

TIME WARNER INC.
Form DEF 14A
April 29, 2016
Table of Contents

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
(Amendment No.)

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:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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:

Table of Contents

Table of Contents

April 29, 2016

Dear Fellow Shareholder:

Delivering Sustained Strong Financial Performance

In 2015, Time Warner made great progress in executing its strategy while delivering solid financial performance, with revenue growing 3% to \$28 billion, adjusted operating income increasing 19% to \$6.9 billion, and adjusted EPS growing 14% to \$4.75 – exceeding our earnings outlook despite \$0.50-per-share headwinds from foreign exchange rates. Over the past eight years through the end of 2015, the Company has delivered a total return to shareholders of over 140% – far outpacing the S&P 500.

Along with most major U.S. media and entertainment companies, however, our stock price fell in the second half of 2015, largely due to concerns about long-term trends in the U.S. television industry regarding the number of multi-channel TV subscribers, TV ratings, TV advertising growth, and competition from broadband-delivered video services. So in this year’s letter to shareholders, we want to focus on how we are addressing the challenges and opportunities in the television industry and why we’re highly confident about the Company’s future.

Transforming Our Structure

Over the past several years, we have transformed Time Warner from a traditional media conglomerate to a company focused on high-quality video content and global brands in television, feature films, and video games. This enables us to take advantage of the growing worldwide demand for quality video content *and* gives us greater flexibility to distribute our content both inside and outside the traditional media ecosystem in ways that meet changing consumer expectations and viewing habits.

While streamlining the Company, we maintained the scale in our strategically aligned businesses. With the #1 television and film studio in the world at Warner Bros., and the strongest group of cable networks at Turner and Home Box Office, we have critical competitive advantages in producing the best programming; negotiating favorable distribution deals with traditional and broadband distributors; and launching new services and products. It also provides us with powerful efficiencies that help fuel growth.

Executing Our Strategy Designed for an Evolving Industry

As we’ve transformed the Company, we’ve executed a business strategy that capitalizes on our advantages to navigate and help shape the future of the television and media industries.

1. We’re using our scale to invest in a concentrated portfolio of strong brands, and to create compelling content, that resonate with consumers around the world and across all platforms.

Home Box Office, long recognized as the home of the best programming on television, extended its record of success in 2015, receiving 43 Primetime Emmy Awards, the most of any network for the 14th year in a row. This year, HBO plans to increase its original programming hours worldwide by 50% with an expanded line-up to appeal to multiplatform audiences, including programs from Sesame Street, Jon Stewart, Bill Simmons, and Vice.

Turner is also increasing its investment in original programming and strengthening its leading brands in news, kids, sports and entertainment. In 2015, CNN grew primetime ratings 29% in its key demographic; Cartoon Network was the only top three kids network to grow ratings; and Turner extended its agreements with the NBA and NCAA, securing must have sports programming for its entertainment networks and digital properties. And this year, Turner is focused on refreshing its leading entertainment networks, TBS and TNT, with more original, on-demand, and cutting-edge programming to appeal to younger and multiplatform audiences.

Table of Contents

Warner Bros., which has been the #1 producer of primetime shows for U.S. broadcast networks for 12 of the past 13 seasons, is expanding its production slate. Already the largest supplier of programming to Turner and HBO, Warner Bros. is supplying more original programming to premium and basic cable networks as well as broadband video services. Warner Bros. is also developing strong global franchises, such as ones from DC Entertainment, LEGO, and the world of Harry Potter from J.K. Rowling, to drive growth across film, TV, video games, and consumer products.

2. We're leveraging our scale and technology to meet consumer demand both inside and outside the traditional TV ecosystem and create additional revenue streams for our Company.

The number of U.S. households that subscribe to a traditional television bundle is expected to continue to decline modestly over the next few years, so we're working with our distribution partners to help retain subscribers by enhancing the attractiveness of traditional television bundles through offering more on-demand programming and enabling more multi-platform viewing. With our concentrated portfolio of strong networks and must-watch programming, we also plan to capture a greater share of the industry's affiliate revenues.

