

TIME WARNER CABLE INC.

Form DEF 14A

April 16, 2007

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)  
Information Required in Proxy Statement  
Schedule 14A Information  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**Time Warner Cable Inc.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**Table of Contents**

April 16, 2007

Dear Stockholder:

You are cordially invited to attend Time Warner Cable Inc.'s first annual meeting of stockholders as a public company. The meeting will be held on Wednesday, May 23, 2007, at 10:30 a.m. at the Hyatt Regency Hotel, 1800 East Putnam Avenue, Old Greenwich, Connecticut 06870. A map with directions to the meeting is provided on the back cover of the Proxy Statement.

As a stockholder, you will be asked to vote on a number of important matters. We encourage you to vote on all the matters listed in the enclosed Notice of Annual Meeting of Stockholders. The Board of Directors recommends a vote **FOR** the proposals listed as items 1 through 4 in the Notice. **Please promptly submit your proxy by telephone, Internet or mail; check the enclosed card to see which methods are available to you.**

If you are planning to attend the annual meeting in person, because of security procedures, **you will need to register in advance to gain admission to the meeting.** You can register by calling 866-827-8791 or via the Internet at [www.timewarnercable.com/registration2007](http://www.timewarnercable.com/registration2007) by May 21, 2007. In addition to registering in advance, you will be required to present government-issued identification (*e.g.*, driver's license or passport) to enter the meeting. If you are unable to attend the meeting, it will be audiocast live on the Internet at [www.timewarnercable.com/investors](http://www.timewarnercable.com/investors).

I look forward to greeting those of you who are able to attend the annual meeting.

Sincerely,

Glenn A. Britt  
*President and  
Chief Executive Officer*

**PLEASE PROMPTLY SUBMIT YOUR PROXY  
BY TELEPHONE, INTERNET OR MAIL**

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**Table of Contents**

Time Warner Cable Inc.  
North Tower  
One Time Warner Center  
New York, NY 10019

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

The Annual Meeting (the Annual Meeting ) of Stockholders of Time Warner Cable Inc. (the Company ) will be held on Wednesday, May 23, 2007 at 10:30 a.m. (local time). The meeting will take place at:

Hyatt Regency Hotel  
1800 East Putnam Avenue  
Old Greenwich, Connecticut 06870

(see directions on back cover)

The purposes of the meeting are:

1. To elect two Class A directors and eight Class B directors for a term of one year, and until their successors are duly elected and qualified;
2. To ratify the appointment of the firm of Ernst & Young LLP as independent auditors of the Company for 2007;
3. To consider and approve the Time Warner Cable Inc. 2006 Stock Incentive Plan;
4. To consider and approve the Time Warner Cable Inc. 2007 Annual Bonus Plan; and
5. To transact such other business as may properly come before the Annual Meeting.

The close of business on March 27, 2007 is the record date for determining stockholders entitled to vote at the Annual Meeting. Only holders of the Company's Class A common stock and Class B common stock (together with the Class A common stock, the Common Stock ) as of the record date are entitled to vote on the matters listed in this Notice of Annual Meeting.

**Whether or not you plan to attend the Annual Meeting in person, please sign and date the enclosed proxy and return it promptly in the enclosed pre-addressed reply envelope, or if your card so instructs, submit your proxy by telephone or the Internet.** Any stockholder of record who is present at the meeting may vote in person instead of by proxy, thereby canceling any previous proxy. You may not appoint more than three persons to act as your proxy at the meeting.

**Please note that, if you plan to attend the Annual Meeting in person, you will need to register in advance to be admitted.** You may register in advance by telephone at 866-827-8791 or by Internet at [www.timewarnercable.com/registration2007](http://www.timewarnercable.com/registration2007). The annual meeting will start promptly at 10:30 a.m. To avoid disruption, admission may be limited once the meeting begins.

Time Warner Cable Inc.

Marc Lawrence-Apfelbaum  
*Executive Vice President, General  
Counsel and Secretary*

April 16, 2007

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**TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <u>NOTICE OF ANNUAL MEETING OF STOCKHOLDERS</u>                                       | i           |
| <u>PROXY STATEMENT</u>  | 1           |
| <u>Annual Report</u>  | 1           |
| <u>Recommendations of the Board of Directors</u>                                      | 1           |
| <u>CORPORATE GOVERNANCE</u>   | 2           |
| <u>Board Size</u>   | 2           |
| <u>Criteria for Membership on the Board</u>   | 3           |
| <u>Director Nomination Process</u>  | 5           |
| <u>Board Responsibilities</u>   | 6           |
| <u>Board Meetings and Executive Sessions</u>  | 7           |
| <u>Board Leadership</u>   | 7           |
| <u>Committees of the Board</u>  | 7           |
| <u>Board Self-Evaluation</u>  | 8           |
| <u>Director Orientation and Education</u>   | 8           |
| <u>Non-Employee Director Compensation and Stock Ownership</u>                         | 8           |
| <u>Codes of Conduct</u>   | 8           |
| <u>Communication with the Directors</u>   | 9           |
| <u>DIRECTORS</u>  | 9           |
| <u>Term</u>   | 9           |
| <u>Director Independence and Qualifications</u>                                       | 9           |
| <u>Nominees for Election at the Annual Meeting</u>                                    | 9           |
| <u>Attendance</u>   | 12          |
| <u>Committee Membership</u>   | 12          |
| <u>SECURITY OWNERSHIP</u>   | 13          |
| <u>Security Ownership by the Board of Directors and Executive Officers</u>            | 13          |
| <u>Security Ownership of Certain Beneficial Owners</u>                                | 14          |
| <u>AUDIT-RELATED MATTERS</u>  | 14          |
| <u>Report of the Audit Committee</u>  | 14          |
| <u>Policy Regarding Pre-Approval of Services Provided by the Independent Auditors</u> | 15          |
| <u>Services Provided by the Independent Auditors</u>                                  | 16          |
| <u>COMPENSATION</u>   | 17          |
| <u>Executive Compensation</u>   | 17          |
| <u>Compensation Discussion and Analysis</u>   | 17          |
| <u>Compensation Committee Report</u>  | 24          |
| <u>Executive Compensation Summary Table</u>   | 25          |
| <u>Grants of Plan-Based Awards</u>  | 26          |
| <u>Employment Agreements</u>  | 27          |
| <u>Outstanding Equity Awards</u>  | 28          |
| <u>Option Exercises and Stock Vesting in 2006</u>                                     | 30          |
| <u>Pension Plans</u>  | 31          |
| <u>Nonqualified Deferred Compensation</u>   | 35          |
| <u>Potential Payments Upon Termination or Change in Control</u>                       | 36          |
| <u>Director Compensation</u>  | 47          |

|   |     |
|---|-----|
| <u>Additional Information</u>   | 49  |
| <u>Compensation Committee Interlocks and Insider Participation</u>                      | 49  |
| <u>Equity Compensation Plan Information</u>   | 49  |
| <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>                                   | 50  |
| <u>Procedures for Approval of Transactions with Related Persons</u>                     | 50  |
| <u>The Adelphia/Comcast Transactions</u>  | 50  |
| <u>Description of Certain Agreements Related to Comcast</u>                             | 52  |
| <u>Relationship between Time Warner and Us</u>  | 53  |
| <u>COMPANY PROPOSALS</u>  | 57  |
| <u>PROPOSAL ONE: Election of Directors</u>  | 57  |
| <u>PROPOSAL TWO: Ratification of Appointment of Independent Auditors</u>                | 58  |
| <u>PROPOSAL THREE: Approval of the Time Warner Cable Inc. 2006 Stock Incentive Plan</u> | 58  |
| <u>PROPOSAL FOUR: Approval of the Time Warner Cable Inc. 2007 Annual Bonus Plan</u>     | 64  |
| <u>VOTING AT THE ANNUAL MEETING</u>   | 67  |
| <u>Voting at the Annual Meeting; Record Date</u>  | 67  |
| <u>Required Vote</u>  | 68  |
| <u>Proxies and Voting Procedures</u>  | 68  |
| <u>Stockholders Sharing the Same Address; Householding</u>                              | 69  |
| <u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>                          | 69  |
| <u>OTHER PROCEDURAL MATTERS</u>   | 69  |
| <u>Expenses of Solicitation</u>   | 69  |
| <u>Procedures for Submitting Stockholder Proposals</u>                                  | 70  |
| <u>Procedures for Submitting Director Recommendations and Nominations</u>               | 70  |
| <u>Communicating with the Board of Directors</u>  | 71  |
| <u>General</u>  | 72  |
| <u>Annex A: Time Warner Cable Inc. 2006 Stock Incentive Plan</u>                        | A-1 |
| <u>Annex B: Time Warner Cable Inc. 2007 Annual Bonus Plan</u>                           | B-1 |

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**Table of Contents**

**TIME WARNER CABLE INC.**

North Tower  
One Time Warner Center  
New York, NY 10019

**PROXY STATEMENT**

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Time Warner Cable Inc., a Delaware corporation ( TWC, the Company, we, our or us ), for use at the Annual Meeting of the Company's stockholders (the Annual Meeting ) to be held on Wednesday, May 23, 2007, at the Hyatt Regency Hotel, 1800 East Putnam Avenue, Old Greenwich, Connecticut, commencing at 10:30 a.m., local time, and at any adjournment or postponement, for the purpose of considering and acting upon the matters set forth in the accompanying Notice of Annual Meeting of Stockholders. Stockholders attending the Annual Meeting in person should refer to the driving directions provided on the back cover of the Proxy Statement.

This Proxy Statement and accompanying forms of proxy and voting instructions are first being mailed on or about April 17, 2007 to holders of Class A common stock entitled to vote at the Annual Meeting. For information about stockholders' eligibility to vote at the Annual Meeting, shares outstanding on the record date and the ways to submit and revoke a proxy, please see Voting at the Annual Meeting, below.

At the close of business on March 27, 2007, the record date for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting, there were outstanding and entitled to vote 901,913,430 shares of the Company's Class A common stock, par value \$0.01 per share ( Class A common stock ), and 75,000,000 shares of the Company's Class B common stock, par value \$0.01 per share ( Class B common stock ).

Each issued and outstanding share of Class B common stock has ten votes and each issued and outstanding share of Class A common stock has one vote on any matter submitted to a vote of stockholders. The Class A common stock and the Class B common stock will vote together as a single class on all matters expected to be submitted to a vote of stockholders at the Annual Meeting except with respect to the election of directors. Holders of the Class A common stock vote, as a separate class, with respect to the election of the Class A directors, and holders of the Class B common stock vote, as a separate class, with respect to the election of the Class B directors. Time Warner Inc. ( Time Warner ), our parent company, controls approximately 90.6% of the vote in matters where the Class A common stock and the Class B common stock vote together as a single class, 82.7% of the vote of the Class A common stock and 100% of the vote of the Class B common stock in any other vote. As a result of its shareholdings, Time Warner has the ability to cause (i) the election of all the nominees for Class A directors and Class B directors, (ii) the ratification of the appointment of Ernst & Young LLP as the Company's independent auditors for 2007, (iii) the approval of the Time Warner Cable Inc. 2006 Stock Incentive Plan, and (iv) the approval of the Time Warner Cable Inc. 2007 Annual Bonus Plan.

**Annual Report**

A copy of the Company's Annual Report to Stockholders for the year 2006, has been sent simultaneously with this Proxy Statement or has been previously provided to all stockholders entitled to vote at the Annual Meeting.

**Recommendations of the Board of Directors**

The Board of Directors recommends a vote **FOR** the election of the nominees for election as directors; **FOR** ratification of the appointment of Ernst & Young LLP as the Company's independent auditors for 2007; **FOR** approval

of the Time Warner Cable Inc. 2006 Stock Incentive Plan; and **FOR** the approval of the Time Warner Cable Inc. 2007 Annual Bonus Plan.

**Table of Contents**

**CORPORATE GOVERNANCE**

The Company's Class A common stock began trading on the New York Stock Exchange (the NYSE) on March 1, 2007. For purposes of the NYSE rules, the Company is a controlled company. Controlled companies under the NYSE rules are companies of which more than 50% of the voting power is held by an individual, a group or another company. A subsidiary of Time Warner currently holds approximately 84.0% of the Company's common stock and 90.6% of the voting power and Time Warner, through its subsidiary, is able to elect the entire Board of Directors. Accordingly, the Company is exempt from certain NYSE governance requirements. Specifically, as a controlled company under NYSE rules, the board does not have a majority of independent directors and the Nominating and Governance Committee and Compensation Committee are not composed entirely of independent directors. Under the terms of the Company's amended and restated certificate of incorporation, however, at least 50% of the Company's Board of Directors (the Board or the Board of Directors) must be independent directors. In connection with the Adelphia/Comcast Transactions (as defined below), the Company agreed not to amend this charter provision prior to August 1, 2009 (three years following the closing of the Adelphia/Comcast Transactions) without, among other things, the consent of the holders of a majority of the shares of Class A common stock other than Time Warner and its affiliates.

The Company is committed to maintaining strong corporate governance practices that allocate rights and responsibilities among stockholders, the Board of Directors and management in a manner that benefits the long-term interests of the Company's stockholders. Accordingly, the Company's corporate governance practices are designed not just to satisfy regulatory requirements, but to provide for effective oversight and management of the Company.

The Board has devoted substantial attention to the subject of corporate governance. Among other things, the Board has established a Nominating and Governance Committee and has developed a Corporate Governance Policy. The Board first adopted this Policy in June 2006 and it became effective in conjunction with the Adelphia/Comcast Transactions in July 2006. The Board plans to refine it from time to time as it deems necessary. The Corporate Governance Policy sets forth the basic rules of the road to guide how the Board and its committees operate.

The Board of Directors also regularly holds executive sessions without management present, conducts examinations of management's and the Board's performance, adopted a code of conduct for employees, and enacted a set of ethics guidelines specifically for outside directors. The Board of Directors engages in a regular process of reviewing its corporate governance practices, including comparing its practices with those recommended by various corporate governance authorities, the expectations of the Company's stockholders, and the practices of other leading public companies. The Company also regularly reviews its practices in light of proposed and adopted laws and regulations, including the Sarbanes-Oxley Act of 2002, the rules of the Securities and Exchange Commission (the SEC), and the rules and listing standards of the NYSE.

Information on the Company's corporate governance is available to the public under "Corporate Governance" at [www.timewarnercable.com/investors](http://www.timewarnercable.com/investors) on the Company's website. The information on the website includes: the Company's by-laws, its Corporate Governance Policy, the charters of the Board's three standing committees and the Company's codes of conduct. These documents are also available in print by writing to the Company's Corporate Secretary at the following address: Time Warner Cable Inc., 290 Harbor Drive, Stamford, Connecticut, 06902-7441, Attn: General Counsel.

The remainder of this section of the Proxy Statement summarizes the key features of the Company's corporate governance practices:

**Board Size**

The Board currently consists of ten members. The Board of Directors has adopted a policy, consistent with the Company's amended and restated certificate of incorporation and the Company's by-laws, that it may determine the size of the Board from time to time. In establishing its size, the Board considers a number of factors, including (i) the proportion of Class A directors and Class B directors as contemplated by the

## **Table of Contents**

Company's amended and restated certificate of incorporation and discussed below, (ii) resignations and retirements from the current Board, (iii) the availability of appropriate and qualified candidates, (iv) balancing the desire of having a small enough Board to facilitate deliberations with, at the same time, having a large enough Board to have the diversity of backgrounds, professional experience and skills so that the Board and its committees can effectively perform their responsibilities in overseeing the Company's businesses and (v) the goal of having a mix of inside and independent directors.

Currently, the Board of Directors is comprised of two Class A directors and eight Class B directors. Holders of Class A common stock vote, as a separate class, with respect to the election of the Class A directors, and holders of Class B common stock vote, as a separate class, with respect to the election of the Class B directors. Under the Company's amended and restated certificate of incorporation, the Class A directors must represent not less than one-sixth and not more than one-fifth of the Board, and the Class B directors must represent not less than four-fifths of the Board. As a result of its shareholdings, Time Warner has the ability to cause the election of all Class A directors and Class B directors.

### **Criteria for Membership on the Board**

While a significant amount of public attention has been focused on the need for directors to be independent, independence is just one of the important factors that the Board and its Nominating and Governance Committee take into consideration in selecting nominees for director. The Nominating and Governance Committee and the Board of Directors apply the same criteria to all candidates, regardless of whether the candidate is proposed by a stockholder or is identified through some other source.

***Overall Composition.*** As a threshold matter, the Board of Directors believes it is important for the Board as a whole to reflect an appropriate combination of skills, professional experience, and diversity of backgrounds in light of the Company's current and future business needs.

***Personal Qualities.*** Each director must possess certain personal qualities, including financial literacy and a demonstrated reputation for integrity, judgment, business acumen, and high personal and professional ethics. In addition, each director must be at least 21 years of age at the commencement of service as a director.

***Commitment to the Company and its Stockholders.*** Each director must have the time and ability to make a constructive contribution to the Board, as well as a clear commitment to fulfilling the director's fiduciary duties and serving the interests of all the Company's stockholders.

***Other Commitments.*** Each director must satisfy the requirements of antitrust laws that limit service as an officer or director of a significant competitor of the Company. In addition, in order to ensure that directors have sufficient time to devote to their responsibilities, the Board determined that directors should generally serve on no more than five other public company boards.

***Additional Criteria for Incumbent Directors.*** During their terms, all incumbent directors on the Company's Board are expected to attend the meetings of the Board and committees on which they serve and the annual meetings of stockholders; to stay informed about the Company and its businesses; to participate in discussions; to comply with applicable Company policies; and to provide advice and counsel to the Company's management.

***Additional Criteria for New Directors.*** As part of its annual assessment of the Board's current composition in light of the Company's current and expected business needs, the Nominating and Governance Committee has identified additional criteria for new members of the Board. The following attributes may evolve over time depending on changes in the Board and the Company's business needs and environment, and may be changed before the proxy

statement for the 2008 annual stockholders meeting.

*Professional Experience.* New candidates for the Board should have significant experience in areas such as the following: (i) senior officer (e.g., president, officer or chief financial officer) of a major corporation (or a comparable position in the government, academia or non-profit sector); or (ii) a

**Table of Contents**

high-level position and expertise in one of the following areas cable, telecommunications, media and entertainment or consumer technology.

*Diversity.* The Committee also believes it would be desirable for new candidates for the Board to enhance the gender, ethnic, and/or geographic diversity of the Board.

*Committee Eligibility.* In addition to satisfying the independence requirements that apply to directors generally (see below), the Committee believes that it would be desirable for new candidates for the Board to satisfy the requirements for serving on the Board's committees, as set forth in the charters for those committees and applicable regulations.

*Director Experience.* The Committee believes it would also be desirable for candidates for the Board to have experience as a director of a public corporation.

