

SECURITIES AND EXCHANGE COMMISSION

FORM T-3

Initial application for qualification of trust indentures

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FILER

TIME WARNER INC

CIK: **736157** | IRS No.: **131388520** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
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Business Address
*TIME & LIFE BLDG
ROCKFELLER CENTER
75 ROCKFELLER PLAZA
NEW YORK NY 10019
2124848000*

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-3

FOR APPLICATIONS FOR QUALIFICATION OF INDENTURES
UNDER THE TRUST INDENTURE ACT OF 1939

TIME WARNER INC.
(Name of Applicant)

75 Rockefeller Plaza
New York, NY 10019
(Address of Principal Executive Offices)

SECURITIES TO BE ISSUED UNDER THE
INDENTURE TO BE QUALIFIED

| Title of Class | Amount |
|--|---|
| Debt Securities, issuable in series | up to \$1,827,948,000 (representing the maximum aggregate principal amount of securities to be received upon redemption) |

Approximate Date of Proposed Public Offering:
As soon as practicable after this
application for qualification becomes effective

Peter R. Haje, Esq.
Executive Vice President,
Secretary and General Counsel
Time Warner Inc.
75 Rockefeller Plaza
New York, NY 10019
(212) 484-8000
(Name and Address of Agent for Service)

Copies to:

William P. Rogers, Jr., Esq.
Cravath, Swaine & Moore

Faith D. Grossnickle, Esq.
Shearman & Sterling

Worldwide Plaza
825 Eighth Avenue
New York, NY 10019-7475
(212) 474-1270

599 Lexington Avenue
New York, NY 10022
(212) 848-8015

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The obligor hereby amends this application for qualification on such date or dates as may be necessary to delay its effectiveness until (i) the 20th day after the filing of a further amendment which specifically states that it shall supersede this amendment, or (ii) such date as the Commission, acting pursuant to section 307(c) of the Act, may determine upon the written request of the obligor.

GENERAL

Item 1. General Information

Time Warner Inc. (the "Applicant") is a corporation organized under the General Corporation Law of the State of Delaware.

Item 2. Securities Act Exemption Applicable

The issuance by the Applicant in the transaction described below of one or more series of securities (the "Securities") under the indenture to be qualified, dated as of January 15, 1993 (the "Indenture"), between the Applicant and Chemical Bank, a New York banking corporation, would be exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "1933 Act"), under Section 3(a)(9) of the 1933 Act because such Securities will be "exchanged by the issuer with its existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange."

The Securities will be issued under the Indenture to holders of Redeemable Reset Notes Due August 15, 2005 (the "Reset Notes"), pursuant to a redemption being effected in accordance with the terms of the Reset Notes. Holders of the Reset Notes neither have made nor will be required to make any cash payments to the Applicant in connection with the redemption of the Reset Notes.

There have not been nor will there be any sales of securities of the same class as the Securities by the Applicant or by or through an underwriter at or about the same time as the transaction for which the exemption described above is claimed. The Applicant will not pay, directly or indirectly, any commission or other remuneration to any person in connection with the redemption of the Reset Notes and the issuance of the Securities, except for the following: (i) certain investment banking firms will receive reasonable compensation and reimbursement of reasonable expenses from and will be indemnified against certain liabilities or expenses by the Applicant in connection with their services as valuation agents under the terms of the Reset Notes; and (ii) an investor relations firm that acts as information agent will receive reasonable

compensation and reimbursement of reasonable expenses in connection with its services as information agent.

AFFILIATIONS

Item 3. Affiliates

The following is a list of direct and indirect subsidiaries of the Applicant, indicating the percentage of voting securities owned by the Applicant in each such subsidiary. Indirect subsidiaries are indented and listed under their direct parent corporations and the share of ownership indicated thereof refers to the share ownership of the direct parent corporation. The names of certain subsidiaries, which if considered in the aggregate as a single subsidiary would not constitute a significant subsidiary, are omitted. Investments in certain partially owned companies representing investments of 50% or less are not included for the reason that such companies, considered in the aggregate, would not constitute a significant subsidiary. Also listed below are affiliates of Time Warner Entertainment Company, L.P., a Delaware limited partnership ("TWE"), in which certain wholly owned subsidiaries of the Applicant collectively own 63.27% of the pro rata priority

capital and residual equity interests.

Subsidiaries of Time Warner Inc.

| Affiliates ----- | Percentage of Voting Securities Held by TWE ----- |
|--|--|
| Asiaweek Limited | 80 |
| Summit Communications Group, Inc. | 100 |
| Sunset Publishing Corporation | 100 |
| Time International Inc. | 100 |
| Time Inc.(1)..... | 100 |
| American Family Publishers (partnership) | 50 |
| Book-of-the-Month Club, Inc. | 100 |
| Entertainment Weekly, Inc. | 100 |
| Little, Brown and Company (Inc.) | 100 |
| Time Distribution Services Inc..... | 100 |
| Time Customer Service, Inc. | 100 |
| Time Publishing Ventures, Inc. | 100 |
| Southern Progress Corporation(2)..... | 100 |
| Time Inc. Ventures | 100 |
| Health Publications, Inc..... | 100 |
| *Hippocrates Partners (partnership) .. | 50 |
| TWC Ventures Inc. | 100 |

| Affiliates ----- | Percentage of Voting Securities Held by TWE ----- |
|---|--|
| Time Life Inc. | 100 |
| Time-Life Customer Service, Inc. | 100 |
| Warner Books, Inc. | 100 |
| Warner Publisher Services Inc. | 100 |
| Time TBS Holdings, Inc. | 100 |
| TWI Cable Inc..... | 100 |
| Paragon Communications (partnership)..... | 50 (13) |
| TW Service Holding I, L.P. (partnership)..... | (3) |
| TW Service Holding II, L.P. (partnership) | (3) |
| TW Programming Co. (partnership) | (4) |
| TW Transmission Co. (partnership) | (4) |
| TW Cable Service Co. (partnership) | (4) |
| E/Court Holding Co. (partnership) | (4) |
| TW/BET Holding Co. (partnership) | (4) |

| | |
|--|---------|
| TW/Three D Holding Co. (partnership) | (4) |
| TWQ II Co. (partnership) | (4) |
| TWQ I Co., L.P. (partnership) | (5) |
| WCI Record Club Inc. | 100 (6) |
| The Columbia House Company (partnership) | 50 |
| Warner Communications Inc. | 100 |
| Atari Games Corporation | 79 |
| DC Comics (partnership) | 50 (7) |
| Warner Bros. Publications Inc. | 100 |
| Warner Bros. Music International Inc. | 100 |
| Warner-Tamerlane Publishing Corp. | 100 |
| WB Music Corp. | 100 |
| W Cinemas Holding Inc. | 100 |
| W. Cinemas Inc. | 100 |
| Alpha Theatres Inc. | 100 |
| NPP Music Corp. | 100 |
| Warner/Chappell Music, Inc. | 100 |
| New Chappell Inc.(8)..... | 100 |
| Super Hype Publishing, Inc. | 100 |
| Cotillion Music, Inc. | 100 |
| Walden Music, Inc. | 100 |
| Summy-Birchard, Inc. | 100 |
| Lorimar Motion Picture Management, Inc. | 100 |
| E.C. Publications, Inc. | 100 |
| WCI/Am Law Inc. | 100 |
| American Lawyer Media, L.P. | 83.25 |
| Warner Music Group Inc.. | 100 |
| Warner Bros. Records Inc. | 100 |
| Atlantic Recording Corporation | 100 |
| Warner-Elektra-Atlantic Corporation | 100 |
| WEA International Inc.(9) | 100 |
| Warner Music Canada Ltd. | 100 |

| Affiliates ----- | Percentage of Voting Securities Held by TWE ----- |
|--|--|
| The Columbia House Company (Canada) (partnership) | 50 |
| Warner Special Products Inc. | 100 |
| Warner Custom Music Corp. | 100 |
| WEA Manufacturing Inc. | 100 |
| Allied Record Company | 100 |
| Time Warner Limited | 100 |
| Warner Music International Services Ltd. ... | 100 |
| Time Warner UK Limited | 100 |
| Warner Chappell Music Group (UK) Ltd. .. | 100 |
| Warner Chappell Music Limited.... | 100 |

| | |
|--|---------|
| Magnet Music Ltd. | 100 |
| Warner Music (U.K.) Limited | 100 |
| Ivy Hill Corporation | 100 |
| Warner Cable Communications Inc.(10)..... | 100 |
| TWI Ventures Ltd. | 100 |
| American Television and Communications Corporation ... | 100(11) |
| American Communications Corporation | 100 |
| American Cablevision of Monroeville, Inc. | 100 |
| American Digital Communications, Inc. | 100 |
| ATC Cablevision of San Merino, Inc. | 100 |
| ATC Cablevision of South Pasadena, Inc. | 100 |
| American Cablevision of Kansas City, Inc. | 100 |
| Kansas City Cable Partners (partnership) ... | 50(12) |
| ATC Holdings II, Inc. | 100 |
| ARP 113, Inc..... | 100 |
| Paragon Communications (partnership)..... | 50(13) |
| ATC/PPV, Inc. | 100 |
| Carolina Network Corporation | 100 |
| Philadelphia Community Antenna Television Company .. | 100 |
| Lower Bucks Cablevision, Inc. | 100 |
| Tri-County Cable Television Company | 100 |
| Public Cable Company | 100 |
| Public Cable Company (partnership) | 77 |
| Shows, Inc. | 100 |
| Time Warner Operations Inc. | 100(14) |
| HBO Film Management, Inc. | 100 |
| Kremlin Productions, Inc. | 100 |
| Simba Productions, Inc. | 100 |
| WAC Productions, Inc. | 100 |
| Running Mates, Inc. | 100 |

Subsidiaries of Time Warner Entertainment Company, L.P.

| Affiliates ----- | Percentage of Voting Securities Held by TWE ----- |
|--|--|
| Century Venture Corporation..... | 50 |
| Century Colorado Corp..... | 100 |
| Colorado Springs Cablevision, Inc..... | 100 |

| | |
|--|----------|
| Colorado Springs Citizens Cable, Inc..... | 100 |
| CV of Viera Joint Venture (partnership)..... | 50 |
| Erie Telecommunications, Inc..... | 54.19 |
| Inverness/ATC Joint Venture (partnership)..... | 50 |
| Time Warner Cable New Zealand Holdings Ltd..... | 100 (15) |
| Queens Inner Unity Cable System..... | 50 |
| Comedy Partners, L.P. (partnership)..... | 50 |
| HBO Ole (partnership)..... | 50 |
| HBO Ole Distribution 1 A.V.V..... | 100 |
| HBO Ole International/Sales Company Ltd..... | 100 |
| HBO Ole Services S.A..... | 100 |
| HBO Ole Producciones S.A..... | 50 |
| HBO Direct, Inc..... | 100 |
| HBO Turkey Holdings I Inc..... | 100 |
| HBO Turkey Holdings II Inc..... | 100 |
| Warner Cable of New Jersey Inc..... | 100 |
| Warner Cable of Vermont Inc..... | 100 |
| TW Buffer Inc..... | 100 |
| Warner Bros. (F.E.) Inc..... | 100 |
| Warner Bros. (Japan) Inc..... | 100 |
| Warner Bros. (South) Inc..... | 100 |
| Warner Bros. (Transatlantic) Inc..... | 100 |
| Bethel Productions Inc..... | 100 |
| Warner Films Consolidated Inc..... | 100 |
| Exeter Distributing Inc..... | 100 |
| Riverside Avenue Distributing Inc..... | 100 |
| HBO Asia Holdings, L.P. (partnership)..... | 99 |
| HBO Pacific Partners, C.V..... | 83.33 |
| Home Box Office (Singapore) Pty. Ltd..... | 100 |
| Turner/HBO Ltd. Purpose Joint Venture (partnership)..... | 50 |
| Acapulco 37 S.A. de C.V..... | 100 |
| Warner Bros. Beteiligungs Gesellschaft mbH..... | 100 |
| Time Warner-Advance/Newhouse Partnership..... | 66.67 |
| Time Warner Entertainment Limited..... | 100 |
| The Bountiful Company Limited..... | 50 |
| Time Warner Entertainment (UK) Limited..... | 100 |
| Warner Bros. Consumer Products (UK) Ltd..... | 100 |
| TWE Finance Limited..... | 100 |
| Warner Bros. Theatres Ltd..... | 100 |
| Warner Bros. Distributors Ltd..... | 100 |

