

TIME WARNER INC.

FORM 8-K

(Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event Reported): March 12, 2009

TIME WARNER INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

1-15062
(Commission File Number)

13-4099534
(IRS Employer
Identification No.)

One Time Warner Center, New York, New York 10019
(Address of Principal Executive Offices) (Zip Code)

212-484-8000
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.01 Completion of Acquisition or Disposition of Assets.

At 8:00 p.m. on March 12, 2009 (the “Distribution Record Date”), Time Warner Inc. (“Time Warner” or the “Company”), disposed of all 300,333,333 shares of Time Warner Cable Inc. (“TWC”) common stock, par value \$.01 per share (“TWC Common Stock”), then held by it. The disposition was made pursuant to a separation agreement entered into on May 20, 2008, (previously filed on May 27, 2008) among Time Warner, TWC and certain of their subsidiaries (the “Separation Agreement”) for the purpose of achieving the legal and structural separation of TWC from Time Warner (the “Separation”).

Pursuant to the Separation Agreement, Time Warner announced on February 19, 2009 that it elected to complete the Separation as a pro rata dividend of all shares of TWC Common Stock held by Time Warner in a spin-off (the “Distribution”) to Time Warner stockholders. As previously reported, Time Warner issued a press release on February 26, 2009 announcing that its Board of Directors approved the Distribution to its stockholders of record on the Distribution Record Date (the “Eligible Holders”).

On March 12, 2009 and prior to the Distribution Record Date, TWC, in accordance with the terms of the Separation Agreement, paid a special cash dividend of \$10.27 per share to all holders of TWC Class A Common Stock and TWC Class B Common Stock as of the close of business on March 11, 2009 (aggregating \$10.855 billion) (the “Special Dividend”) that resulted in the receipt by Time Warner of approximately \$9.25 billion. On March 12, 2009, after the receipt by Time Warner of its pro rata share of the Special Dividend and prior to the Distribution Record Date, TWC filed its second amended and restated certificate of incorporation with the Secretary of State of the State of Delaware, pursuant to which, among other things, each outstanding share of TWC Class A Common Stock and TWC Class B Common Stock was automatically converted into one share of TWC Common Stock. In addition, on March 12, 2009, after filing its second amended and restated certificate of incorporation and prior to the Distribution Record Date, TWC filed an amendment to its second amended and restated certificate of incorporation to effect a 1-for-3 reverse stock split of the outstanding and treasury shares of TWC Common Stock.

Pursuant to the terms of the Separation Agreement, concurrently with the receipt of its pro rata share of the Special Dividend on March 12, 2009, Time Warner deposited the shares of TWC Class A Common Stock and TWC Class B Common Stock that it then held with Computershare Inc. to be held (i) for the benefit of Time Warner until the Distribution Record Date and (ii) thereafter, for the benefit of the Eligible Holders until March 27, 2009, at which time the shares of TWC Common Stock will be distributed to the Eligible Holders. As described above, while on deposit with Computershare Inc., the TWC Class A Common Stock and TWC Class B Common Stock were automatically converted into TWC Common Stock, and, as a result of the reverse stock split, Time Warner’s ownership of 901 million shares of TWC Common Stock was proportionally reduced to 300,333,333 shares of TWC Common Stock. Fractional shares of TWC Common Stock will not be distributed to the Eligible Holders. Instead, the fractional shares of TWC Common Stock will be aggregated and sold in the open market, with the net proceeds distributed pro rata in the form of cash payments to Eligible Holders who would otherwise be entitled to fractional shares of TWC Common Stock. Time Warner has received a private letter ruling from the U.S. Internal Revenue Service and an opinion of counsel stating that the Distribution generally qualifies as a tax-free distribution under U.S. Federal income tax law, except with respect to cash received in lieu of fractional shares of TWC Common Stock.

After the Distribution Record Date, Time Warner does not beneficially own any shares of TWC Common Stock and, following such date, will not consolidate TWC’s financial results for the purpose of its own financial reporting. The unaudited pro forma consolidated financial information of Time Warner (reflecting the Separation, among other things) and related notes thereto are filed as Exhibit 99.1 to this Current Report on Form 8-K.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant.

