

# Spin-Off of Time Warner Cable Inc.

## Tax Information Statement As of March 19, 2009

On March 12, 2009, Time Warner Inc. (“Time Warner”) completed the spin-off (the “Spin-Off”) of Time Warner’s ownership interest in Time Warner Cable Inc. (“TWC”). The Spin-Off was completed by way of a pro rata distribution of the TWC common stock held by Time Warner to Time Warner stockholders of record as of 8 p.m. on March 12, 2009 (the “Record Date”). Immediately following the Record Date, the TWC common stock was held by a distribution agent for the benefit of the Time Warner stockholders until March 27, 2009, the date of the distribution.

This notice contains a general explanation of certain U.S. and Canadian federal income tax consequences of the Spin-Off for Time Warner stockholders. Attached to this notice is a Tax Information Statement that must be completed and filed by certain U.S. Time Warner stockholders with their 2009 U.S. federal income tax returns.

### CONSULT YOUR TAX ADVISOR

**The information contained in this notice represents our general understanding of the application of certain existing U.S. and Canadian federal income tax laws and regulations relating to the Spin-Off. It does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of Time Warner stockholders. *You are urged to consult your own tax advisor regarding the particular consequences of the Spin-Off to you, including the applicability and effect of all U.S. federal, state and local, Canadian federal, provincial and territorial and other foreign tax laws.***

### INFORMATION ABOUT THE SPIN-OFF

In the Spin-Off, Time Warner stockholders will receive 0.083670 share of TWC common stock for each share of Time Warner common stock held as of the Record Date. Immediately prior to the Spin-Off, TWC effected a reverse stock split (the “TWC Reverse Split”), pursuant to which every 3 shares of TWC common stock were combined into 1 share of such stock. Following the distribution of the TWC common stock, on March 27, 2009, Time Warner also intends to effect a reverse stock split (the “Time Warner Reverse Split”), pursuant to which every 3 shares of Time Warner common stock will be combined into 1 share of such stock. Because the share distribution ratio set forth above is determined as of the Record Date, the ratio reflects the TWC Reverse Split but not the Time Warner Reverse Split.

*If you did not become entitled to receive shares of TWC common stock based on your status as a Time Warner stockholder as of the Record Date on March 12, 2009, this notice does not apply to you. Additionally, this notice does not apply to holders who sold, exchanged or otherwise disposed of their Time Warner common stock prior to the Record Date.*

## **U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS**

The following is a summary of the material U.S. federal income tax consequences of the Spin-Off to U.S. Holders (as defined below) of Time Warner common stock. This summary is not a complete description of those consequences and, in particular, may not address U.S. federal income tax considerations that affect the treatment of a stockholder who acquired Time Warner common stock as compensation or of a stockholder subject to special treatment under the Internal Revenue Code (for example, insurance companies, financial institutions, dealers in securities or tax-exempt organizations). Your individual circumstances may affect the tax consequences of the Spin-Off to you. In addition, this summary provides no information about tax consequences under applicable state, local or other laws, other than U.S. federal income tax laws, or about the U.S. federal income tax consequences to a non-U.S. Holder. This summary is based upon the Internal Revenue Code, applicable Treasury regulations, Internal Revenue Service rulings and judicial decisions currently in effect. Future legislative, administrative or judicial changes or interpretations could affect the accuracy of this summary and could apply retroactively.

**You are advised to consult your own tax advisor as to the specific tax consequences of the Spin-Off to you.**

For purposes of this summary, a “U.S. Holder” is a beneficial owner of Time Warner common stock that holds that stock as a capital asset (generally, for investment purposes) and is, for U.S. federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation (or other entity treated as a corporation) created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more U.S. persons have the authority to control all of its substantial decisions. If a partnership (or other entity treated as a partnership) holds Time Warner common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner in a partnership holding Time Warner common stock should consult its tax advisor.