At the same time, we're aggressively pursuing opportunities to distribute our networks and content outside the traditional TV ecosystem. In April 2015, HBO successfully launched its stand-alone broadband service, HBO NOW, and this year it's focused on expanding HBO NOW's distribution. In 2015, Turner and HBO also secured carriage on new, smaller broadband-delivered bundles, and we're actively exploring other opportunities to launch new broadband-delivered services. In addition to delivering our networks over broadband, we're expanding our online presence in other ways—for example, we're increasing our investment in CNN.com, which was the most viewed digital news source, and bleacherreport.com, which was the #2 digital sports destination in the U.S. last year.

We're also investing in technology, not only to support the broadband distribution of our content, but also to improve the effectiveness and value of advertising across platforms—combining the power of television with the targeting ability of digital platforms.

3. We're expanding internationally to take advantage of growing demand for content and increasing pay television and broadband penetration.

Outside the U.S., we're focused on gaining scale, particularly in territories with strong long-term growth prospects, and we tailor our programming and distribution strategies to optimize our returns in each market. A good example is Home Box Office's international strategy. HBO- and Cinemax-branded networks are distributed in over 60 countries across Latin America, Asia, and Europe. Those networks feature both U.S. and local programming with distribution models appropriate for each market: some are premium networks as in the U.S., while others are ad-supported. HBO has also been rolling out stand-alone broadband services in select countries, starting in the Nordics and now expanding to Latin America and Spain. And, in territories where HBO sees a larger opportunity in licensing its content, it has reached agreements with top networks and distributors with a focus on Home of HBO deals. Turner and Warner Bros. are likewise focused on increasing share in key regions, and all of our businesses collaborate with each other to capitalize on their combined scale outside the U.S.

4. We're focused on both operating and capital efficiency to drive shareholder returns.

We're tightly controlling overhead costs to help fund investments in content and growth initiatives. We're also executing a disciplined and balanced capital allocation strategy, with clear priorities: first, invest fully in our

businesses; second, selectively pursue M&A; and third, provide direct returns to shareholders. In 2015, the Company invested almost \$11.5 billion in our businesses, spent close to \$700 million on M&A (focused on enhancing the Company's broadband-distribution capabilities), and returned \$4.8 billion to shareholders through dividends and share repurchases.

Reviewing and Refining Our Strategy for Long-Term Success

Time Warner's structure, strategy, and strong execution have positioned the Company for sustained future growth. With the accelerating pace of change in the media and entertainment industry, the Board is engaged with management in continually reviewing, refining, and overseeing the execution of the Company's strategy. We're focused on delivering superior performance over the long-term by ensuring that your Company thrives in a world in which high-quality video content will remain enormously popular across the globe, and in which programming will be delivered in a growing number of ways and viewed by consumers on-demand on an ever-expanding array of devices.

Table of Contents

On behalf of the full Board of Directors, we want to express our appreciation for your investment in Time Warner and encourage you to vote your shares. Every shareholder's vote is important.

We also invite you to attend the Company's 2016 Annual Meeting of Shareholders. The meeting will be held on Friday, June 17, 2016, at 10:00 a.m. (local time) at Warner Bros. Studios, 4000 Warner Boulevard, in Burbank, California. If you are not able to attend the meeting, you may listen to the webcast live at www.timewarner.com/annualmeetingmaterials.

Sincerely,

Jeffrey L. Bewkes
Chairman of the Board

and Chief Executive Officer

Stephen F. Bollenbach
Lead Independent Director

Table of Contents

NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS

Annual Meeting Date: Friday, June 17, 2016

Time: 10:00 a.m. (local time)

Location: Warner Bros. Studios, 4000 Warner Boulevard, Burbank, California 91522

You are cordially invited to attend Time Warner Inc. 's 2016 Annual Meeting of Shareholders.