***Independence.*** Under the Company's amended and restated certificate of incorporation, at least 50% of the directors on the Board must be independent. The Board has determined that five of the ten current directors, each of whom is also a nominee for director (or 50% of the Board), are independent in accordance with the Company's criteria. The Board applies the following NYSE criteria in making its independence determinations:

*No Material Relationship.* The director must not have any material relationship with the Company. In making this determination, the Board considers all relevant facts and circumstances, including commercial, charitable, and familial relationships that exist, either directly or indirectly, between the director and the Company.

*Employment.* The director must not have been an employee of the Company at any time during the past three years. In addition, a member of the director's immediate family (including the director's spouse; parents; children; siblings; mothers-, fathers-, brothers-, sisters-, sons- and daughters-in-law; and anyone who shares the director's home, other than household employees) must not have been an executive officer of the Company in the prior three years.

*Other Compensation.* The director or immediate family member (as an executive officer) must not have received more than \$100,000 per year in direct compensation from the Company, other than in the form of director fees, pension, or other forms of deferred compensation, during the past three years.

*Auditor Affiliation.* The director must not be a current partner or employee of the Company's internal or external auditor and the director's immediate family member must not be a current employee of such auditor who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice or a current partner of such auditor. In addition, the director or an immediate family member must not have been within the last three years a partner or employee of such firm who personally worked on the Company's audit.

*Interlocking Directorships.* During the past three years, the director or immediate family member cannot have been employed as an executive officer by another entity where one of the Company's or Time Warner's current executive officers served at the same time on the compensation committee.

*Business Transactions.* The director must not be an employee of another entity that, during any one of the past three years, received payments from the Company, or made payments to the Company, for property or services that exceed the greater of \$1 million or 2% of the other entity's annual consolidated gross revenues. In addition, a member of the director's immediate family cannot have been an executive officer of another entity that, during any one of the past three years, received payments from the Company, or made payments to the Company, for property or services that exceed the greater of \$1 million or 2% of the other entity's annual

consolidated gross revenues.

*Additional Categorical Criteria.* In addition to applying the NYSE requirements summarized above, the Board has also developed categorical standards, which it uses to guide it in determining whether a material relationship exists with the Company that would affect a director's independence. The



**Table of Contents**

standards are set forth in the Company's Corporate Governance Policy, which is available on its website at [www.timewarnercable.com/investors](http://www.timewarnercable.com/investors), and include:

- > *Charitable Contributions.* Discretionary charitable contributions by the Company and/or Time Warner Inc., and Time Warner's subsidiaries that are consolidated for purposes of its financial statements (collectively, TWI), to established non-profit entities with which a director or a member of the director's family is affiliated will generally be deemed not to create a material relationship, unless they occurred within the last three years and (i) were inconsistent with the Company's or TWI's philanthropic practices; or (ii) were provided to an organization where the director or spouse is an executive officer or director and the Company's or TWI's contributions for the most recently completed fiscal year represent more than (a) the greater of \$100,000 or 10% of that organization's annual gross revenues for organizations with gross revenues up to \$10 million per year or (b) the greater of \$1 million or 2% of that organization's annual gross revenues for organizations with gross revenues of more than \$10 million per year; or (iii) the aggregate amount of the Company's or TWI's contributions to the organizations where a director or spouse is an executive officer or director is more than the greater of \$1 million or 2% of all such organizations' annual gross revenues.
- > *Employment and Benefits.* The employment by TWI of a member of a director's family will generally be deemed not to create a material relationship, unless such employment involves employment at a salary of more than \$60,000 per year of a director's current spouse, domestic partner, or child. Further, vested and non-forfeitable equity-based benefits and retirement benefits provided to directors or their family members under qualified plans as a result of prior employment will generally be deemed not to create a material relationship.
- > *Other Transactions.* Transactions between the Company and/or TWI, and another entity with which a director or a member of a director's family is affiliated will generally be deemed not to create a material relationship (i) if they are not of the type set forth above under Business Transactions, (ii) if they occurred more than three years prior to determination of materiality or (iii) if they occur in the ordinary course of business and are consistent with other transactions in which the Company and/or TWI has engaged with third parties, unless, for purposes of (iii), (a) the director serves as an executive officer, employee, or substantial owner, or an immediate family member (as defined in the NYSE rules) is an executive officer, of the other entity and (b) such transactions represent more than 2% of the other entity's gross revenues for the prior fiscal year or more than 5% of the consolidated gross revenues for the prior fiscal year (x) of the Company if the transactions were with the Company or (y) of TWI if the transactions were with TWI, but not with the Company.
- > *Interlocking Directorships.* The service by an employee of TWI as a director of an entity (other than the Company) where one of the Company's directors or director's family members serves as an executive officer shall generally be deemed not to create a material relationship, unless the employee (i) is an executive officer of the Company; (ii) reports directly to the Board or a Committee of the Board; or (iii) has annual compensation approved by the Board's Compensation Committee.

*Independent Judgment.* Finally, in addition to the foregoing independence criteria, which relate to a director's relationship with the Company, the Board also requires that independent directors be free of any other affiliation whether with the Company or another entity that would interfere with the exercise of independent judgment.

**Director Nomination Process**

There are a number of different ways in which an individual may be nominated for election to the Board of Directors.

## **Table of Contents**

***Nominations Developed by the Nominating and Governance Committee.*** The Nominating and Governance Committee may identify and propose an individual for election to the Board. This involves the following steps:

***Assessment of Needs.*** As described above, the Nominating and Governance Committee conducts periodic assessments of the overall composition of the Board in light of the Company's current and expected business needs and, as a result of such assessments, the Committee may establish specific qualifications that it will seek in Board candidates. The Committee reports on the results of these assessments to the full Board of Directors.

***Identifying New Candidates.*** In light of such assessments, the Committee may seek to identify new candidates for the Board (i) who possess the specific qualifications established by the Committee and (ii) who satisfy the other requirements for Board service. In identifying new director candidates, the Committee seeks advice and names of candidates from Committee members, other members of the Board, members of management, and other public and private sources. The Committee may also, but need not, retain a search firm in order to assist it in these efforts.

***Reviewing New Candidates.*** The Committee reviews the potential new director candidates identified through this process. This involves reviewing the candidates' qualifications as compared to the specific criteria established by the Committee and the more general criteria established by the by-laws and Corporate Governance Policy. The Committee may also select certain candidates to be interviewed by one or more Committee members.

***Reviewing Incumbent Candidates.*** On an annual basis, the Committee also reviews incumbent candidates for renomination to the Board. This review involves an analysis of the criteria set forth above that apply to incumbent directors.

***Recommending Candidates.*** The Nominating and Governance Committee recommends a slate of candidates for the Board of Directors to submit for approval to the stockholders at the annual stockholders meeting. This slate of candidates may include both incumbent and new nominees. In addition, apart from this annual process, the Committee may, in accordance with the by-laws, recommend that the Board elect new members of the Board who will serve until the next annual stockholders meeting. It is expected that the Company will consult with Time Warner, its major stockholder, in connection with the Board's recommending candidates for election by its stockholders at an annual meeting.

***Stockholder Nominations Submitted to the Committee.*** Stockholders may also submit names of director candidates, including their own, to the Nominating and Governance Committee for its consideration. The process for stockholders to use in submitting suggestions to the Nominating and Governance Committee is set forth below at **Other Procedural Matters** Procedures for Submitting Director Recommendations and Nominations.

***Stockholder Nominations Submitted to Stockholders.*** Stockholders may choose to submit nominations directly to the Company's stockholders. The Company's by-laws set forth the process that stockholders may use if they choose this approach, which is described below at **Other Procedural Matters** Procedures for Submitting Director Recommendations and Nominations.

## **Board Responsibilities**

The Board's primary responsibility is to seek to maximize long-term stockholder value. The Board elects senior management of the Company, monitors management's and the Company's performance, and provides advice and

counsel to management. Among other things, at least annually, the Board reviews the Company's long-term strategy and approves a business plan and budget for the Company. The Board also reviews and approves transactions in accordance with guidelines that the Board may adopt from time to time. In fulfilling the Board's responsibilities, directors have full access to the Company's management, internal and external auditors, and outside advisors.

## **Table of Contents**

### **Board Meetings and Executive Sessions**

The Board of Directors holds at least five meetings each year, including four quarterly meetings and one meeting devoted to addressing the Company's strategy, business plan and annual budget. The meeting schedule is normally established in the summer of the previous year. The Board of Directors also communicates informally with management on a regular basis.

Non-employee directors meet by themselves, without management or employee directors present, at every regularly scheduled Board meeting. Additionally, the Independent Directors (as defined below) meet together without any other directors or management present at least twice a year. Any director may request additional executive sessions.

These executive sessions are led by the Chair of the committee that is responsible for the subject matter at issue (e.g., the Audit Committee Chair would lead a discussion of audit-related matters). When it is not clear which committee has specific responsibility for the subject matter, the Chair of the Nominating and Governance Committee presides.

### **Board Leadership**

The Company's Corporate Governance Policy provides that the Nominating and Governance Committee may from time to time make recommendations to the Board regarding the leadership structure of the Board, including whether to combine or separate the positions of Chairman and Chief Executive Officer, or to establish the position of lead or presiding director.

### **Committees of the Board**

The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. The Board may eliminate or create additional committees as it deems appropriate.

As a controlled company under NYSE rules, the Nominating and Governance Committee and the Compensation Committee are not required to be, and are not, composed entirely of independent directors. The Audit Committee is composed entirely of Independent Directors. The Chair of each committee is elected by the Board, upon the recommendation of the Nominating and Governance Committee, and is expected to be rotated periodically. Each committee also holds regular executive sessions at which only committee members are present. Each committee is also authorized to retain its own outside counsel and other advisors as it desires.

As noted above, charters for each standing committee are available on the Company's website, but a brief summary of the committees' responsibilities follows:

***Audit Committee.*** The Audit Committee assists the Board of Directors in fulfilling its responsibilities in connection with the Company's (i) independent auditors, (ii) internal auditors, (iii) financial statements, (iv) earnings releases and guidance, as well as (v) the Company's compliance program, internal controls, and risk management. The Board has determined that each member of the Audit Committee qualifies as an audit committee financial expert under the rules of the SEC implementing section 407 of the Sarbanes-Oxley Act and meets the independence and experience requirements of the NYSE and the federal securities laws.

***Nominating and Governance Committee.*** The Nominating and Governance Committee is responsible for assisting the Board in relation to (i) corporate governance, (ii) director nominations, (iii) committee structure and appointments, (iv) CEO performance evaluations and succession planning, (v) Board performance evaluations, (vi) director

compensation, (vii) regulatory matters relating to corporate governance, and (viii) stockholder proposals and communications.

**Compensation Committee.** The Compensation Committee is responsible for (i) approving compensation and employment agreements for, and reviewing benefits provided to certain of the Company's senior executives, (ii) overseeing the Company's disclosure regarding executive compensation, (iii) administering the Company's equity-based compensation plans and (iv) reviewing the Company's overall compensation structure

## **Table of Contents**

and benefit plans. A sub-committee of the Compensation Committee is responsible for certain executive compensation matters, including (i) reviewing and approving corporate goals and objectives relevant to the compensation of the CEO and each of the executive officers and each of the other employees whose annual total compensation has a value of \$2 million or more (the Senior Executives ), (ii) evaluating the performance of the CEO and the Senior Executives, and (iii) setting the compensation level of the CEO and the Senior Executives.

## **Board Self-Evaluation**

The Board of Directors conducts a self-evaluation of its performance annually, which includes a review of the Board's composition, responsibilities, structure, processes and effectiveness. Each committee of the Board conducts a similar self-evaluation with respect to such committee.

## **Director Orientation and Education**

Each individual, upon joining the Board of Directors, is provided with an orientation regarding the role and responsibilities of the Board and the Company's operations. As part of this orientation, new directors have opportunities to meet with members of the Company's senior management. The Company is also committed to the ongoing education of its directors. From time to time, the Company's executives make presentations to the Board regarding their respective areas. Moreover, the Company reimburses directors for reasonable expenses relating to ongoing director education.

## **Non-Employee Director Compensation and Stock Ownership**

The Board of Directors is responsible for establishing compensation for the Company's non-employee directors who are not active employees of the Company or TWI. At least every two years, the Nominating and Governance Committee will review the compensation for non-employee directors, including reviewing compensation provided to non-employee directors at other companies, and make a recommendation to the Board for its approval. (For details on the compensation currently provided to non-employee directors, please see Compensation Director Compensation. )

It is also the Board's policy that all directors who are not actively employed by the Company or TWI are required to own the Company's stock (whether as a result of exercising stock options, receipt of shares from the Company or the purchase of shares). It is expected that, within three years of joining the Board, each director will own at least the number of shares of the Company's stock, or stock-based equivalents, that have been awarded to him or her pursuant to the Company's compensation plans for Independent Directors, less any shares sold by the director for the purpose of paying taxes related to such awards.

The Company also expects all directors to comply with all federal, state and local laws regarding trading in securities of the Company and disclosing material, non-public information regarding the Company, and the Company has procedures in place to assist directors in complying with these laws.

## **Codes of Conduct**

In order to help assure the highest levels of business ethics at the Company, the Board of Directors has adopted the following three codes of conduct, which are posted on the Company's website at [www.timewarnercable.com/investors](http://www.timewarnercable.com/investors).

**Standards of Business Conduct.** The Company's Standards of Business Conduct apply to the Company's employees, including any employee directors. The Standards of Business Conduct establish policies pertaining to employee conduct in the workplace, electronic communications and information security, accuracy of books, records and

financial statements, securities trading, confidentiality, conflicts of interest, fairness in business practices, the Foreign Corrupt Practices Act, antitrust laws and political activities and solicitations.



## **Table of Contents**

***Code of Ethics for Principal Executive and Senior Financial Officers.*** The Company's Code of Ethics for Principal Executive and Senior Financial Officers applies to certain officers of the Company, including the Company's Chief Executive Officer, Chief Financial Officer, Controller, and other senior executives performing senior financial officer functions. The code serves as a supplement to the Standards of Business Conduct. Among other things, the code mandates that the designated officers engage in honest and ethical conduct, avoid conflicts of interest and disclose any material transaction or relationship that could give rise to a conflict, protect the confidentiality of non-public information about the Company, work to achieve responsible use of the Company's assets and resources, comply with all applicable governmental rules and regulations and promptly report any possible violation of the code. Additionally, the code requires that these individuals promote full, fair, understandable and accurate disclosure in the Company's publicly filed reports and other public communications and sets forth standards for accounting practices and records. Individuals to whom the code applies are held accountable for their adherence to it. Failure to observe the terms of this code or the Standards of Business Conduct can result in disciplinary action (including termination of employment).

***Guidelines for Non-Employee Directors.*** The Guidelines for Non-Employee Directors assist the Company's non-employee directors in fulfilling their fiduciary and other duties to the Company. In addition to affirming the directors' duties of care and loyalty, the guidelines set forth specific policies addressing, among other things, securities trading and reporting obligations, gifts, the Foreign Corrupt Practices Act, political contributions and antitrust laws.

## **Communication with the Directors**

The Company's Independent Directors have approved a process for stockholders to communicate with directors. This process is described below at [Communicating with the Board of Directors](#).

## **DIRECTORS**

### **Term**

The Company's directors are elected annually by the holders of Class A and Class B common stock, voting separately. The nominees for director at the Annual Meeting will be elected to serve for a one-year term until the next annual meeting of stockholders and until their successors have been duly elected and qualified or until their earlier death, resignation or retirement.

### **Director Independence and Qualifications**

As set forth in the Company's Corporate Governance Policy, in selecting its slate of nominees for election to the Board, the Nominating and Governance Committee and the Board have evaluated, among other things, each nominee's independence, satisfaction of regulatory requirements, financial literacy, personal and professional accomplishments and experience in light of the needs of the Company and, with respect to incumbent directors, past performance on the Board. See [Corporate Governance Criteria for Membership on the Board](#). Each of the nominees is currently a director of the Company. The amended and restated certificate of incorporation requires that at least 50% of the Board be independent. The Board has determined that five of the ten current and incumbent directors (or 50% of the Board), have no material relationship with the Company either directly or indirectly and are independent within the meaning of the listing requirements of the NYSE and the Company's more rigorous independence standards (such directors, the Independent Directors). In addition, the Board has determined that each director nominee is financially literate and possesses the high level of skill, experience, reputation and commitment that is mandated by the Board.

### **Nominees for Election at the Annual Meeting**

Our amended and restated certificate of incorporation provides that our Board of Directors be divided into two classes, with all directors being elected annually. Pursuant to our amended and restated certificate of incorporation, Class A directors are elected by holders of Class A common stock and Class B directors are elected by holders of Class B common stock. Class A directors must represent between one-sixth and one-fifth

**Table of Contents**

of our directors (and in any event no fewer than one) and Class B directors must represent between four-fifths and five-sixths of our directors. There are currently two Class A directors and eight Class B directors on our Board.

Set forth below are the principal occupation and certain other information, as of January 31, 2007, for the ten nominees, each of whom currently serves as a director.

***Class A Directors***

| <b>Name</b>            | <b>Age</b> | <b>Principal Occupation During the Past Five Years</b>  |
|------------------------|------------|---|
| David C. Chang         | 65         | <b>Chancellor, Polytechnic University.</b> Dr. Chang has served as Chancellor of Polytechnic University in New York since July 2005, having served as its President from 1994. Prior to assuming that position, he was Dean of the College of Engineering and Applied Sciences at Arizona State University. Dr. Chang is also a director of AXT, Inc. and Fedders Corporation, has served as a Class A director since March 2003 and served as an independent director of American Television and Communications Corporation from 1986 to 1992.   |
| James E. Copeland, Jr. | 62         | <b>Global Scholar, Robinson School of Business, Georgia State University.</b> Mr. Copeland has served as a Global Scholar at the Robinson School of Business at Georgia State University since 2003. Prior to that, Mr. Copeland served as the Chief Executive Officer of Deloitte & Touche USA LLP, a public accounting firm, and Deloitte Touche Tohmatsu, its global parent, from 1999 to May 2003. Prior to that, Mr. Copeland served in various positions at Deloitte & Touche, and its predecessors from 1967. Mr. Copeland has served as a Class A director since July 2006 and is also a director of Coca-Cola Enterprises Inc., ConocoPhillips and Equifax, Inc. |

***Class B Directors***

| <b>Name</b>    | <b>Age</b> | <b>Principal Occupation During the Past Five Years</b>  |
|----------------|------------|---|
| Glenn A. Britt | 57         | <b>President and Chief Executive Officer of the Company.</b> Mr. Britt has served as our President and Chief Executive Officer since February 15, 2006. Prior to that, he had served as our Chairman and Chief Executive Officer since March 2003. Prior to that, Mr. Britt was the Chairman and Chief Executive Officer of the Time Warner Cable division of Time Warner Entertainment Company, L.P. ( TWE ), now our subsidiary, from August 2001 and was President of the Time Warner Cable division of TWE from January 1999 to August 2001. Prior to assuming that position, he was Chief Executive Officer and President of Time Warner Cable Ventures, a unit of TWE, from January 1994 to January 1999. He was an |

Executive Vice President for certain of our predecessor entities from 1990 to January 1994. From 1972 to 1990, Mr. Britt held various positions at Time Warner and its predecessor Time Inc., including as Chief Financial Officer of Time Inc. Mr. Britt has served as a Class B director since March 2003. Mr. Britt also serves as a director of Xerox Corporation.