### ***Tax-Free Status of the Spin-Off***

We have received a private letter ruling from the Internal Revenue Service (“IRS”) and an opinion from outside legal counsel to the effect that:

- A U.S. Holder should not recognize any income, gain or loss as a result of the Spin-Off and the receipt of TWC common stock, except with respect to any cash received in lieu of a fractional share of TWC common stock.
- A U.S. Holder’s holding period for the TWC common stock received in the Spin-Off (including any fractional shares for which cash will ultimately be received) should include the holding period for that stockholder’s Time Warner common stock.
- A U.S. Holder’s tax basis for the TWC common stock received in the Spin-Off should be determined by allocating to such TWC common stock a portion of such U.S. Holder’s tax basis in its Time Warner common stock. This allocation should be based on the relative fair market values of the Time Warner common stock and the TWC common stock at the time of the Spin-Off. Additional guidance regarding tax basis is set forth below.

- The receipt of cash in lieu of a fractional share of TWC common stock should be treated as a sale of the fractional share of TWC common stock, and a U.S. Holder should recognize a gain or loss equal to the difference between the amount of cash received and the stockholder's basis in the fractional share of TWC common stock. The gain or loss should generally be a long-term capital gain or loss if the holding period for the fractional share of TWC common stock is more than one year as of the time of the Spin-Off.

The private letter ruling and the opinion referred to above rely on certain facts, assumptions, representations and undertakings from Time Warner and TWC regarding the past and future conduct of the companies' businesses and other matters. If any of these facts, assumptions, representations or undertakings is incorrect or not otherwise satisfied, Time Warner and its stockholders may not be able to rely on the ruling or the opinion and could be subject to significant tax liabilities. Notwithstanding the private letter ruling and opinion, the IRS or state or local tax authorities could determine on audit that the Spin-Off should be treated as a taxable transaction if the relevant tax authority determines that any of these facts, assumptions, representations or undertakings are not correct or have not been satisfied, or for other reasons, including as a result of significant changes in the stock ownership of Time Warner or TWC after the Spin-Off.

#### ***Filing Requirements for Certain U.S. Holders***

U.S. Holders who, immediately before the Spin-Off, owned 5% or more of the total outstanding Time Warner common stock or owned Time Warner securities with an aggregate tax basis of \$1 million or more, are required to complete and file a statement related to the Spin-Off with their U.S. federal income tax returns for the year in which the Spin-Off occurs. This statement is attached to this notice for your convenience.

### **FOREIGN TAX CONSEQUENCES TO NON-U.S. STOCKHOLDERS**

#### ***Canadian Federal Income Tax Consequences***

This discussion provides information regarding certain Canadian federal income tax consequences of the Spin-Off generally applicable to Time Warner stockholders who, for purposes of the Income Tax Act (Canada) (the "Canadian Tax Act") and at all relevant times, (i) are resident or deemed to be resident in Canada, (ii) hold their Time Warner common stock and will hold their TWC common stock as capital property, (iii) deal at arm's length with Time Warner and TWC, (iv) are not affiliated with Time Warner or TWC, and (v) are not subject to the "functional currency" reporting rules in the Canadian Tax Act ("Canadian Holders"). This discussion does not address tax consequences to a Canadian Holder who holds Time Warner common stock through a deferred income plan or to a Time Warner stockholder that is a "financial institution" for purposes of the "mark-to-market" rules in the Canadian Tax Act.

The Canadian Tax Act provides that a distribution by a U.S. resident corporation of common shares of another U.S. resident corporation to Canadian Holders in a U.S. tax-free distribution may, in certain circumstances, qualify for tax-free treatment under the Canadian Tax Act. In order for a distribution to so qualify, the distribution must be structured as an "eligible distribution," and the distributing corporation must provide certain specific information to the Canada Revenue Agency ("CRA"). Time Warner's current intention is to provide the necessary information to CRA within the applicable time limit. Upon notification as to the outcome of CRA's review of this information, Time Warner will post the results of CRA's review on Time

Warner's website. If CRA determines that the Spin-Off qualifies for tax-free treatment under the Canadian Tax Act, CRA may also post such information on its website. While Time Warner believes that the Spin-Off has been structured such that it should be eligible for tax-free treatment to certain electing Canadian Holders, Time Warner can provide no assurances in this regard, and it is possible CRA may conclude that the Spin-Off does not qualify for such tax-free treatment.