Percentage of
Voting Securities

| Affiliates ----- | Held by TWE ----- |
|---|----------------------|
| Lorimar Telepictures International Ltd..... | 100 |
| Warner Bros. International Television Distribution Italia S.p.A..... | 100 |
| Terremodo Ltd..... | 100 |
| Victory Film Production, Ltd..... | 100 |
| Warner Bros. Theatres (U.K.) Limited..... | 100 |
| Warner Bros. Investments (Pilsworth) Ltd.... | 100 |
| Warner Bros. Theatres Advertising Agency Limited.. | 100 |
| Warner Bros. Productions Limited..... | 100 |
| Warner Home Video (U.K.) Limited..... | 100 |
| Metro Color Laboratories (U.K.) Ltd..... | 100 |
| Kay Holdings Ltd..... | 100 |
| Metrocolor (London) Limited..... | 100 |
| Geffen Pictures (partnership)..... | 50 |
| Lorimar Distribution International (Canada) Corp..... | 100 |
| Lorimar Canada Inc..... | 100 |
| Productions et Editions Cinematographiques Francaises SARL (PECF)..... | 100 |
| Warner Home Video France S.A..... | 100 |
| Time Warner Entertainment Australia Pty. Ltd..... | 100 |
| Lorimar Telepictures Pty. Limited..... | 100 |
| Warner Bros. (Australia) Pty. Ltd..... | 100 |
| Warner Holdings Australia Pty. Limited..... | 100 |
| Warner Bros. Properties (Australia) Pty. Ltd.... | 100 |
| Warner Bros. Theatres (Australia) Pty. Limited... | 100 |
| Warner World Australia Pty. Limited..... | 100 |
| Movie World Enterprises Partnership (partnership).. | 50 |
| Warner Home Video Pty. Limited..... | 100 |
| Warner Bros. Video Pty. Ltd..... | 100 |
| Warner Sea World Aviation Pty. Ltd..... | 100 |
| Sea World Aviation Partnership (partnership)..... | 50 |
| Warner Sea World Investments Pty. Limited..... | 100 |
| Sari Lodge Pty. Limited..... | 50 |
| Sea World Management Pty. Ltd..... | 100 |
| Warner Sea World Operations Pty. Ltd..... | 100 |
| Sea World Enterprises Partnership (partnership).. | 50 |
| Warner Sea World Units Pty. Ltd..... | 100 |
| Time Warner Entertainment GmbH..... | 100 |
| Warner Bros. Deutschland Pay TV GmbH..... | 100 |
| Warner Home Video GmbH..... | 100 |
| Warner Home Video Spol SRO..... | 100 |
| Warner Bros. Film GmbH..... | 100 |
| Warner Bros. Film GmbH Kinobertriebe..... | 100 |
| Warner Bros. Film GmbH Multiplex Cinemas Mulheim. | 100 |
| Time Warner Merchandising Canada Inc..... | 100 |
| Warner Bros. Canada Inc..... | 100 |
| Warner Bros. Distributing (Canada) Limited..... | 100 |
| Warner Home Video (Canada) Ltd..... | 100 |
| Warner Bros. (Africa) (Pty) Ltd..... | 100 |

| Affiliates ----- | Percentage of Voting Securities Held by TWE ----- |
|--|--|
| Warner Bros. Belgium SA/NV..... | 100 |
| Warner Bros. (D) A/S..... | 100 |
| Warner & Metronome Films A/S..... | 50 |
| Warner Bros. Theatres Denmark A/S..... | 100 |
| Scala Biografome I/S (partnership)..... | 50 |
| Dagmar Teatret I/S (partnership)..... | 50 |
| Warner Bros. Film Ve Video Sanayi Ve Ticaret A.S..... | 100 |
| Warner Bros. Finland OY..... | 100 |
| Warner Bros. (Holland) B.V..... | 100 |
| Warner Home Video (Nederland) B.V..... | 100 |
| Warner Bros. Theatres (Holland) B.V..... | 100 |
| Warner Bros. Holdings Sweden AB..... | 100 |
| Warner Bros. (Sweden) AB..... | 100 |
| Warner Home Video (Sweden) AB..... | 100 |
| Warner Bros. Italia S.p.A..... | 100 |
| Cinema Data Service S.r.L..... | 100 |
| Warner Entertainment Italia S.r.L..... | 100 |
| Warner Bros. (Korea) Inc..... | 100 |
| Warner Bros. (Mexico) S.A..... | 100 |
| Warner Bros. (N.Z.) Limited..... | 100 |
| Warner Home Video (N.Z) Limited..... | 100 |
| Warner Bros. Norway A/S..... | 100 |
| Warner Bros. Singapore Pte. Ltd..... | 100 |
| Warner Home Video (Ireland) Ltd..... | 100 |
| Warner Home Video Portugal Lda..... | 100 |
| Warner-Lusomundo Sociedade Iberica de Cinemas Lda..... | 50 |
| Warner Home Video Espanola S.A..... | 100 |
| Warner Bros. Licensing Espanola S.A..... | 100 |
| Warner Mycal Corporation..... | 50 |
| Kabelkom Management Co. (partnership) (16)..... | 50 |
| Kabelkom Holding Co. (partnership) (16)..... | 50 |
| Quincy Jones Entertainment Company L.P. (partnership)..... | 50 |
| Six Flags Entertainment Corporation..... | 100 |
| SF Holdings Inc..... | 100 |
| Six Flags Theme Parks Inc..... | 100 |
| DC Comics (partnership)..... | 50 (7) |

- (1) The names of five subsidiaries of Time Inc. carrying on the magazine publishing business are omitted.
- (2) The names of nine subsidiaries of Southern Progress Corporation carrying on the magazine or book publishing businesses are omitted.
- (3) The General Partners of TWE own 77.78%, Toshiba America Entertainment, Inc. owns 11.11% and Itochu Entertainment Inc. owns 11.11%.
- (4) TW Service Holding I, L.P. owns 99% and TW Service Holding II, L.P. owns 1%.
- (5) American Television and Communications Corporation, Warner Cable Communications Inc. and Warner Communications Inc. are the General Partners and TW Service Holding I, L.P. and TW Service Holding II, L.P. are the Limited Partners.
- (6) Time Warner Inc. owns 80% and Warner Communications Inc. owns 20%.
- (7) Warner Communications Inc. owns 50% and TWE owns 50%.
- (8) The names of 16 subsidiaries of New Chappell Inc. carrying on substantially the same music publishing operations in foreign countries are omitted.
- (9) The names of 34 subsidiaries of WEA International Inc. carrying on substantially the same record, tape and video cassette distribution operations in foreign countries are omitted.
- (10) The names of seven other subsidiaries of Warner Cable Communications Inc. carrying on the cable television business are omitted.
- (11) Time Warner Inc. owns 86.34%, Warner Communications Inc. owns 7.8% and Time TBS Holdings, Inc. owns 5.86%.
- (12) American Cablevision of Kansas City, Inc. owns 49% of Kansas City Cable Partners and TWE owns 1%.
- (13) American Television and Communications Corporation owns 50% of Paragon Communications through two indirectly owned subsidiaries-- 31.09% through ATC Holdings II, Inc. and 18.91% through ARP 113, Inc. The other 50% of Paragon Communications Corporation is owned by TWI Cable Inc.
- (14) Time Warner Inc. owns 87.21% and Warner Communications Inc. owns 12.79%.

(15) TWE owns 99% and Time Warner Inc. owns 1%.

(16) The names of 13 subsidiaries of Kabelkom Management Co. and Kabelkom Holding Co. carrying on substantially the same cable television operations in Hungary are omitted.

MANAGEMENT AND CONTROL

Item 4. Directors and Executive Officers

Unless otherwise indicated, the mailing address of each person listed below is Time Warner Inc., 75 Rockefeller Plaza, New York, NY 10019.

| Name | Address | Office |
|------------------------|---------|---|
| - - - - - | ----- | ----- |
| Gerald M. Levin | | Chairman, Chief Executive Officer and Director |
| Richard D. Parsons | | President and Director |
| Peter R. Haje | | Executive Vice President, General Counsel and Secretary |
| Richard J. Bressler | | Senior Vice President and Chief Financial Officer |
| Tod R. Hullin | | Senior Vice President |
| Philip R. Lochner, Jr. | | Senior Vice President |
| Timothy A. Boggs | | Senior Vice President |
| Merv Adelson | | Director |

Lawrence B.
Buttenwieser Director

Edward S.
Finkelstein Director

| Name | Address | Office |
|----------------------------|---------|----------|
| - ---- | ----- | ----- |
| Beverly Sills Greenough | | Director |
| Carla A. Hills | | Director |
| David T. Kearns | | Director |
| Henry Luce III | | Director |
| Reuben Mark | | Director |
| Michael A. Miles | | Director |
| J. Richard Munro | | Director |
| Donald S. Perkins | | Director |
| Raymond S. Troubh | | Director |
| Francis T. Vincent, Jr. | | Director |

Item 5. Principal Owners of Voting Securities

As of June 30, 1995, the person listed below is believed to be the beneficial owner of 10% or more of the voting securities of the Applicant:

| Name and Complete Mailing Address | Title of Class Owned | Amount Owned | Percentage of Voting Securities Owned |
|--------------------------------------|-------------------------|-----------------|--|
|--------------------------------------|-------------------------|-----------------|--|

| | | | |
|---|---|---------------|----------|
| The Seagram Co. Ltd. 375 Park Avenue New York, NY 10152 | Common Stock, par value \$1.00 per share | 56,763,349(1) | 14.8%(1) |
|---|---|---------------|----------|

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(1) The number of shares of Time Warner Inc. Common Stock, par value \$1.00 per share, owned by The Seagram Co. Ltd. is as reported in Amendment No. 8 to the Schedule 13D dated as of April 9, 1995, filed by The Seagram Co. Ltd. The percentage of such Common Stock owned by The Seagram Co. Ltd. is based on the number of shares of such Common Stock outstanding as of June 30, 1995.

UNDERWRITERS

Item 6. Underwriters

Within three years prior to the date of filing of this Application, no person has acted as an underwriter of any securities of the Applicant which are outstanding on the date of filing this Application except as listed below.

| Title of Each Class of Securities Underwritten | Underwriters |
|---|---|
| 12,057,561 Preferred Exchangeable Redemption Cumulative Securities (PERCS)1 | Morgan Stanley & Co. Incorporated 1251 Avenue of the Americas New York, NY 10020 |
| 7.75% Notes due June 15, 2005 | Morgan Stanley & Co. Incorporated Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") 250 Vesey Street World Financial Center, North Tower |

New York, NY 10281

Salomon Brothers Inc
7 World Trade Center
New York, NY 10048

Liquid Yield Option Notes due
2013

Merrill Lynch

9.15% Debentures due 2023

Merrill Lynch

Bear, Stearns & Co. Inc.
245 Park Avenue
New York, NY 10167

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(1) A registration statement (File No. 33-60203 and 33-60203-01)
covering the sale of these securities has been filed but is not yet
effective.

Wertheim Schroder & Co. Inc.
The Equitable Center
787 7th Avenue
New York, NY 10019

7.45% Notes due 1998 and
7.95% Notes due 2000

Salomon Brothers Inc

Merrill Lynch

Lazard Freres & Co.
1 Rockefeller Plaza
New York, NY 10020

9.125% Debentures due 2013

Merrill Lynch

BT Securities Corporation
1 Bankers Trust Plaza
New York, NY 10260

J. P. Morgan Securities Inc.
60 Wall Street, 39th Floor
New York, NY 10260

Liquid Yield Option Notes due
2012

Merrill Lynch

CAPITAL SECURITIES

Item 7. Capitalization

As of June 30, 1995, the following classes of securities of the Applicant were authorized and outstanding, to the extent indicated:

EQUITY CAPITALIZATION

| Title of Class | Amount Authorized(Shares) | Amount Outstanding(Shares) |
|--|------------------------------|-------------------------------|
| Preferred Stock, par value \$1.00 per share | 250,000,000 | |
| Series A Participating Preferred Stock | ---- | ---- |
| Series B Preferred Stock | 1,000,000 | 464,638 |
| Series C Convertible Preferred Stock | 3,350,000 | 3,264,508 |
| Series D Convertible Preferred Stock | 11,000,000 | (1) |
| Series E Convertible Preferred Stock | 3,250,000 | ---- |
| Series F Convertible Preferred Stock | 3,250,000 | ---- |
| Common Stock, par value \$1.00 per share | 750,000,000 | 384,199,555 (1) (2) |

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(1) On July 6, 1995, the Applicant issued 11,000,000 shares of Series D Convertible Preferred Stock and 1,000,000 shares of Common Stock, par value \$1.00 per share.