In order to fund the Special Dividend described in Item 2.01, on March 12, 2009, TWC borrowed (i) the full committed amount of \$1.932 billion under the TWC Bridge Facility (as defined below), all of which was used to pay a portion of the Special Dividend, and (ii) \$3.7 billion under the TWC Revolving Facility (as defined below), of which approximately \$3.3 billion was used to pay a portion of the Special Dividend and approximately \$0.4 billion of which TWC intends to use for general corporate purposes. TWC funded the remainder of the Special Dividend by using approximately \$5.6 billion of cash on hand.

As previously reported, on June 30, 2008 in connection with its entry into the Separation Agreement, TWC entered into an unsecured credit agreement (the “Bridge Credit Agreement”) for a \$9.0 billion term loan facility with an initial maturity date that is 364 days after the borrowing date (the “TWC Bridge Facility”). As a result of TWC’s issuance of a total of \$7.0 billion in aggregate principal amount of senior unsecured notes and debentures in two underwritten public offerings completed on June 19, 2008 and November 18, 2008, the original commitments of the TWC lenders under the TWC Bridge Facility were reduced to \$2.070 billion, as described in the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) on November 13, 2008. The commitments of the lenders under the TWC Bridge Facility were further reduced to \$1.932 billion by an amendment to the Bridge Credit Agreement entered into on March 2, 2009 among TWC, Deutsche Bank AG New York Branch, as Administrative Agent, Lehman Brothers Commercial Bank (“LBCB”) and various lenders that terminated the commitment of LBCB in exchange for a partial refund of fees previously paid by TWC to LBCB.

In addition, as previously reported, on February 15, 2006, TWC entered into a senior unsecured credit agreement (the “Revolving Facility Credit Agreement”) for a \$6.0 billion revolving credit facility with a maturity date of February 15, 2011 (the “TWC Revolving Facility”). The commitments of the lenders under the TWC Revolving Facility were reduced to \$5.875 billion by an amendment to the Revolving Facility Credit Agreement entered into on March 3, 2009 among TWC, Bank of America, N.A., as Administrative Agent, Lehman Brothers Bank, FSB (“LBB”) and various lenders that terminated the commitment of LBB in exchange for a waiver of certain fees payable by TWC to LBB.

For a brief description of the material terms and conditions of the Bridge Credit Agreement and the Revolving Facility Credit Agreement reference is made to Note 7 to the consolidated financial statements for the year ended December 31, 2008 included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008, which is hereby incorporated by reference into this Item 2.03. Such description is further amended by the disclosure set forth in this Item 2.03.

Caution Concerning Forward-Looking Statements

This Current Report on Form 8-K includes certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include, but are not limited to, statements about the plans, objectives, expectations and intentions of Time Warner, including the benefits of the Separation and other related transactions involving Time Warner and TWC and their subsidiaries, and other statements that are not historical facts. These statements are based on the current expectations and beliefs of Time Warner’s management, and are subject to uncertainty and changes in circumstances. Time Warner cautions readers that any forward-looking information is not a guarantee of future performance and that actual results may vary materially from those expressed or implied by the statements herein, due to changes in economic, business, competitive, technological, strategic or other regulatory factors, as well as factors affecting the operation of the businesses of Time Warner and TWC. More detailed information about certain of these and other factors may be found in filings by Time Warner with the SEC, including its most recent Annual Report on Form 10-K in the sections entitled “Caution Concerning Forward-Looking Statements” and “Risk Factors”. Various factors could cause actual results to differ from those set forth in the forward-looking statements including, without limitation, the risk that the anticipated benefits from the transactions may not be fully realized or may take longer to realize than expected. Time Warner is under no obligation to, and expressly disclaims any obligation to, update or alter the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.

Item 9.01 Financial Statements and Exhibits.

(b) Pro Forma Financial Information

The unaudited pro forma consolidated balance sheet dated as of December 31, 2008, and unaudited pro forma consolidated statements of operations of Time Warner for the years ended December 31, 2008, 2007 and 2006 are filed as Exhibit 99.1 to this Current Report on Form 8-K.

(d) Exhibits

Exhibit **Description**

99.1 Unaudited pro forma consolidated balance sheet dated as of December 31, 2008, and unaudited pro forma consolidated statements of operations of Time Warner for the years ended December 31, 2008, 2007 and 2006.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TIME WARNER INC.