**Table of Contents**

| Name             | Age | Principal Occupation During the Past Five Years  |
|------------------|-----|--|
| Carole Black     | 63  | <b>Former President and Chief Executive Officer, Lifetime Entertainment Services.</b> Ms. Black served as the President and Chief Executive Officer of Lifetime Entertainment Services, a multi-media brand for women, including Lifetime Network, Lifetime Movie Network, Lifetime Real Women Network, Lifetime Online and Lifetime Home Entertainment, from March 1999 to March 2005. Prior to that, Ms. Black served as the President and General Manager of NBC4, Los Angeles, a commercial television station, from 1994 to 1999, and at various marketing-related positions at The Walt Disney Company, a media and entertainment company, from 1986 to 1993. Ms. Black has served as a Class B Director since July 2006.                                    |
| Thomas H. Castro | 52  | <b>Co-Founder, President and Chief Executive Officer, Border Media Partners LLC.</b> Mr. Castro is the co-founder of Border Media Partners LLC, a radio broadcasting company that primarily targets Hispanic listeners, and has served as its President and Chief Executive Officer since 2002. Prior to that, Mr. Castro, an entrepreneur, owned and operated other radio stations and founded a company that exported oil field equipment to Mexico. He also served as the National Deputy Finance Chairman of the Kerry for President Campaign. Mr. Castro has served as a Class B Director since July 2006.  |
| Peter R. Haje    | 72  | <b>Legal and Business Consultant and Private Investor.</b> Mr. Haje has served as a legal and business consultant and private investor since he retired from service as an executive officer of Time Warner on January 1, 2000. Prior to that, he served as the Executive Vice President and General Counsel of Time Warner from October 1990, adding the title of Secretary in May 1993. He also served as the Executive Vice President and General Counsel of TWE from June 1992 until 1999. Prior to his service to Time Warner, Mr. Haje was a partner of the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP for more than 20 years. Mr. Haje has served as a Class B director since July 2006 and is also a director of Courtside Acquisition Corp. |
| Don Logan        | 62  | <b>Chairman of the Board of the Company and Former Chairman, Time Warner's Media &amp; Communications Group.</b> Mr. Logan was appointed Chairman of our Board of Directors on February 15, 2006. He served as Chairman of Time Warner's Media & Communications Group from July 2002 until December 31, 2005. Prior to assuming that position, he was Chairman and Chief Executive Officer of Time Inc.,   |

Time Warner's publishing subsidiary, from 1994 to July 2002 and was its President and Chief Operating Officer from 1992 to 1994. Prior to that, Mr. Logan held various executive positions with Southern Progress Corporation, which was acquired by Time Inc. in 1985. Mr. Logan has served as a Class B director since March 2003.

**Table of Contents**

| Name               | Age | Principal Occupation During the Past Five Years  |
|--------------------|-----|--|
| Michael Lynne      | 65  | <b>Co-Chairman and Co-Chief Executive Officer, New Line Cinema Corporation.</b> Mr. Lynne has served as the Co-Chairman and Co-Chief Executive Officer of New Line Cinema Corporation, a producer, marketer and distributor of theatrical motion pictures and a subsidiary of Time Warner, since 2001. Prior to that, he served as its President and Chief Operating Officer from 1990 and as Counsel to New Line Cinema for a decade prior to that. Mr. Lynne has served as a Class B director since July 2006.   |
| N.J. Nicholas, Jr. | 67  | <b>Investor.</b> Mr. Nicholas is an investor. From 1964 until 1992, Mr. Nicholas held various positions at Time Inc. and Time Warner. He was named President of Time Inc. in 1986 and served as Co-Chief Executive Officer of Time Warner from 1990 to 1992. Mr. Nicholas is also a director of Boston Scientific Corporation and Xerox Corporation and has served as a Class B director since March 2003.   |
| Wayne H. Pace      | 60  | <b>Executive Vice President and Chief Financial Officer, Time Warner.</b> Mr. Pace has served as Executive Vice President and Chief Financial Officer of Time Warner since November 2001, and served as Executive Vice President and Chief Financial Officer of TWE from November 2001 until October 2004. He was Vice Chairman and Chief Financial and Administrative Officer of Turner Broadcasting System, Inc. ( TBS ) from March 2001 to November 2001 and held various other executive positions at TBS, including Chief Financial Officer, from 1993 to 2001. Prior to that Mr. Pace was an audit partner with PriceWaterhouse, now PricewaterhouseCoopers LLP, an international accounting firm. Mr. Pace has served as a Class B director since March 2003. |

The Board has identified Ms. Black and Messrs. Castro, Chang, Copeland and Nicholas as Independent Directors as independence is defined in the NYSE Listed Company Manual and as defined by Rule 10A-3 of the Securities Exchange Act of 1934 (the Exchange Act ). Additionally, each of these directors meets the categorical standards for independence established by the Board, as set forth in our Corporate Governance Policy and discussed elsewhere in this Proxy Statement. The Board has determined that the employment of Mr. Nicholas stepson by Time Inc., a subsidiary of Time Warner, does not affect Mr. Nicholas independence. The Board has also determined that Mr. Copeland s service on the audit committees of three other public companies does not impair his ability to serve effectively on the Company s Audit Committee.

**Attendance**

During 2006, the Board of Directors met seven times. No incumbent director attended fewer than 75% of the total number of meetings of the Board of Directors and the committees of which he or she was a member. In addition, the directors are encouraged and expected to attend the annual meetings of the Company s stockholders.

## **Committee Membership**

Pursuant to the Company's by-laws, the Board has established three principal standing committees of the Board. The Board may eliminate or create additional committees as it deems appropriate. The Board of Directors and the members of each of the committees meet regularly in executive session without management. The current members of the Board's principal committees are as follows:

***Compensation Committee.*** The members of our Compensation Committee are Michael Lynne, who serves as the Chair, Carole Black, Thomas Castro, Peter Haje, Don Logan and N.J. Nicholas, Jr. The members of the Compensation Committee who are Independent Directors are Ms. Black and Messrs. Castro and Nicholas. The Compensation Committee has a sub-committee consisting of two Independent Directors,



**Table of Contents**

Ms. Black and Mr. Nicholas, to which it may delegate executive compensation matters. The authority and responsibility of the Compensation Committee, which met one time during 2006, are described above (see Corporate Governance Committees of the Board ) and set forth in detail in its Charter, which is posted on the Company's website at [www.timewarnercable.com/investors](http://www.timewarnercable.com/investors).

**Nominating and Governance Committee.** The members of our Nominating and Governance Committee are N.J. Nicholas, Jr. who serves as the Chair, David Chang, Peter Haje, Don Logan and Wayne Pace. The members of the Nominating and Governance Committee who are Independent Directors are Messrs. Chang and Nicholas. The authority and responsibility of the Nominating and Governance Committee, which met for the first time in February 2007, are described above (see Corporate Governance Committees of the Board ) and set forth in detail in its Charter, which is posted on the Company's website at [www.timewarnercable.com/investors](http://www.timewarnercable.com/investors).

**Audit Committee.** The members of the Audit Committee are currently James Copeland, Jr., who serves as the Chair, David Chang and N.J. Nicholas, Jr. Among other things, the Audit Committee complies with all NYSE and legal requirements and consists entirely of Independent Directors. The authority and responsibility of the Audit Committee, which met four times during 2006, are described above (see Corporate Governance Committees of the Board ) and set forth in detail in its Charter, which is posted on the Company's website at [www.timewarnercable.com/investors](http://www.timewarnercable.com/investors).

**SECURITY OWNERSHIP****Security Ownership by the Board of Directors and Executive Officers*****Time Warner Cable Securities***

Our Class A common stock was listed for trading on the NYSE on March 1, 2007. As of March 1, 2007, none of our executive officers or directors beneficially owned any of our securities.

***Time Warner Securities***

The following table sets forth information as of the close of business on January 31, 2007 as to the number of shares of common stock of Time Warner, our parent company, beneficially owned by:

each executive officer named in the Summary Compensation Table included elsewhere in this Proxy Statement;

each of our directors; and

all of our current executive officers and directors as a group.

| Name                   | Time Warner Common Stock Beneficially Owned(1) |                  | Percent of Class |
|------------------------|--|------------------|------------------|
|                        | Number of Shares                               | Option Shares(2) |                  |
| Carole Black           |  |                  | *                |
| Glenn A. Britt(3)(5)   | 225,928  | 1,951,436        | *                |
| Thomas H. Castro       |  |                  | *                |
| David C. Chang         | 2,735  |                  | *                |
| James E. Copeland, Jr. |  |                  | *                |

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|   |         |            |   |
|---|---------|------------|---|
| Peter R. Haje(5)  | 35,620  | 270,000    | * |
| Landel C. Hobbs   | 18,869  | 779,550    | * |
| Michael LaJoie  | 6,619   | 157,774    | * |
| Don Logan(5)  | 398,432 | 4,881,250  | * |
| Michael Lynne(4)(5)   | 62,548  | 2,297,300  | * |
| Robert D. Marcus  |         | 682,619    | * |
| John K. Martin(5)   | 2,326   | 191,100    | * |
| N.J. Nicholas, Jr.  |         |            | * |
| Wayne H. Pace(5)  | 173,045 | 1,678,088  | * |
| All current directors and executive officers as a group (17 persons)(3)-(5) | 954,100 | 14,234,522 | * |

**Table of Contents**

- \* Represents beneficial ownership of less than one percent of Time Warner's issued and outstanding common stock on January 31, 2007.
- (1) Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 of the Exchange Act. Unless otherwise indicated, beneficial ownership represents both sole voting and sole investment power. This table does not include any shares of Time Warner common stock or other Time Warner equity securities that may be held by pension and profit-sharing plans of other corporations or endowment funds of educational and charitable institutions for which various directors and officers serve as directors or trustees. As of January 31, 2007, the only equity securities of Time Warner beneficially owned by the named persons or group were shares of Time Warner common stock and options to purchase Time Warner common stock.
  - (2) Reflects shares of Time Warner common stock subject to options to purchase common stock issued by Time Warner which, on January 31, 2007, were unexercised but were exercisable on or within 60 days after that date. These shares are excluded from the column headed "Number of Shares."
  - (3) Includes 348 shares owned by Mr. Britt's spouse as to which Mr. Britt disclaims beneficial ownership.
  - (4) Includes 3,115 shares held by the Ninah and Michael Lynne Foundation and 50,000 stock options that have been transferred to trusts for the benefit of members of Mr. Lynne's family.
  - (5) Includes (a) an aggregate of approximately 153,163 shares of Time Warner common stock held by a trust under the Time Warner Savings Plan and the TWC Savings Plan for the benefit of our current executive officers and directors, including 33,433 shares for Mr. Britt, 10,620 shares for Mr. Haje, 85,017 shares for Mr. Logan, 14,633 shares for Mr. Lynne, 2,326 shares for Mr. Martin and 745 shares for Mr. Pace and (b) an aggregate of approximately 5,114 shares of Time Warner common stock beneficially owned by members of such persons' immediate family.

**Security Ownership of Certain Beneficial Owners**

The following table sets forth information as of March 1, 2007 as to the number of shares of the Company's Common Stock beneficially owned by each person known to us to be the beneficial owner of more than 5% of the Company's Common Stock.

| Name of Beneficial Owner(1) | Time Warner Cable Inc. |                        |                        |                        |                       |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|
|                             | Class A Common Stock   |                        | Class B Common Stock   |                        | Total Voting Power(4) |
|                             | Number of Shares Owned | Percent of Class Owned | Number of Shares Owned | Percent of Class Owned |                       |
| Time Warner(2),(3)          | 746,000,000            | 82.7 %                 | 75,000,000             | 100 %                  | 90.6 %                |

- (1) Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 of the Exchange Act. Unless otherwise indicated, beneficial ownership represents both sole voting and sole investment power.
- (2)

The shares are registered in the name of Warner Communications Inc. ( WCI ), an indirect and wholly owned subsidiary of Time Warner. By virtue of Time Warner's control of WCI, Time Warner is deemed to beneficially own the shares of Class A and Class B common stock held by WCI. The address of each of Time Warner and WCI is One Time Warner Center, New York, NY 10019.

- (3) Amounts shown as owned by Time Warner may be deemed to be beneficially owned by Mr. Pace who is an executive officer of Time Warner and is also a member of the Company's Board of Directors. Mr. Pace disclaims such beneficial ownership.
- (4) Reflects the total voting power of such person or entity when both Class A and Class B common stock vote together as a single class.

## AUDIT-RELATED MATTERS

### Report of the Audit Committee

In accordance with its charter, the Audit Committee (the Committee) assists the Board of Directors in fulfilling responsibilities in a number of areas. These responsibilities include, among others: (i) the appointment and oversight of the Company's independent auditor, as well as the evaluation of the independent auditor's qualifications, performance and independence; (ii) the review of our financial statements and the results of each external audit; (iii) the review of other matters with respect to our accounting, auditing and financial reporting practices and procedures as the committee may find appropriate or may be brought to its attention; and (iv) the oversight of our compliance program. To assist it in fulfilling its oversight and other duties, the Committee regularly meets separately with the internal auditor, the independent auditor and management.

**Independent Auditor Matters.** The Committee has discussed with the Company's independent auditor its plan for the audit of the Company's annual consolidated financial statements, including the independent auditor's evaluation of management's assessment of and the effectiveness of the Company's internal control

**Table of Contents**

over financial reporting, as well as reviews of the Company's quarterly financial statements. During 2006, the Committee met regularly with the independent auditor, with and without management present, to discuss the results of its audits and reviews, as well as its evaluations of the Company's internal controls and the overall quality of the Company's accounting principles. The Committee has also appointed, subject to stockholder ratification, Ernst & Young LLP (E&Y) as the Company's independent auditors for 2007, and the Board concurred in its appointment.

***Financial Statements as of December 31, 2006.*** Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal and disclosure controls (including internal control over financial reporting). The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements and expressing opinions on the conformity of the consolidated financial statements with U.S. generally accepted accounting principles, and management's assessment of and the effectiveness of the Company's internal control over financial reporting. In this context, the Committee has met and held discussions with management and the independent auditors with respect to the Company's audited financial statements for the fiscal year ended December 31, 2006. Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles.

In connection with its review of the Company's year-end financial statements, the Committee has reviewed and discussed with management and the independent auditors the consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent auditors' evaluation of management's assessment of and the effectiveness of the Company's internal control over financial reporting. The Committee also discussed with the independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T, including the quality and acceptability of the Company's accounting policies, financial reporting processes and controls. The Committee also received from the independent auditors the written disclosures and letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Committee discussed with E&Y its independence. The Committee further considered whether the provision by independent auditors of any non-audit services described elsewhere in this Proxy Statement is compatible with maintaining auditor independence and determined that the provision of those services does not impair independent auditor's independence.

In performing its functions, the Committee acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's management and independent auditors, which, in their reports, express opinions on the conformity of the Company's annual financial statements to U.S. generally accepted accounting principles and management's assessment of and the effectiveness of the Company's internal control over financial reporting. In reliance on the reviews and discussions referred to in this Report and in light of its role and responsibilities, the Committee recommended to the Board of Directors, and the Board approved, that the audited financial statements of the Company be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for filing with the SEC.

*Members of the Audit Committee*

James Copeland, Jr. (Chair)  
David Chang  
N.J. Nicholas, Jr.

**Policy Regarding Pre-Approval of Services Provided by the Independent Auditors**

The Audit Committee has established a policy (the Policy) requiring its pre-approval of all audit services and permissible non-audit services provided by the independent auditors, along with the associated fees for those services.

The Policy provides for the annual pre-approval of specific types of services pursuant to policies and procedures adopted by the Audit Committee, and gives detailed guidance to management as to the specific services that are eligible for such annual pre-approval. The Policy requires the specific pre-approval of all other permitted services. For both types of pre-approval, the Audit Committee considers whether the provision of a non-audit service is consistent with the SEC's rules on auditor independence,

**Table of Contents**

including whether provision of the service (i) would create a mutual or conflicting interest between the independent auditors and the Company; (ii) would place the independent auditors in the position of auditing its own work; (iii) would result in the independent auditors acting in the role of management or as an employee of the Company; or (iv) would place the independent auditors in a position of acting as an advocate for the Company. Additionally, the Audit Committee considers whether the independent auditors are best positioned and qualified to provide the most effective and efficient service, based on factors such as the independent auditors' familiarity with the Company's business, personnel, systems or risk profile and whether provision of the service by the independent auditors would enhance the Company's ability to manage or control risk or improve audit quality or would otherwise be beneficial to the Company.

The Audit Committee has delegated to its Chair the authority to address certain requests for pre-approval of services between meetings of the Audit Committee, and the Chair must report his pre-approval decisions to the Audit Committee at its next regular meeting. The Policy is designed to ensure that there is no delegation by the Audit Committee of authority or responsibility for pre-approval decisions to management of the Company. The Audit Committee monitors compliance by management with the Policy by requiring management, pursuant to the Policy, to report to the Audit Committee on a regular basis regarding the pre-approved services rendered by the independent auditors. Management has also implemented internal procedures to ensure compliance with the Policy.

**Services Provided by the Independent Auditors**

The Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of the independent auditors. Accordingly, the Audit Committee has appointed E&Y to perform audit and other permissible non-audit services for the Company and its subsidiaries. The Company has formal procedures in place for the pre-approval by the Audit Committee (or its Chair) of all services provided by E&Y. These pre-approval procedures are described above under Policy Regarding Pre-Approval of Services Provided by the Independent Auditors.

The aggregate fees billed by E&Y to the Company for the years ended December 31, 2006 and 2005 are as follows:

**Fees of Accountants**

|   | <b>2006</b>         | <b>2005</b>         |
|---|---------------------|---------------------|
| Audit Fees(1)                           | \$ 4,641,400        | \$ 3,537,000        |
| Audit-Related Fees(2)                   | 989,000             | 2,899,690           |
| Tax Fees                                |                     |                     |
| All Other Fees                          |                     |                     |
| <b>Total Fees for Services Provided</b> | <b>\$ 5,630,400</b> | <b>\$ 6,436,690</b> |

- (1) *Audit Fees* were for audit services, including (a) the annual audit (including required quarterly reviews) and other procedures required to be performed by the independent auditors to be able to form an opinion on the Company's consolidated financial statements; (b) the audits of management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting; (c) consultation with management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB or other regulatory or standard-setting bodies; (d) services that only the independent auditors reasonably can provide,

such as services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings and assistance in responding to SEC comment letters; and (e) audit procedures related to the restatement of prior years' financial statements.

- (2) *Audit-Related Fees* were principally for services related to (a) agreed-upon procedures or expanded audit procedures to comply with contractual arrangements or regulatory/franchise reporting requirements; (b) audits of employee benefit plans; and (c) due diligence services pertaining to acquisitions and dispositions.