(2) As of June 30, 1995, the Applicant also had approximately 152 million shares of Common Stock, par value \$1.00 per share, reserved for issuance upon the exercise of outstanding stock options and warrants and the

conversion of outstanding convertible securities.

DEBT CAPITALIZATION

| Title of Class | Amount | |
|---|----------------|--------------------|
| | Authorized | Amount Outstanding |
| 7.45% Notes due 1998 | \$ 500,000,000 | \$ 500,000,000 |
| 7.95% Notes due 2000 | 500,000,000 | 500,000,000 |
| Redeemable Reset Notes due 2002 | 1,828,000,000 | 1,828,000,000 |
| 7.75% Notes due June 15, 2005 | 500,000,000 | 500,000,000 |
| Liquid Yield Option Notes due 2012 | 1,500,000,000 | 555,000,000 (1) |
| Liquid Yield Option Notes due 2013 | 2,100,000,000 | 982,000,000 (1) |
| 9.125% Debentures due 2013 | 1,000,000,000 | 1,000,000,000 |
| 8.75% Convertible Subordinated Debentures due 2015 | 2,226,000,000 | 2,226,000,000 |
| 8.75% Debentures due 2017 | 248,000,000 | 248,000,000 |
| 9.15% Debentures due 2023 | 1,000,000,000 | 1,000,000,000 |

(1) Represents accreted value as of March 31, 1995.

INDENTURE SECURITIES

Item 8. Analysis of Indenture Provisions

The following is a description of certain provisions of the Indenture required under Section 305(a)(2) of the Trust Indenture Act of 1939 and is qualified in its entirety by reference to the terms of the Indenture, which is incorporated herein by reference as Exhibit T3C hereto. References in this Item 8 to section numbers are to specific sections in the Indenture. Certain capitalized terms used in this Item 8 are used as defined in the Indenture.

(a) Events of Default, Notice and Waiver

The Indenture provides that, if an Event of Default specified therein with respect to any series of Debt

Securities issued thereunder shall have happened and be continuing, either the Trustee thereunder or the holders of 25% in aggregate principal amount of the outstanding Debt Securities of such series (or 25% in aggregate principal amount of all outstanding Debt Securities under the Indenture, in the case of certain Events of Default affecting all series of Debt Securities under the Indenture) may declare the principal of all the Debt Securities of such series to be due and payable. (Section 502)

Events of Default in respect of any series are defined in the Indenture as being: (i) default for 30 days in payment of any interest installment with respect to such series; (ii) default in payment of principal of, or premium, if any, on, or any sinking fund or analogous payment with respect to, Debt Securities of such series when due at their stated maturity, by declaration or acceleration, when called for redemption or otherwise; (iii) default for 90 days after notice to the Company by the Trustee thereunder or by holders of 25% in aggregate principal amount of the outstanding Debt Securities of such series in the performance of any covenant in such Indenture with respect to Debt Securities of such series; (iv) failure to pay when due, upon final maturity or upon acceleration, the principal amount of any indebtedness for money borrowed of the Company in excess of \$50 million, if such indebtedness is not discharged, or such acceleration annulled, within 60 days after written notice; and (v) certain events of bankruptcy, insolvency and reorganization with respect to the Company or any subsidiary which is organized under the laws of the United States or any political subdivision thereof in which the Company's loans, advances or other investments in such subsidiary exceed 10% of the Company's consolidated net worth. (Section 501)

Any additions, deletions or other changes to the Events of Default which will be applicable to a series of Debt Securities will be set forth in the form of security for such series or in a supplemental indenture relating to such series of Debt Securities.

The Indenture provides that the Trustee thereunder will, within 90 days after the occurrence of a default with

respect to the Debt Securities of any series, give to the holders of the Debt Securities of such series notice of all uncured and unwaived defaults known to it; provided that, except in the case of default in the payment of principal of, premium, if any, or interest, if any, on any of the Debt Securities of such series, the Trustee thereunder will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of the holders of the Debt Securities of such series. The term "default" for the purpose of this provision means the happening of any of the Events of Default specified above, except that any grace period or notice requirement is eliminated. (Section 602)

The Indenture contains provisions entitling the Trustee, subject to the duty of the Trustee during an Event of Default to act with the required standard of care, to be

indemnified by the holders of the Debt Securities before proceeding to exercise any right or power under the Indenture at the request of holders of the Debt Securities. (Section 603)

The Indenture provides that the holders of a majority in aggregate principal amount of the outstanding Debt Securities of any series may direct the time, method and place of conducting proceedings for remedies available to the Trustee or exercising any trust or power conferred on the Trustee in respect of such series. (Section 512)

In certain cases, the holders of a majority in principal amount of the outstanding Debt Securities of any series may on behalf of the holders of all Debt Securities of such series waive any past default or Event of Default with respect to the Debt Securities of such series or compliance with certain provisions of the Indenture, except, among other things, a default not theretofore cured in payment of the principal of, or premium, if any, or interest, if any, on any of the Debt Securities of such series. (Sections 513 and 1009)

- (b) Authentication and Delivery of Securities and Application of Proceeds

The Debt Securities shall be executed on behalf of the Company by its Chairman of the Board, its President, one of its Vice Presidents or its Treasurer under its corporate seal reproduced thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Debt Securities may be manual or facsimile.

Debt Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities. (Section 303)

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Debt Securities executed by the Company to the Trustee for authentication; and the Trustee shall, upon Company Order, authenticate and deliver such Securities as provided in the Indenture. (Section 303)

The Debt Securities are being offered in exchange for the Reset Notes. No cash proceeds will be received by the Applicant in connection with the transaction.

(c) Release or Release and Substitution of Property Subject to the Lien of the Indenture

The Indenture contains no provisions for release or release and substitution of property subject to the lien of the Indenture.

(d) Satisfaction and Discharge of Indenture

The Indenture provides that the Indenture shall cease to be of further effect with respect to any series of the Debt Securities (except as to any surviving rights of conversion or transfer or exchange of the Debt Securities of such series expressly provided for herein or in the form of Security for such series), and the Trustee, on receipt of a Company Request and at the expense of the Company, shall

execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series, when (1) either (A) all Debt Securities of that series theretofore authenticated and delivered (other than (i) Securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306, and (ii) Securities of such series for whose payment money in the Required Currency has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee cancelled or for cancellation; or (B) all such Debt Securities of that series not theretofore delivered to the Trustee cancelled or for cancellation (i) have become due and payable, or (ii) will become due and payable at their Stated Maturity within one year, or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and the Company, in the case of (i), (ii) or (iii) above, has deposited with the Trustee funds sufficient to pay and discharge the entire indebtedness on such Debt Securities not theretofore delivered to the Trustee cancelled or for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Debt Securities which have become due and payable), or to the Stated Maturity or Redemption Date, as the case may be; (2) the Company has paid or caused to be paid all other sums payable under the Indenture by the Company with respect to the Securities of

such series; and (3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions required for satisfaction and discharge of the Indenture have been complied with. (Section 401)

(e) Evidence of Compliance with Conditions

The Applicant will deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement signed by the principal executive officer,

principal financial officer or principal accounting officer of the Company stating that (1) a review of the activities of the Company during such year and of performance under the Indenture and under the terms of the Securities has been made under his supervision; and (2) to the best of his knowledge, based on such review, the Company has fulfilled all its obligations under the Indenture and has complied with all conditions and covenants on its part contained in the Indenture through such year, or, if there has been a default in the fulfillment of any such obligation, covenant or condition, specifying each such default known to him and the nature and status thereof. (Section 1004)

Item 9. Other Obligors

The Applicant is the only obligor of the Debt Securities.

Contents of Application for Qualification

This application for qualification comprises:

(a) Pages numbered 1 to 22, consecutively.

(b) The statement of eligibility and qualification of the Trustee under the Indenture on Form T-1.

(c) The following exhibits, in addition to those filed as part of the statement of eligibility and qualification of each trustee:

Exhibit T3A-1 Restated Certificate of Incorporation of the Applicant as filed with the Secretary of State of the State of Delaware on May 26, 1993 (which is incorporated herein by reference to Exhibit 3 to the Applicant's Quarterly Report on Form 10-Q for the quarter ended

June 30, 1993).

Exhibit T3A-2 Certificate of Ownership and Merger merging TWE Holdings Inc. into Time Warner Inc. as filed with the Secretary of State of the State of Delaware on September 24, 1993 (which is incorporated herein by reference to Exhibit 3.(i)(b) to the Applicant's Annual Report on Form 10-K for the year ended December 31, 1993).

Exhibit T3A-3 Certificate of the Voting Powers, Designations, Preferences and Relative Participating, Optional and Other Rights and Qualifications of Series A Participating Cumulative Preferred Stock of the Applicant as filed with the Secretary of State of the State of Delaware on January 26, 1994 (which is incorporated herein by reference to Exhibit 3.(i)(c) to the Applicant's Annual Report on Form 10-K for the year ended December 31, 1993).

Exhibit T3A-4* Certificate of the Voting Powers, Designations, Preferences and Relative, Participating, Optional or Other Special Rights, and Qualifications, Limitations or Restrictions Thereof, of Series C Convertible Preferred Stock of the Applicant as filed with the Secretary of State of the State of Delaware on May 1, 1995.

Exhibit T3A-5* Certificate of the Voting Powers, Designations, Preferences and Relative, Participating,

Optional or Other Special Rights, and Qualifications, Limitations or Restrictions Thereof, of Series D Convertible Preferred Stock of the Applicant as filed with the Secretary of State of the State of Delaware on July 6, 1995.

- Exhibit T3B By-laws of the Applicant, as amended through March 18, 1993 (which is incorporated herein by reference to Exhibit 3.3 to the Applicant's Annual Report on Form 10-K for the year ended December 31, 1992).
- Exhibit T3C Indenture dated as of January 15, 1993, between the Applicant and Chemical Bank, as Trustee (which is incorporated herein by reference to Exhibit 4.11 to the Applicant's Annual Report on Form 10-K for the year ended December 31, 1992).
- Exhibit T3D Not applicable.
- Exhibit T3E Copies of any prospectus, notice, circular, letter or other written communication will be filed by amendment.
- Exhibit T3F Cross-Reference Sheet showing the location in the Indenture of provisions inserted therein pursuant to Sections 310 through 318(a) inclusive, of the Trust Indenture Act of 1939 (which is incorporated herein by reference to Exhibit 4.11 to the Applicant's Annual Report on Form 10-K for the year ended December 31, 1992).

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Applicant, TIME WARNER INC., a corporation organized and existing under the laws of the State of Delaware, has duly caused this application to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the City of New York, and State of New York, on the 11th day of July, 1995.

TIME WARNER INC.

By /s/ Peter R. Haje

Name: Peter R. Haje

Title: Executive Vice President

[SEAL]

Attest:

By /s/ Joan Pincus

Name: Joan Pincus

Title: Assistant Secretary

EXHIBIT INDEX

| Exhibit Number | Description of Document | Page |
|-------------------|---|------|
| T3A-1 | Restated Certificate of Incorporation of the Applicant as filed with the Secretary of State of the State of Delaware on May 26, 1993 (which is incorporated herein by reference to Exhibit 3 to the Applicant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993)..... | |
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Annual Report on Form 10-K for the year ended
December 31, 1993).....

T3A-3 Certificate of the Voting Powers, Designations,
Preferences and Relative Participating, Optional
and Other Rights and Qualifications of Series A
Participating Cumulative Preferred Stock of the
Applicant as filed with the Secretary of State of
the State of Delaware on January 26, 1994 (which is
incorporated herein by reference to Exhibit 3.(i)(c)
to the Applicant's Annual Report on Form 10-K for the
year ended December 31, 1993).....

T3A-4<F1> Certificate of the Voting Powers, Designations,
Preferences and Relative, Participating, Optional or
Other Special Rights, and Qualifications, Limitations
or Restrictions Thereof, of Series C Convertible
Preferred Stock of the Applicant as filed with the
Secretary of State of the State of Delaware on
May 1, 1995.....

T3A-5<F1> Certificate of the Voting Powers, Designations,
Preferences and Relative, Participating, Optional
or Other Special Rights, and Qualifications,
Limitations or Restrictions Thereof, of Series D
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Report on Form 10-K for the year ended December 31,
1992)

[FN]

<F1> Filed herewith.

CERTIFICATE OF THE VOTING POWERS, DESIGNATIONS,
PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER
SPECIAL RIGHTS, AND QUALIFICATIONS, LIMITATIONS OR
RESTRICTIONS THEREOF, OF SERIES C CONVERTIBLE
PREFERRED STOCK

OF

TIME WARNER INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

TIME WARNER INC., a corporation organized and existing by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that the following resolution was duly adopted by action of the Board of Directors of the Corporation at a meeting duly held on March 16, 1995.