Meeting Agenda

1. Elect the 11 directors named in the Proxy Statement;
2. Ratify the appointment of Ernst & Young LLP as the Company 's independent auditor for 2016;
3. Hold an annual advisory vote to approve named executive officer compensation; and
4. Transact such other business as may properly come before the Annual Meeting.

Record Date

You can vote at the Annual Meeting if you were a shareholder of record at the close of business on April 20, 2016.

Voting

Whether or not you plan to attend the Annual Meeting in person, please promptly submit your proxy or voting instructions by Internet, telephone or mail by following the instructions in your Notice of Internet Availability of Proxy Materials, proxy card or voting instruction form. Any holder of record who is present at the Annual Meeting may vote in person, which will revoke any previously submitted proxy. If your shares are held through a bank,

brokerage firm or other nominee and you want to vote your shares in person at the Annual Meeting, you will need to contact your bank, brokerage firm or nominee to obtain a written proxy from it.

Attending the Annual Meeting

All Time Warner shareholders (as of the record date) are invited to attend the Annual Meeting. The Company has implemented security measures for the Annual Meeting. If you attend the Annual Meeting in person, you will be required to present valid, government-issued photo identification, such as a driver's license or passport, and an admission ticket to be admitted to the Annual Meeting. For instructions on how to obtain an admission ticket, please see *General Information* beginning on page 97. In addition, packages and bags may be inspected and other measures may be employed to enhance the security of persons attending the Annual Meeting. These procedures may require additional time, so please plan your arrival time accordingly. To avoid disruption, admission may be limited once the Annual Meeting begins. A map with directions to the Annual Meeting is provided on the last page of the Proxy Statement.

Listening to the Live Webcast of the Annual Meeting:

If you are unable to attend the meeting in person, you may listen to the live webcast of the Annual Meeting at www.timewarner.com/annualmeetingmaterials.

By order of the Board of Directors,

Paul F. Washington

Corporate Secretary

April 29, 2016

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on Friday, June 17, 2016:

This Proxy Statement and the Company's 2015 Annual Report to Shareholders are available electronically at www.timewarner.com/annualmeetingmaterials.

Table of Contents**TABLE OF CONTENTS****NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS**

<u>2016 PROXY STATEMENT SUMMARY</u>	1
<u>Time Warner Inc.</u>	1
<u>2016 Annual Meeting</u>	1
<u>Matters to Be Voted on at the Annual Meeting</u>	1
<u>Business Highlights</u>	2
<u>Directors Nominees</u>	3
<u>Executive Compensation Program Highlights</u>	4
<u>Governance Highlights</u>	5
<u>PROXY STATEMENT</u>	7
<u>COMPANY PROPOSALS</u>	7
<u>PROPOSAL 1: Election of Directors</u>	7
<u>Director Nominees</u>	7
<u>Director Nomination Process</u>	8
<u>Board Qualifications, Composition and Tenure</u>	8
<u>Background of Director Nominees</u>	13
<u>PROPOSAL 2: Ratification of Appointment of Independent Auditor</u>	24
<u>Rotation of Lead Audit Partner and Annual Consideration of Audit Firm Rotation</u>	24
<u>EY's Attendance at the Annual Meeting</u>	24
<u>Vote Required for Approval</u>	24
<u>PROPOSAL 3: Annual Advisory Vote to Approve Named Executive Officer Compensation</u>	25
<u>Vote Required for Approval</u>	25
<u>CORPORATE GOVERNANCE</u>	26
<u>Strong Governance Practices</u>	26
<u>Proxy Access</u>	26
<u>Key Examples of Strong Governance Practices</u>	27
<u>Shareholder Engagement</u>	28
<u>Board Response to 2015 Shareholder Proposal on Action by Written Consent</u>	29
<u>Highly Qualified and Independent Directors</u>	29