None of the services related to Audit-Related Fees presented above was approved by the Audit Committee pursuant to the waiver of pre-approval provisions set forth in the applicable rules of the SEC.



**Table of Contents**

**COMPENSATION**

**Executive Compensation**

**Compensation Discussion and Analysis**

***Oversight and Authority for Executive Compensation***

We developed our compensation philosophy for 2006 before we became a separately-traded public company and before we completed our transactions (the Adelphia/Comcast Transactions ) with Adelphia Communications Corporation and certain of its affiliates ( Adelphia ) and Comcast Corporation ( Comcast ) in July 2006. Some of our compensation philosophy, structure and practices are derived from our relationship with Time Warner, our corporate parent. We obtained certain efficiencies by making use of the Time Warner compensation logistics and infrastructure that are available to us. For example, as is explained below, our executives have participated in the equity award programs of Time Warner. The compensation paid to our executive officers also reflects the terms of their employment agreements that were developed before we became a public company.

Before July 31, 2006, our Compensation Committee was composed of all of the members of our Board of Directors (in such capacity, the Old Compensation Committee ), which at that time consisted of six members. Our Board of Directors expanded from six members to ten on July 31, 2006 when the Adelphia/Comcast Transactions closed, and a new separate five-member compensation committee was appointed (the New Compensation Committee ). Our New Compensation Committee had its first meeting in December 2006, and subsequently added a sixth member.

At all times, our Compensation Committee has been responsible for reviewing and/or approving all elements of our executive compensation programs. These include:

salary;

annual cash bonus;

long-term compensation, including equity-based awards;

employment agreements for our named executive officers, including any change of control or severance provisions or personal benefits set forth in those agreements; and

any change in control or severance arrangements for our named executive officers that are not part of their employment agreements.

For 2006, members of our management, including Glenn Britt, our President and Chief Executive Officer, Robert Marcus, our Senior Executive Vice President, and Tomas Mathews, our Senior Vice President, Human Resources, evaluated each of the compensation elements described above. They reviewed base salaries, target award levels and performance measures in the incentive plans, and the structure of each compensation program, as discussed in this Compensation Discussion and Analysis. They also consulted with Time Warner executive compensation personnel. Our management then made recommendations to the Old Compensation Committee, which reviewed and approved each compensation element for each of the named executive officers for 2006. Our New Compensation Committee determined final 2006 annual cash bonuses in February 2007. A similar process has been followed for establishing the elements of the compensation package for each named executive officer for 2007, except that the recommendations of management were reviewed and approved by the New Compensation Committee.

***2006 Compensation Philosophy***

We seek to use a competitive mix of base salary and incentive compensation that will attract, retain, motivate and reward our executive officers for achievement of Company and personal performance goals. Our philosophy is informed by the following key principles:

*Competitive pay* Total compensation delivered to executives should reflect the competitive marketplace for talent inside and outside our industry so that we can attract, motivate and retain key talent while maintaining appropriate balance among our similarly situated executives.

## **Table of Contents**

*Pay for performance* Total compensation delivered to executives should reflect an appropriate mix of variable, performance-based compensation tied to the achievement of Company financial performance goals.

*Short-term and long-term elements* Our executives' total compensation should be delivered in a form that focuses the executive on both our short-term and long-term strategic objectives.

We also enter into employment agreements with our named executive officers (as defined below) to foster retention, to be competitive and to protect our business (through the use of restrictive covenants).

As a result of awards made prior to 2007, our named executive officers continue to participate in the Time Warner equity program. For 2007, our executives will receive awards based on our Class A common stock and will not receive awards under Time Warner's equity plans. Our employees who have outstanding equity awards under the Time Warner equity plans will retain any rights under those awards pursuant to their terms.

### ***Review of Compensation Practices***

To make sure our compensation practices for 2006 matched our compensation philosophy, we began to review our compensation programs and practices in 2005. We continued our review through 2006. We determined that the compensation programs in place were still effective and appropriate for 2006.

### ***Application of Compensation Philosophy***

*Competitive Compensation Levels.* We compared our named executive officers' current compensation levels to competitive market norms using survey market data that represented national companies from general industry, telecommunications and media industries, with revenues which were generally comparable to ours, when we made our 2006 compensation recommendations to our Old Compensation Committee. Each named executive officer's compensation was compared to that of other executives in positions of comparable scope and responsibility.

Additionally, compensation levels for Glenn Britt, our Chief Executive Officer, Landel Hobbs, our Chief Operating Officer, and John Martin, our Chief Financial Officer, were compared to data published in proxy statements or other publicly available sources for executives in similarly situated positions in cable companies of varying sizes, including Comcast, Cox Communications, Inc., Cablevision Systems Corp., Charter Communications, Inc. and Adelphia. We believe that these cable companies represented some of our major competitors for executive talent in 2006. Where available, we supplemented the compensation review with internal compensation data for comparable positions within Time Warner. We refer to the survey companies, proxy companies and internal Time Warner positions used to benchmark 2006 compensation levels for our named executive officers as the 2006 Peer Group.

We began our review of each named executive officer's compensation package with a review of the relevant executive's employment agreement. The employment agreements provide a minimum annual salary and a target annual discretionary bonus, stated as a percentage of annual salary. Our 2006 compensation recommendations to our Old Compensation Committee also took into account the importance of each named executive officer's position in our company, the importance of retaining the executive in his role and his tenure in the role. In consideration of these factors, we recommended target levels of compensation, consisting of base salary, annual cash bonus and long-term incentives, that would place the pay of each named executive officer between the median and the 75th percentile of the 2006 Peer Group. The total cash compensation delivered was dependent on the ultimate awards under our cash-based incentive plans, which were based on achievement of certain financial performance goals, discussed in detail below, and an evaluation of the executive's individual performance.

*Compensation Elements.* Our 2006 compensation program incorporated the following elements, which together were intended to encourage executives to focus on both our short-term and long-term strategic objectives:

*Annual Base Salary;*

**Table of Contents**

*Short-Term Cash Incentive* variable, performance-based annual incentive payment based on the achievement of company financial goals and individual goals;

*Long-Term Incentives* blend of Time Warner stock options, Time Warner restricted stock units and variable performance-based long-term cash awards; and

*Other Benefits* health and welfare benefits available generally to all employees and special personal benefits that are considered on a case-by-case basis.

To support our pay for performance compensation objective, a portion of compensation paid was variable and dependent upon the achievement of our and the relevant executive's performance goals. The higher the level of strategic impact on organizational success an executive has, the larger the portion of the overall compensation package that is delivered through variable compensation related to our performance. For example, Mr. Britt's target compensation is based approximately 90% on variable, performance-based and/or equity-based compensation and 10% on base salary. Other named executive officers' target compensation is based on approximately 75-80% variable, performance-based and/or equity-based compensation.

We believe the split between short-term and long-term performance-based 2006 compensation for our named executive officers, which was approximately even, but with slightly more compensation being delivered through long-term incentives, is consistent with the 2006 Peer Group.

*2006 Base Salary.* We generally conduct reviews of base salaries annually, and we repeat the review when a named executive officer is promoted or his responsibilities change. During such a review we generally compare each named executive officer's roles and responsibilities with the roles and responsibilities of his counterparts from other comparable companies, which for 2006 included the 2006 Peer Group. We consider each named executive officer's performance, the importance of the executive officer's position within our company, the importance of keeping the executive officer in his role and his tenure in the role. In general, the higher the strategic impact an executive officer has on our organizational success, the less we rely on base salary for his compensation.

We determined that Mr. Britt's base salary for 2006 was within the ranges of the 2006 Peer Group; therefore, we did not consider a salary increase for Mr. Britt for 2006. Messrs. Hobbs, Martin and Marcus were hired or promoted into their current positions in August 2005. We considered data for comparable positions when we set their salaries at that time, so we did not think a base salary adjustment was needed for 2006. However, when we promoted Mr. Hobbs to Chief Operating Officer, we agreed to undertake a further review of his compensation during 2006. We reviewed Mr. Hobbs' base salary in mid-2006 against the 2007 Peer Group (as described in *Looking Forward*), his performance as our Chief Operating Officer and in light of his responsibility for a larger number of cable systems as a result of the Adelphia/Comcast Transactions. Based on this review, the New Compensation Committee approved a salary increase for Mr. Hobbs to \$850,000, effective as of August 1, 2006.

Mr. LaJoie's base salary was increased from \$400,600 to \$420,600 effective January 1, 2006 to reflect an annual performance merit increase. We reviewed Mr. LaJoie's base salary against the 2006 Peer Group later in 2006 and, based on that review, Mr. LaJoie's base salary was increased from \$420,600 to \$450,000 effective March 1, 2006.

*2006 Short-Term Incentives.* The Time Warner Cable Incentive Plan ( *TWCIP* ) is a short-term annual cash incentive plan designed to motivate executives to help us meet and exceed our annual growth goals by giving them a chance to share in our financial success. The *TWCIP* also rewards executives for achieving specified individual and non-financial short-term goals. Each *TWCIP* participant is eligible to receive a target bonus stated as a percentage of base salary. Upon review of the 2006 Peer Group we determined that target bonus recommendations were in line with

our compensation philosophy. For every level in our company, there is a TWCIP target bonus level. With increasing levels of responsibility, a higher percentage of the executive's total compensation comes from performance-based bonuses.

Mr. Britt's previous employment contract expired in August 2006. In connection with the negotiation of Mr. Britt's new employment agreement, we compared Mr. Britt's annual target bonus with publicly available data that had been assembled for these purposes, and we considered his increased responsibilities following the closing of the Adelphia/Comcast Transactions and our anticipated change to a public company. Our review

**Table of Contents**

and evaluation led to increasing Mr. Britt's target bonus from \$3,750,000 to \$5,000,000 effective August 1, 2006. When we reviewed Mr. Hobbs' employment agreement as discussed above, we also compared Mr. Hobbs' annual target bonus with the 2007 Peer Group, and considered his responsibility for a larger number of cable systems following the closing of the Adelphia/Comcast Transactions. Our review and evaluation led to increasing Mr. Hobbs' target bonus from 175% to 200% of base salary effective August 1, 2006. Earlier in 2006, we also compared Mr. LaJoie's target bonus to the 2006 Peer Group. Our review and evaluation led to increasing his target bonus from 80% to 100% of base salary, effective March 1, 2006.

The TWCIP established for 2006 was similar in structure to short-term incentive programs implemented by other Time Warner companies.

For 2006, the TWCIP performance goals for the named executive officers were weighted 70% on company-wide financial goals and 30% on individual goals. The financial goals following their amendment in July 2006, as discussed below were further weighted 70% based on Operating Income (Loss) before depreciation of tangible assets and amortization of intangible assets ( OIBDA ), and 30% based on OIBDA less capital expenditures (other than capitalized transaction costs related to the Adelphia/Comcast Transactions (as defined below)). Management and the Old Compensation Committee believed that OIBDA is an important indicator of the operational strength and performance of our business, including our ability to provide cash flows to service debt and fund capital expenditures. This makes it a useful performance criterion. OIBDA less capital expenditures was chosen as the other financial measure because it is a measure of free cash flow (which is a common financial tool to assess a cable company's ability to service debt).

Mr. Britt's 2006 individual performance goals were as follows:

*Adelphia/Comcast Integration* Close the Adelphia/Comcast Transactions and successfully integrate the Adelphia and Comcast resources into our existing systems;

*Deployment of New Products and Technology* Successfully deploy within budget targets, Start Over, Digital Simulcast, Switched Digital and Mystro Digital Navigator;

*Bundling* Increase the penetration of Triple-play products among subscribers;

*Regionalization* Complete the regional organizational structure;

*Digital Phone* Advance broad-based scaling and increase the penetration of our Digital Phone product;

*Diversity* Implement a diversity program covering hiring, programming, marketing and partnering; and

*Succession Planning* strengthen our management team through succession planning and the recruitment and retention of key executives (with a focus on diversity).

Mr. Britt established and approved the individual measurable goals for each of the other named executive officers. The goals for each of our named executive officers, other than Mr. Britt, include supporting Mr. Britt in achieving his goals, taking into account each named executive officer's particular role and responsibilities.

At the time that the 2006 TWCIP was established, our Old Compensation Committee recognized that it was difficult to predict when the Adelphia/Comcast Transactions would ultimately close, and that the timing of the closing could significantly affect our financial results. Under the terms of the TWCIP, any significant change in our business that would impact our financial results, such as acquisitions or divestitures, should be reviewed to determine whether and to what extent the TWCIP targets should be modified. In light of this, the Old Compensation Committee did not

initially establish the specific financial goals that would be used to determine payments under the 2006 TWCIP. However, it did, early in 2006, determine that the 2006 TWCIP would utilize a 70/30 weighting as between financial and individual goals discussed above. At that time, it also intended that the financial component would be further weighted 70% based on OIBDA and 30% based on Free Cash Flow. Free Cash Flow is a non-GAAP financial measure, which we define as cash provided by operating activities (as defined under GAAP) plus excess tax benefits from the exercise of stock options less cash provided by (used by) discontinued operations, capital expenditures, partnership distributions and principal payments on capital leases. In July 2006, the Old Compensation Committee acted to establish specific 2006 TWCIP financial goals, which were intended to reflect to the greatest extent possible the impact



**Table of Contents**

of the closing of the Adelphia/Comcast Transactions, as well as the then anticipated dissolution of Texas and Kansas City Cable Partners, L.P. ( TKCCP ). In adopting the goals, our Old Compensation Committee elected to replace the Free Cash Flow financial measure originally contemplated with OIBDA less capital expenditures. Our Old Compensation Committee felt it would be difficult to predictably gauge Free Cash Flow for 2006 because of anticipated working capital fluctuations arising as a result of the closing of the Adelphia/Comcast Transactions and our integration of the cable systems acquired in the Adelphia/Comcast Transactions into our existing operations, as well as the pending dissolution of TKCCP. As discussed above, OIBDA less capital expenditures was considered a more reliable financial measure under the circumstances. However, in light of the significant changes in our operational environment during the year, it was anticipated that it would still be difficult to accurately assess management's performance under this revised measure and that discretion would need to be exercised in determining final 2006 TWCIP payouts to ensure, to the extent possible, that the payments reflect the actual degree of difficulty required to achieve the financial goals that were established.

In early 2007, the New Compensation Committee determined 2006 awards for each named executive officer under the 2006 TWCIP based on the previously established financial and non-financial criteria. As a result of our superior financial results in 2006 that exceeded established financial targets and the Committee's assessment of each named executive officer's significant accomplishments in light of his individual goals, each of the named executive officers was awarded the maximum percentage of his target payout, as shown in the table under Grants of Plan-Based Awards in 2006. Mr. Britt's annual award was capped pursuant to the terms of his employment agreement. Awards for Messrs. Britt, Hobbs and LaJoie were prorated to reflect changes in their TWCIP award targets during 2006. In establishing bonus payments for the executive officers, the Committee consulted with representatives of Korn/Ferry Compensation Advisors, its compensation consultant.

*2006 Long-Term Incentives.* Our long-term incentive compensation ( LTI ) program is designed to retain and motivate employees to meet and exceed our long-term growth goals as a balance to the short-term incentive plan. The 2006 LTI Program was similar in structure to long-term incentive programs implemented by other Time Warner companies.

For 2006, the LTI program was designed to deliver its value using a combination of 55% in stock-based awards and 45% in cash awards. The mix was determined in a manner designed to deliver a target amount of value. We used Time Warner common stock for our stock-based awards since we did not have any publicly traded stock at the time. Because the performance of Time Warner common stock relates to other Time Warner businesses in addition to ours, we used a long-term performance-based cash award ( LTIP ) to increase the extent to which our named executive officers' long-term compensation ties directly to our financial results.

We established LTI target awards for each named executive officer based on a competitive award level as compared against executives in comparable positions in the 2006 Peer Group. We based the target levels of the long-term awards on an evaluation of the named executive officer's performance, the importance of his position within our organization, the importance of retaining the executive in his role, his tenure in the role and his established target award level.

*2006 Stock-Based Awards.* We believe that the award of stock options and restricted stock units provides retention value and an opportunity to align the interests of our executives with the interests of our stockholders. Time Warner stock options and restricted stock units granted in 2006 to our named executive officers other than our Chief Executive Officer were based in part on the recommendations of our management to the compensation committee of Time Warner's board of directors (the Time Warner compensation committee). The 2006 stock-based awards, including the mix between stock options and restricted stock units, was similar in structure to 2006 stock programs utilized by other Time Warner companies. Upon exercise of Time Warner stock options, we are obligated to reimburse Time Warner for the excess of the market price of the Time Warner common stock over the option exercise price. See Certain Relationships and Related Transactions Relationship Between Time Warner and Us Reimbursement for Time Warner Equity Compensation and



**Table of Contents**

Note 4 to our audited consolidated financial statements for the year ended December 31, 2006, included in our Annual Report on Form 10-K.

For 2006, the stock-based grants reflected a mix between time-based stock options and time-based restricted stock units of approximately 70% and 30%, respectively. Stock options are designed to reward executives for stock price growth and company performance as well as to align executives' interests with stockholders. Restricted stock units are designed to enhance executive retention even when the stock value is fluctuating, reward stock price growth and encourage executive stock ownership.

The Time Warner compensation committee approved and granted stock-based awards to our named executive officers in 2006. Time Warner stock-based awards can be granted only by Time Warner. The Time Warner compensation committee approved stock-based grants to Messrs. Britt and Hobbs with input from Time Warner senior management and our management in the case of Mr. Hobbs. Separately, the Time Warner compensation committee awarded stock-based grants within Time Warner's guidelines to our other named executive officers based on the recommendations of our management, in light of the relevant named executive officer's individual performance, as well as the established target award level for each named executive officer. All of these stock-based awards were also presented to our Old Compensation Committee for review as part of its approval of 2006 compensation. Mr. Britt and the other named executive officers were awarded both stock options and restricted stock units. Pursuant to Time Warner's long-standing practice, the stock options were granted with an exercise price equal to the average of the high and low sales prices of Time Warner common stock on the grant date. The restricted stock units awarded by Time Warner to our executive officers in March 2006 vest in two equal installments on the third and fourth anniversaries of the date of grant, and the stock options awarded at the same time vest in four equal installments on each of the first four anniversaries of the date of grant. We believe that the multi-year vesting schedule encourages executive retention and emphasizes a longer-term perspective.

*2006 Long-Term Cash Awards.* Performance goals under the 2006-2008 LTIP are based on cumulative OIBDA for the years 2006 to 2008 relative to established OIBDA targets as discussed below. At the end of the three-year performance period, performance against the established OIBDA objectives will be measured. Actual achievement versus the established objectives will determine individual awards. We selected OIBDA as a performance measure in the LTIP for the same reasons discussed under the short-term incentive plan above.

