of ours;

liens affecting property of a Person existing at the time it becomes a Subsidiary of ours or at the time it merges into or consolidates with us or a Subsidiary of ours or at the time of a sale, lease or other disposition of all or substantially all of the properties of such Person to us or our Subsidiaries;

liens on property existing at the time of the acquisition thereof or incurred to secure payment of all or a part of the purchase price thereof or to secure indebtedness incurred prior to, at the time of, or within 18 months after the acquisition thereof for the purpose of financing all or part of the purchase price thereof, in a principal amount not exceeding 110% of the purchase price;

liens on any property to secure all or part of the cost of improvements or construction thereon or indebtedness incurred to provide funds for such purpose in a principal amount not exceeding 110% of the cost of such improvements or construction;

liens consisting of or relating to the sale, transfer, distribution, or financing of motion pictures, video and television programs, sound recordings, books or rights with respect thereto or with groups who may receive tax benefits or other third-party investors in connection with the financing and/or distribution of such motion

pictures, video and television programming, sound recordings or books in the ordinary course of business and the granting to us or any of our Subsidiaries of rights to distribute such motion pictures, video and television programming, sound recordings or books; *provided, however*, that no such lien shall attach to any asset or right of ours or our Subsidiaries (other than (1) the motion pictures, video and television programming, sound recordings, books or rights which were sold, transferred to or financed by groups who may receive tax benefits or third-party investors in question or the proceeds arising therefrom and (2) the stock or equity interests of a Subsidiary substantially all of the assets of which consist of such motion pictures, video and television programming, sound recordings, books or rights and related proceeds);

liens on shares of stock, indebtedness or other securities of a Person that is not a Subsidiary of ours;

liens on Works which either (1) existed on such Works before the time of their acquisition and were not created in anticipation thereof, or (2) were created solely for the purpose of securing obligations to financiers, producers, distributors, exhibitors, completion guarantors, inventors, copyright holders,

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financial institutions or other participants incurred in the ordinary course of business in connection with the acquisition, financing, production, completion, distribution or exhibition of Works;

any lien on the office building and hotel complex located in Atlanta, Georgia known as the CNN Center Complex, including the parking decks for such complex (to the extent such parking decks are owned or leased by us or our Subsidiaries), or any portion thereof and all property rights therein and the products, revenues and proceeds therefrom created as part of any mortgage financing or sale-leaseback of the CNN Center Complex;

liens on satellite transponders and all property rights therein and the products, revenues and proceeds therefrom which secure obligations incurred in connection with the acquisition, utilization or operation of such satellite transponders or the refinancing of any such obligations;

liens on capital leases entered into after the date of the Indenture; *provided* that such liens extend only to the property or assets that are the subject of such capital leases;

liens resulting from progress payments or partial payments under United States government contracts or subcontracts;

any extension, renewal or replacement of any lien referred to in the foregoing clauses or of any indebtedness secured thereby; *provided, however*, that the principal amount of indebtedness secured thereby shall not exceed the principal amount of indebtedness so secured at the time of such extension, renewal or replacement, or at the time the lien was issued, created or assumed or otherwise permitted, and that such extension, renewal or replacement lien shall be limited to all or part of substantially the same property which secured the lien extended, renewed or replaced (plus improvements on such property); and

other liens arising in connection with our indebtedness and our Subsidiaries' indebtedness in an aggregate principal amount for us and our Subsidiaries not exceeding at the time such lien is issued, created or assumed the greater of (A) 15% of the Consolidated Net Worth of our company and (B) \$500 million.

Limitation on Consolidation, Merger, Conveyance or Transfer on Certain Terms. None of Time Warner, Historic TW, HBO or TBS shall consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(1) (a) in the case of Time Warner, the Person formed by such consolidation or into which Time Warner is merged or the Person which acquires by conveyance or transfer the properties and assets of Time Warner substantially as an entirety shall be organized and existing under the laws of the United States of America or any State thereof or the District of Columbia, and shall expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the debt securities and the performance of every covenant of the Indenture (as supplemented from time to time) on the part of Time Warner to be performed or observed; or (b) in the case of Historic TW, HBO or TBS, the Person formed by such consolidation or into which Historic TW, HBO or TBS is merged or the Person which acquires by conveyance or transfer the properties and assets of Historic TW, HBO or TBS substantially as an entirety shall be

either (i) one of Time Warner, Historic TW, HBO or TBS or (ii) a Person organized and existing under the laws of the United States of America or any State thereof or the District of Columbia, and in the case of clause (ii), shall expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, the performance of every covenant of the Indenture (as supplemented from time to time) on the part of Historic TW, HBO or TBS to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing; and

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(3) we have delivered to the Trustee an Officers Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this covenant and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of Time Warner, Historic TW, HBO or TBS substantially as an entirety as set forth above, the successor Person formed by such consolidation or into which Time Warner, Historic TW, HBO or TBS is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of Time Warner, Historic TW, HBO or TBS, as the case may be, under the Indenture with the same effect as if such successor had been named as Time Warner, Historic TW, HBO or TBS, as the case may be, in the Indenture. In the event of any such conveyance or transfer, Time Warner, Historic TW, HBO or TBS, as the case may be, as the predecessor shall be discharged from all obligations and covenants under the Indenture and the debt securities and may be dissolved, wound up or liquidated at any time thereafter.