By: /s/ Pascal Desroches

Name: Pascal Desroches

Title: Senior Vice President and
Controller

Date: March 13, 2009

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
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99.1	Unaudited pro forma consolidated balance sheet dated as of December 31, 2008, and unaudited pro forma consolidated statements of operations of Time Warner for the years ended December 31, 2008, 2007 and 2006.
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**UNAUDITED PRO FORMA
CONSOLIDATED HISTORICAL INFORMATION**

TWC Separation. On May 20, 2008, Time Warner Inc. (“Time Warner” or the “Company”), Time Warner Cable Inc. (“TWC”) and certain of their subsidiaries entered into a separation agreement (the “Separation Agreement”) for the purpose of achieving the legal and structural separation of TWC from Time Warner (the “Separation”). Pursuant to the Separation Agreement and related documents, (a) Time Warner completed certain internal restructuring transactions, (b) on March 12, 2009, TWC paid a special cash dividend of \$10.27 per share of TWC Class A Common Stock and TWC Class B Common Stock (aggregating \$10.855 billion) (the “Special Dividend”) that was distributed pro rata to all holders of TWC Class A Common Stock and TWC Class B Common Stock as of the close of business on March 11, 2009, resulting in the receipt by Time Warner of approximately \$9.25 billion and (c) subsequent to its receipt of its portion of the Special Dividend, at 8:00 p.m. on March 12, 2009 (the “Distribution Record Date”), Time Warner disposed of all its shares of TWC common stock by transferring them to an account in the name of Computershare Inc., as distribution agent for the benefit of its stockholders of record on the Distribution Record Date (the “Eligible Holders”). Computershare will hold such shares for the benefit of the Eligible Holders from the Distribution Record Date until March 27, 2009, at which time all of the shares of TWC common stock previously held by Time Warner will be distributed to the Eligible Holders as a pro rata dividend in a spin-off (the “Distribution”). After the Distribution Record Date, Time Warner does not beneficially own any shares of TWC common stock and, following such date, will not consolidate TWC’s financial results for the purpose of its own financial reporting. The historical financial results of TWC will be reflected in the Company’s consolidated financial statements as discontinued operations.

After completing the Separation, the Company will effect a reverse stock split at 7:00 p.m. on March 27, 2009 by proportionately reducing the number of shares of Time Warner Common Stock issued and outstanding or held in treasury based on a reverse stock split ratio of 1-for-3.

Pro Forma Information. The accompanying unaudited pro forma consolidated balance sheet of Time Warner as of December 31, 2008 is presented as if the Separation had occurred on December 31, 2008. The accompanying unaudited pro forma consolidated statements of operations of Time Warner for the years ended December 31, 2008, 2007 and 2006 are presented as if the Separation had occurred on January 1, 2006. The unaudited pro forma consolidated financial information is presented based on information available, is intended for informational purposes only, is not necessarily indicative of and does not purport to represent what Time Warner’s future financial condition or operating results will be after giving effect to the Separation and does not reflect actions that may be undertaken by management after the Separation. Additionally, this information does not reflect certain financial and operating benefits Time Warner expects to realize as a result of the Separation including any income related to the receipt by Time Warner of its portion of the Special Dividend.

In December 2008, Time Warner (as lender) and TWC (as borrower) entered into a credit agreement for a two-year \$1.535 billion senior unsecured supplemental term loan facility (the “Supplemental Credit Agreement”) under which TWC may borrow only to repay amounts outstanding at the final maturity of TWC’s 2008 term loan bridge facility, if any. The accompanying unaudited pro forma information does not reflect any effect of the Supplemental Credit Agreement.

In connection with the Separation, and as provided for in the Company’s equity plans, the number of stock options, restricted stock units (“RSUs”) and target performance stock units (“PSUs”) outstanding at the separation date and the exercise prices of such stock options will be adjusted to maintain the fair value of these awards. The changes in the number of equity awards and the exercise prices will be determined by comparing the fair value of such awards immediately prior to the Separation to the fair value of such awards immediately after the Separation. The modifications to the outstanding equity awards will be made pursuant to existing antidilution provisions in the Company’s equity plans and such modifications will not result in any additional compensation expense. In addition, all such awards will be further adjusted for the effect of the Company’s 1-for-3 reverse stock split.

Time Warner’s independent registered public accounting firm has not examined, reviewed, compiled or applied agreed upon procedures to the unaudited pro forma consolidated historical financial information presented herein and, accordingly, assumes no responsibility for it.