Our Old Compensation Committee initially approved dollar amounts payable under the LTIP for the 2006-2008 performance period if targets were met, intending to utilize a three-year cumulative OIBDA performance range against our then-current four year budget and long-range financial plan. Under the terms of the LTIP, any change in our business that impacts our financial results, such as acquisitions or divestitures, are to be reviewed to determine whether and to what extent the LTIP performance ranges should be modified. In December 2006, our New Compensation Committee modified the LTIP performance goal for the 2006-2008 performance period and adopted the same OIBDA measure used in the TWCIP for the 2006 portion of the three-year performance period. The New Compensation Committee also established OIBDA goals for 2007 and 2008 based on our then current proposed budget and long-range financial plan. Our New Compensation Committee also indicated it would review final payouts carefully in light of the significant changes in our operational environment.

Actual awards can range from 0% to 200% of the LTIP target based on our actual performance, although no payout will be made for performance below the established minimum threshold under the LTIP. Payouts under the LTIP will be made during the first quarter of the year following the completion of the three-year performance period. For example, payouts from the 2006-2008 LTIP will occur during the first quarter of 2009.

***Total Compensation Review***

We believe that the total compensation delivered for 2006, including base salary and short-term and long-term incentives, appropriately reflects market competitive levels, individual and company performance, the importance of each individual's position within our company, the importance of retaining the executive in his role and his tenure in the role.

## **Table of Contents**

Pursuant to our compensation philosophy and practices, we targeted total direct 2006 compensation to executives to be between the 50th and 75th percentiles of the 2006 Peer Group.

Total direct 2006 compensation for each of Messrs. Britt, Martin, Marcus and LaJoie (including pro-rated adjustments for Mr. Britt due to an August increase in his short-term bonus target) is between the 50th and 75th percentile when compared to the survey market data. Mr. Britt's and Mr. Martin's total direct compensation was below the average when compared to the 2006 proxy data that had been assembled (the benchmark used by Time Warner when reviewing Mr. Britt's compensation). Neither Mr. Marcus nor Mr. LaJoie's compensation was compared to a public peer group at the time that 2006 compensation was initially reviewed. Mr. Hobbs' 2006 total direct compensation (including pro-rated adjustments due to an August increase in base salary and short-term bonus target) is below the 50th percentile when compared to the survey market data and below the 50th percentile when compared to the 2007 Peer Group (the benchmark used by Time Warner when reviewing Mr. Hobbs' compensation).

### ***Looking Forward***

Our management and our New Compensation Committee have evaluated the structure of our short-term and long-term incentive programs. As a newly-public company, we expect that our long-term compensation will consist largely of grants based on our Class A common stock, including stock options and restricted stock units. During 2006, we engaged Mercer Consulting to help us evaluate our executive compensation program for 2007, including measuring our executive compensation program against various benchmarks and advising us on our compensation mix and the structure of our bonus programs. Mercer also met with our New Compensation Committee in connection with reviewing 2007 salaries and bonus targets for our executive officers and provided insights on various executive compensation trends.

During 2006, we established a more refined peer group of 20 public cable, communications and entertainment companies with publicly available data that we believe are similar in size and focus to us and/or will better reflect our competitors for talent in the coming years. We call this group our 2007 Peer Group. The companies in our 2007 Peer Group include: ALLTEL Corporation, AT&T Inc., Bell Canada Enterprises, BellSouth, Inc., Cablevision Systems Corporation, CBS Corporation, Charter Communications Inc., Clear Channel Communications, Inc., Comcast, DIRECTV Group, Inc., Echostar Communications Corporation, Liberty Global Inc., News Corporation, QWEST Communications International, Inc., Rogers Communications Inc., Sprint Nextel Corporation, TELUS Corporation, The Walt Disney Company, Verizon Communications, Inc. and Viacom Inc. Based upon the recommendation of the New Compensation Committee's consultant, the New Compensation Committee determined that for future compensation comparisons, the 2007 Peer Group would be modified to eliminate three Canadian companies Bell Canada Enterprises, Rogers Communications, Inc. and TELUS Corporation and to replace Liberty Global Inc. with Liberty Media Corporation. We believe the 2007 compensation approved by the New Compensation Committee for our named executive officers is consistent with our compensation philosophy which is informed in part by the practices of the 2007 Peer Group.

### ***Perquisites***

As described below, we provide personal benefits, such as reimbursement for financial services, from time to time to our named executive officers under their employment agreements when we determine such personal benefits are a useful part of a competitive compensation package. Mr. Britt was also provided with a car allowance in 2006. Additionally, we own aircraft jointly with Time Warner and other Time Warner companies. Use of corporate aircraft for business and personal travel is governed by a policy established by Time Warner. Under the policy, Mr. Britt is authorized to use the corporate aircraft for domestic business travel and for personal use when there is available space on a flight scheduled for a business purpose or in the event of a medical or family emergency. Other executives

require various approvals for use of the corporate aircraft.

**Table of Contents**

***Employment Agreements***

Consistent with our goal of attracting and retaining executives in a competitive environment, we have entered into employment agreements with Mr. Britt and the other named executive officers. The employment agreements with Messrs. Britt, Martin and Marcus were reviewed and approved by our Old Compensation Committee. The employment agreement for each named executive officer is described in detail in this Proxy Statement under Employment Agreements and Potential Payments Upon Termination or Change in Control.

***Deferred Compensation***

Before 2003, we maintained a nonqualified deferred compensation plan that generally permitted employees whose annual cash compensation exceeded a designated threshold to defer receipt of all or a portion of their annual bonus until a specified future date. Since March 2003, deferrals may no longer be made but amounts previously credited under the deferred compensation plan continue to track crediting rate elections made by the employee from an array of third-party investment vehicles offered under our savings plan. See Nonqualified Deferred Compensation.

***Tax Deductibility of Compensation***

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Tax Code ) generally disallows a tax deduction to public corporations for compensation in excess of \$1,000,000 in any one year with respect to each of its five most highly paid executive officers with the exception of compensation that qualifies as performance-based compensation. Because we were not a public company in 2006, section 162(m) did not apply to us with respect to compensation deductible for 2006. The New Compensation Committee will consider section 162(m) implications in making compensation recommendations and in designing compensation programs for our executives as a public company. However, the New Compensation Committee reserves the right to pay compensation that is not deductible if it determines that to be in our best interest and the best interests of our stockholders.

In this regard, we are submitting our 2007 Annual Bonus Plan and 2006 Stock Incentive Plan to stockholders for approval so that compensation paid under these plans may qualify as performance-based compensation under Section 162(m). See Proposal Four Approval of the Time Warner Cable Inc. 2007 Annual Bonus Plan and Proposal Three Approval of Time Warner Cable Inc. 2006 Stock Incentive Plan.

***Compensation Committee Report***

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and our Annual Report on Form 10-K (by reference).

***Members of the Compensation Committee***

Michael Lynne (Chair)  
Carole Black  
Thomas Castro

Peter Haje  
Don Logan  
N.J. Nicholas

**Table of Contents****Executive Compensation Summary Table**

The following table presents information concerning total compensation paid to our Chief Executive Officer, Chief Financial Officer and each of our three other most highly compensated executive officers who served in such capacities on December 31, 2006 (collectively, the named executive officers ).

**SUMMARY COMPENSATION TABLE**

| Name and Principal Position                              | Year | Salary       | Bonus | Time Warner     | Time Warner      | Non-Equity        | Change in Pension Value and Nonqualified | All Other       | Total        |
|--|------|--------------|-------|-----------------|------------------|-------------------|--|-----------------|--------------|
|  |      |              |       | Stock Awards(2) | Option Awards(3) | Plan Compensation | Deferred Compensation                    | Compensation(5) |              |
| Mr. Britt(1)<br>Chairman and Chief Executive Officer     | 2006 | \$ 1,000,000 |       | \$ 1,018,786    | \$ 1,645,404     | \$ 5,587,500      | \$ 150,810                               | \$ 73,390       | \$ 9,475,890 |
| Mr. Martin<br>Vice Chairman and Chief Financial Officer  | 2006 | \$ 650,000   |       | \$ 115,111      | \$ 246,094       | \$ 1,218,750      | \$ 40,570                                | \$ 11,200       | \$ 2,271,625 |
| Mr. Hobbs<br>Operating Officer                           | 2006 | \$ 762,500   |       | \$ 230,364      | \$ 460,658       | \$ 2,134,376      | \$ 35,820                                | \$ 36,780       | \$ 3,606,108 |
| Mr. Marcus<br>Executive Vice President                   | 2006 | \$ 650,000   |       | \$ 124,719      | \$ 276,112       | \$ 1,218,750      | \$ 24,210                                | \$ 13,360       | \$ 2,286,841 |
| Ms. LaJoie<br>Vice Chairman and Chief Technology Officer | 2006 | \$ 444,911   |       | \$ 51,953       | \$ 230,583       | \$ 646,620        | \$ 60,090                                | \$ 12,000       | \$ 1,385,167 |

- (1) Mr. Britt served as Chairman from January 1, 2006 through February 15, 2006, at which time he added the title of President and ceased serving as Chairman.
- (2) Amounts set forth in the Time Warner Stock Awards column represent the value of Time Warner restricted stock and restricted stock unit awards, which represent a contingent right to receive a designated number of shares of Time Warner common stock, par value \$.01 per share ( Time Warner Common Stock ), upon completion of the vesting period, recognized for financial statement reporting purposes for 2006 as computed in accordance with FAS 123R, disregarding estimates of forfeitures related to service-based vesting conditions. The amounts were calculated based on the average of the high and low sale prices of Time Warner Common Stock on the date of grant. The awards granted in 2006 vest equally on each of the third and fourth anniversaries



of the date of grant, assuming continued employment. Each of the named executive officers has a right to receive dividends on their unvested shares of restricted stock and dividend equivalents on unvested Time Warner restricted stock units, if paid.

- (3) Amounts set forth in the Time Warner Option Awards column represent the fair value of stock option awards with respect to Time Warner Common Stock, recognized for financial statement reporting purposes for 2006 as computed in accordance with FAS 123R, disregarding estimates of forfeitures related to service-based vesting conditions. For additional information about the assumptions used in these calculations, see Note 4 to our audited consolidated financial statements for the year ended December 31, 2006, included in our Annual Report on Form 10-K. The discussion in our financial statements reflects average assumptions on a combined basis for retirement eligible employees and non-retirement eligible employees. The amounts provided in the table reflect specific assumptions for Mr. Britt, who is retirement-eligible, and for the other named executive officers, who are not retirement eligible. For example, the amounts with respect to awards in 2006 for the named executive officers other than Mr. Britt were calculated using the Black-Scholes option pricing model, based on the following assumptions used in developing the grant valuations for the awards on March 3, 2006 and June 21, 2006, respectively: an expected volatility of 22.15% and 24.00%, respectively, determined using implied volatilities based primarily on publicly-traded Time Warner options; an expected term to exercise of 4.86 years from the date of grant in each case; a risk-free interest rate of 4.61% and 4.90%, respectively; and a dividend yield of 1.1% in each case. Because the retirement provisions of these awards apply to Mr. Britt, different assumptions were used in developing his 2006 grant valuations: an expected volatility of 22.28%; an expected term to exercise of 6.71 years from the date of grant; a risk-free interest rate of 4.63% and a dividend yield of 1.1%. The actual value of the options, if any, realized by an officer will depend on the extent to which the market value of Time Warner Common Stock exceeds the exercise price of the option on the date the option is exercised. Consequently, there is no assurance that the value realized by an officer will be at or near the value estimated above. These amounts should not be used to predict stock performance. None of the stock options reflected was awarded with tandem stock appreciation rights.
- (4) This amount represents the aggregate change in the actuarial present value of each named executive officer's accumulated pension benefits under the Time Warner Cable Pension Plan, the Time Warner Cable Excess Benefit Pension Plan, the Time Warner Employees Pension Plan and the Time Warner Excess Benefit Pension Plan, to the extent the named executive officer participates in these

**Table of Contents**

plans, from December 31, 2005 through December 31, 2006. See the Pension Benefits Table and Pension Plans for additional information regarding these benefits. The named executive officers did not receive any above-market or preferential earnings on compensation deferred on a basis that is not tax qualified.

(5) The amounts shown in the All Other Compensation column include the following:

(a) Pursuant to the TWC Savings Plan (the Savings Plan), a defined contribution plan available generally to our employees, for the 2006 plan year, each of the named executive officers deferred a portion of his annual compensation and we contributed \$10,000 as a matching contribution on the amount deferred by each named executive officer.

(b) We maintain a program of life and disability insurance generally available to all salaried employees on the same basis. This group term life insurance coverage was reduced to \$50,000 for each of Messrs. Britt, Hobbs, Marcus and Martin, who were each given a cash payment to cover the cost of specified coverage under a voluntary group program available to employees generally (GUL insurance). For 2006, this cash payment was \$32,640 for Mr. Britt, \$2,520 for Mr. Hobbs, \$3,360 for Mr. Marcus and \$1,200 for Mr. Martin. Mr. LaJoie elected not to receive a cash payment for life insurance over \$50,000 and instead receives group term life insurance and is taxed on the imputed income. For a description of life insurance coverage for certain executive officers provided pursuant to the terms of their employment agreements, see Employment Agreements.

(c) The amounts of personal benefits shown in this column that aggregate \$10,000 or more include: for Mr. Britt, financial services of \$6,750 and an automobile allowance of \$24,000; and for Mr. Hobbs, financial services of \$22,156 and transportation-related benefits of \$2,104. Mr. Hobbs transportation-related benefits consist of the incremental cost to us of personal use of corporate aircraft (based on fuel, landing, repositioning and catering costs and crew travel expenses). Mr. Hobbs flew, on several occasions, on corporate aircraft for personal reasons when there was available space on a flight that had been requested by others. There is no incremental cost to us for Mr. Hobbs use of the aircraft under these circumstances, except for our portion of employment taxes attributable to the income imputed to Mr. Hobbs for tax purposes.

**Grants of Plan-Based Awards**

The following table presents information with respect to each award in 2006 to each named executive officer of plan-based compensation, including annual cash awards under the TWCIP, long-term cash awards under our LTIP and awards of stock options to purchase Time Warner Common Stock and Time Warner restricted stock units granted by Time Warner under the Time Warner Inc. 2003 Stock Incentive Plan.

**GRANTS OF PLAN-BASED AWARDS  
DURING 2006**

| Grant | Approval | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards | Time Warner Equity Plan Awards                                  |   |                                  |                                 |
|-------|----------|---|---|---|----------------------------------|---------------------------------|
|       |          |   | All Other Stock Awards: Number of Shares of Stock or Underlying | All Other Stock Awards: Number of Securities Underlying | Exercise or Base Price of Option | Closing Market Price on Date of |
|       |          |   |   |   |                                  |                                 |

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|     | <b>Date</b>  | <b>Date(1)</b> | <b>Threshold</b> | <b>Target</b> | <b>Maximum</b> | <b>Units</b> | <b>Options</b> | <b>Awards(2)</b> | <b>Grant</b> |
|-----|--------------|----------------|------------------|---------------|----------------|--------------|----------------|------------------|--------------|
| tt  | (3)          |                | \$ 2,187,500     | \$ 4,375,000  | \$ 5,587,500   |              |                |                  |              |
|     | (4)          |                | 730,000          | 1,460,000     | 2,920,000      |              |                |                  |              |
|     | 3/3/2006(5)  | 1/25/2006      |                  |               |                |              | 180,950        | \$ 17.40         | \$ 17.43     |
|     | 3/3/2006(6)  | 1/25/2006      |                  |               |                | 33,605       |                |                  |              |
| tin | (3)          |                | \$ 406,250       | \$ 812,500    | \$ 1,218,750   |              |                |                  |              |
|     | (4)          |                | 289,000          | 578,000       | 1,156,000      |              |                |                  |              |
|     | 3/3/2006(5)  | 1/25/2006      |                  |               |                |              | 71,400         | \$ 17.40         | \$ 17.43     |
|     | 3/3/2006(6)  | 1/25/2006      |                  |               |                | 13,260       |                |                  |              |
|     | 6/21/2006(5) | 6/21/2006      |                  |               |                |              | 30,000         | \$ 17.23         | \$ 17.25     |
|     | (3)          |                | \$ 711,459       | \$ 1,422,917  | \$ 2,134,376   |              |                |                  |              |
|     | (4)          |                | 484,500          | 969,000       | 1,938,000      |              |                |                  |              |
|     | 3/3/2006(5)  | 2/22/2006      |                  |               |                |              | 119,700        | \$ 17.40         | \$ 17.43     |
|     | 3/3/2006(6)  | 2/22/2006      |                  |               |                | 22,230       |                |                  |              |
|     | (3)          |                | \$ 406,250       | \$ 812,500    | \$ 1,218,750   |              |                |                  |              |
|     | (4)          |                | 289,000          | 578,000       | 1,156,000      |              |                |                  |              |
|     | 3/3/2006(5)  | 1/25/2006      |                  |               |                |              | 71,400         | \$ 17.40         | \$ 17.43     |
|     | 3/3/2006(6)  | 1/25/2006      |                  |               |                | 13,260       |                |                  |              |
|     | 6/21/2006(5) | 6/21/2006      |                  |               |                |              | 25,000         | \$ 17.23         | \$ 17.25     |
| bie | (3)          |                | \$ 215,540       | \$ 431,080    | \$ 646,620     |              |                |                  |              |
|     | (4)          |                | 168,300          | 336,600       | 673,200        |              |                |                  |              |
|     | 3/3/2006(5)  | 1/25/2006      |                  |               |                |              | 42,000         | \$ 17.40         | \$ 17.43     |
|     | 3/3/2006(6)  | 1/25/2006      |                  |               |                | 7,800        |                |                  |              |

**Table of Contents**

- (1) The date of approval is the date on which the Time Warner compensation committee reviewed and approved stock-based awards to be made on a selected future date that (a) provided sufficient time for Time Warner and us to prepare communications materials for our employees and (b) was after the issuance of Time Warner's earnings release for the 2005 fiscal year.
- (2) The exercise price for the awards of stock options under the Time Warner Inc. 2003 Stock Incentive Plan was determined based on the average of the high and low sale prices of Time Warner Common Stock on the date of grant.
- (3) Reflects the threshold, target and maximum payout amounts of non-equity incentive plan awards that were awarded in 2006 and were paid out in 2007 under the TWCIP. The target payout amount for each named executive officer was established in accordance with the terms of the named executive officer's employment agreement. Each maximum payout amount reflects 150% of the applicable target payout amount, except for Mr. Britt's payout, which is subject to a contractual limit. Mr. Britt's 2006 target bonus has been pro-rated to reflect six months at a target bonus of \$3,750,000 and six months at a target bonus of \$5,000,000 and related pro-rated threshold and maximum bonus opportunity. Mr. Britt's new employment agreement was approved by our Board on July 28, 2006 and became effective on August 1, 2006; Mr. Hobbs' 2006 target bonus has been pro-rated to reflect seven months base salary of \$700,000, with a target bonus of 175% of his base salary, and five months base salary of \$850,000, with a target bonus of 200% of his base salary. Mr. Hobbs' new compensation became effective as of August 1, 2006; and Mr. LaJoie's 2006 target bonus has been pro-rated to reflect two months base salary of \$420,600, with a target bonus of 80% of his base salary, and ten months base salary of \$450,000, with a target bonus of 100% of his base salary. Mr. LaJoie's new compensation became effective as of March 1, 2006.
- (4) Reflects the threshold, target and maximum payout amounts of non-equity incentive plan awards that were awarded in 2006 and will be paid out in 2009 under our LTIP. The LTIP establishes a potential future cash payout based on a three-year performance cycle. Actual awards can range from 50% to 200% of target based on actual performance, although no payout will be made for performance below the established minimum threshold for the LTIP. The target payout is 100% of the pre-established cash value. Payout levels under the LTIP for the three-year period starting in 2006 are based on our three-year cumulative OIBDA, as defined in the LTIP, compared to pre-established target levels. See Compensation Discussion and Analysis. Results will be interpolated based on the percentage of the target achieved. Typically, payouts, if any, under the LTIP will be made during the first quarter of each year following the completion of a three-year performance period. In the event of a participant's death, disability, retirement or job elimination, the participant (or the participant's estate) receives a pro-rated payment at the end of the applicable three-year performance period.
- (5) Reflects awards of stock options to purchase Time Warner Common Stock under the Time Warner Inc. 2003 Stock Incentive Plan. See footnote (3) in the Summary Compensation Table for the assumptions used to determine the grant-date fair value of the stock options in accordance with FAS 123R. Estimates of forfeitures related to service-related vesting conditions are disregarded in computing the value shown in this column.
- (6) Reflects awards of restricted stock units with respect to Time Warner Common Stock under the Time Warner Inc. 2003 Stock Incentive Plan. See footnote (2) in the Summary Compensation Table for the assumptions used to determine the grant-date fair value of the stock awards in accordance with FAS 123R. Estimates of forfeitures related to service-based vesting conditions are disregarded in computing the value shown in this column.