<u>Board Leadership</u>	29
<u>Lead Independent Director's Authority and Responsibilities</u>	30
<u>Selection of Lead Independent Director</u>	30
<u>Policy on Determining the Leadership Structure of the Board of Directors</u>	30
<u>Determination of Current Leadership Structure</u>	30
<u>Board and Committee Responsibilities</u>	31
<u>Board Responsibilities</u>	31
<u>Company's Strategy</u>	31
<u>Oversight of Risk</u>	31
<u>Executive Sessions of the Board</u>	32
<u>Board Meetings and Attendance</u>	32
<u>Board Committees and their Responsibilities</u>	32

Table of Contents

<u>Other Corporate Governance Matters</u>	34
<u>Corporate Responsibility</u>	34
<u>Ethical Sourcing Guidelines</u>	35
<u>Political Activity – Policies, Oversight and Disclosure</u>	35
<u>Corporate Governance Documents and Website</u>	36
<u>Transactions Considered in Making Independence Determinations</u>	36
<u>Related Person Transactions Policy</u>	38
<u>Communicating with the Board of Directors</u>	38
<u>DIRECTOR COMPENSATION</u>	39
<u>Nominating Committee’s Review of Non-Employee Director Compensation</u>	39
<u>2015 Non-Employee Director Compensation</u>	39
<u>Equity Grants</u>	40
<u>Stock Ownership Guidelines</u>	40
<u>Expenses</u>	40
<u>Deferred Compensation Plan</u>	41
<u>Retirement and Prior Deferred Compensation Program</u>	41
<u>Director Compensation Table</u>	42
<u>SECURITY OWNERSHIP</u>	44
<u>Security Ownership of the Board of Directors and Executive Officers</u>	44
<u>Security Ownership of Certain Beneficial Owners</u>	45
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	45
<u>AUDIT-RELATED MATTERS</u>	46
<u>Report of the Audit and Finance Committee</u>	46
<u>Roles and Responsibilities</u>	46
<u>Required Disclosures and Communications</u>	46
<u>Audit Committee Recommendation</u>	46
<u>Policy Regarding Pre-Approval of Services</u>	47
<u>Services Provided by EY</u>	47
<u>EXECUTIVE COMPENSATION</u>	48
<u>Compensation Discussion and Analysis</u>	48
<u>Table of Contents</u>	48
<u>Section 1 – Overview of Company and 2015 Executive Compensation Decisions</u>	49
<u>Section 2 – Components of Executive Compensation</u>	59
<u>Section 3 – 2015 Executive Compensation Decisions</u>	60

<u>Section 4 Strong Governance Practices Followed in Determining Executive Compensation</u>	66
<u>Section 5 Shareholder Engagement on Executive Compensation</u>	69
<u>Section 6 Compensation Policies and Practices</u>	71
<u>Compensation and Human Development Committee Report</u>	73
<u>Compensation Committee Interlocks and Insider Participation</u>	73
<u>Compensation Programs and Risk Management</u>	73
<u>Independent Compensation Consultant</u>	74
<u>Summary Compensation Table</u>	75
<u>Grants of Plan-Based Awards Table</u>	78
<u>Material Terms of Equity Awards Granted to NEOs</u>	79