Notwithstanding the foregoing, such provisions with respect to limitations on consolidation, merger, conveyance or transfer on certain terms shall not apply to any Guarantor if at such time such Guarantor has been released from its obligations under its Guarantee upon receipt by the Trustee of a certificate of a Responsible Officer of Time Warner certifying that such Guarantor has no outstanding Indebtedness For Borrowed Money as described above under Description of the Debt Securities and the Guarantees Guarantees.

Certain Definitions

The following are certain of the terms defined in the Indenture:

Consolidated Net Worth means, with respect to any Person, at the date of any determination, the consolidated stockholders or owners equity of the holders of capital stock or partnership interests of such Person and its subsidiaries, determined on a consolidated basis in accordance with GAAP consistently applied.

GAAP means generally accepted accounting principles as such principles are in effect in the United States as of the date of the Indenture.

Holder, when used with respect to any security, means a securityholder, which means a Person in whose name a security is registered in the Security Register.

Indebtedness For Borrowed Money of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments and (c) all guarantee obligations of such Person with respect to Indebtedness For Borrowed Money of others. The Indebtedness For Borrowed Money of any Person shall include the Indebtedness For Borrowed Money of any other entity (including any partnership in which such Person is general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other contractual relationship with such entity, except to the extent the terms of such Indebtedness For Borrowed Money provide that such Person is not liable therefor.

Material Subsidiary means any Person that is a Subsidiary if, at the end of the most recent fiscal quarter of our company, the aggregate amount, determined in accordance with GAAP consistently applied, of securities of, loans and advances to, and other investments in, such Person held by us and our other Subsidiaries exceeded 10% of our company's Consolidated Net Worth.

Person means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

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Responsible Officer, when used with respect to Time Warner, means any of the Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, General Counsel, Treasurer, Controller or Vice President, Corporate Finance, of Time Warner (or any equivalent of the foregoing officers).

Security Register means the register or registers we shall keep or cause to be kept in which we shall provide for the registration of securities, or of securities of a particular series, and of transfers of securities or of securities of such series.

Subsidiary means, with respect to any Person, any corporation more than 50% of the voting stock of which is owned directly or indirectly by such Person, and any partnership, association, joint venture or other entity in which such Person owns more than 50% of the equity interests or has the power to elect a majority of the board of directors or other governing body.

Works means motion pictures, video, television, interactive or multi-media programming, audio-visual works, sound recordings, books and other literary or written material, any software, copyright or other intellectual property related thereto, acquired directly or indirectly after the date of the Indenture by purchase, business combination, production, creation or otherwise, any component of the foregoing or rights with respect thereto, and all improvements thereon, products and proceeds thereof and revenues derived therefrom.

Optional Redemption

Unless we specify otherwise in the applicable prospectus supplement, we may redeem the debt securities at any time and from time to time, as a whole or in part, at our option, on at least 15 days, but not more than 45 days, prior notice mailed to the registered address of each Holder of the debt securities to be redeemed, at respective redemption prices equal to the greater of:

100% of the principal amount of the debt securities to be redeemed, and

the sum of the present values of the Remaining Scheduled Payments, as defined below, discounted to the redemption date, on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, as defined below, plus the number, if any, of basis points specified in the applicable prospectus supplement;

plus, in each case, accrued interest to the date of redemption that has not been paid (such redemption price, the Redemption Price).

Comparable Treasury Issue means, with respect to the debt securities, the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term (Remaining Life) of the debt securities being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life of such debt securities.

Comparable Treasury Price means, with respect to any redemption date for the debt securities: (1) the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations; or (2) if the Trustee obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Trustee.

Independent Investment Banker means one of the Reference Treasury Dealers, to be appointed by us.

Reference Treasury Dealer means a primary U.S. Government securities dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable

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Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Trustee by such Reference Treasury Dealer at 3:00 p.m., New York City time, on the third business day preceding such redemption date.

Remaining Scheduled Payments means, with respect to each security to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; *provided, however*, that, if such redemption date is not an interest payment date with respect to such security, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to, but not including, such redemption date.

Treasury Rate means, with respect to any redemption date for the debt securities: (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury debt securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue; *provided* that if no maturity is within three months before or after the maturity date for the debt securities, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from those yields on a straight line basis, rounding to the nearest month; or (2) if that release, or any successor release, is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date. The Treasury Rate will be calculated on the third business day preceding the redemption date.

On and after the redemption date, interest will cease to accrue on the debt securities or any portion thereof called for redemption, unless we default in the payment of the Redemption Price and accrued interest. On or before the redemption date, we shall deposit with a paying agent, or the Trustee, money sufficient to pay the Redemption Price of and accrued interest on the debt securities to be redeemed on such date. If we elect to redeem less than all of the debt securities of a series, then the Trustee will select the part