If the Spin-Off qualifies for tax-free treatment, a Canadian Holder is generally entitled to make an election to have the distribution of TWC common stock not included in the stockholder's income for Canadian tax purposes. Where a valid election is made, the adjusted cost base of a Canadian Holder's shares of Time Warner common stock immediately before the Spin-Off is required to be allocated between such shares of Time Warner common stock and the shares of TWC common stock received by the Canadian Holder in the Spin-Off, in accordance with a formula based on the relative fair market values of such Time Warner common stock and TWC common stock immediately after the Spin-Off. Additional guidance regarding adjusted cost base where a valid election is made is set forth below. *In order to receive tax-free treatment, a Canadian Holder must make a valid election pursuant to section 86.1 of the Canadian Tax Act. The election must be made in writing, must be filed with the stockholder's paper tax return for the taxation year that includes the date of the Spin-Off, and must provide the information required by CRA. Electing Canadian Holders are urged to contact their own tax advisors for advice regarding the consequences of making such an election having regard to their own circumstances, and for detailed advice concerning the procedure to be followed to make such an election.*

If the Spin-Off does not qualify for tax-free treatment, or if a valid tax election, as described above, is not filed, a Canadian Holder would be required to include in the stockholder's income for Canadian tax purposes, as a taxable dividend from Time Warner, an amount equal to the fair market value of the shares of TWC common stock received, determined as of the date of the Spin-Off. Canadian Holders would not be entitled to the gross-up and dividend tax credit treatment (for individuals) or the inter-corporate dividend deduction (for corporations) normally applicable to dividends received from taxable Canadian corporations.

Canadian Holders will be considered to have disposed of any fraction of a share of TWC common stock for which they receive cash, and will realize a capital gain (or capital loss) to the extent the cash so received exceeds (or is less than) the aggregate of the adjusted cost base of such fraction of a share and any reasonable costs of disposition. In general, one-half of a capital gain is included in income as a taxable capital gain and one-half of a capital loss is deducted against taxable capital gains to the extent and under the circumstances specified in the Canadian Tax Act.

A Canadian Holder that is a "Canadian-controlled private corporation" for purposes of the Canadian Tax Act is required to pay an additional 6-2/3% refundable tax on its "aggregate investment income," which includes an amount in respect of dividends, such as the distribution of TWC common stock pursuant to the Spin-Off, and any taxable capital gains from cash received in lieu of TWC common stock.

#### ***Tax Consequences to Other Non-U.S. Stockholders***

Certain non-U.S. stockholders may be subject to tax on the Spin-Off in jurisdictions other than the U.S. notwithstanding that the Spin-Off generally is not taxable under U.S. federal income tax law. In some jurisdictions, this may be the case even if a sale of shares may be subject to little or no tax in that jurisdiction.

#### **GENERAL GUIDANCE REGARDING TAX BASIS IN A TAX-FREE SPIN-OFF**

The discussion below applies to U.S. Holders. The discussion below, while based on U.S. tax rules, is also generally applicable to Canadian Holders who make a valid election under section 86.1 of the Canadian Tax Act, if, but only if, CRA concludes that the Spin-Off is eligible for tax-free treatment, and subject to the qualifications that (i) references below to “tax basis” should be read as references to “adjusted cost base,” (ii) the discussion below does not address the detailed rules in the Canadian Tax Act relevant to the computation of adjusted cost base including the averaging rules, and (iii) each amount relevant to the computation of a Canadian Holder’s Canadian tax results must be computed in Canadian currency based on the rate of exchange quoted by the Bank of Canada at noon on the day on which the amount first arose or such other rate of exchange as is acceptable to CRA.