RESOLVED that pursuant to the authority expressly granted to and vested in the Board of Directors of the Corporation by the provisions of Section 2 of Article IV of the Restated Certificate of Incorporation of the Corporation, as amended from time to time (the "Certificate of Incorporation"), and Section 151(g) of the General Corporation Law of the State of Delaware, such Board of Directors hereby creates, from the authorized shares of Preferred Stock, par value \$1.00 per share (the "Preferred Stock"), of the Corporation authorized to be issued pursuant to the Certificate of Incorporation, a series of Preferred Stock, and hereby fixes the voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of the shares of such series as follows:

The series of Preferred Stock hereby established shall consist of 3,350,000 shares designated as Series C Convertible Preferred Stock or such higher number of shares (not in excess of the total number of shares of authorized Preferred Stock then available for issuance) as shall be

determined from time to time by the Board of Directors. The rights, preferences and limitations of such series shall be as follows:

1. Definitions. As used herein, the following terms shall have the indicated meanings:

1.1 "Board of Directors" shall mean the Board of Directors of the Corporation or, with respect to any action to be taken by the Board of Directors, any committee of the Board of Directors duly authorized to take such action.

1.2 "Certificate" shall mean the certificate of the voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of Series C Convertible Preferred Stock filed with respect to this resolution with the Secretary of State of the State of Delaware pursuant to Section 151 of the General Corporation Law of the State of Delaware.

1.3 "Closing Price" of the Common Stock shall mean the last reported sale price of the Common Stock (regular way) as shown on the Composite Tape of the NYSE, or, in case no such sale takes place on such day, the average of the closing bid and asked prices on the NYSE, or, if the Common Stock is not listed or admitted to trading on the NYSE, on the principal national securities exchange on which such stock is listed or admitted to trading, or, if it is not listed or admitted to trading on any national securities exchange, the last reported sale price of the Common Stock, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, in either case as reported by NASDAQ.

1.4 "Common Stock" shall mean the class of Common Stock, par value \$1.00 per share, of the Corporation authorized at the date of the Certificate, or any other class of stock resulting from (x) successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value or (y) a subdivision or combination, and in any such case including any shares thereof authorized after the date of the Certificate.

1.5 "Conversion Price" shall have the meaning set forth in Section 3.1 hereof.

1.6 "Conversion Rate" shall have the meaning set forth in Section 3.1 hereof.

1.7 "Converting Holder" shall have the meaning assigned to such term in Section 3.5 hereof.

1.8 "Current Market Price" of the Common Stock on any date shall mean the average of the daily Closing Prices per share of the Common Stock for the five (5) consecutive Trading Days ending on the Trading Day immediately preceding the applicable conversion, redemption or exchange date referred to in Section 3 or Section 4.

1.9 "Dividend Payment Date" shall have the meaning set forth in Section 2.1 hereof.

1.10 "Effective Time" shall mean the time as of which the merger described in the Merger Agreement shall become effective pursuant to the Merger Agreement and the General Corporation Law of the State of Delaware.

1.11 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

1.12 "Junior Stock" shall mean the Common Stock, the Series A Stock and the shares of any other class or series of stock of the Corporation which, by the terms of the Certificate of Incorporation or of the instrument by which the Board of Directors, acting pursuant to authority granted in the Certificate of Incorporation, shall fix the relative rights, preferences and limitations thereof, shall be junior to the Series C Stock in respect of the right to receive dividends or to participate in any distribution of assets other than by way of dividends.

1.13 "Liquidation Value" shall have the meaning set forth in Section 6.1 hereof.

1.14 "Merger Agreement" shall mean the Agreement and Plan of Merger dated as of September 12, 1994, as the same may be amended from time to time, among the Corporation, Summit Communications Group, Inc., a Delaware corporation and the stockholders of Summit Communications Group, Inc. named therein.

1.15 "NASDAQ" shall mean the National Association of Securities Dealers Automated Quotation System.

1.16 "NYSE" shall mean the New York Stock Exchange, Inc.

1.17 "Parity Stock" shall mean the Series B Stock and the shares of any other class or series of stock of the Corporation

which, by the terms of the Certificate of Incorporation or of the instrument by which the Board of Directors, acting pursuant to authority granted in the Certificate of Incorporation, shall fix the relative rights, preferences and limitations thereof, shall, in the event that the stated dividends thereon are not paid in full, be entitled to share ratably with the Series C Stock in the payment of dividends, including accumulations, if any, in accordance with the sums which would be payable on such shares if all dividends were declared and paid in full, or shall, in the event that the amounts payable thereon on liquidation are not paid in full, be entitled to share ratably with the Series C Stock in any distribution of assets other than by way of dividends in accordance with the sums which would be payable in such distribution if all sums payable were discharged in full; provided, however, that the term "Parity Stock" shall be deemed to refer (i) in Section 2.2 hereof, to any stock which is Parity Stock in respect of dividend rights; (ii) in Section 6 hereof, to any stock which is Parity Stock in respect of the distribution of assets; and (iii) in Sections 5.2 and 5.3 hereof, to any stock which is Parity Stock in respect of either dividend rights or the distribution of assets and which, pursuant to the Certificate of Incorporation or any instrument in which the Board of Directors, acting pursuant to authority granted in the Certificate of Incorporation, shall so designate, is entitled to vote with the holders of Series C Stock.

1.18 "Preferred Stock" shall mean the class of Preferred Stock, par value \$1.00 per share, of the Corporation authorized at the date of the Certificate, including any shares thereof authorized after the date of the Certificate.

1.19 "Pro Rata Repurchase" shall mean the purchase of shares of Common Stock by the Corporation or by any of its subsidiaries, which purchase is subject to Section 13(e) of the Exchange Act or is made pursuant to an offer made available to all holders of Common Stock, but excluding any purchase made in open market transactions that satisfies the conditions of clause (b) of Rule 10b-18 under the Exchange Act or has been designed (as reasonably determined by the Board of Directors or a committee thereof) to prevent such purchase from having a material effect on

the trading market of the Common Stock. The "Effective Date" of a Pro Rata Repurchase shall mean the applicable expiration date (including all extensions thereof) of any tender or exchange offer which is a Pro Rata Repurchase or the date of purchase with respect to any Pro Rata Repurchase which is not a tender or exchange offer.

1.20 "Record Date" shall have the meaning set forth in

Section 2.1 hereof.

1.21 "Redemption Price" shall have the meaning set forth in Section 4.1 hereof.

1.22 "Redemption Rescission Event" shall mean the occurrence of (a) any general suspension of trading in, or limitation on prices for, securities on the principal national securities exchange on which shares of Common Stock are registered and listed for trading (or, if shares of Common Stock are not registered and listed for trading on any such exchange, in the over-the-counter market) for more than six-and-one-half (6-1/2) consecutive trading hours, (b) any decline in either the Dow Jones Industrial Average or the Standard & Poor's Index of 400 Industrial Companies (or any successor index published by Dow Jones & Company, Inc. or Standard & Poor's Corporation) by either (i) an amount in excess of 10%, measured from the close of business on any Trading Day to the close of business on the next succeeding Trading Day during the period commencing on the Trading Day preceding the day notice of any redemption or exchange of shares of this Series is given (or, if such notice is given after the close of business on a Trading Day, commencing on such Trading Day) and ending at the earlier of (x) the time and date fixed for redemption or exchange in such notice and (y) the time and date at which the Corporation shall have irrevocably deposited funds with a designated bank or trust company pursuant to Section 3.5 or (ii) an amount in excess of 15% (or, if the time and date fixed for redemption or exchange is more than 15 days following the date on which notice of redemption or exchange is given, 20%), measured from the close of business on the Trading Day preceding the day notice of such redemption or exchange is given (or, if such notice is given after the close of business on a Trading Day, from such Trading Day) to the close of business on any Trading Day on or prior to the earlier of the dates specified in clauses (x) and (y) above, (c) a declaration of a banking moratorium or any suspension of payments in respect of banks by Federal or state authorities in the United States or (d) the commencement of a war or armed hostilities or other national

or international calamity directly or indirectly involving the United States which in the reasonable judgment of the Corporation could have a material adverse effect on the market for the Common Stock.

1.23 "Rescission Date" shall have the meaning set forth in Section 4.5 hereof.

1.24 "Senior Stock" shall mean the shares of any class or series of stock of the Corporation which, by the terms of the Certificate of Incorporation or of the instrument by which the Board

of Directors, acting pursuant to authority granted in the Certificate of Incorporation, shall fix the relative rights, preferences and limitations thereof, shall be senior to the Series C Stock in respect of the right to receive dividends or to participate in any distribution of assets other than by way of dividends.

1.25 "Series A Stock" shall mean the series of Preferred Stock authorized and designated as Series A Participating Preferred Stock at the date of the Certificate, including any shares thereof authorized and designated after the date of the Certificate.

1.26 "Series B Stock" shall mean the series of Preferred Stock authorized and designated as Series B 6.40% Preferred Stock at the date of the Certificate, including any shares thereof authorized and designated after the date of the Certificate.

1.27 "Series C Stock" and "this Series" shall mean the series of Preferred Stock authorized and designated as the Series C Convertible Preferred Stock, including any shares thereof authorized and designated after the date of the Certificate.

1.28 "Surrendered Shares" shall have the meaning set forth in Section 3.5 hereof.

1.29 "Trading Day" shall mean, so long as the Common Stock is listed or admitted to trading on the NYSE, a day on which the NYSE is open for the transaction of business, or, if the Common Stock is not listed or admitted to trading on the NYSE, a day on which the principal national securities exchange on which the Common Stock is listed is open for the transaction of business, or, if the Common Stock is not so listed or admitted for trading on any national securities exchange, a day on which the National

Market System of NASDAQ is open for the transaction of business.

2. Cash Dividends.

2.1 The holders of the outstanding Series C Stock shall be entitled to receive quarter-annual dividends, as and when declared by the Board of Directors out of funds legally available therefor. Each quarter-annual dividend shall be an amount per share equal to (i) in the case of each Dividend Payment Date (as defined below) occurring after the Effective Time through the Dividend Payment Date coinciding with the fifth anniversary of the Effective Time, the greater of (A) \$.9375 per \$100 in Liquidation Value of Series C Stock (which is equivalent to \$3.75 per annum) and (B) an amount per \$100 in Liquidation Value of Series C Stock equal to the product of (1) the

Conversion Rate and (2) the aggregate per share amount of regularly scheduled dividends paid in cash on the Common Stock during the period from but excluding the immediately preceding Dividend Payment Date to and including such Dividend Payment Date and (ii) in the case of each Dividend Payment Date occurring thereafter, an amount per \$100 in Liquidation Value of Series C Stock equal to the product of (1) the Conversion Rate and (2) the aggregate per share amount of regularly scheduled dividends paid in cash on the Common Stock during the period from but excluding the immediately preceding Dividend Payment Date to and including such Dividend Payment Date. All dividends shall be payable in cash on or about the first day of February, May, August and November in each year, beginning on the first such date that is more than 15 days after the Effective Time, as fixed by the Board of Directors, or such other dates as are fixed by the Board of Directors (provided that the fifth anniversary of the Effective Time shall be a Dividend Payment Date) (each a "Dividend Payment Date"), to the holders of record of Series C Stock at the close of business on or about the 15th day of the month next preceding such first day of February, May, August and November (or fifth anniversary of the Effective Time), as the case may be, as fixed by the Board of Directors, or such other dates as are fixed by the Board of Directors (each a "Record Date"). In the case of dividends payable in respect of periods prior to the fifth anniversary of the Effective Time, (i) such dividends shall accrue on each share on a day-to-day basis, whether or not earned or declared, from and after the day immediately succeeding the Effective Time and (ii) any such dividends that become payable for any partial dividend period shall be computed on the basis of the actual days elapsed in such

period. From and after the fifth anniversary of the Effective Time, dividends on the Series C Stock (determined as to amount as provided herein) shall accrue to the extent, but only to the extent, that regularly scheduled cash dividends are declared by the Board of Directors on the Common Stock with a payment date after the fifth anniversary of the Effective Time (or, in the case of Series C Stock originally issued after the fifth anniversary of the Effective Time, after the Dividend Payment Date next preceding such date of original issuance). All dividends that accrue in accordance with the foregoing provisions shall be cumulative from and after the day immediately succeeding the Effective Time. The amount payable to each holder of record on any Dividend Payment Date shall be rounded to the nearest cent.