The accompanying unaudited pro forma financial statements do not give effect to the Company’s adoption of Financial Accounting Standards Board Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, and FASB Staff Position Emerging Issues Task Force Issue No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, on January 1, 2009.

The following is a brief description of the amounts recorded under each of the column headings in the unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated statements of operations:

**UNAUDITED PRO FORMA
CONSOLIDATED HISTORICAL INFORMATION**

Historical Time Warner

This column reflects Time Warner's historical audited financial position as of December 31, 2008 and historical audited operating results for the years ended December 31, 2008, 2007 and 2006, prior to any adjustment for the Separation and the other adjustments described below.

TWC Separation

This column reflects TWC's historical financial position as of December 31, 2008 and historical operating results for the years ended December 31, 2008, 2007 and 2006, at the amounts that have been reflected in Time Warner's consolidated financial statements for such periods.

Other Adjustments

This column represents pro forma adjustments related primarily to the receipt of the Company's share of the Special Dividend and the Company's reverse stock split. These adjustments are summarized below, and are more fully described in the notes to the unaudited pro forma consolidated financial information:

- Adjustments for transactions between Time Warner and TWC that were previously eliminated in consolidation or that arise as a direct result of the Separation but will be included in the Company's consolidated financial position and results of operations (similar to third-party transactions) upon the completion of the Separation. For example, this column includes adjustments relating to revenue recognized by Home Box Office, Inc. and Turner Broadcasting System, Inc. for services rendered to TWC, as well as the associated expenses incurred by TWC, which were eliminated in the historical consolidated financial statements of Time Warner.
- Adjustments to reflect the reduction in the number of issued and outstanding shares of Time Warner Common Stock based on a reverse stock split ratio of 1-for-3 and to reflect the increase in the number of stock options, RSUs and target PSUs outstanding that have a dilutive effect at the Distribution Record Date to maintain the fair value of these awards.

The unaudited pro forma consolidated financial information set forth below should be read in conjunction with the notes to the unaudited pro forma consolidated financial information and "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Company's consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

TIME WARNER INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
December 31, 2008
(Unaudited)
(millions)

	<u>Historical Time Warner</u>	<u>TWC Separation</u>	<u>Other Adjustments</u>		<u>Pro Forma Time Warner</u>
ASSETS					
Current assets					
Cash and equivalents	\$ 6,682	\$ 5,449	\$ 9,250	(a)	\$ 10,483
Receivables, less allowances	6,195	692	187	(b)	5,690
Inventories	1,989	-	-		1,989
Prepaid expenses and other current assets	976	204	-		772
Deferred income taxes	760	136	-		624
Total current assets	16,602	6,481	9,437		19,558
Noncurrent inventories and film costs	5,192	-	-		5,192
Investments, including available-for-sale securities	1,930	895	-		1,035
Property, plant and equipment, net	18,433	13,537	-		4,896
Intangible assets subject to amortization, net	4,057	493	-		3,564
Intangible assets not subject to amortization	31,822	24,094	-		7,728
Goodwill	34,530	2,101	-		32,429
Other assets	1,330	110	-		1,220
Total assets	<u>\$ 113,896</u>	<u>\$ 47,711</u>	<u>\$ 9,437</u>		<u>\$ 75,622</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable	\$ 1,341	\$ 545	\$ 4	(b)	\$ 800
Participations payable	2,522	-	-		2,522
Royalties and programming costs payable	1,265	579	-		686
Deferred revenue	1,169	156	-		1,013
Debt due within one year	2,067	-	-		2,067
Other current liabilities	5,610	1,428	157	(b)	4,339
Current liabilities of discontinued operations	2	-	-		2
Total current liabilities	13,976	2,708	161		11,429
Long-term debt	37,616	17,727	-		19,889
Mandatorily redeemable preferred membership units issued by a subsidiary	300	300	-		-
Deferred income taxes	8,756	7,782	-		974
Deferred revenue	283	17	-		266
Other liabilities	7,258	494	-		6,764
Minority interests	3,419	2,750	-		669
Shareholders' Equity					
Time Warner common stock	49	-	(33)	(c)	16
Paid-in-capital	169,531	16,400	9,309	(a),(b), (c)	162,440
Treasury stock, at					

cost	(25,836)	–	–	(25,836)
Accumulated other comprehensive income (loss), net	(1,676)	(467)	–	(1,209)
Accumulated deficit	(99,780)	–	–	(99,780)
Total shareholders' equity	<u>42,288</u>	<u>15,933</u>	<u>9,276</u>	<u>35,631</u>
Total liabilities and shareholders' equity	<u>\$ 113,896</u>	<u>\$ 47,711</u>	<u>\$ 9,437</u>	<u>\$ 75,622</u>

See accompanying notes to pro forma consolidated financial information.