As a consequence of the Spin-Off, you will need to allocate your tax basis in your Time Warner common stock immediately before the Spin-Off between your Time Warner common stock and the TWC common stock you receive. If you purchased your Time Warner common stock for cash, the tax basis for your Time Warner common stock would generally equal the original cost of this common stock including commissions or other fees. *If you acquired your Time Warner common stock as a gift, through an employee compensation arrangement, from a person to whom you were related or otherwise not dealing with at arm’s length, in a tax deferred transaction or through some other means, we recommend that you consult your own tax advisor to determine your tax basis in these shares. If you acquired shares of Time Warner common stock at different times, for U.S. tax purposes you will need to make separate tax basis calculations for each group of shares, and for Canadian tax purposes averaging may apply.*

The allocation of tax basis between your Time Warner common stock and the TWC common stock you receive in the Spin-Off is based on their relative fair market values at the time of or immediately following completion of the Spin-Off, which occurred at 8:00 p.m. on March 12, 2009. Neither U.S. nor Canadian federal income tax law specifies precisely how to determine these fair market values. In general, fair market value of an asset means the price at which the asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts.

There are several potential methods for determining the fair market values of Time Warner common stock and TWC common stock. One approach for determining the fair market values is to utilize the “regular way” trading prices of Time Warner common stock and TWC common stock quoted on the New York Stock Exchange on the first trading day following the Record Date, which opened at \$8.43 and \$24.97 per share, respectively. *Note that the “regular way” trading price for Time Warner common stock on that date included the right to receive payment of shares of TWC common stock, and therefore represents an aggregate value for both the share of Time Warner common stock and the 0.083670 share of TWC common stock.* Another potential approach for determining the fair market value would be to utilize the “when issued” trading prices rather than the “regular way” trading prices. *Note that the “when issued” trading price for Time Warner common stock on March 13, 2009, reflected the effect of the Time Warner Reverse Split expected to occur on March 27, 2009, and the “when issued” price for Time Warner common stock will therefore need to be divided by 3 to determine the fair market value of a single share of Time Warner common stock.* For U.S. tax purposes, another alternative would be to use trading prices on March 12, 2009, the date on which the Spin-Off was completed. *Note that the “regular way” trading price for TWC common stock did not reflect the effect of the TWC Reverse Split until March 13, 2009, and the “regular way” price for TWC common stock on or before March 12, 2009 will need to be multiplied by 3 to determine the fair market value of a single share of TWC common stock at the time of the Spin-Off.*

Attached to this notice is an example of how to allocate your aggregate tax basis in your Time Warner common stock immediately before the Spin-Off between your Time Warner common stock and the TWC common stock you receive. The example is based on opening “regular way” prices on the trading day following the Record Date, as described above. The example is provided solely for illustrative purposes and as a convenience to Time Warner stockholders and their tax advisors when establishing their specific tax position.

**Please remember that Time Warner does not provide its stockholders with tax advice, and this notice is not intended to provide tax advice. This notice is for general information purposes and is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. Time Warner encourages its stockholders to consult with their own tax advisors regarding the particular consequences of the Spin-Off, including the applicability of any U.S. federal, state and local, Canadian federal, provincial and territorial, and other foreign tax laws.**

**HYPOTHETICAL EXAMPLE OF TAX BASIS CALCULATIONS USING “REGULAR WAY” OPENING TRADING PRICES ON MARCH 13, 2009**

**\*\*\* Note: Because the Time Warner Reverse Split will occur after the time at which the fair market value of the Time Warner common stock is determined, this example does not take into account the Time Warner Reverse Split. However, it does take into account the TWC Reverse Split, which occurred immediately prior to the Spin-Off.**

***Assumptions:***

Shares of Time Warner common stock: 100 shares  
 Original cost of Time Warner shares: \$20 per share  
 Aggregate tax basis for Time Warner shares: \$2,000 (100 shares x \$20 per share)  
 Shares of TWC common stock to be received in Spin-Off (including fractional share): 8.3670 shares

Your aggregate tax basis in your Time Warner common stock immediately prior to the Spin-Off would be allocated between your Time Warner common stock and your new TWC common stock (including any fractional share, for which you will ultimately receive cash) as illustrated below.