2.2 Except as hereinafter provided in this Section 2.2, unless all dividends on the outstanding shares of Series C Stock and any Parity Stock that shall have accrued and become payable as of any date shall have been paid, or declared and funds set apart for payment

thereof, no dividend or other distribution (payable other than in shares of Junior Stock) shall be paid to the holders of Junior Stock or Parity Stock, and no shares of Series C Stock, Parity Stock or Junior Stock shall be purchased or redeemed by the Corporation or any of its subsidiaries (except by conversion into or exchange for, or out of the net cash proceeds from the concurrent sale of, Junior Stock), nor shall any monies be paid or made available for a sinking fund for the purchase or redemption of any Series C Stock, Junior Stock or Parity Stock; provided, however, that nothing herein shall prevent the Corporation from completing the purchase of Series C Stock, Parity Stock or Junior Stock for which a purchase contract was entered into, or the notice of redemption of which was originally published, prior to the date on which any such dividends were first required to be paid. When dividends are not paid in full upon the shares of this Series and any Parity Stock, all dividends declared upon shares of this Series and all Parity Stock shall be declared pro rata so that the amount of dividends declared per share on this Series and all such Parity Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of this Series and all such Parity Stock bear to each other. Holders of shares of this Series shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of the full amount of dividends that become payable pursuant to the terms of this Section 2. No interest, or sum of money in lieu of interest, shall be

payable in respect of any dividend payment or payments on this Series which may be in arrears.

3. Conversion Rights.

3.1 Each holder of a share of this Series shall have the right at any time or, as to any share of this Series called for redemption or exchange, at any time prior to the close of business on the date fixed for redemption or exchange (unless the Corporation defaults in the payment of the Redemption Price, fails to exchange the shares of this Series for the applicable number of shares of Common Stock and any applicable cash amount, or exercises its right to rescind such redemption or exchange pursuant to Section 4.5, in which case such right shall not terminate at the close of business on such date), to convert such share into fully paid and nonassessable shares of Common Stock at a rate of 2.08264 shares of Common Stock for each share of this Series, subject to adjustment as provided in this Section 3 (such rate, as so adjusted from time to time, is herein called the "Conversion Rate"). The "Conversion Price" at any time shall equal \$100 divided by the Conversion Rate in effect at such time (rounded to the nearest one hundredth of a cent).

3.2 If any shares of this Series are surrendered for conversion subsequent to the Record Date preceding a Dividend Payment Date but on or prior to such Dividend Payment Date (except shares called for redemption or exchange on a redemption date or exchange date between such Record Date and Dividend Payment Date and with respect to which such redemption or exchange has not been rescinded), the registered holder of such shares at the close of business on such Record Date shall be entitled to receive the dividend, if any, payable on such shares on such Dividend Payment Date notwithstanding the conversion thereof. Shares of this Series surrendered for conversion during the period from the close of business on any Record Date next preceding any Dividend Payment Date to the opening of business on such Dividend Payment Date shall (except in the case of shares which have been called for redemption or exchange on a redemption date or exchange date within such period and with respect to which such redemption or exchange has not been rescinded) be accompanied by payment in New York Clearing House funds or other funds acceptable to the Corporation of an amount equal to the dividend payable on such Dividend Payment Date on the shares being surrendered for conversion. Except as provided in this Section 3.2, no adjustments in respect of payments of dividends on shares

surrendered for conversion or any dividend on the Common Stock issued upon conversion shall be made upon the conversion of any shares of this Series.

3.3 The Corporation may, but shall not be required to, in connection with any conversion of shares of this Series, issue a fraction of a share of Common Stock, and if the Corporation shall determine not to issue any such fraction, the Corporation shall, subject to Section 3.6(f), make a cash payment (rounded to the nearest cent) equal to such fraction multiplied by the Closing Price of the Common Stock on the last Trading Day prior to the date of conversion.

3.4 Any holder of shares of this Series electing to convert such shares into Common Stock shall surrender the certificate or certificates for such shares at the office of the transfer agent or agents therefor (or at such other place as the Corporation may designate by notice to the holders of shares of this Series) during regular business hours, duly endorsed to the Corporation or in blank, or accompanied by instruments of transfer to the Corporation or in blank, or in form satisfactory to the Corporation, and shall give written notice to the Corporation at such office that such holder elects to convert such shares of this Series. The Corporation shall, as soon as practicable (subject to Section 3.6(f)) after such deposit of certificates for shares of this Series,

accompanied by the written notice above prescribed and the payment of cash in the amount required by Section 3.2, if any, issue and deliver at such office to the holder for whose account such shares were surrendered, or to his nominee, certificates representing the number of shares of Common Stock and the cash, if any, to which such holder is entitled upon such conversion.

3.5 Conversion shall be deemed to have been made as of the date that certificates for the shares of this Series to be converted, and the written notice and payment prescribed in Sections 3.2 and 3.4 are received by the transfer agent or agents for this Series; and the person entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such Common Stock on such date. Notwithstanding anything to the contrary contained herein, in the event the Corporation shall have rescinded a redemption or exchange of shares of this Series pursuant to Section 4.5, any holder of shares of this Series that shall have surrendered shares of this Series for conversion following the day on which notice

of the subsequently rescinded redemption or exchange shall have been given but prior to the later of (a) the close of business on the Trading Day next succeeding the date on which public announcement of the rescission of such redemption or exchange shall have been made and (b) the date of the mailing of the notice of rescission required by Section 4.5 (a "Converting Holder") may rescind the conversion of such shares surrendered for conversion by (i) properly completing a form prescribed by the Corporation and mailed to holders of shares of this Series (including Converting Holders) with the Corporation's notice of rescission, which form shall provide for the certification by any Converting Holder rescinding a conversion on behalf of any beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of shares of this Series that the beneficial ownership (within the meaning of such Rule) of such shares shall not have changed from the date on which such shares were surrendered for conversion to the date of such certification and (ii) delivering such form to the Corporation no later than the close of business on that date which is fifteen (15) Trading Days following the date of the mailing of the Corporation's notice of rescission. The delivery of such form by a Converting Holder shall be accompanied by (x) any certificates representing shares of Common Stock issued to such Converting Holder upon a conversion of shares of this Series that shall be rescinded by the proper delivery of such form (the "Surrendered Shares"), (y) any securities, evidences of indebtedness or assets (other than cash) distributed by the Corporation to such Converting Holder by reason of such Converting Holder's being a record holder of Surrendered Shares and (z) payment in New York Clearing House funds or other funds acceptable to the

Corporation of an amount equal to the sum of (I) any cash such
Converting Holder may have received in lieu of the issuance of
fractional shares upon conversion and (II) any cash paid or payable by
the Corporation to such Converting Holder by reason of such Converting
Holder being a record holder of Surrendered Shares. Upon receipt by
the Corporation of any such form properly completed by a Converting
Holder and any certificates, securities, evidences of indebtedness,
assets or cash payments required to be returned or made by such
Converting Holder to the Corporation as set forth above, the
Corporation shall instruct the transfer agent or agents for shares of
Common Stock and shares of this Series to cancel any certificates
representing Surrendered Shares (which Surrendered Shares shall be
deposited in the treasury of the Corporation) and reissue certificates
representing shares of this Series to such Converting Holder (which
shares of this Series shall be

deemed to have been outstanding at all times during the period
following their surrender for conversion). The Corporation shall, as
promptly as practicable, and in no event more than five (5) Trading
Days, following the receipt of any such properly completed form and
any such certificates, securities, evidences of indebtedness, assets
or cash payments required to be so returned or made, pay to the
Converting Holder or as otherwise directed by such Converting Holder
any dividend or other payment made on such shares during the period
from the time such shares shall have been surrendered for conversion
to the rescission of such conversion. All questions as to the
validity, form, eligibility (including time or receipt) and acceptance
of any form submitted to the Corporation to rescind the conversion of
shares of this Series, including questions as to the proper completion
or execution of any such form or any certification contained therein,
shall be resolved by the Corporation, whose determination shall be
final and binding. The Corporation shall not be required to deliver
certificates for shares of Common Stock while the stock transfer books
for such stock or for this Series are duly closed for any purpose or
during any period commencing at a Redemption Rescission Event and
ending at either (i) the time and date at which the Corporation's
right of rescission shall expire pursuant to Section 4.5 if the
Corporation shall not have exercised such right or (ii) the close of
business on that day which is fifteen (15) Trading Days following the
date of the mailing of a notice of rescission pursuant to Section 4.4
if the Corporation shall have exercised such right of rescission, but
certificates for shares of Common Stock shall be issued and delivered
as soon as practicable after the opening of such books or the
expiration of such period.

3.6 The Conversion Rate shall be adjusted from time to
time as follows:

(a) In case the Corporation shall, at any time or from time to time while any of the Series C Stock is outstanding, (i) pay a dividend in shares of its Common Stock, (ii) combine its outstanding shares of Common Stock into a smaller number of shares, (iii) subdivide its outstanding shares of Common Stock or (iv) issue by reclassification of its shares of Common Stock any shares of stock of the Corporation, then the Conversion Rate in effect immediately before such action shall be adjusted so that the holders of the Series C Stock, upon conversion of all shares thereof immediately following such event, shall be

entitled to receive the kind and amount of shares of capital stock of the Corporation which they would have owned or been entitled to receive upon or by reason of such event if such shares of Series C Stock had been converted immediately before the record date (or, if no record date, the effective date) for such event. An adjustment made pursuant to this Section 3.6(a) shall become effective retroactively immediately after the record date in the case of a dividend or distribution and shall become effective retroactively immediately after the effective date in the case of a subdivision, combination or reclassification. For the purposes of this Section 3.6(a), each holder of Series C Stock shall be deemed to have failed to exercise any right to elect the kind or amount of securities receivable upon the payment of any such dividend, subdivision, combination or reclassification (provided that if the kind or amount of securities receivable upon such dividend, subdivision, combination or reclassification is not the same for each nonelecting share, then the kind and amount of securities receivable upon such dividend, subdivision, combination or reclassification for each nonelecting share shall be deemed to be the kind and amount so receivable per share by a plurality of the nonelecting shares).

(b) In case the Corporation shall, at any time or from time to time while any of the Series C Stock is outstanding, issue rights or warrants to all holders of shares of its Common Stock entitling them (for a period expiring within 45 days after the record date for such issuance) to subscribe for or purchase shares of Common Stock (or securities convertible into shares of Common Stock) at a price per share less than the Current Market Price of the Common Stock at such record date (treating the price per share of the securities convertible into Common Stock as equal to (x) the sum of (i) the price for a unit of the security convertible into Common Stock plus (ii) any additional consideration initially payable upon the conversion of such

security into Common Stock divided by (y) the number of shares of Common Stock initially underlying such convertible security), the Conversion Rate shall be adjusted so that it shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the date of issuance of such rights or warrants by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the

number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are initially convertible), and the denominator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate purchase price of the convertible securities so offered plus the aggregate amount of any additional consideration initially payable upon conversion into Common Stock) would purchase at such Current Market Price of the Common Stock. Such adjustment shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such rights or warrants.

(c) In case the Corporation shall, at any time or from time to time while any of the Series C Stock is outstanding, distribute to all holders of shares of its Common Stock (including any such distribution made in connection with a consolidation or merger in which the Corporation is the continuing corporation and the Common Stock is not changed or exchanged) cash, evidences of its indebtedness, securities or assets (excluding (i) regularly scheduled cash dividends in amounts, if any, determined from time to time by the Board of Directors or (ii) dividends payable in shares of Common Stock for which adjustment is made under Section 3.6(a)) or rights or warrants to subscribe for or purchase securities of the Corporation (excluding those referred to in Section 3.6(b)), then in each such case the Conversion Rate shall be adjusted so that it shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the date of such distribution by a fraction, the numerator of which shall be the Current Market Price of the Common Stock on the record date referred to below, and the denominator of which shall be such Current Market Price of the Common Stock less the then fair market value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive) of the portion of the cash or assets or evidences of indebtedness or securities so distributed

or of such subscription rights or warrants applicable to one share of Common Stock (provided that such denominator shall never be less than 1.0); provided, however, that no adjustment shall be made with respect to any distribution of rights to purchase securities of

the Corporation if the holder of shares of this Series would otherwise be entitled to receive such rights upon conversion at any time of shares of this Series into Common Stock unless such rights are subsequently redeemed by the Corporation, in which case such redemption shall be treated for purposes of this Section as a dividend on the Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such distribution.