Table of Contents

<u>Outstanding Equity Awards Table</u>	80
<u>Option Exercises and Stock Vested Table</u>	82
<u>Pension Plans</u>	83
<u>Time Warner Pension Plan</u>	83
<u>Time Warner Excess Benefit Pension Plan</u>	85
<u>Pension Benefits Table</u>	86
<u>Deferred Compensation</u>	86
<u>Time Warner Supplemental Savings Plan</u>	86
<u>Time Warner Inc. Deferred Compensation Plan</u>	87
<u>Individual Deferred Compensation Accounts</u>	87
<u>Nonqualified Deferred Compensation Table</u>	88
<u>Employment Agreements</u>	88
<u>Potential Payments Upon Termination of Employment, Disability, Death or Change in Control</u>	90
<u>Termination without Cause or Due to the Company's Material Breach of Employment Agreement</u>	90
<u>Retirement</u>	90
<u>Change in Control</u>	91
<u>Disability</u>	91
<u>Death</u>	91
<u>Post-Termination and Change in Control Table</u>	92
<u>GENERAL INFORMATION</u>	97
<u>Annual Meeting Information</u>	97
<u>Voting</u>	98
<u>Delivery of Proxy Materials</u>	101
<u>Procedures for Submitting Shareholder Proposals and Director Nominations and Recommendations</u>	102
<u>ANNEX A: NON-GAAP FINANCIAL MEASURES</u>	A-1

Table of Contents**2016 PROXY STATEMENT SUMMARY**

This summary highlights information contained in this Proxy Statement. The Company encourages you to read the entire Proxy Statement carefully before voting.

Time Warner Inc.

Time Warner is a global leader in media and entertainment that owns and operates television networks and produces and distributes television programming, films, videogames and other high-quality video content on traditional and emerging platforms worldwide. The Company has three operating divisions: Turner, Home Box Office and Warner Bros.

Leading domestic and international television networks and related digital properties in entertainment, sports, kids and news
2016 Annual Meeting

Leading premium television services in the U.S. HBO and Cinemax

Largest television and film studio in the world

Date:	Friday, June 17, 2016
Time:	10:00 a.m. (local time)
Location:	Warner Bros. Studios, 4000 Warner Boulevard, Burbank, California 91522
Record date:	April 20, 2016
Voting:	Shareholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each nominee and one vote for each of the other matters properly presented at the Annual Meeting.
Admission to the Annual Meeting:	If you attend the Annual Meeting in person, you will be required to present valid, government-issued photo identification, such as a driver's license or passport, and admission ticket to be admitted to the Annual Meeting.
Meeting Webcast:	www.timewarner.com/annualmeetingmaterials
Matters to Be Voted on at the Annual Meeting	

Matter	Page Reference	
	Board Recommendation	For More Information
Proposal 1: Election of Directors	FOR each nominee	Pages 7 to 23
Proposal 2: Ratification of the appointment of Ernst & Young LLP as the Company's independent auditor for 2016	FOR	Page 24
Proposal 3: Annual advisory vote to approve named executive officer compensation	FOR	Page 25

Table of Contents

Business Highlights

Time Warner's Strategy

Time Warner has pursued a strategy that uses its leading brands, distinctive intellectual property and global scale to capitalize on the growing demand for high-quality video content around the world. First, the Company invests in a concentrated portfolio of leading television networks, as well as compelling television programming, top Hollywood movies, and other forms of content, that appeal to audiences globally and across platforms. Second, the Company uses its scale and technology to meet consumer demand for the Company's networks and content both inside and outside the traditional TV ecosystem, on-demand and across a variety of platforms. Third, the Company continues to expand its businesses internationally in territories with strong long-term growth potential, taking advantage of the growing global demand for video content and increasing pay television and broadband penetration. Finally, the Company's on-going focus on operating and capital efficiency helps fund investments for future growth and substantial returns of capital to shareholders.

Strong Financial Performance in 2015

The continued execution of the Company's long-term strategy led to the delivery of strong financial performance in 2015.

Adjusted Operating Income¹ increased 19% to \$6.9 billion

Adjusted earnings per share¹ (Adjusted EPS) increased 14% to \$4.75, which exceeded the Company's outlook for the year. The Company was able to achieve this growth despite an approximate \$0.50-per-share headwind from foreign exchange rates.

Free Cash Flow¹ totaled \$3.6 billion

Returned \$4.8 billion to shareholders through dividends and share repurchases, including a 10% increase in the Company's quarterly dividend

(1) See Annex A for definitions of the non-GAAP financial measures used in this Proxy Statement and reconciliations of the non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with generally accepted accounting principles in the United States (GAAP).