***Formulas for Calculating Aggregate Fair Market Values of Shares in the Spin-Off***

To determine the aggregate fair market value of the shares of TWC common stock you receive in the Spin-Off, multiply the number of such shares by the applicable fair market value of one such share.

	Number of Shares		TWC Opening Price on 03/13/09		Aggregate Fair Market Value of TWC Stock
TWC Common Stock Received	8.3670	x	\$24.97	=	\$208.92

Please note that if you choose to determine the aggregate fair market value of the shares of TWC common stock you receive in the Spin-Off using the “regular way” price prior to March 13, 2009, you will need to multiply that price by 3 in order to take into account the TWC Reverse Split.

To determine the aggregate fair market value of the shares of Time Warner common stock you owned on the Record Date using the “regular way” trading price, first multiply the number of shares of Time Warner common stock by the “regular way” trading opening price of one such share (which includes the value of the TWC stock to be received in the Spin-Off), and then subtract the aggregate fair market value of the TWC stock as determined above.

	Number of Shares		“Regular Way” Trading Opening Price on 03/13/09		Aggregate Fair Market Value of Time Warner and TWC Stock		Aggregate Fair Market Value of TWC Stock		Aggregate Fair Market Value of Time Warner Stock Only
Time Warner Common Stock	100	x	\$8.43	=	\$843.00	-	\$208.92	=	\$634.08

Please note that if you choose to determine the aggregate fair market value of the shares of Time Warner common stock you owned on the Record Date using the “when issued” trading price rather than the “regular way” trading price, you will need to divide the “when issued” trading price by 3 to eliminate the effect of the anticipated Time Warner Reverse Split, and then multiply the result by the number of such shares of Time Warner common stock you owned on the Record Date.

**Formula for Calculating Share Basis Allocation Percentage in the Spin-Off:**

To find the share basis allocation percentage for your Time Warner common stock, divide the aggregate fair market value of your shares of Time Warner common stock owned on the Record Date by the sum of the aggregate fair market values of your shares of Time Warner common stock owned on the Record Date and your shares of TWC common stock received in the Spin-Off (including any fractional share for which you will ultimately receive cash).

To find the share basis allocation percentage for the TWC shares you receive in the Spin-Off (including any fractional share for which you will ultimately receive cash), divide the aggregate fair market value of your shares of TWC common stock received in the Spin-Off (including any fractional share) by the sum of the aggregate fair market values of your shares of Time Warner common stock owned on the Record Date and your shares of TWC common stock received in the Spin-Off (including any fractional share).

	Aggregate Fair Market Value		Aggregate Fair Market Value of Time Warner and TWC Stock		Share Basis Allocation Percentage
Time Warner Common Stock	\$634.08	÷	\$843.00	=	75.2171%
TWC Common Stock Received	\$208.92	÷	\$843.00	=	24.7829%

**Formula for Calculating Tax Basis Allocation in the Spin-Off:**

To find the tax basis allocation for your Time Warner common stock owned on the Record Date, multiply your aggregate tax basis in your shares of Time Warner common stock immediately prior to the Spin-Off by your Time Warner share basis allocation percentage. To find your Time Warner tax basis allocation per share, divide this number by the number of Time Warner shares owned on the Record Date.

