

degree in business administration and served in the United States Navy.

The Original Time/Warner Merger

2. During the summer of 1988, Dick Munro and Nick Nicholas of Time met with me (as I believe they met with Time's other outside directors) to discuss a possible merger of Warner Communications Inc. with Time. I found the idea of a Warner merger very attractive. I urged Mr. Munro and Mr. Nicholas to proceed with further talks with Warner.

3. The idea of expanding Time by entering a combination with Warner was presented at the July 1988 Board meeting. A presentation was made at that meeting by Dick Munro and Nick Nicholas as well as several outside advisors. After considering several alternative combinations with other companies including Paramount, we concluded that Warner had the best business fit and was the best acquisition candidate. Warner's movie business was considered stronger than other movie studios that were considered. Warner's cable operations would fit in well with Time's. The main idea was to strengthen Time strategically and financially and to expand into the international marketplace through a business combination. Warner had by far the best fit in meeting these goals because it was strong financially, and its motion picture and cable television

operations would be an excellent complement to Time's business segments.

4. From the very beginning, the Time Board was absolutely clear in its desire that Time personnel be the managing group in any possible combination. This was important to the Time Board for two reasons. First of all, there had been discussion over a long period of time about the desirability of Time remaining an independent company in control of its own destiny. Second, Time's magazine franchise, its publishing operations, is an important part of Time's business, and it has long been the Board's view that the magazines should retain their editorial independence. The Board explicitly discussed the importance of preserving editorial independence.

5. Editorial independence is a tradition imbedded at Time. When Hedley Donavon, Editor-in-Chief retired and Henry Grunwald succeeded him, the Board reaffirmed that tradition. The Board has worked hard to ensure that management is separated from editorial policy -- a separation characterized within Time as "separation of church and state." This independence and journalistic integrity is tremendously impacted by who runs the business. Without a guarantee of independence and integrity, journalists and editors may feel that the operation has been

compromised, and the company will not be able to attract top-notch talent.

6. I never thought Time was being put up for sale. I absolutely did not regard the original merger as a sale of Time, and it was not thought of as a sale in any way at any time. There is no question in my mind that no director considered the original merger agreement a sale of Time.

7. At first some Time directors had a concern about paying a premium for Warner, and the issue was considered and discussed by the Time Board in depth. This concern did not center around the question of whether the Warner shares would be converted into a majority of Time Warner stock but on whether Time was getting the right price and the right economics in the transaction. I had no difficulty whatsoever with the economics of the deal. I thought the deal made good business sense, that the price was right, and that paying some premium was acceptable. In the end all the directors came to that conclusion.

8. The availability of pooling-of-interest accounting was one of the positive factors in structuring the deal on a stock-for-stock basis, as was the fact that Warner would not at that time accept a cash acquisition. However, the motivation for the deal itself was that this would be a good strong acquisition of assets. I believed

the deal would proceed even if we had to accept purchase accounting as a result of any hostile attempt to disrupt the transaction.

9. I viewed Mr. Ross' compensation as I would view a purchase of a capital asset, such as a building or machine tool, which was essential to the success of the new company. Mr. Ross was key to Warner's success. Although Mr. Ross' compensation is high by the standards I am used to, I am aware that the entertainment business has levels of salary, bonus and other compensation plans that are substantially higher than Time's. Issues concerning Mr. Ross's compensation were fully discussed, and I was satisfied that if Time were going to acquire Warner, Mr. Ross' contract would be part of the deal.

10. I regarded the employment contracts approved for Mr. Munro, Mr. Nicholas and other Time executives as reasonable. The length of these agreements was designed to assure that Time personnel succeeded to management control and thus that editorial independence was preserved.

The Shareholder Rights Plan

11. Time's Shareholder Rights Plan was adopted before the Warner discussions developed. The Plan was adopted in April 1986 at a time when there were no specific threats to Time's independence. Similarly, it was updated in January 1989, still in the absence of any threats, based

on subsequent evolution of such plans in the business community generally.

The Share Exchange Agreement

12. The Share Exchange Agreement was executed at the same time as the Merger Agreement. From my perspective, its principal purpose was to deter a third party from breaking up the Time/Warner deal. I did not regard it, however, as any defense to a takeover of Time. Whatever deterrent effect it might have had on takeover bids was quite modest and, given the size of transactions that have been occurring recently, probably not significant.