2 Time Warner I LLP, our Canadian tax counsel, the following summary describes the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the Canadian Tax Act) generally applicable at the date hereof to a purchaser who acquires beneficial ownership of a note pursuant to this term sheet and who for the purposes of the Canadian Tax Act and the regulations thereto and at all relevant times: (a) is neither resident nor deemed to be resident in Canada; (b) deals at arm's length with CIBC and any transferee resident (or deemed to be resident) in Canada to whom the purchaser disposes of the note; (c) does not use or hold and is not deemed to use or hold the note in, or in the course of, carrying on a business in Canada; (d) is entitled to receive all payments (including any interest and principal) made on the note; and (e) is not a, and deals at arm's length

with any, specified shareholder of CIBC for purposes of the thin capitalization rules in the Canadian Tax Act (a Non-Resident Holder). A specified shareholder for these purposes generally includes a person who (either alone or together with persons with whom that person is not dealing at arm's length for the purposes of the Canadian Tax Act) owns or has the right to acquire or control or is otherwise deemed to own 25% or more of CIBC's shares determined on a votes or fair market value basis. Special rules which apply to non-resident insurers carrying on business in Canada and elsewhere are not discussed in this summary.

This summary is supplemental to and should be read together with the description of material Canadian federal income tax considerations relevant to a Non-Resident Holder owning notes under Certain Income Tax Consequences Certain Canadian Income Tax Considerations in the accompanying prospectus supplement and a Non-Resident Holder should carefully read that description as well.

Based on Canadian tax counsel's understanding of the Canada Revenue Agency's administrative policies and having regard to the terms of the notes, interest payable on the notes should not be considered to be participating debt interest as defined in the Canadian Tax Act and accordingly, a Non-Resident Holder should not be subject to Canadian non-resident withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by CIBC on a note as, on account of or in lieu of payment of, or in satisfaction of, interest.

Non-Resident Holders should consult their own tax advisors regarding the consequences to them of a disposition of the notes to a person with whom they are not dealing at arm's length for purposes of the Canadian Tax Act. In addition, it is not clear whether recent amendments to the Canadian Tax Act originally announced in the 2016 Federal Budget could impact the Canadian tax consequences of a transfer or assignment of a note by a Non-Resident Holder to a transferee resident in Canada for purposes of the Canadian Tax Act, and in particular, whether Canadian withholding tax could apply in respect of such a transfer or assignment, regardless of whether such note is an excluded obligation as described under Certain Income Tax Consequences Certain Canadian Income Tax Considerations in the accompanying prospectus supplement. Non-Resident Holders should consult with their own tax advisors in this regard.

Capped Leveraged Index Return Notes®

Linked to the EURO STOXX 50® Index, due March , 2018

Summary of U.S. Federal Income Tax Consequences

The following discussion is a brief summary of the material U.S. federal income consequences relating to an investment in the notes. The following summary is not complete and is both qualified and supplemented by, or in some cases supplements, the discussion entitled U.S. Federal Income Tax Summary beginning on page 28-30 of product supplement EQUITY INDICES LIRN-1, which you should carefully review prior to investing in the notes.

The U.S. federal income tax consequences of your investment in the notes are uncertain. No statutory, judicial or administrative authority directly discusses how the notes should be treated for U.S. federal income tax purposes. In the opinion of our tax counsel, Mayer Brown LLP, it would generally be reasonable to treat the notes as prepaid cash-settled derivative contracts. Pursuant to the terms of the notes, you agree to treat the notes in this manner for all U.S. federal income tax purposes. If your notes are so treated, you should generally recognize capital gain or loss upon the sale, exchange, redemption or payment on maturity in an amount equal to the difference between the amount you receive at such time and the amount that you paid for your notes. Such gain or loss should generally be long-term capital gain or loss if you have held your notes for more than one year.