TIME WARNER INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2008
(Unaudited)
(millions, except per share amounts)

	Historical Time Warner	TWC Separation	Other Adjustments	Pro Forma Time Warner
Revenues:				
Subscription	\$ 25,786	\$ 16,302	\$ 842 (a)	\$ 10,326
Advertising	8,742	898	8 (a)	7,852
Content	11,432	-	3 (a)	11,435
Other	1,024	-	-	1,024
Total revenues	46,984	17,200	853	30,637
Costs of revenues	(27,289)	(10,971)	(845) (a)	(17,163)
Selling, general and administrative	(10,163)	(2,854)	(8) (a)	(7,317)
Amortization of intangible assets	(784)	(262)	-	(522)
Amounts related to securities litigation and government investigations	(21)	-	-	(21)
Merger-related, restructuring and shutdown costs	(359)	(15)	-	(344)
Asset impairments and gain (loss) on disposal of assets, net	(24,325)	(14,880)	-	(9,445)
Operating income (loss)	(15,957)	(11,782)	-	(4,175)
Interest expense, net	(2,250)	(923)	-	(1,327)
Other income (loss), net	(416)	(367)	-	(49)
Minority interest income (expense), net	1,974	1,925	-	49
Income (loss) from continuing operations before income taxes	(16,649)	(11,147)	-	(5,502)
Income tax benefit (provision)	3,247	4,191	-	(944)
Net income (loss) from continuing operations	\$ (13,402)	\$ (6,956)	\$ -	\$ (6,446)
Basic income (loss) per common share from continuing operations	\$ (3.74)			\$ (5.40)
Average basic common shares outstanding	3,582.6		(2,388.4) (b)	1,194.2
Diluted income (loss) per common share from continuing operations	\$ (3.74)			\$ (5.40)
Average diluted common shares outstanding	3,582.6		(2,388.4) (b)	1,194.2

See accompanying notes to pro forma consolidated financial information.

TIME WARNER INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2007
(Unaudited)
(millions, except per share amounts)

	Historical Time Warner	TWC Separation	Other Adjustments	Pro Forma Time Warner
Revenues:				
Subscription	\$ 24,904	\$ 15,088	\$ 810 (a)	\$ 10,626
Advertising	8,799	867	11 (a)	7,943
Content	11,708	-	1 (a)	11,709
Other	1,071	-	5 (a)	1,076
Total revenues	46,482	15,955	827	31,354
Costs of revenues	(27,426)	(10,246)	(819) (a)	(17,999)
Selling, general and administrative	(9,653)	(2,648)	(8) (a)	(7,013)
Amortization of intangible assets	(674)	(272)	-	(402)
Amounts related to securities litigation and government investigations	(171)	-	-	(171)
Merger-related, restructuring and shutdown costs	(262)	(23)	-	(239)
Asset impairments and gain (loss) on disposal of assets, net	653	-	-	653
Operating income	8,949	2,766	-	6,183
Interest expense, net	(2,299)	(894)	-	(1,405)
Other income (loss), net	145	156	-	(11)
Minority interest income (expense), net	(408)	(302)	-	(106)
Income from continuing operations before income taxes	6,387	1,726	-	4,661
Income tax benefit (provision)	(2,336)	(719)	-	(1,617)
Net income from continuing operations	\$ 4,051	\$ 1,007	\$ -	\$ 3,044
Basic income per common share from continuing operations	<u>\$ 1.09</u>			<u>\$ 2.46</u>
Average basic common shares outstanding	<u>3,718.9</u>		<u>(2,479.3) (b)</u>	<u>1,239.6</u>
Diluted income per common share from continuing operations	<u>\$ 1.08</u>			<u>\$ 2.42</u>
Average diluted common shares outstanding	<u>3,762.3</u>		<u>(2,503.4) (b)</u>	<u>1,258.9</u>

See accompanying notes to pro forma consolidated financial information.