The Paramount Hostile Bid

13. I considered Paramount's initial bid of \$175 per share to be ridiculously inadequate. The subsequent \$200 per share revised offer is also not even close to adequate. Given the short period of time between the original offer and the revised one, the Board was skeptical that Paramount was serious about either of the offers. Furthermore, Paramount's offer was conditioned upon a number of conditions including the obtaining of cable franchise approvals, which we believed could not be obtained within any reasonable amount of time. Such a delay and risk were an important factor in our discounting Paramount's offers. Besides, the discretionary conditions made us question whether it was a real offer or not. In these circumstances

I could not overlook Paramount's interest as a competitor in defeating a Time/Warner combination without ever buying a single share of Time stock.

14. The Board has not met with Paramount to discuss its offers because Time is not for sale. In addition, Paramount's offers were totally inadequate. Therefore, we saw no purpose in meeting.

The Time Tender for Warner

15. The Time Board's decision to launch a tender offer for Warner shares was based upon a conviction that Time should go forward with what we considered was the better deal for Time in the long run. In the directors' judgment, acquiring Warner outright was best for the corporation. The offer was not a defensive move to "save" Time; rather it was a move to pursue a terrific business combination that we had decided to pursue long before any unsolicited bid had surfaced.

16. Before determining to proceed with a tender offer for Warner, the Board considered the possible benefits of a combination with Paramount. The Board concluded that the fit of a Time-Warner combination was far superior to that of Time-Paramount. Based on recommendations from financial advisors and analysts, the Warner motion picture and cable operations would better suit our needs. More importantly, Warner offered a great opportunity to expand

overseas and thus help accomplish our worldwide expansion goals, whereas Paramount offered virtually nothing in this area.

17. I am entirely comfortable with the financial aspects of the pending Time tender offer for Warner shares. The price offered for Warner shares was at the low end of the value range based on the Warner valuation prepared by Time's financial advisors. There is no question in my mind that the debt coverage can be handled easily. (In that respect I note in passing that Time-Warner would be a financially stronger company than Time-Paramount.) The current offer also avoids diluting the Time shares. The combined company would have lower earnings per share, but a much higher cash flow, and such cash flow would be quite adequate to cover interest expense. Operational cash flow could be increased to accommodate the debt payments without having to dispose of any assets.

18. The current offer for Warner does not preclude a takeover of Time. Big companies have been taken over in the past and probably will be taken over in the future. I would never consider taking a risk with the Time shareholder's assets to prevent a takeover bid.

The entrenchment theory is nonsense

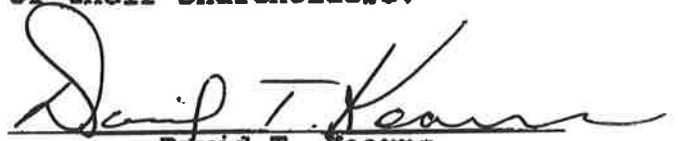
19. In my view, the claim that the directors' actions were based on a desire to entrench themselves or

Time management is total absolute nonsense. There are no directors on the Time Board who have any conceivable motive to entrench themselves, financial or otherwise. This assertion is just ridiculous.

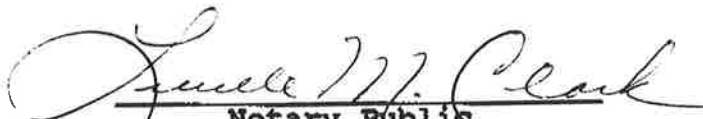
20. With respect to Mr. Munro, anyone who has ever met the man knows that the notion of entrenching himself could never be a part of his motivations. Mr. Munro was scheduled to retire in 1990 and has only decided to remain as Chairman after his planned retirement date at the Board's request. Neither Mr. Nicholas nor Mr. Levin has ever indicated any character trait that would lead me to believe that they could be motivated by a desire to entrench themselves.

21. I believe this entrenchment claim is just fiction created by those who for their own reasons want to disrupt the transaction between Time and Warner. The Time/Warner transaction is undeniably the result of years of analysis, negotiation and careful consideration. I simply do not see how such a transaction can be characterized as

anything other than a business deal both parties believe
will be in the best interests of their shareholders.


David T. Kearns

Sworn to before me this
7th day of July 1989.


Notary Public

my commission expires 3/31/90