The characterization described above is not binding on the U.S. Internal Revenue Service (the IRS) or the courts. Thus, it is possible that the IRS would seek to characterize your notes in a manner that results in tax consequences to you that are different from those described above or in the accompanying product supplement. For a more detailed discussion of certain alternative characterizations with respect to your notes and certain other considerations with respect to your investment in the notes, you should consider the discussion set forth in U.S. Federal Income Tax Summary of the product supplement. We are not responsible for any adverse consequences that you may experience as a result of any alternative characterization of the notes for U.S. federal income tax or other tax purposes.

Additionally, the following changes are hereby made to the U.S. Federal Income Tax Summary section of the product supplement EQUITY INDICES LIRN-1 to reflect certain changes to the U.S. federal income tax law as a result of U.S. taxing authority guidance and activity:

- The fourth paragraph in the section captioned Non-U.S. Holders is hereby deleted and replaced with the following: A dividend equivalent payment made with respect to an equity-linked instrument is treated as a U.S.-source dividend. Such payments are generally subject to a 30% U.S. withholding tax (or lower rate if a tax treaty applies) when paid to a non-U.S. holder. Treasury regulations provide that certain equity-linked instruments with payments that are contingent upon or determined by reference to U.S.-source dividends (including payments reflecting adjustments for dividends), are considered to pay dividend equivalents. Regulations exempt equity-linked instruments issued prior to 2017 from these rules. Depending on the composition of the Market Measure, a note might be treated as an equity-linked instrument; however, since it does not reference stocks that pay U.S.-source dividends, it is expected to be exempt from the withholding tax rules specified for dividend equivalents.

- The following sentences are hereby added immediately after the sentence in the section captioned **Additional Information for Investors** : FATCA may impose a 30% withholding tax on payments of gross proceeds from the sale, exchange or redemption of property that gives rise to U.S.-source dividends or interest. The Internal Revenue Service recently announced in published guidance its intent to amend the regulations to extend the effective date of withholding on gross proceeds to 1 January 2019. Similarly the Internal Revenue Service announced its intention to delay the effective date of withholding tax on foreign passthru payments to the later of 1 January 2019 or the date of publication of final U.S. Treasury regulations defining such term.

You should consult your tax advisor as to the tax consequences of such characterization and any possible alternative characterizations of the notes for U.S. federal income tax purposes. You should also consult your tax advisor concerning the U.S. federal income tax and other tax consequences of your investment in the notes in your particular circumstances, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.

Capped Leveraged Index Return Notes®

TS-12

Capped Leveraged Index Return Notes®

Linked to the EURO STOXX 50® Index, due March , 2018

Where You Can Find More Information

We have filed a registration statement (including a product supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this term sheet relates. Before you invest, you should read the Note Prospectus, including this term sheet, and the other documents that we have filed with the SEC, for more complete information about us and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, we, any agent, or any dealer participating in this offering will arrange to send you these documents if you so request by calling MLPF&S toll-free at 1-800-294-1322.

Market-Linked Investments Classification

MLPF&S classifies certain market-linked investments (the Market-Linked Investments) into categories, each with different investment characteristics. The following description is meant solely for informational purposes and is not intended to represent any particular Enhanced Return Market-Linked Investment or guarantee any performance.

Enhanced Return Market-Linked Investments are short- to medium-term investments that offer you a way to enhance exposure to a particular market view without taking on a similarly enhanced level of market downside risk. They can be especially effective in a flat to moderately positive market (or, in the case of bearish investments, a flat to moderately negative market). In exchange for the potential to receive better-than market returns on the linked asset, you must generally accept market downside risk and capped upside potential. As these investments are not market downside protected, and do not assure full repayment of principal at maturity, you need to be prepared for the possibility that you may lose all or part of your investment.

Leveraged Index Return Note® and LIR®Ns are registered service marks of Bank of America Corporation, the parent company of MLPF&S.

Capped Leveraged Index Return Notes®

TS-13