**Employment Agreements**

The following is a description of the material terms of the compensation provided to our named executive officers during the term of their employment pursuant to employment agreements between us or TWE, and each executive. See Potential Payments Upon Termination or Change in Control for a description of the payments and benefits that would be provided to our named executive officers in connection with a termination of their employment or a change in control of us.

*Glenn A. Britt.* We entered into an employment agreement with Mr. Britt, effective as of August 1, 2006, which provides that Mr. Britt will serve as our Chief Executive Officer through December 31, 2009, subject to earlier termination as provided in the agreement. Mr. Britt's agreement is automatically extended for consecutive one-month periods, unless terminated by either party upon 60 days' notice, and terminates automatically on the date Mr. Britt becomes eligible for normal retirement at age 65. The agreement provides Mr. Britt with a minimum annual base salary of \$1 million and an annual discretionary target bonus of \$5 million, which will vary subject to Mr. Britt's and our performance from a minimum of \$0 up to a maximum of \$6,675,000. In addition, the agreement provides that, beginning in 2007, for each year of the agreement, we will provide Mr. Britt with long-term incentive compensation with a target value of approximately \$6,000,000 (based on a valuation method established by us), which may be in the form of stock options, restricted stock units, other equity-based awards, cash or other components, or any combination of such forms, as may be determined by our Board of Directors or, if delegated by the Board, the Compensation Committee, in its sole discretion. Mr. Britt participates in the benefit plans and programs available to our other senior executive officers, including \$50,000 of group life insurance. Mr. Britt also receives an annual payment

## **Table of Contents**

equal to two times the premium cost of \$4 million of life insurance as determined under our GUL insurance program.

*John K. Martin.* We entered into an employment agreement with Mr. Martin, effective as of August 8, 2005, which provides that Mr. Martin will serve as our Executive Vice President and Chief Financial Officer through August 8, 2008, subject to earlier termination as provided in the agreement. Mr. Martin's agreement is automatically extended for consecutive one-month periods, unless terminated by Mr. Martin upon 60 days' written notice or by us upon written notice specifying the effective date of such termination. The agreement provides Mr. Martin with a minimum annual base salary of \$650,000 (which was increased to \$700,000 by the New Compensation Committee as of January 1, 2007), an annual discretionary target bonus of 125% of his base salary (which was increased to 150% as of January 1, 2007), subject to Mr. Martin's and our performance, a one-time grant of options to purchase 30,000 shares of Time Warner Common Stock, a discretionary long-term incentive compensation award for 2006 with a target value of \$1,300,000 subject to Mr. Martin's and our performance, and participation in our benefit plans and programs, including life insurance.

*Landel C. Hobbs.* We entered into an employment agreement with Mr. Hobbs, effective as of August 1, 2005, which provides that Mr. Hobbs will serve as our Chief Operating Officer through July 31, 2008, subject to earlier termination as provided in the agreement. Mr. Hobbs' agreement is automatically extended for consecutive one month periods, unless terminated by Mr. Hobbs upon 60 days' written notice or by us upon written notice specifying the effective date of such termination. The agreement provides Mr. Hobbs with a minimum annual base salary of \$700,000 (which was increased to \$850,000 by the New Compensation Committee as of August 1, 2006), an annual discretionary target bonus of 175% of his base salary (which was increased to 200% as of August 1, 2006), subject to Mr. Hobbs' and our performance, eligibility for annual grants of stock options, awards under our long-term incentive plan and participation in our benefit plans and programs, including life insurance.

*Robert D. Marcus.* We entered into an employment agreement with Mr. Marcus, effective as of August 15, 2005, which provides that Mr. Marcus will serve as our Senior Executive Vice President through August 15, 2008, subject to earlier termination as provided in the agreement. Mr. Marcus' agreement is automatically extended for consecutive one-month periods, unless terminated by Mr. Marcus upon 60 days' written notice or by us upon written notice specifying the effective date of such termination. The agreement provides Mr. Marcus with a minimum annual base salary of \$650,000 (which was increased to \$700,000 by the New Compensation Committee as of January 1, 2007), an annual discretionary target bonus of 125% of his base salary (which was increased to 150% as of January 1, 2007), subject to Mr. Marcus' and our performance, a one-time grant of options to purchase 25,000 shares of Time Warner Common Stock, a discretionary annual equity and other long-term incentive compensation award with a minimum target value of \$1,300,000, subject to Mr. Marcus' and our performance, and participation in our benefit plans and programs, including \$50,000 of group life insurance. Mr. Marcus also receives an annual payment equal to two times the premium cost of \$2 million of life insurance as determined under our GUL insurance program.

*Michael LaJoie.* Mr. LaJoie's employment agreement was renewed and amended, effective as of January 1, 2006, and provides that Mr. LaJoie will serve as our Executive Vice President and Chief Technology Officer through December 31, 2008, subject to earlier termination as provided in the agreement. Our failure upon the expiration of the agreement to offer Mr. LaJoie a renewal agreement with terms substantially similar to those of his current agreement is considered a termination without cause. The agreement provides for a minimum annual base salary of \$420,600 (which was increased to \$480,000 by the New Compensation Committee as of January 1, 2007) and an annual discretionary target bonus of 80% of his base salary (which was increased to 100% as of March 1, 2006), subject to Mr. LaJoie's and our performance, and participation in our benefit plans.

## **Outstanding Equity Awards**

The following table provides information about each of the outstanding awards of options to purchase Time Warner Common Stock and the aggregate Time Warner restricted stock and restricted stock units held by each named executive officer as of December 31, 2006. As of December 31, 2006, none of the named

**Table of Contents**

executive officers held equity awards based on our securities or performance-based awards under any equity incentive plan of either ours or Time Warner.

**OUTSTANDING TIME WARNER EQUITY AWARDS AT  
DECEMBER 31, 2006**

| Name               | Date of<br>Option Grant | Option Awards  |  |                             | Stock Awards                 |  |   |
|--------------------|-------------------------|--|--|-----------------------------|------------------------------|--|---|
|                    |                         | Number of<br>Time<br>Warner<br>Securities              | Number of<br>Time<br>Warner<br>Securities                | Option<br>Exercise<br>Price | Option<br>Expiration<br>Date | Number of<br>Shares or<br>Units of<br>Time<br>Warner<br>Stock That<br>Have Not<br>Vested(3)(4) | Market<br>Value of<br>Shares or<br>Units of<br>Time Warner<br>Stock That<br>Have Not<br>Vested(5) |
|                    |                         | Underlying<br>Unexercised<br>Options<br>Exercisable(1) | Underlying<br>Unexercised<br>Options<br>Unexercisable(2) |                             |                              |  |   |
| Glenn A.<br>Britt  |                         |  |  |                             |                              | 129,346  | \$ 2,817,156  |
|                    | 3/19/1997               | 10,420   |  | \$ 14.52                    | 3/18/2007                    |  |   |
|                    | 3/18/1998               | 62,550   |  | \$ 24.02                    | 3/17/2008                    |  |   |
|                    | 3/17/1999               | 56,250   |  | \$ 46.10                    | 3/16/2009                    |  |   |
|                    | 3/15/2000               | 93,750   |  | \$ 57.79                    | 3/14/2010                    |  |   |
|                    | 1/18/2001               | 112,500  |  | \$ 48.96                    | 1/17/2011                    |  |   |
|                    | 2/27/2001               | 264,932  |  | \$ 45.31                    | 2/26/2011                    |  |   |
|                    | 4/6/2001                | 3,927  |  | \$ 38.56                    | 4/5/2011                     |  |   |
|                    | 4/17/2001               | 38,333   |  | \$ 44.16                    | 4/16/2011                    |  |   |
|                    | 8/24/2001               | 637,500  |  | \$ 40.95                    | 8/23/2011                    |  |   |
|                    | 2/15/2002               | 100,000  |  | \$ 26.65                    | 2/14/2012                    |  |   |
|                    | 2/14/2003               | 183,750  | 61,250   | \$ 10.32                    | 2/13/2013                    |  |   |
|                    | 2/13/2004               | 112,500  | 112,500  | \$ 17.28                    | 2/12/2014                    |  |   |
|                    | 2/18/2005               | 58,750   | 176,250  | \$ 17.97                    | 2/17/2015                    |  |   |
|                    | 3/3/2006                |  | 180,950  | \$ 17.40                    | 3/2/2016                     |  |   |
| John K.<br>Martin  |                         |  |  |                             |                              | 26,093   | \$ 568,306  |
|                    | 2/5/2002                | 70,000   |  | \$ 24.38                    | 2/4/2012                     |  |   |
|                    | 2/14/2003               | 15,000   | 15,000   | \$ 10.32                    | 2/13/2013                    |  |   |
|                    | 2/13/2004               | 32,500   | 32,500   | \$ 17.28                    | 2/12/2014                    |  |   |
|                    | 2/18/2005               | 12,250   | 36,750   | \$ 17.97                    | 2/17/2015                    |  |   |
|                    | 3/3/2006                |  | 71,400   | \$ 17.40                    | 3/2/2016                     |  |   |
|                    | 6/21/2006               |  | 30,000   | \$ 17.23                    | 6/20/2016                    |  |   |
| Landel C.<br>Hobbs |                         |  |  |                             |                              | 55,099   | \$ 1,200,056  |
|                    | 3/18/1998               | 18,000   |  | \$ 24.02                    | 3/17/2008                    |  |   |
|                    | 3/17/1999               | 18,000   |  | \$ 46.10                    | 3/16/2009                    |  |   |
|                    | 3/15/2000               | 22,500   |  | \$ 57.79                    | 3/14/2010                    |  |   |
|                    | 10/4/2000               | 75,000   |  | \$ 55.56                    | 10/3/2010                    |  |   |



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|           |         |         |          |           |
|-----------|---------|---------|----------|-----------|
| 1/18/2001 | 225,000 |         | \$ 48.96 | 1/17/2011 |
| 9/27/2001 | 200,000 |         | \$ 31.62 | 9/26/2011 |
| 2/14/2003 |         | 30,625  | \$ 10.32 | 2/13/2013 |
| 2/13/2004 | 75,000  | 75,000  | \$ 17.28 | 2/12/2014 |
| 2/18/2005 | 24,000  | 72,000  | \$ 17.97 | 2/17/2015 |
| 3/3/2006  |         | 119,700 | \$ 17.40 | 3/2/2016  |

**Table of Contents**

| Name             | Date of<br>Option Grant | Option Awards                             |  |                             | Stock Awards                 |  |   |
|------------------|-------------------------|---|--|-----------------------------|------------------------------|--|---|
|                  |                         | Number of<br>Time<br>Warner<br>Securities | Number of<br>Time<br>Warner<br>Securities  | Option<br>Exercise<br>Price | Option<br>Expiration<br>Date | Number<br>of<br>Shares or<br>Units of<br>Time<br>Warner<br>Stock<br>That<br>Have Not<br>Vested(3)(4) | Market<br>Value of<br>Shares or<br>Units of<br>Time<br>Warner<br>Stock<br>That<br>Have Not<br>Vested(5) |
|                  |                         | Unexercised<br>Options<br>Exercisable(1)  | Unexercised<br>Options<br>Unexercisable(2) |                             |                              |  |   |
| Robert D. Marcus |                         |   |  |                             |                              | 27,926   | \$ 608,228  |
|                  | 1/28/1998               | 15,000                                    |  | \$ 21.22                    | 1/27/2008                    |  |   |
|                  | 3/18/1998               | 30,000                                    |  | \$ 24.02                    | 3/17/2008                    |  |   |
|                  | 3/17/1999               | 30,000                                    |  | \$ 46.10                    | 3/16/2009                    |  |   |
|                  | 3/15/2000               | 52,500                                    |  | \$ 57.79                    | 3/14/2010                    |  |   |
|                  | 1/18/2001               | 300,000                                   |  | \$ 48.96                    | 1/17/2011                    |  |   |
|                  | 4/6/2001                | 2,081                                     |  | \$ 38.56                    | 4/5/2011                     |  |   |
|                  | 2/15/2002               | 125,938                                   |  | \$ 26.65                    | 2/14/2012                    |  |   |
|                  | 2/14/2003               | 6,250                                     | 18,750                                     | \$ 10.32                    | 2/13/2013                    |  |   |
|                  | 2/13/2004               | 37,500                                    | 37,500                                     | \$ 17.28                    | 2/12/2014                    |  |   |
|                  | 2/18/2005               | 14,000                                    | 42,000                                     | \$ 17.97                    | 2/17/2015                    |  |   |
|                  | 3/3/2006                |   | 71,400                                     | \$ 17.40                    | 3/2/2016                     |  |   |
|                  | 6/21/2006               |   | 25,000                                     | \$ 17.23                    | 6/20/2016                    |  |   |
| Michael LaJoie   |                         |   |  |                             |                              | 14,419   | \$ 314,046  |
|                  | 3/18/1998               | 7,400                                     |  | \$ 24.02                    | 3/17/2008                    |  |   |
|                  | 3/17/1999               | 7,125                                     |  | \$ 46.10                    | 3/16/2009                    |  |   |
|                  | 3/15/2000               | 7,125                                     |  | \$ 57.79                    | 3/14/2010                    |  |   |
|                  | 1/18/2001               | 14,250                                    |  | \$ 48.96                    | 1/17/2011                    |  |   |
|                  | 2/27/2001               | 32,124                                    |  | \$ 45.31                    | 2/26/2011                    |  |   |
|                  | 2/15/2002               | 30,000                                    |  | \$ 26.65                    | 2/14/2012                    |  |   |
|                  | 2/14/2003               |   | 15,750                                     | \$ 10.32                    | 2/13/2013                    |  |   |
|                  | 2/13/2004               |   | 40,000                                     | \$ 17.28                    | 2/12/2014                    |  |   |
|                  | 2/18/2005               | 13,500                                    | 40,500                                     | \$ 17.97                    | 2/17/2015                    |  |   |
|                  | 3/3/2006                |   | 42,000                                     | \$ 17.40                    | 3/2/2016                     |  |   |

(1) This column presents the number of shares of Time Warner Common Stock underlying exercisable options that have not been exercised at December 31, 2006.

(2) This column presents the number of shares of Time Warner Common Stock underlying unexercisable and unexercised options at December 31, 2006. These options become exercisable in installments of 25% on the first four anniversaries of the date of grant.

(3)

This column presents the number of shares of Time Warner Common Stock represented by unvested restricted stock awards and restricted stock unit awards at December 31, 2006.

- (4) The awards of Time Warner restricted stock vest equally on each of the second, third and fourth anniversaries of the date of grant except for 70,000 of Mr. Britt's shares of Time Warner restricted stock that vest equally on each of the third and fourth anniversaries of the date of grant, and the awards of restricted stock units vest equally on each of the third and fourth anniversaries of the date of grant, in each case, subject to continued employment.
- (5) Calculated using the NYSE closing price of \$21.78 per share of Time Warner Common Stock on December 29, 2006.

### **Option Exercises and Stock Vesting in 2006**

The following table sets forth as to each of the named executive officers information on exercises of Time Warner stock options and the vesting of restricted stock during 2006, including: (i) the number of shares of Time Warner Common Stock underlying options exercised during 2006; (ii) the aggregate dollar value realized upon exercise of such options; (iii) the number of shares of Time Warner Common Stock received from the vesting of awards of Time Warner restricted stock during 2006; and (iv) the dollar value realized upon such

**Table of Contents**

vesting (based on the stock price of Time Warner Common Stock on February 14, 2006, the vesting date). No Time Warner restricted stock units vested during 2006.

**OPTION EXERCISES AND STOCK VESTED DURING 2006**

| Name             | Option Awards                         |                               | Stock Awards                            |                              |
|------------------|---------------------------------------|-------------------------------|---|------------------------------|
|                  | Number of Shares Acquired on Exercise | Value Realized on Exercise(1) | Number of Shares Acquired on Vesting(2) | Value Realized on Vesting(3) |
| Glenn A. Britt   | 77,150                                | \$ 270,504                    | 25,896                                  | \$ 470,271                   |
| John K. Martin   |                                       |                               |   |                              |
| Landel C. Hobbs  | 91,875                                | \$ 721,831                    | 12,945                                  | \$ 235,081                   |
| Robert D. Marcus | 50,000                                | \$ 542,815                    |   |                              |
| Michael LaJoie   | 65,750                                | \$ 257,882                    | 6,657                                   | \$ 120,891                   |

- (1) Calculated using the difference between the sale price per share of Time Warner Common Stock and the option exercise price.
- (2) The awards of Time Warner restricted stock that vested in 2006 were awarded on February 14, 2003 and vest in installments of one-third on the second, third and fourth anniversaries of the date of grant, subject to acceleration upon the occurrence of certain events such as death, disability or retirement. The payment of withholding taxes due upon vesting of the restricted stock (unless a section 83(b) election was made at the time of the grant) generally may be made in cash or by having full shares of Time Warner Common Stock withheld from the number of shares delivered to the individual. Each of the named executive officers has a right to receive dividends on unvested awards of restricted stock and dividend equivalents on awards of restricted stock units, if regular cash dividends are paid on the outstanding shares of Time Warner Common Stock. The holders have the right to vote unvested shares of Time Warner restricted stock on matters presented to Time Warner stockholders, but do not have any right to vote on such matters in connection with restricted stock units.
- (3) Calculated using the average of the high and low sale prices of Time Warner Common Stock, which was \$18.16 per share, on February 14, 2006, the vesting date.