(d) In case the Corporation or any subsidiary thereof shall, at any time and from time to time while any of the Series C Stock is outstanding, make a Pro Rata Repurchase, the Conversion Rate in effect immediately prior to such action shall be adjusted by multiplying such Conversion Rate by a fraction, the numerator of which shall be the product of (i) the number of shares of Common Stock outstanding immediately before such Pro Rata Repurchase minus the number of shares of Common Stock repurchased in such Pro Rata Repurchase and (ii) the Current Market Price of the Common Stock as of the day immediately preceding the first public announcement by the Corporation of the intent to effect such Pro Rata Repurchase, and the denominator of which shall be (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Pro Rata Repurchase and (y) the Current Market Price of the Common Stock as of the day immediately preceding the first public announcement by the Corporation of the intent to effect such Pro Rata Repurchase minus (ii) the aggregate purchase price of the Pro Rata Repurchase (provided that such denominator shall never be less than 1.0). Such adjustment shall become effective immediately after the Effective Date of such Pro Rata Repurchase.

(e) The Corporation shall be entitled to make such additional adjustments in the Conversion Rate, in addition to those required by subsections 3.6(a), 3.6(b), 3.6(c) and 3.6(d), as shall be necessary in order that any dividend or distribution in Common Stock, any subdivision, reclassification or combination of shares of Common Stock or any issuance of rights or warrants referred to above, shall not be taxable to the holders of Common Stock for United States Federal income tax

purposes.

(f) In any case in which this Section 3.6 shall require that any adjustment be made effective as of or retroactively immediately following a record date, the Corporation may elect to defer (but only for five (5) Trading Days following the filing of the statement referred to in Section 3.6(h)) issuing to the holder of any shares of this Series converted after such record date (i) the shares of Common Stock and other capital stock of the Corporation issuable upon such conversion over and above (ii) the shares of Common Stock and other capital stock of the Corporation issuable upon such conversion on the basis of the Conversion Rate prior to adjustment; provided, however, that the Corporation shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(g) All calculations under this Section 3.6 shall be made to the nearest cent, one-hundredth of a share or, in the case of the Conversion Rate, one ten-thousandth. Notwithstanding any other provision of this Section 3.6, the Corporation shall not be required to make any adjustment of the Conversion Rate unless such adjustment would require an increase or decrease of at least 1.0000% of such rate. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1.0000% in such rate. Any adjustments under this Section 3.6 shall be made successively whenever an event requiring such an adjustment occurs.

(h) Whenever an adjustment in the Conversion Rate is required, the Corporation shall forthwith place on file with its transfer agent or agents for this Series a statement signed by a duly authorized officer of the Corporation, stating the adjusted Conversion Rate determined as provided herein. Such statements shall set forth in reasonable detail such facts as shall be necessary to show the reason for and the manner of computing such adjustment. Promptly after the adjustment of the Conversion Rate, the Corporation shall mail a notice thereof to each holder of shares of this Series.

(i) In the event that at any time as a result of an adjustment made pursuant to this Section 3.6, the holder of any

share of this Series thereafter surrendered for conversion shall become entitled to receive any shares of stock of the Corporation other than shares of Common Stock, the conversion rate of such other shares so receivable upon conversion of any such share of this Series shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in subparagraphs (a) through (h) and (j) of this Section 3.6, and the provisions of Section 3.1 through 3.5 and 3.7 through 3.10 shall apply on like or similar terms to any such other shares and the determination of the Board of Directors as to any such adjustment shall be conclusive.

(j) No adjustment shall be made pursuant to this Section 3.6 (i) if the effect thereof would be to reduce the Conversion Price below the par value of the Common Stock or (ii) subject to Section 3.6(f) hereof, with respect to any share of Series C Stock that is converted, prior to the time such adjustment otherwise would be made.

3.7 In case of either (a) any consolidation or merger to which the Corporation is a party, other than a merger or consolidation in which the Corporation is the surviving or continuing corporation and which does not result in any reclassification of, or change (other than a change in par value or from par value to no par value or from no par value to par value, or as a result of a subdivision or combination) in, outstanding shares of Common Stock or (b) any sale or conveyance of all or substantially all of the property and assets of the Corporation, then each share of this Series then outstanding shall be converted in such merger or consolidation or shall be convertible from and after such sale or conveyance of property and assets into the kind and amount of shares of stock or other securities and property receivable upon such consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which such shares of this Series could have been converted immediately prior to such consolidation, merger, sale or conveyance, subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 3 (and assuming such holder of Common Stock failed to exercise his rights of election, if any, as to the kind or amount of securities,

cash or other property receivable upon such consolidation, merger, sale or conveyance (provided that if the kind or amount of securities, cash or other property receivable upon such consolidation, merger, sale or conveyance is not the same for each nonelecting share, then the kind and amount of securities, cash or other property receivable upon such consolidation, merger, sale or conveyance for each

nonelecting share shall be deemed to be the kind and amount so receivable per share by a plurality of the nonelecting shares)). The Corporation shall not enter into any of the transactions referred to in clauses (a) or (b) of the preceding sentence unless effective provision shall be made so as to give effect to the provisions set forth in this Section 3.7. The provisions of this Section 3.7 shall apply similarly to successive consolidations, mergers, sales or conveyances.

3.8 The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued stock, for the purpose of effecting the conversion of the shares of this Series, such number of its duly authorized shares of Common Stock (or, if applicable, any other shares of capital stock of the Corporation) as shall from time to time be sufficient to effect the conversion of all outstanding shares of this Series into such Common Stock (or such other shares of capital stock) at any time (assuming that, at the time of the computation of such number of shares, all such Common Stock (or such other shares of capital stock) would be held by a single holder); provided, however, that nothing contained herein shall preclude the Corporation from satisfying its obligations in respect of the conversion of the shares by delivery of purchased shares of Common Stock (or such other shares of capital stock) that are held in the treasury of the Corporation. The Corporation shall from time to time, in accordance with the laws of the State of Delaware, use its best efforts to cause the authorized amount of Common Stock (or such other shares of capital stock) to be increased if the aggregate of the authorized amount of the Common Stock (or such other shares of capital stock) remaining unissued and the issued shares of such Common Stock (or such other shares of capital stock) in its treasury (other than any shares of such Common Stock (or such other shares capital stock) reserved for issuance in any other connection) shall not be sufficient to permit the conversion of the shares of this Series into the Common Stock (or such other shares of capital stock).

3.9 If any shares of Common Stock which would be issuable upon conversion of shares of this Series

hereunder require registration with or approval of any governmental authority before such shares may be issued upon conversion, the Corporation will in good faith and as expeditiously as possible cause such shares to be duly registered or approved, as the case may be. The Corporation will endeavor to list the shares of (or depository shares representing fractional interests in) Common Stock required to be delivered upon conversion of shares of this Series prior to such delivery upon the principal national securities exchange upon which

the outstanding Common Stock is listed at the time of such delivery.

3.10 The Corporation shall pay any and all issue or other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of this Series pursuant hereto. The Corporation shall not, however, be required to pay any tax which is payable in respect of any transfer involved in the issue or delivery of Common Stock in a name other than that in which the shares of this Series so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

3.11 In case (i) of a consolidation or merger to which the Corporation is a party and in which the Common Stock is to be exchanged for securities or other property or of the sale or conveyance to another person or entity or group of persons or entities acting in concert as a partnership, limited partnership, syndicate or other group (within the meaning of Rule 13d-3 under the Exchange Act) of all or substantially all of the property and assets of the Corporation, (ii) of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, or (iii) of any Pro Rata Repurchase or other action triggering an adjustment to the Conversion Rate pursuant to this Section 3; then, in each case, the Corporation shall cause to be filed with the transfer agent or agents for the Series C Stock, and shall cause to be mailed, first-class postage prepaid, to the holders of record of the outstanding shares of Series C Stock, at least fifteen (15) days prior to the applicable record date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of any distribution or grant of rights or warrants triggering an adjustment to the Common Stock Conversion Rate pursuant to this Section 3, or, if a record is not to be taken, the date as of which the holders of record of Common Stock entitled to such distribution, rights

or warrants are to be determined, or (y) the date on which any reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation, winding up or Pro Rata Repurchase triggering an adjustment to the Conversion Rate pursuant to this Section 3 is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation, winding up or Pro Rata Repurchase. Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in clause (i), (ii)

or (iii) of this Section 3.11.

4. Redemption or Exchange.

4.1 Redemption or Exchange at the Option of the Corporation. (a) The Corporation may, at its sole option, subject to Section 2.2 hereof, from time to time on and after the fifth anniversary of the Effective Time, redeem, out of funds legally available therefor, or, as provided below, exchange shares of Common Stock for, all or any part of the outstanding shares of this Series. The redemption or exchange price for each share of this Series called for redemption or exchange pursuant to clause (i) of the next sentence of this Section 4.1(a) shall be the Liquidation Value together in each case with an amount equal to the accrued and unpaid dividends to the date fixed for redemption or exchange (hereinafter collectively referred to as the "Redemption Price"). On the date fixed for redemption or exchange the Corporation shall, at its option, effect either

(i) (A) a redemption of the shares of this Series to be redeemed by way of payment, out of funds legally available therefor, of cash equal to the aggregate Redemption Price for the shares of this Series then being redeemed, (B) an exchange of the shares of this Series being exchanged for shares of Common Stock the aggregate Current Market Price of which shall be equal to the aggregate Redemption Price of the shares of this Series then being exchanged (provided that the Corporation shall be entitled to deliver cash in lieu of any fractional share of Common Stock (determined in a manner consistent with Section 3.3)) or (C) any combination thereof with respect to each share of this Series called for redemption or exchange; provided, however, that the

Corporation may not redeem or exchange any shares of this Series pursuant to this clause (i) unless the Closing Price of the Common Stock shall have equalled or exceeded 125% of the applicable Conversion Price (as determined in accordance with Section 3) for at least twenty (20) Trading Days within thirty (30) consecutive Trading Days ending within fifteen (15) Trading Days prior to the date notice of redemption is given; or

(ii) an exchange of the shares of this Series being exchanged for shares of Common Stock at a rate of exchange per \$100 in Liquidation Value of Series C Stock equal to the Conversion Rate (provided that the Corporation shall be entitled to deliver cash in lieu of any fractional share of Common Stock (determined in a manner consistent with Section 3.3)); provided, however, that the Corporation may not exchange any shares of this

Series pursuant to this clause (ii) unless all dividends with respect to such shares accrued through the Dividend Payment Date immediately prior to the date fixed for such exchange shall have been declared and paid in accordance with Section 2 hereof. Except as provided in the proviso in the previous sentence, upon receipt of shares of Common Stock in exchange for shares of this Series being exchanged pursuant to this clause (ii), the holders of such shares of this Series shall not be entitled to any accrued and unpaid dividends to the date fixed for exchange.

(b) Notwithstanding clauses (i) (B), (i) (C) and (ii) of Section 4.1(a), the Corporation shall be entitled to effect an exchange of shares of Series C Stock for Common Stock only to the extent Common Stock shall be available for issuance (including delivery of previously issued shares of Common Stock held in the Corporation's treasury) on the date for exchange and only to the extent shares of Common Stock are issued and exchanged for shares of this Series on a timely basis in accordance with the terms of this Section 4. Certificates for shares of Common Stock issued in exchange for surrendered shares pursuant to this Section 4.1 shall be made available by the Corporation not later than the fifth Trading Day following the date for exchange; subject, however, to Section 4.2.

4.2 In the event that fewer than all the outstanding shares of this Series are to be redeemed or exchanged pursuant to Section 4.1(a), the number of shares to be redeemed or exchanged from each holder of shares of

this Series shall be determined by the Corporation by lot or pro rata or by any other method as may be determined by the Board of Directors in its sole discretion to be equitable, and the certificate of the Corporation's Secretary or an Assistant Secretary filed with the transfer agent or transfer agents for this Series in respect of such determination by the Board of Directors shall be conclusive.

4.3 In the event the Corporation shall redeem or exchange shares of this Series pursuant to Section 4.1(a), notice of such redemption or exchange shall be given by first class mail, postage prepaid, mailed not less than fifteen (15) nor more than sixty (60) days prior to the date fixed for redemption or exchange, as applicable, to each record holder of the shares to be redeemed or exchanged, at such holder's address as the same appears on the books of the Corporation. Each such notice shall state: (i) whether the shares of this Series are to be redeemed or exchanged and, if exchanged, whether such shares are to be exchanged at the Redemption

Price or the Conversion Rate; (ii) the time and date as of which the redemption or exchange shall occur; (iii) the total number of shares of this Series to be redeemed or exchanged and, if fewer than all the shares held by such holder are to be redeemed or exchanged, the number of such shares to be redeemed or exchanged from such holder; (iv) the Redemption Price, if applicable; (v) that shares of this Series called for redemption or exchange may be converted at any time prior to the time and date fixed for redemption or exchange (unless the Corporation shall, in the case of a redemption, default in payment of the Redemption Price or, in the case of an exchange, fail to exchange the shares of this Series for the applicable number of shares of Common Stock and amount of cash, or shall exercise its right to rescind such redemption or exchange pursuant to Section 4.5, in which case such right of conversion shall not terminate at such time and date); (vi) the applicable Conversion Price or Conversion Rate; (vii) the place or places where certificates for such shares are to be surrendered (A) for payment of the Redemption Price, in the case of redemption, or (B) for delivery of certificates representing the shares of Common Stock and for payment of any applicable cash amount, in the case of exchange; and (viii) that, in the case of any redemption or exchange pursuant to Section 4.1(a)(i), dividends on the shares to be redeemed or exchanged will cease to accrue on such date fixed for redemption or exchange.