To find the tax basis allocation for the TWC common stock you receive in the Spin-Off (including any fractional share), multiply your aggregate tax basis in your shares of Time Warner common stock immediately prior to the Spin-Off by your TWC share basis allocation percentage. To find your TWC tax basis allocation per share, divide this number by the number of TWC shares you receive in the Spin-Off (including any fractional share).

	Aggregate Time Warner Tax Basis		Share Basis Allocation Percentage		Tax Basis Allocation		Number of Shares	Tax Basis Allocation Per Share
Time Warner Common Stock	\$2,000	x	75.2171%	=	\$1,504.34	÷	100	\$15.04
TWC Common Stock Received	\$2,000	x	24.7829%	=	\$495.66	÷	8.3670	\$59.24

***Formula for Allocating Aggregate Tax Basis to Whole TWC Shares and Fractional TWC Shares:***

*To find the tax basis allocation for the whole shares of TWC common stock you receive in the Spin-Off, multiply the number of whole shares you receive by the TWC tax basis allocation per share.*

*To find the tax basis allocation for any fractional share of TWC common stock sold on your behalf for cash, multiply the fraction of a share you would have received by the TWC tax basis allocation per share. This is the basis you should use to compute your gain or loss recognized with respect to the cash you receive in lieu of the fractional shares.*

	Number of Shares		Tax Basis Allocation Per Share		Tax Basis Allocation
TWC Whole Shares	8	x	\$59.24	=	\$473.92
TWC Fractional Share	0.3670	x	\$59.24	=	\$21.74

**Please remember that Time Warner does not provide its stockholders with tax advice, and this example is not intended to provide tax advice. This example is for general information purposes and is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. Time Warner encourages its stockholders to consult with their own tax advisors regarding the particular consequences of the Spin-Off, including the applicability of any U.S. federal, state and local, Canadian federal, provincial and territorial, and other foreign tax laws.**

**STATEMENT PURSUANT TO TREASURY REGULATION § 1.355-5(b)**

**BY** (Name): \_\_\_\_\_,

(Taxpayer Identification Number or Social Security Number): \_\_\_\_\_,

**A SIGNIFICANT DISTRIBUTE**

On March 12, 2009, Time Warner Inc., a Delaware corporation (“Time Warner”), effected the Spin-Off (the “Spin-Off”) of its shares of common stock of Time Warner Cable Inc., a Delaware corporation (“TWC”), to holders of Time Warner common stock pursuant to a pro rata distribution of Time Warner’s TWC common stock to Time Warner stockholders. As a result of the Spin-Off, each Time Warner stockholder of record as of 8 p.m. Eastern time on March 12, 2009 (the “Record Date”), was entitled to receive 0.083670 share of TWC common stock for each share of Time Warner common stock held by such stockholder as of the Record Date.

1. Name, address and employer identification number of the distributing corporation:

Time Warner Inc.  
One Time Warner Center  
New York, New York 10019  
EIN: 13-4099534

- Name, address and employer identification number of the controlled corporation:

Time Warner Cable Inc.  
60 Columbus Circle  
New York, New York 10023  
EIN: 84-1496755

2. The undersigned was a stockholder owning shares of Time Warner common stock and received shares of TWC common stock in the Spin-Off. The aggregate fair market value of the TWC common stock received by the stockholder in the Spin-Off was \$\_\_\_\_\_.
3. The undersigned did not surrender any stock or securities of Time Warner in connection with the Spin-Off.

4. Time Warner received a private letter ruling from the Internal Revenue Service and an opinion of its counsel stating that the Spin-Off should qualify as tax-free under Section 355 of the Internal Revenue Code of 1986, as amended.

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Stockholder's Name (please print)

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Taxpayer's Signature

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Taxpayer's Identification Number or  
Social Security Number

IF APPLICABLE, THIS STATEMENT SHOULD BE COMPLETED AND  
ATTACHED TO YOUR 2009 FEDERAL INCOME TAX RETURN.  
IT SHOULD NOT BE SENT TO TIME WARNER OR TWC.