**Pension Plans*****Our Pension Plans***

Each of the named executive officers currently participates in the Time Warner Cable Pension Plan, a tax qualified defined benefit pension plan, and the Time Warner Cable Excess Benefit Pension Plan (the Excess Benefit Plan), a non-qualified defined benefit pension plan (collectively, the TWC Pension Plans), which are sponsored by us. Mr. Britt was a participant in pension plans sponsored by Time Warner until March 31, 2003, when he commenced participation in the Time Warner Cable Pension Plan. Each of Messrs. Martin, Hobbs, Marcus and LaJoie ceased participation in the TW Pension Plans (as defined below) on August 7, 2005, October 15, 2001, August 14, 2005 and July 31, 1995, respectively, when their respective participation in the Time Warner Cable Pension Plan commenced.

The Excess Benefit Plan is designed to provide supplemental payments to highly compensated employees in an amount equal to the difference between the benefits payable to an employee under the tax-qualified Time Warner Cable Pension Plan and the amount the employee would have received under that plan if the limitations under the tax laws relating to the amount of benefit that may be paid and compensation that may be taken into account in calculating a pension payment were not in effect. In determining the amount of excess benefit pension payment, the Excess Benefit Plan takes into account compensation earned up to \$350,000 per year (including any deferred bonus). The pension benefit under the Excess Benefit Plan is payable under the same options as are available under the Time Warner Cable Pension Plan.

Benefit payments are calculated using the highest consecutive five-year average annual compensation, which is referred to as average compensation. Compensation covered by the TWC Pension Plans takes into account salary, bonus, some elective deferrals and other compensation paid, but excludes the payment of deferred or long-term incentive compensation and severance paid in a lump sum. The annual pension payment

**Table of Contents**

under the terms of the TWC Pension Plans, if the employee is vested, and if paid as a single life annuity, commencing at age 65, is an amount equal to the sum of:

1.25% of the portion of average compensation which does not exceed the average of the social security taxable wage base ending in the year the employee reaches the social security retirement age, referred to as covered compensation, multiplied by the number of years of benefit service up to 35 years, plus

1.67% of the portion of average compensation which exceeds covered compensation, multiplied by the number of years of benefit service up to 35 years, plus

0.5% of average compensation multiplied by the employee's number of years of benefit service in excess of 35 years, plus

a supplemental benefit in the amount of \$60 multiplied by the employee's number of years of benefit service up to 30 years, with a maximum supplemental benefit of \$1,800 per year.

In addition, in determining the benefits under the TWC Pension Plans, special rules apply to various participants who were previously participants in plans that have been merged into the TWC Pension Plans and of various participants in the TWC Pension Plans prior to January 1, 1994. Reduced benefits are available before age 65 and in other optional forms of benefits payouts. Amounts calculated under the pension formula that exceed Tax Code limits are payable under the Excess Benefit Plan.

For vesting purposes under the TWC Pension Plans, each of Messrs. Britt, Martin, Marcus and LaJoie is credited with service under the TW Pension Plans and is therefore fully vested. Mr. Hobbs is also fully vested in his benefits under the TWC Pension Plans, based on past service with TWE and its affiliates.

***Time Warner Pension Plans***

The Time Warner Employees Pension Plan, as amended (the Old TW Pension Plan), which provides benefits to eligible employees of Time Warner and certain of its subsidiaries, was amended effective as of January 1, 2000, as described below, and was renamed (the Amended TW Pension Plan and, together with the Old TW Pension Plan, the TW Pension Plans). Messrs. Britt, Martin, Marcus and LaJoie have ceased to be active participants in the TW Pension Plans described below and commenced participation in the TWC Pension Plans described above. Each of them is entitled to benefits under the TW Pension Plans in addition to the TWC Pension Plans.

Under the Amended TW Pension Plan, a participant accrues benefits equal to the sum of 1.25% of a participant's average annual compensation (defined as the highest average annual compensation for any five consecutive full calendar years of employment, which includes regular salary, overtime and shift differential payments, and non-deferred bonuses paid according to a regular program) not in excess of his covered compensation up to the applicable average Social Security wage base and 1.67% of his average annual compensation in excess of such covered compensation multiplied by his years of benefit service (not in excess of 30). Compensation for purposes of calculating average annual compensation under the TW Pension Plans is limited to \$200,000 per year for 1988 through 1993, \$150,000 per year for 1994 through 2001 and \$200,000 per year for 2002 and thereafter (each subject to adjustments provided in the Tax Code). Eligible employees become vested in all benefits under the TW Pension Plans on the earlier of five years of service or certain other events.

Under the Old TW Pension Plan, a participant accrues benefits on the basis of 1.67% of the average annual compensation (defined as the highest average annual compensation for any five consecutive full and partial calendar years of employment, which includes regular salary, overtime and shift differential payments, and non-deferred

bonuses paid according to a regular program) for each year of service up to 30 years and 0.50% for each year of service over 30. Annual pension benefits under the Old TW Pension Plan are reduced by a Social Security offset determined by a formula that takes into account benefit service of up to 35 years, covered compensation up to the average Social Security wage base and a disparity factor based on the age at which Social Security benefits are payable (the Social Security Offset ). Under the Old TW Pension Plan and

**Table of Contents**

the Amended TW Pension Plan, the pension benefit of participants on December 31, 1977 in the former Time Employees Profit-Sharing Savings Plan (the Profit Sharing Plan ) is further reduced by a fixed amount attributable to a portion of the employer contributions and investment earnings credited to such employees' account balances in the Profit Sharing Plan as of such date (the Profit Sharing Offset ).

Under the Amended TW Pension Plan, employees who are at least 62 years old and have completed at least ten years of service may elect early retirement and receive the full amount of their annual pension. This provision could apply to Messrs. Martin and Marcus with respect to their benefits under the TW Plans. Under the Old TW Pension Plan, employees who are at least 60 years old and have completed at least ten years of service may elect early retirement and receive the full amount of their annual pension. This provision could apply to Mr. Britt. An early retirement supplement is payable to an employee terminating employment at age 55 and before age 60, after 20 years of service, equal to the actuarial equivalent of such person's accrued benefit, or, if greater, an annual amount equal to the lesser of 35% of such person's average compensation determined under the Old TW Pension Plan or such person's accrued benefit at age 60 plus Social Security benefits at age 65. The supplement ceases when the regular pension commences at age 60.

Federal law limits both the amount of compensation that is eligible for the calculation of benefits and the amount of benefits derived from employer contributions that may be paid to participants under both of the TW Pension Plans. However, as permitted by the Employee Retirement Income Security Act of 1974, as amended ( ERISA ), Time Warner has adopted the Time Warner Excess Benefit Pension Plan (the TW Excess Plan ). The TW Excess Plan provides for payments by Time Warner of certain amounts which eligible employees would have received under the TW Pension Plans if eligible compensation (including deferred bonuses) were limited to \$250,000 in 1994 (increased 5% per year thereafter, to a maximum of \$350,000) and there were no payment restrictions. The amounts shown in the table do not reflect the effect of an offset that affects certain participants in the TW Pension Plans on December 31, 1977.

Set forth in the table below is each named executive officer's years of credited service and present value of his accumulated benefit under each of the pension plans pursuant to which he would be entitled to a retirement benefit computed as of December 31, 2006, the pension plan measurement date used for financial statement reporting purposes in the Company's audited financial statements for the year ended December 31, 2006. The estimated amounts are based on the assumption that payments under the TWC Pension Plans and the TW Pension Plans will commence upon normal retirement (generally age 65) or early retirement (for those who have at least ten years of service), that the TWC Pension Plans and the TW Pension Plans will continue in force in their present forms, that the maximum annual covered compensation is \$350,000 and that no joint and survivor annuity will be payable (which would on an actuarial basis reduce benefits to the employee but provide benefits to a surviving beneficiary). Amounts calculated under the pension formula which exceed



**Table of Contents**

ERISA limits will be paid under the Excess Benefit Plan or the TW Excess Plan, as the case may be, from our or Time Warner's assets, respectively, and are included in the present values shown in the table.

**PENSION BENEFITS**

| <b>Name</b>       | <b>Plan Name</b>                      | <b>Number of Years Credited Service(1)</b> | <b>Present Value of Accumulated Benefit(2)</b> | <b>Payments During 2006</b> |
|-------------------|---------------------------------------|--|--|-----------------------------|
| Glenn A. Britt(3) | Old TW Pension Plan                   | 30.7                                       | \$ 1,168,060(4)                                |                             |
|                   | TW Excess Plan                        | 30.7                                       | \$ 791,710                                     |                             |
|                   | Time Warner Cable Pension Plan        | 3.8  | \$ 84,860                                      |                             |
|                   | Time Warner Cable Excess Benefit Plan | 3.8  | \$ 65,320                                      |                             |
|                   | Total                                 | 34.5                                       | \$ 2,109,950                                   |                             |
| John K. Martin    | Amended TW Pension Plan               | 10.6                                       | \$ 99,650                                      |                             |
|                   | TW Excess Plan                        | 10.6                                       | \$ 69,700                                      |                             |
|                   | Time Warner Cable Pension Plan        | 1.4  | \$ 10,460                                      |                             |
|                   | Time Warner Cable Excess Benefit Plan | 1.4  | \$ 7,320                                       |                             |
|                   | Total                                 | 12.0                                       | \$ 187,130                                     |                             |
| Landel C. Hobbs   | Time Warner Cable Pension Plan        | 5.8  | \$ 59,960                                      |                             |
|                   | Time Warner Cable Excess Benefit Plan | 5.8  | \$ 46,490                                      |                             |
|                   | Total                                 | 5.8  | \$ 106,450                                     |                             |
| Robert D. Marcus  | Amended TW Pension Plan               | 7.7  | \$ 85,810                                      |                             |
|                   | TW Excess Plan                        | 7.7  | \$ 66,660                                      |                             |
|                   | Time Warner Cable Pension Plan        | 1.4  | \$ 12,430                                      |                             |
|                   | Time Warner Cable Excess Benefit Plan | 1.4  | \$ 9,670                                       |                             |
|                   | Total                                 | 9.1  | \$ 174,570                                     |                             |
| Michael LaJoie    | Amended TW Pension Plan               | 1.6  | \$ 33,290                                      |                             |
|                   | TW Excess Plan                        | 1.6  | \$ 25,380                                      |                             |
|                   | Time Warner Cable Pension Plan        | 11.4                                       | \$ 188,080                                     |                             |
|                   | Time Warner Cable Excess Benefit Plan | 11.4                                       | \$ 143,670                                     |                             |
|                   | Total                                 | 26.0                                       | \$ 390,420                                     |                             |

|       |      |    |         |
|-------|------|----|---------|
| Total | 13.0 | \$ | 390,420 |
|-------|------|----|---------|

- (1) Consists of the number of years of service credited to the executive officers as of December 31, 2006 for the purpose of determining benefit service under the applicable pension plan.
- (2) The present value of accumulated benefits as of December 31, 2006 were calculated using a 6.00% interest rate and the RP2000 mortality table (projected to 2020 with no collar adjustment for the TWC Pension Plans and white collar adjustment for all other plans). All benefits are payable at the earliest retirement age at which unreduced benefits are payable (which is age 65 under the TWC Pension Plans, age 62 under the TW Pension Plans in the case of Messrs. Martin and Marcus, and age 60 under the TW Pension Plans in the case of Mr. Britt) as a life annuity, except for Mr. Britt's benefits under the TW Pension Plans, which are assumed payable as a lump sum determined using a GATT mortality and a 4.69% discount rate as of December 31, 2006. No preretirement turnover is reflected in the calculations.
- (3) Under Mr. Britt's employment agreement, in the event that the benefits Mr. Britt receives upon retirement are not as generous as benefits he would have received if he had participated in the TW Pension Plans for his entire tenure, we will provide him or his survivors, if applicable, with the financial equivalent of the difference between the two benefits. See Employment Arrangements for more information.
- (4) Because of certain grandfathering provisions under the TW Pension Plans, the benefit of participants with a minimum of ten years of benefit service whose age and years of benefit service equal or exceed 65 years as of January 1, 2000, including Mr. Britt, will be determined under either the provisions of the Old TW Pension Plan or the Amended TW Pension Plan, whichever produces the greater benefit. The amount shown in the table is greater than the estimated annual benefit payable under the Amended TW Pension Plan and the TW Excess Plan.

**Table of Contents****Nonqualified Deferred Compensation**

Prior to 2003, TWE's unfunded deferred compensation plan generally permitted employees whose annual cash compensation exceeded a designated threshold (including certain named executive officers) to defer receipt of all or a portion of their annual bonus until a specified future date at which a lump-sum or installment distribution will be made. During the deferral period, the participant selects the crediting rate applied to the deferred amount from the array of third party investment vehicles then offered under the TWC Savings Plan and may change that selection quarterly. Since March 2003, deferrals may no longer be made under the deferred compensation plan but amounts previously credited under the deferred compensation plan continue to track the available crediting rate elections. Certain named executive officers also participated in the Time Warner Inc. Deferred Compensation Plan prior to being employed by us. The terms of the Time Warner plan are substantially the same, except that employees of Time Warner may still make deferrals under the plan. While these executives may no longer make deferrals under these plans, during the deferral period, they may select the crediting rate applied to the deferred amount similarly to accounts maintained under TWE's plan.

During his employment with Turner Broadcasting System, Inc., prior to his employment by us, Mr. Hobbs deferred a portion of his compensation under the Turner Broadcasting System, Inc. Supplemental Benefit Plan, a nonqualified defined contribution plan, and received matching contributions. While he may no longer make deferrals under this plan, he may maintain his existing account and select among several crediting rates, similar to those available under the Time Warner Savings Plan, to be applied to the balance maintained in a rabbi trust on his behalf.

In addition, prior to 2002, pursuant to his employment agreement then in place, TWE made contributions for Mr. Britt to a separate special deferred compensation account maintained in a grantor trust. The accounts maintained in the grantor trust are invested by a third party investment manager and the accrued amount will be paid to Mr. Britt following termination of employment in accordance with the terms of the deferred compensation arrangements. In general, except as otherwise described under Potential Payments Upon Termination or Change in Control, payments under Mr. Britt's special deferred compensation account commence following the later of December 31, 2009 and the date Mr. Britt ceases to be our employee and leaves our payroll, for any reason. The payment is made either on the first regular payroll date to occur after such date or, if Mr. Britt is named in our most recent proxy statement, then in January of the year following the year of the event. There is no guaranteed rate of return on accounts maintained under any of these deferred compensation arrangements.

Set forth in the table below is information about the earnings, if any, credited to the accounts maintained by the named executive officers under these arrangements and any withdrawal or distributions therefrom during 2006 and the balance in the account on December 31, 2006.

**NONQUALIFIED DEFERRED COMPENSATION FOR 2006**

| <b>Name</b>        | <b>Executive Contributions in 2006</b> | <b>Registrant Contributions in 2006</b> | <b>Aggregate Earnings in 2006(4)</b> | <b>Aggregate Withdrawals/ Distributions</b> | <b>Aggregate Balance at December 31, 2006</b> |
|--------------------|--|---|--------------------------------------|---|---|
| Glenn A. Britt(1)  |  |   | \$ 454,343                           |   | \$ 3,381,834                                  |
| John K. Martin     |  |   |                                      |   |   |
| Landel C. Hobbs(2) |  |   | \$ 35,169                            |   | \$ 262,139                                    |

|                     |           |              |
|---------------------|-----------|--------------|
| Robert D. Marcus(3) | \$ 84,133 | \$ 1,542,544 |
| Michael LaJoie      |           |              |

- (1) The amounts reported for Mr. Britt consist of the aggregate earnings and the aggregate year-end balance credited to his nonqualified deferred compensation under the Time Warner Excess Profit Sharing Plan, which is now maintained under the Time Warner Entertainment Deferred Compensation Plan (\$79,585) and his individual deferred compensation account provided under the terms of his employment agreement (\$3,302,249).
- (2) The amounts reported for Mr. Hobbs reflect the aggregate earnings/net loss, as the case may be, and the year-end balance credited to his account in the Turner Broadcasting System, Inc. Supplemental Benefit Plan.

**Table of Contents**

- (3) The amounts reported for Mr. Marcus reflect the aggregate earnings/net loss, as the case may be, and the year-end balance credited to his nonqualified deferred compensation under the Time Warner Deferred Compensation Plan.
- (4) None of the amounts reported in this column are required to be reported as compensation for fiscal year 2006 in the Summary Compensation Table.

**Potential Payments Upon Termination or Change in Control**

The following summaries and tables describe and quantify the potential payments and benefits that would be provided to each of our named executive officers in connection with a termination of employment or a change in control of our company under the executive's employment agreement and our other compensation plans and programs. In determining the benefits payable upon certain terminations of employment, we have assumed in all cases that (i) the executive's employment terminates on December 31, 2006, (ii) he does not become employed by a new employer or return to work for us and (iii) we continue to be a consolidated subsidiary of Time Warner during the time that the executive remains on our payroll following termination of employment.

***Glenn A. Britt***

*Termination without Cause/Company Material Breach.* Under his employment agreement, Mr. Britt is entitled to certain payments and benefits upon a termination without cause, which includes our termination of his employment under the employment agreement without cause or his termination of such employment due to our material breach. For this purpose, cause means certain felony convictions and certain willful and intentional actions by Mr. Britt including failure to perform material duties; misappropriation, embezzlement or destruction of our property; material breach of duty of loyalty to us having a significant adverse financial impact; improper conduct materially prejudicial to our business; and material breach of certain restrictive covenants regarding noncompetition, hiring of employees, and nondisclosure of confidential information. A material breach includes our failure to cause a successor to assume our obligations under the employment agreement; our or a successor's failure to offer Mr. Britt the CEO position after a merger, sale, joint venture or other combination of assets with another entity in the cable business; Mr. Britt not being employed as our CEO with authority, functions, duties and powers consistent with that position; Mr. Britt not reporting to the Board; and Mr. Britt's principal place of employment being anywhere other than the greater Stamford, Connecticut or New York, New York areas.