4.4 If notice of redemption or exchange shall have been given by the Corporation as provided in Section 4.3, dividends on the shares of this Series so called for redemption or exchange shall cease to accrue, such shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation with respect to shares so called for redemption or exchange (except (i) in the case of redemption, the right to receive from the Corporation the Redemption Price without interest and, in the case of exchange, the right to receive from the Corporation the shares of Common Stock and cash amount, if any, exchanged therefor and (ii) the right to convert such shares in accordance with Section 3) shall cease (including any right to receive dividends otherwise payable on any Dividend Payment Date that would have occurred after the time and date of redemption or exchange) either (i) in the case of a redemption or exchange pursuant to Section 4.1(a), from and after the time and date fixed in the notice of redemption or exchange as the time and date of redemption or exchange (unless the Corporation shall (x) in the case of a redemption, default in the payment of the Redemption Price, (y) in the case of an exchange, fail to exchange the shares of this Series for the applicable number of shares of Common Stock and any applicable cash amount pursuant to Section 4.1, or (z) exercise its right to rescind such redemption pursuant to Section 4.5, in which case such rights shall not terminate at such time and date) or (ii) if

the Corporation shall so elect and state in the notice of redemption or exchange, from and after the time and date (which date shall be the date of redemption or exchange or an earlier date not less than fifteen (15) days after the date of mailing of the redemption or exchange notice) on which the Corporation shall irrevocably deposit with a designated bank or trust company doing business in the Borough of Manhattan, City and State of New York, as paying agent, money sufficient to pay at the office of such paying agent, on the redemption date, the Redemption Price, in the case of redemption, or certificates representing the shares of Common Stock to be so exchanged and any applicable cash amount, in the case of an exchange. Any money or certificates so deposited with any such paying agent which shall not be required for such redemption or exchange because of the exercise of any right of conversion or otherwise shall be returned to the Corporation forthwith. Upon surrender (in accordance with the notice of redemption or exchange) of the certificate or certificates for any shares of this Series to be so redeemed or exchanged (properly endorsed or assigned for transfer, if the Corporation shall so require and the notice of redemption or

exchange shall so state), such shares shall be redeemed or exchanged by the Corporation at the Redemption Price or the Conversion Rate, as applicable, as set forth in Section 4.1 (unless the Corporation shall have exercised its right to rescind such redemption or exchange pursuant to Section 4.5). In case fewer than all the shares represented by any such certificate are to be redeemed or exchanged, a new certificate shall be issued representing the unredeemed shares (or fractions thereof as provided in Section 7.3), without cost to the holder thereof, together with the amount of cash, if any, in lieu of fractional shares other than those issuable in accordance with Section 7.3. Subject to applicable escheat laws, any moneys so set aside by the Corporation in the case of redemption and unclaimed at the end of one year from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the Redemption Price without interest. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

4.5 In the event that a Redemption Rescission Event shall occur following any day on which a notice of redemption or exchange shall have been given pursuant to Section 4.3 but at or prior to the earlier of (a) the time and date fixed for redemption or exchange as set forth in such notice of redemption or exchange and (b) the time and date at which the Corporation shall have irrevocably deposited funds or certificates with a designated bank or trust

company pursuant to Section 4.4, the Corporation may, at its sole option, at any time prior to the earliest of (i) the close of business on that day which is two (2) Trading Days following such Redemption Rescission Event, (ii) the time and date fixed for redemption or exchange as set forth in such notice and (iii) the time and date on which the Corporation shall have irrevocably deposited such funds with a designated bank or trust company, rescind the redemption or exchange to which such notice of redemption or exchange shall have related by making a public announcement of such rescission (the date on which such public announcement shall have been made being hereinafter referred to as the "Rescission Date"). The Corporation shall be deemed to have made such announcement if it shall issue a release to the Dow Jones News Service, Reuters Information Services or any successor news wire service. From and after the making of such announcement, the Corporation shall have no obligation to redeem or exchange shares of this Series called for redemption or

exchange pursuant to such notice of redemption or exchange or to pay the redemption or exchange price therefor and all rights of holders of shares of this Series shall be restored as if such notice of redemption or exchange had not been given. The Corporation shall give notice of any such rescission by first-class mail, postage prepaid, mailed as promptly as practicable, but in no event later than the close of business on that date which is five (5) Trading Days following the Rescission Date to each record holder of shares of this Series at the close of business on the Rescission Date and to any other person or entity that was a record holder of shares of this Series and that shall have surrendered shares of this Series for conversion following the giving of notice of the subsequently rescinded redemption or exchange. Each notice of rescission shall (w) state that the redemption or exchange described in the notice of redemption or exchange has been rescinded, (x) state that any Converting Holder shall be entitled to rescind the conversion of shares of this Series surrendered for conversion following the day on which notice of redemption or exchange was given but on or prior to the date of the mailing of the Corporation's notice of rescission, (y) be accompanied by a form prescribed by the Corporation to be used by any Converting Holder rescinding the conversion of shares so surrendered for conversion (and instructions for the completion and delivery of such form, including instructions with respect to payments that may be required to accompany such delivery shall be in accordance with Section 3.5) and (z) state that such form must be properly completed and received by the Corporation no later than the close of business on a date that shall be fifteen (15) Trading Days following the date of the mailing of such notice of rescission.

5. Voting. The shares of this Series shall have no voting

rights except as required by law or as set forth below.

5.1 Each share of this Series shall be entitled to vote together with holders of the shares of Common Stock (and any other class or series which may similarly be entitled to vote with the shares of Common Stock) as a single class upon all matters upon which holders of Common Stock are entitled to vote. In any such vote, the holders of this Series shall be entitled to two (2) votes per \$100 in Liquidation Value of Series C Stock, subject to adjustment at the same time and in the same manner as each adjustment of the Conversion Rate pursuant to Section 3.6, so that the holders of this Series shall be entitled

following such adjustment to the number of votes equal to the number of votes such holders were entitled to under this Section 5.1 immediately prior to such adjustment multiplied by a fraction (x) the numerator of which is the Conversion Rate as adjusted pursuant to Section 3.6 and (y) the denominator of which is the Conversion Rate immediately prior to such adjustment.

5.2(a) So long as any shares of this Series remain outstanding, unless a greater percentage shall then be required by law, the Corporation shall not, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of shares of this Series representing at least 66-2/3% of the aggregate voting power of shares of this Series then outstanding (i) authorize any Senior Stock or reclassify any Junior Stock or Parity Stock as Senior Stock or (ii) amend, alter or repeal any of the provisions of the Certificate or the Certificate of Incorporation, so as in any such case to materially and adversely affect the preferences, special rights, powers or privileges of the shares of this Series; provided, however, that no amendment which effects a split of this Series or which effects a combination of the shares of this Series into a fewer number of Shares shall be deemed to have any such material adverse effect.

b) No consent of holders of shares of this Series shall be required for (i) the creation of any indebtedness of any kind of the Corporation, (ii) the authorization or issuance of any class of Junior Stock or Parity Stock, (iii) the authorization, designation or issuance of additional shares of Series C Stock or (iv) subject to Section 5.2(a), the authorization or issuance of any other shares of Preferred Stock.

5.3(a) If and whenever at any time or times dividends payable on shares of this Series shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends

payable thereon for six quarterly dividend periods, then the number of directors constituting the Board of Directors shall be increased by two and the holders of shares of this Series, together with the holders of any shares of any Parity Stock as to which in each case dividends are in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly dividend periods, shall have the exclusive right, voting separately as a class with such other series, to elect two directors of the Corporation.

(b) Such voting right may be exercised initially either by written consent or at a special meeting of the holders of the Preferred Stock having such voting right, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each such annual meeting until such time as all dividends accumulated on the shares of this Series shall have been paid in full and all dividends payable on the shares of this Series on four subsequent consecutive Dividend Payment Dates shall have been paid in full on such dates or funds shall have been set aside for the payment thereof, at which time such voting right and the term of the directors elected pursuant to Section 5.3(a) shall terminate.

(c) At any time when such voting right shall have vested in holders of shares of such series of Preferred Stock described in Section 5.3(a), and if such right shall not already have been exercised by written consent, a proper officer of the Corporation may call, and, upon the written request, addressed to the Secretary of the Corporation, of the record holders of shares representing twenty-five percent (25%) of the voting power of the shares then outstanding of such Preferred Stock having such voting right, shall call, a special meeting of the holders of such Preferred Stock having such voting right. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding annual meetings of stockholders of the Corporation, or, if none, at a place designated by the Board of Directors. Notwithstanding the provisions of this Section 5.3(c), no such special meeting shall be called during a period within 60 days immediately preceding the date fixed for the next annual meeting of stockholders.

(d) At any meeting held for the purpose of electing directors at which the holders of such Preferred Stock shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of shares representing more than fifty percent (50%) in voting power of the then outstanding shares of such Preferred Stock having such right shall be required and shall be sufficient to constitute a quorum of such class for the election of directors by

such class.

(e) Any director elected by holders of Preferred Stock pursuant to the voting right created under this Section 5.3 shall hold office until the next annual meeting of stockholders (unless such term has previously

terminated pursuant to Section 5.3(b)) and any vacancy in respect of any such director shall be filled only by vote of the remaining director so elected, or if there be no such remaining director, by the holders of such Preferred Stock entitled to elect such director or directors by written consent or at a special meeting called in accordance with the procedures set forth in Section 5.3(c), or, if no special meeting is called or written consent executed, at the next annual meeting of stockholders. Upon any termination of such voting right, subject to applicable law, the term of office of all directors elected by holders of such Preferred Stock voting separately as a class pursuant to this Section 5.3 shall terminate.

(f) In exercising the voting rights set forth in this Section 5.3, each share of this Series shall have a number of votes equal to its Liquidation Value.

6. Liquidation Rights.

6.1 Upon the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the holders of the shares of this Series shall be entitled to receive out of the assets of the Corporation available for distribution to stockholders, in preference to the holders of, and before any payment or distribution shall be made on, Junior Stock, the amount of \$100 per share (which amount shall be appropriately adjusted from time to time to reflect any split or combination of the shares of this Series) (the "Liquidation Value"), plus an amount equal to all accrued and unpaid dividends to the date of final distribution.

6.2 Neither the sale, exchange or other conveyance (for cash, shares of stock, securities or other consideration) of all or substantially all the property and assets of the Corporation nor the merger or consolidation of the Corporation into or with any other corporation, or the merger or consolidation of any other corporation into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 6.

6.3 After the payment to the holders of the shares of

this Series of full preferential amounts provided for in this Section 6, the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

6.4 In the event the assets of the Corporation available for distribution to the holders of shares of this Series upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to Section 6.1, no such distribution shall be made on account of any shares of any Parity Stock upon such dissolution, liquidation or winding up unless proportionate distributive amounts shall be paid on account of the shares of this Series, ratably, in proportion to the full distributable amounts for which holders of all Parity Stock are entitled upon such dissolution, liquidation or winding up.

7. Other Provisions.

7.1 All notices from the Corporation to the holders shall be given by first class mail. With respect to any notice to a holder of shares of this Series required to be provided hereunder, neither failure to mail such notice, nor any defect therein or in the mailing thereof, to any particular holder shall affect the sufficiency of the notice or the validity of the proceedings referred to in such notice with respect to the other holders or affect the legality or validity of any distribution, right, warrant, reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up, or the vote upon any such action. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice.

7.2 Any shares of this Series which have been converted, redeemed, exchanged or otherwise acquired by the Corporation shall, after such conversion, redemption, exchange or acquisition, as the case may be, be retired and the Corporation shall take all appropriate action to cause such shares to obtain the status of authorized but unissued shares of Preferred Stock, without designation as to series, until such shares are once more designated as part of a particular series by the Board of Directors. The Corporation may cause a certificate setting forth a resolution adopted by the Board of Directors that none of the authorized shares of this Series are outstanding to be filed with the Secretary of State of the State of Delaware. When such certificate becomes effective, all references to Series C Stock shall be eliminated from the Certificate of Incorporation and the shares of Preferred Stock designated hereby as Series C Stock shall have the status of authorized

and unissued shares of Preferred Stock and may be reissued as part of any new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors.