TIME WARNER INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2006
(Unaudited)
(millions, except per share amounts)

	<u>Historical Time Warner</u>	<u>TWC Separation</u>	<u>Other Adjustments</u>	<u>Pro Forma Time Warner</u>
Revenues:				
Subscription	\$ 23,651	\$ 11,103	\$ 681 (a)	\$ 13,229
Advertising	8,283	664	11 (a)	7,630
Content	10,670	-	1 (a)	10,671
Other	1,086	-	9 (a)	1,095
Total revenues	<u>43,690</u>	<u>11,767</u>	<u>702</u>	<u>32,625</u>
Costs of revenues	(24,876)	(7,239)	(694) (a)	(18,331)
Selling, general and administrative	(10,397)	(2,126)	(8) (a)	(8,279)
Amortization of intangible assets	(587)	(167)	-	(420)
Amounts related to securities litigation and government investigations	(705)	-	-	(705)
Merger-related, restructuring and shutdown costs	(400)	(56)	-	(344)
Asset impairments and gain (loss) on disposal of assets, net	578	-	-	578
Operating income	7,303	2,179	-	5,124
Interest expense, net	(1,674)	(646)	-	(1,028)
Other income (loss), net	1,127	131	-	996
Minority interest income (expense), net	(375)	(287)	-	(88)
Income from continuing operations before income taxes	6,381	1,377	-	5,004
Income tax benefit (provision)	(1,308)	(388)	-	(920)
Net income (loss) from continuing operations	<u>\$ 5,073</u>	<u>\$ 989</u>	<u>\$ -</u>	<u>\$ 4,084</u>
Basic income per common share from continuing operations	<u>\$ 1.21</u>			<u>\$ 2.93</u>
Average basic common shares outstanding	<u>4,182.5</u>		<u>(2,788.3) (b)</u>	<u>1,394.2</u>
Diluted income per common share from continuing operations	<u>\$ 1.20</u>			<u>\$ 2.89</u>
Average diluted common shares outstanding	<u>4,224.8</u>		<u>(2,811.8) (b)</u>	<u>1,413.0</u>

See accompanying notes to pro forma consolidated financial information.

Notes to Unaudited Pro Forma Consolidated Financial Information

Note 1: Unaudited Pro Forma Adjustments to Consolidated Balance Sheet as of December 31, 2008

The pro forma adjustments to Time Warner's consolidated balance sheet as of December 31, 2008 relate to (1) the elimination of the assets, liabilities and equity of TWC and (2) other adjustments as follows:

- (a) Receipt by Time Warner of its pro rata portion of the Special Dividend. The accompanying pro forma consolidated statements of operations do not reflect any increase in interest income that would result from an investment of the \$9.25 billion received or any reduction of interest expense that would occur upon the use of the proceeds to reduce a portion of Time Warner's outstanding indebtedness;
- (b) Adjustments for transactions between Time Warner and TWC that were eliminated in consolidation in the preparation of Time Warner's historical consolidated financial statements or that arise as a direct result of the Separation, but that are reflected as assets and liabilities in the "Pro Forma Time Warner" continuing operations presentation (similar to third-party transactions) upon the completion of the Separation; and
- (c) The adjustment to reflect the reduction in the number of issued and outstanding shares of Time Warner Common Stock based on a reverse stock split ratio of 1-for-3.

Note 2: Unaudited Pro Forma Adjustments to Consolidated Statements of Operations — Years Ended December 31, 2008, 2007 and 2006

The pro forma adjustments to Time Warner's consolidated statements of operations for the years ended December 31, 2008, 2007 and 2006 relate to (1) the elimination of the results of operations of TWC and (2) other adjustments as follows:

- (a) An adjustment to revenues, costs of revenues and selling, general and administrative expense related to transactions between Time Warner and TWC that were eliminated in consolidation in the preparation of Time Warner's historical consolidated financial statements, but that are reflected as revenues, costs of revenues and selling, general and administrative expense in the "Pro Forma Time Warner" continuing operations presentation (similar to third-party transactions) upon the completion of the Separation; and
- (b) The adjustments to reflect the reduction in the number of issued and outstanding shares of Time Warner Common Stock based on the Company's reverse stock split ratio of 1-for-3 and to reflect the increase in the number of stock options, RSUs and target PSUs outstanding that have a dilutive effect at the Distribution Record Date to maintain the fair value of these awards.