In the event of a termination without cause, Mr. Britt is entitled to the following payments and benefits:

any earned but unpaid base salary;

a pro-rata portion of his average annual bonus, which is defined as the average of his two largest annual bonuses paid in the prior five years, except that if Mr. Britt has not been paid any full-year annual bonus under his current employment agreement, then he is entitled to be paid his target annual bonus, or if he has been paid only one full-year annual bonus under his current employment agreement, he will be paid the average of such full-year annual bonus and his target annual bonus. We will pay this bonus between January 1 and March 15 of the calendar year following the year of termination, which is the same time the full annual bonus would have been paid under the employment agreement had such termination not occurred;

any unpaid bonus for the year before the year in which termination of employment occurs, to the extent the bonus amount has been determined or, if not determined, it will be deemed to be his average annual bonus;

any accrued but unpaid long-term compensation;

until the later of December 31, 2009 or 24 months after termination (and Mr. Britt will remain on our payroll during this period), continued payment by us of Mr. Britt's base salary (paid on our normal payroll payment dates in effect immediately prior to Mr. Britt's termination), his average annual bonus, the continuation of his benefits, including pension, automobile allowance and financial services benefits but not including any additional stock-based awards, unless Mr. Britt dies during such period, in which case these benefits will be replaced with the death benefits described below;

**Table of Contents**

office space, secretarial services, office facilities, services and furnishings reasonably appropriate to an employee of Mr. Britt's position and responsibilities prior to termination, but taking into account his reduced need for such space, services, facilities and furnishings. We will provide these benefits for no charge for up to 12 months after termination. These benefits will cease if Mr. Britt commences full-time employment with another employer;

all stock options granted to Mr. Britt by Time Warner will continue to vest, and these vested stock options will remain exercisable (but not beyond the original term of the options) while Mr. Britt is on our payroll;

unless Mr. Britt otherwise qualifies for retirement under the applicable stock option agreement, all stock options granted to Mr. Britt by Time Warner on or after January 10, 2000 (a) that would have vested on or before the date when the salary and bonus continuation payments described above would otherwise cease, will vest immediately on the date Mr. Britt leaves our payroll and (b) that are vested will remain exercisable for three years after Mr. Britt leaves our payroll (but not beyond the original term of the options);

if the date Mr. Britt leaves our payroll because of a termination without cause occurs before a change in control transaction (as described below) and Mr. Britt forfeits any restricted stock grants because of such termination, then, as of the date that Mr. Britt leaves our payroll, Mr. Britt will receive a cash payment equal to the value of any forfeited restricted stock based on the fair market value of the stock as of the date of termination; and

unless otherwise elected by Mr. Britt, his special deferred compensation account will be distributed in installments over 10 years following the later of December 31, 2009 and the date he leaves our payroll.

*Conditions and Obligations Applicable to Receipt of Payments and Benefits.* Mr. Britt's right to receive these payments and benefits upon a termination without cause is conditioned on his execution of a release of claims against us. If Mr. Britt does not execute a release of claims, he will receive a severance payment determined in accordance with our policies relating to notice and severance. Mr. Britt is required to engage in any mitigation necessary to preserve our tax deduction in respect of the payments described above and avoid applicability of the golden parachute excise taxes and related lost corporate tax deduction. Also, if, following a termination without cause, Mr. Britt obtains other employment (other than with a non-profit organization or government entity), he is required to pay over to us the total cash salary and bonus (but not any equity-based compensation or similar benefit) payable to him by a new employer for services provided until December 31, 2009 to the extent of the amounts we have paid him that are in excess of any severance to which he would be entitled from us under our standard severance policies. Mr. Britt must pay us these amounts when he receives them from his new employer. The payments may also be delayed to the extent we deem it necessary for compliance with section 409A of the Tax Code, governing nonqualified deferred compensation.

*Change in Control.* Under his employment agreement, Mr. Britt is entitled to certain payments and benefits if we cease to be a consolidated subsidiary of Time Warner or if Time Warner disposes of all or substantially all of our assets that results in the financial results of our business not being consolidated with Time Warner's financial results. Upon such a transaction, unless Mr. Britt otherwise qualifies for retirement under the applicable stock option agreement, all Time Warner stock options granted to Mr. Britt on or after January 10, 2000 (a) that would have vested on or before December 31, 2009 will vest immediately and (b) that are vested will remain exercisable for three years following the date of the transaction (but not beyond the original term of the options). All other restricted stock, restricted stock units or other awards will be treated pursuant to applicable plans as if Mr. Britt's employment was terminated without cause on the date of closing of the transaction. If this section applies to any equity-based compensation awards, then the termination without cause treatment of such awards (described above) will not apply. Also, if Mr. Britt forfeits any restricted stock grants because of such transaction, then he will receive a cash payment

equal to the value of the forfeited stock based on the value of the stock as of the date of the close of the transaction. Payments or benefits may also be delayed to the extent we deem it necessary for compliance with section 409A of the Tax Code.



**Table of Contents**

*Disability.* Under his employment agreement, Mr. Britt is entitled to payments and benefits if he becomes disabled and has not resumed his duties after six consecutive months or an aggregate of six months in any 12-month period. In such event, we will pay him a pro-rata bonus for the year in which the disability occurs (which will be calculated based on his average annual bonus, described above). In addition, through the later of December 31, 2009 or 12 months following the date the disability occurs, Mr. Britt will remain on our payroll, and we will pay Mr. Britt disability benefits equal to 75% of his annual base salary and average annual bonus, and he will continue to be eligible to participate in our benefit plans (other than equity-based plans) and to receive his other benefits (including automobile allowance and financial services). We may generally deduct from these payments amounts equal to disability payments received by Mr. Britt during this payment period from Workers' Compensation, Social Security and our disability insurance policies. Mr. Britt's special deferred compensation account will be distributed in installments over 10 years following the date he leaves our payroll.

*Retirement.* No benefits or payments provided above in connection with a termination without cause or due to disability shall be payable after Mr. Britt's normal retirement date at age 65. Under his employment agreement and a separate agreement with Time Warner, Mr. Britt is entitled to certain payments and benefits when he retires. Under these arrangements, to the extent the benefits Mr. Britt receives upon retirement are not as generous as benefits he would have received if he had participated in the defined benefit pension plans offered by Time Warner instead of our defined benefit pension plans, then we will provide Mr. Britt with the financial equivalent of the more generous benefits. In addition, Time Warner has agreed to ensure that Mr. Britt receives the equivalent of the benefits he would have received under Time Warner's retiree medical program if he had retired from Time Warner on the same terms and conditions as senior corporate executives of Time Warner upon retirement. This commitment is conditioned on Mr. Britt's retiring pursuant to his employment agreement.

*Death.* Under his employment agreement, if Mr. Britt dies, the employment agreement and all of our obligations to make any payments under the agreement terminate, except that Mr. Britt's estate or designated beneficiary is entitled to receive: (i) Mr. Britt's salary to the last day of the month in which his death occurs, (ii) any unpaid bonus for the year prior to his death (if not previously determined, then based on his average annual bonus) and (iii) bonus compensation, at the time bonuses are normally paid, based on his average annual bonus but prorated according to the number of whole or partial months Mr. Britt was employed by us in the calendar year. Mr. Britt's special deferred compensation account will be distributed in a lump sum within 75 days following his death.

*For Cause.* Under Mr. Britt's employment agreement, if we terminate his employment for cause (as defined above), we will have no further obligations to Mr. Britt other than (i) to pay his base salary through the effective date of termination, (ii) to pay any bonus for any year prior to the year in which such termination occurs that has been determined but not yet paid as of the date of such termination, and (iii) to satisfy any rights Mr. Britt has pursuant to any insurance or other benefit plans or arrangements. Mr. Britt's special deferred compensation account will be valued as of the later of December 31, 2009 and 12 months after termination of employment, and distributed in a lump sum within 75 days of such valuation date.

See *Pension Plans* for a description of Mr. Britt's entitlements under our pension plans and Time Warner's pension plans. See *Nonqualified Deferred Compensation* for a description of Mr. Britt's entitlements under nonqualified deferred compensation plans in which he participates.

*Certain Restrictive Covenants.* Mr. Britt's employment agreement provides that he is subject to restrictive covenants that obligate him, among other things: (1) not to disclose any of our confidential matters, (2) not to hire certain of our employees for one year following termination of employment for cause, without cause, or due to retirement at age 65; and (3) not to compete with our business during his employment and until the latest of December 31, 2009, the date Mr. Britt leaves our payroll and 12 months after the effective date of any termination of the term of employment for

cause, without cause, or due to retirement at age 65.

Assuming the trigger event causing any of the termination payments and other benefits described above occurred on December 31, 2006, and based on the NYSE closing price per share of Time Warner Common

**Table of Contents**

Stock on December 29, 2006 (\$21.78), the dollar value of additional payments and other benefits provided Mr. Britt under his contract are estimated to be as follows:

|                                 | <b>Base<br/>Salary<br/>Continuation</b> | <b>Annual<br/>Bonus<br/>Continuation</b> | <b>Pro<br/>Rata<br/>Bonus</b> | <b>LTIP(1)</b> | <b>Group<br/>Benefit<br/>Plans<br/>Continuation(2)</b> | <b>Pension<br/>Accrual(3)</b> | <b>Stock-<br/>Based<br/>Awards(4)</b> | <b>Other(5)</b> |
|---------------------------------|---|--|-------------------------------|----------------|--|-------------------------------|---------------------------------------|-----------------|
| Termination<br>without<br>Cause | \$ 3,000,000                            | \$ 15,000,000                            | \$ 5,000,000                  | \$ 2,924,835   | \$ 103,568   | \$ 52,500                     | \$ 5,489,405                          | \$ 515,456      |
| Change in<br>Control            |   |  |                               | \$ 2,438,168   |  |                               | \$ 5,489,405                          |                 |
| Retirement                      |   |  | \$ 5,000,000                  | \$ 2,438,168   | (6)  |                               | \$ 5,489,405                          |                 |
| Disability                      | \$ 2,250,000                            | \$ 11,250,000                            | \$ 5,000,000                  | \$ 2,924,835   | \$ 103,568   |                               | \$ 5,489,405                          | \$ 447,456      |
| Death                           |   |  | \$ 5,000,000                  | \$ 2,438,168   |  |                               | \$ 5,489,405                          |                 |

- (1) The amount shown reflects the amount payable under 2005 and 2006 LTIP grants (based on target value) under his employment agreement and the terms of the LTIP by reason of his termination or a change in control, as applicable (including treatment as a retirement under the LTIP, as applicable).
- (2) Includes \$30,388 to cover the estimated cost of continued health, life and disability insurance for three years, \$43,180 for medical subsidy under the Time Warner Inc. Retiree Medical Plan for three years, plus estimated Savings Plan (401(k)) company contributions of \$10,000 per year for three years. After three years, Mr. Britt would continue to receive the medical subsidy under the Time Warner Inc. Retiree Medical Plan, which, based on current plan rates, would be an amount equal to \$14,393 per year before the age of 65 and \$4,040 per year after turning 65 years old.
- (3) Reflects the present value of the increase in the annual pension benefit payable as a result of the additional period of service during the post-termination period. See the Pension Benefits Table for additional information as of December 31, 2006.
- (4) Based on the excess of the closing sale price of Time Warner Common Stock on December 29, 2006 over the exercise price for each accelerated option, and based on the closing sale price of Time Warner Common Stock on December 29, 2006 in the case of accelerated restricted stock and restricted stock units. See the Outstanding Time Warner Equity Awards at December 31, 2006 Table for additional information as of December 31, 2006.
- (5) Includes car allowance of \$24,000 annually for three years, financial planning reimbursement of up to \$100,000 annually for three years, payments of \$25,152 annually for three years corresponding to two times the premium cost of \$4,000,000 of life insurance coverage under our GUL insurance program, and, other than in the case of disability, office space and secretarial support for one year after termination at a cost of \$68,000.
- (6) Upon retirement, Mr. Britt would be entitled to receive the medical subsidy under the Time Warner Inc. Retiree Medical Plan, which, based on current plan rates, would be an amount equal to \$14,393 per year before age 65 and \$4,040 per year after turning 65 years old.

**John K. Martin**

*Termination without Cause/Company Material Breach.* Under his employment agreement, Mr. Martin is entitled to certain payments and benefits upon a termination without cause, which includes our termination of his employment under the employment agreement without cause or his termination of such employment due to our material breach. For this purpose, cause means certain felony convictions and certain willful and intentional actions by Mr. Martin including failure to perform material duties; misappropriation, embezzlement or destruction of our property having a significant adverse effect on us; material breach of duty of loyalty to us having a significant adverse effect on us; improper conduct materially prejudicial to our business; and material breach of certain restrictive covenants regarding noncompetition, hiring of employees, and nondisclosure of confidential information. A material breach includes our failure to cause a successor to assume our obligations under the agreement; Mr. Martin not being employed as our Executive Vice President and Chief Financial Officer with authority, functions, duties and powers consistent with that position; Mr. Martin not reporting to the CEO; and Mr. Martin's principal place of employment being anywhere other than the greater Stamford, Connecticut area or other location of our principal corporate offices in the New York metropolitan area.

In the event of a termination without cause, Mr. Martin is entitled to the following payments and benefits:

any earned but unpaid base salary;

a pro-rata portion of his average annual bonus, which is defined as the average of his two largest regular annual bonuses paid in the prior five years, except that if Mr. Martin has not been paid any full-year annual bonus under his current employment agreement, then he is entitled to be paid his target annual bonus, or if he has been paid only one full-year annual bonus under his current

**Table of Contents**

employment agreement, he will be paid the average of such full-year annual bonus and his target annual bonus. We will pay this bonus between January 1 and March 15 of the calendar year following the year of termination, which is the same time the full annual bonus would have been paid under the employment agreement had such termination not occurred;

until the later of August 8, 2008 or 24 months after termination (and Mr. Martin will remain on our payroll during this period), continued payment by us of Mr. Martin's base salary (paid on our normal payroll payment dates in effect immediately prior to Mr. Martin's termination), his average annual bonus, and the continuation of his benefits, including pension but not including any additional stock-based awards, unless Mr. Martin dies during such period, in which case these benefits will be replaced with the death benefits described below;

unless Mr. Martin otherwise qualifies for retirement under the applicable stock option agreement, all stock options granted to Mr. Martin by Time Warner will continue to vest, and these vested stock options will remain exercisable (but not beyond the original term of the options) while Mr. Martin is on our payroll; and

unless Mr. Martin otherwise qualifies for retirement under the applicable stock option agreement, all stock options granted to Mr. Martin by Time Warner on or after January 10, 2000 (a) that would have vested on or before the date when the salary and bonus continuation payments described above would otherwise cease, will vest immediately on the date Mr. Martin leaves our payroll and (b) that are vested will remain exercisable for three years after Mr. Martin leaves our payroll (but not beyond the original term of the options).

*Conditions and Obligations Applicable to Receipt of Payments and Benefits.* Mr. Martin's right to receive these payments and benefits upon a termination without cause is conditioned on his execution of a release of claims against us. If Mr. Martin does not execute a release of claims, he will receive a severance payment determined in accordance with our policies relating to notice and severance.

*Change in Control.* Under his employment agreement, Mr. Martin is entitled to certain payments and benefits if we cease to be a consolidated subsidiary of Time Warner or if Time Warner disposes of all or substantially all of our assets that results in the financial results of our business not being consolidated with Time Warner's financial results. Upon such a transaction, unless Mr. Martin otherwise qualifies for retirement under the applicable stock option agreement, all stock options granted to Mr. Martin on or after January 10, 2000 (a) that would have vested on or before December 31, 2008 will vest immediately and (b) that are vested will remain exercisable for three years following the date of the transaction (but not beyond the original term of the options). All other restricted stock, restricted stock units or other awards will be treated pursuant to applicable plans as if Mr. Martin's employment was terminated without cause on the date of closing of the transaction. If this section applies to any equity-based compensation awards, then the termination without cause treatment of such awards (described above) will not apply.

*Disability.* Under his employment agreement, Mr. Martin is entitled to payments and benefits if he becomes disabled and has not resumed his duties after six consecutive months or an aggregate of six months in any 12-month period. In such event, we will pay him a pro-rata bonus for the year in which the disability occurs (which will be calculated based on his average annual bonus). In addition, through the later of August 8, 2008 or 12 months following the date the disability occurs, Mr. Martin will remain on our payroll, and we will pay Mr. Martin disability benefits equal to 75% of his annual base salary and average annual bonus, and he will continue to be eligible to participate in our benefit plans (other than equity-based plans) and to receive his other benefits (including financial services). We may generally deduct from these payments amounts equal to disability payments received by Mr. Martin during this payment period from Workers' Compensation, Social Security and our disability insurance policies.

*Death.* Under his employment agreement, if Mr. Martin dies, the employment agreement and all of our obligations to make any payments under the agreement terminate, except that Mr. Martin's estate or designated beneficiary is entitled

to receive: (a) Mr. Martin's salary to the last day of the month in which his death occurs and (b) bonus compensation, at the time bonuses are normally paid, based on his average annual bonus but

**Table of Contents**

pro-rated according to the number of whole or partial months Mr. Martin was employed by us in the calendar year.

*For Cause.* Under Mr. Martin's employment agreement, if we terminate his employment for cause (as defined above), we will have no further obligations to Mr. Martin other than (a) to pay his base salary through the effective date of termination, (b) to pay any bonus for any year prior to the year in which such termination occurs that has been determined but not yet paid as of the date of such termination, and (c) to satisfy any rights Mr. Martin has pursuant to any insurance or other benefit plans or arrangements.

See Pension Plans for a description of Mr. Martin's entitlements under our pension plans and Time Warner's pension plans.

*Certain Restrictive Covenants.* Mr. Martin's employment agreement provides that he is subject to restrictive covenants that obligate him, among other things: (1) not to disclose any of our confidential matters, (2) not to hire certain of our employees for one year following termination of employment for cause or without cause; and (3) not to compete with our business during his employment and until the latest of August 8, 2008, the date Mr. Martin leaves our payroll and 12 months after the effective date of any termination of the term of employment for cause or without cause.

Assuming the trigger event causing any of the termination payments and other benefits described above occurred on December 31, 2006, and based on the NYSE closing price per share of Time Warner Common Stock on December 29, 2006 (\$21.78), the dollar value of additional payments and other benefits provided Mr. Martin under his contract are estimated to be as follows:

|                                 | <b>Base Salary<br/>Continuation</b> | <b>Annual<br/>Bonus<br/>Continuation</b> | <b>Pro Rata<br/>Bonus</b> | <b>LTIP(1)</b> | <b>Group<br/>Benefit<br/>Plans<br/>Continuation(2)</b> | <b>Pension<br/>Accrual(3)</b> | <b>Stock-Based<br/>Awards(4)</b> | <b>Other(5)</b> |
|---------------------------------|-------------------------------------|--|---------------------------|----------------|--|-------------------------------|----------------------------------|-----------------|
| Termination<br>without<br>Cause | \$ 1,300,000                        | \$ 1,587,119                             | \$ 793,560                | \$ 578,000     | \$ 77,807  | \$ 45,030                     | \$ 775,862                       | \$ 52,232       |
| Change in<br>Control            |                                     |  |                           | \$ 192,667     |  |                               | \$ 775,862                       |                 |
| Disability                      | \$ 771,859                          | \$ 942,332                               | \$ 793,560                | \$ 497,723     | \$ 77,807  |                               | \$ 1,475,706                     | \$ 52,232       |
| Death                           |                                     |  | \$ 793,560                | \$ 192,667     |  |                               | \$ 1,475,706                     |                 |

(1) The amount shown reflects the amount payable under 2006 LTIP grant (based on target value) under his employment agreement and the terms of the LTIP by reason of his termination or a change in control, as applicable.

(2) Includes \$57,807 to cover the estimated cost of continued health, life and disability insurance for two years