7.3 The shares of this Series shall be issuable in whole shares or, if authorized by the Board of Directors of the Corporation (or any authorized committee thereof), in any fraction of a whole share so authorized or any integral multiple of such fraction.

7.4 Subject to Section 7.6, the Corporation shall be entitled to recognize the exclusive right of a person registered on its records as the holder of shares of this Series, and such record holder shall be deemed the holder of such shares for all purposes.

7.5 All notice periods referred to in the Certificate shall commence on the date of the mailing of the applicable notice.

7.6 Certificates for shares of this Series shall bear such legends as the Corporation shall from time to time deem appropriate.

IN WITNESS WHEREOF, Time Warner Inc. has caused this certificate to be signed and attested this 28th day of April, 1995.

TIME WARNER INC.,

by /s/ Spencer B. Hays

Name: Spencer B. Hays

Title: Vice President

Attest:

by: /s/ Susan A. Waxenberg

Name: Susan A. Waxenberg

Title: Assistant Secretary

CERTIFICATE OF THE VOTING POWERS, DESIGNATIONS, PREFERENCES
AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER
SPECIAL RIGHTS, AND QUALIFICATIONS, LIMITATIONS OR
RESTRICTIONS THEREOF, OF SERIES D CONVERTIBLE
PREFERRED STOCK

OF

TIME WARNER INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

TIME WARNER INC., a corporation organized and existing by virtue of the General Corporation Law of the State of Delaware (as defined below, the "Corporation"), does hereby certify that the following resolution was duly adopted by action of the Board of Directors of the Corporation at a meeting duly held on the 16th day of March, 1995.

RESOLVED that pursuant to the authority expressly granted to and vested in the Board of Directors of the Corporation by the provisions of Section 2 of Article IV of the Restated Certificate of Incorporation of the Corporation, as amended from time to time (the "Certificate of Incorporation"), and Section 151(g) of the General Corporation Law of the State of Delaware, such Board of Directors hereby creates, from the authorized shares of Preferred Stock, par value \$1.00 per share (the "Preferred Stock"), of the Corporation authorized to be issued pursuant to the Certificate of Incorporation, a series of Preferred Stock, and hereby fixes the voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of the shares of such series as follows:

The series of Preferred Stock hereby established shall consist of 11,000,000 shares designated as Series D Convertible Preferred Stock. The rights, preferences and limitations of such

series shall be as follows:

1. Definitions. As used herein, the following terms shall have the indicated meanings:

1.1 "Accrued Dividend Amount" shall mean the aggregate amount of accrued and unpaid dividends on a share of Series D Stock to and including the Conversion Date, except that if the Conversion Date shall occur after a Record Date and prior to a related Dividend Payment Date, the Accrued Dividend Amount shall not include any accrued and unpaid dividends for the period from and after the most recent Dividend Payment Date.

1.2 "Board of Directors" shall mean the Board of Directors of the Corporation or, with respect to any action to be taken by the Board of Directors, any committee of the Board of Directors duly authorized to take such action.

1.3 "Capital Stock" shall mean any and all shares of corporate stock of a Person (however designated and whether representing rights to vote, rights to participate in dividends or distributions upon liquidation or otherwise with respect to such Person, or any division or subsidiary thereof, or any joint venture, partnership, corporation or other entity).

1.4 "Certificate" shall mean the certificate of the voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of Series D Convertible Preferred Stock filed with respect to this resolution with the Secretary of State of the State of Delaware pursuant to Section 151 of the General Corporation Law of the State of Delaware.

1.5 "Change of Control" and "Change of Control Date" shall have the following meanings: "Change of Control" shall mean the occurrence of one or both of the following events: (a) individuals who would constitute a majority of the members of the Board of Directors elected at any meeting of stockholders or by written consent (without regard to any members of the Board of Directors elected pursuant to the terms of any series of Preferred Stock) shall be elected to the Board of Directors and the election or the nomination for election by the Corporation's stockholders of such directors was not approved by a vote of at least a majority of the directors in office immediately prior to such election (in which event "Change of Control

Date" shall mean the date of such election) or (b) a Person or group of Persons acting in concert as a partnership, limited partnership, syndicate or other group within the meaning of Rule 13d-3 under the Exchange Act (the "Acquiring Person") shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, share repurchases or redemptions or otherwise, have become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of 40% or more of the outstanding shares of Common Stock (in which event "Change of Control Date" shall mean the date of the event resulting in such 40% ownership).

1.6 "Closing Price" of the Common Stock shall mean the last reported sale price of the Common Stock (regular way) as shown on the Composite Tape of the NYSE, or, in case no such sale takes place on such day, the average of the closing bid and asked prices on the NYSE, or, if the Common Stock is not listed or admitted to trading on the NYSE, on the principal national securities exchange on which such stock is listed or admitted to trading, or, if it is not listed or admitted to trading on any national securities exchange, the last reported sale price of the Common Stock, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, in either case as reported by NASDAQ.

1.7 "Common Dividend Deficiency" shall be applicable in the event that a Conversion Date shall fall after a record date and prior to the related payment date for a regularly scheduled cash dividend on the Common Stock (the "Common Dividend Payment Date"), and in such event shall mean the product of (i) the Conversion Rate, (ii) the amount per share of Common Stock of the regularly scheduled cash dividend for which the record date has been set but a payment date has not yet occurred and (iii) a fraction (A) the numerator of which is the number of calendar days from and excluding the Conversion Date (or in the event the Conversion Date falls after a Record Date and on or prior to a related Dividend Payment Date, from and excluding the Dividend Payment Date) to and including the Common Dividend Payment Date and (B) the denominator of which is 91 (provided that such fraction shall not be greater than one (1)).

1.8 "Common Dividend Excess" shall be applicable in all circumstances where a Common Dividend Deficiency is not applicable, and in such event shall mean the product of (i) the Conversion Rate,

(ii) the regular quarterly cash dividend per share, if any, paid by the Corporation on the Common Stock (the "Historical Dividend") on the most recent dividend payment date for the Common Stock (the "Prior Dividend Payment Date") occurring during the four months immediately preceding the Conversion Date and (iii) a fraction (A) the numerator of which is the number of calendar days from and excluding (1) the Prior Dividend Payment Date to and including (2) the Conversion Date (or in the event the Conversion Date falls after a Record Date and on or prior to a related Dividend Payment Date, to and including the Dividend Payment Date) and (B) the denominator of which is 91 days (provided that in no event shall the fraction be greater than one (1)).

1.9 "Common Stock" shall mean the class of Common Stock, par value \$1.00 per share, of the Corporation authorized at the date of the Certificate, or any other class of stock resulting from (x) successive changes or reclassifications of such Common Stock consisting of changes in par value, or from par value to no par value, (y) a subdivision or combination or (z) any other changes for which an adjustment is made under Section 3.6(a), and in any such case including any shares thereof authorized after the date of the Certificate, together with any associated rights to purchase other securities of the Corporation which are at the time represented by the certificates representing such shares of Common Stock.

1.10 "Conversion Date" shall have the meaning set forth in Section 3.5 hereof.

1.11 "Conversion Price" at any time shall mean the Liquidation Value per share divided by the Conversion Rate in effect at such time (rounded to the nearest one hundredth of a cent).

1.12 "Conversion Rate" shall have the meaning set forth in Section 3.1 hereof.

1.13 "Converting Holder" shall have the meaning set forth in Section 3.5 hereof.

1.14 "Corporation" shall mean Time Warner Inc., a Delaware corporation, and any of its successors by operation of law, including by merger, consolidation or sale or conveyance of all or substantially all of its property and assets.

1.15 "Current Market Price" of the Common Stock on any

date shall mean the average of the daily Closing Prices per share of the Common Stock for the five (5) consecutive Trading Days ending on the Trading Day immediately preceding the applicable record date, conversion date, redemption date or exchange date referred to in Section 3 or Section 4.

1.16 "Dividend Payment Date" shall have the meaning set forth in Section 2.1 hereof.

1.17 "Effective Time" shall mean the time of filing (or if later the time of effectiveness specified therein) of a certificate of merger with the Secretary of State of the State of Delaware pursuant to Section 1.03 of the Agreement and Plan of Merger dated as of January 26, 1995, among KBLCOM Incorporated, Houston Industries Incorporated, the Corporation and TWI Cable Inc. (formerly known as TW KBLCOM Acquisition Corp.), as the same may be amended from time to time.

1.18 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

1.19 "Exchange Price" shall have the meaning set forth in Section 4.1 hereof.

1.20 "Junior Stock" shall mean the Common Stock, the Series A Stock and the shares of any other class or series of Capital Stock of the Corporation which, by the terms of the Certificate of Incorporation or of the instrument by which the Board of Directors, acting pursuant to authority granted in the Certificate of Incorporation, shall fix the relative rights, preferences and limitations thereof, shall be junior to the Series D Stock in respect of the right to receive dividends or to participate in any distribution of assets other than by way of dividends.

1.21 "Liquidation Value" shall have the meaning set forth in Section 7.1 hereof.

1.22 "NASDAQ" shall mean the National Association of Securities Dealers Automated Quotation System.

1.23 "Net Dividend Amount" shall have the meaning set forth in Section 3.1 hereof.

1.24 "NYSE" shall mean the New York Stock Exchange, Inc.

1.25 "Parity Stock" shall mean the Series B Stock and the shares of any other class or series of Capital Stock of the Corporation which, by the terms of the Certificate of Incorporation or of the instrument by which the Board of Directors, acting pursuant to authority granted in the Certificate of Incorporation, shall fix the relative rights, preferences and limitations thereof, shall, in the event that the stated dividends thereon are not paid in full, be entitled to share ratably with the Series D Stock in the payment of dividends, including accumulations, if any, in accordance with the sums which would be payable on such shares if all dividends were declared and paid in full, or shall, in the event that the amounts payable thereon on liquidation are not paid in full, be entitled to share ratably with the Series D Stock in any distribution of assets other than by way of dividends in accordance with the sums which would be payable in such distribution if all sums payable were discharged in full; provided, however, that the term "Parity Stock" shall be deemed to refer (i) in Section 2.2 hereof, to any stock which is Parity Stock in respect of dividend rights; (ii) in Section 7 hereof, to any stock which is Parity Stock in respect of the distribution of assets; and (iii) in Sections 6.2 and 6.3 hereof, to any stock which is Parity Stock in respect of either dividend rights or the distribution of assets and which, pursuant to the Certificate of Incorporation or any instrument in which the Board of Directors, acting pursuant to authority granted in the Certificate of Incorporation, shall so designate, is entitled to vote with the holders of Series D Stock.

1.26 "Person" shall mean an individual, corporation, partnership, joint venture, association, trust, unincorporated organization or other entity.

1.27 "Preferred Stock" shall mean the class of Preferred Stock, par value \$1.00 per share, of the Corporation authorized at the date of the Certificate, including any shares thereof authorized after the date of the Certificate.

1.28 "Pro Rata Portion" shall have the meaning set forth in Section 5.6 hereof.

1.29 "Pro Rata Repurchase" shall mean the purchase of shares of Common Stock by the Corporation or by any of its

subsidiaries, whether for cash or other property or securities of the Corporation, which purchase is subject to Section 13(e) of the Exchange Act or is made pursuant to an offer made available to all holders of Common Stock, but excluding any purchase made in open

market transactions that satisfies the conditions of clause (b) of Rule 10b-18 under the Exchange Act or has been designed (as reasonably determined by the Board of Directors or a committee thereof) to prevent such purchase from having a material effect on the trading market of the Common Stock. The "Effective Date" of a Pro Rata Repurchase shall mean the applicable expiration date (including all extensions thereof) of any tender or exchange offer which is a Pro Rata Repurchase or the date of purchase with respect to any Pro Rata Repurchase which is not a tender or exchange offer.

1.30 "Record Date" shall have the meaning set forth in Section 2.1 hereof.

1.31 "Redemption Price" shall have the meaning set forth in Section 4.1 hereof.

1.32 "Redemption Rescission Event" shall mean the occurrence of (a) any general suspension of trading in, or limitation on prices for, securities on the principal national securities exchange on which shares of Common Stock are registered and listed for trading (or, if shares of Common Stock are not registered and listed for trading on any such exchange, in the over-the-counter market) for more than six-and-one-half (6-1/2) consecutive trading hours, (b) any decline in either the Dow Jones Industrial Average or the Standard & Poor's Index of 400 Industrial Companies (or any successor index published by Dow Jones & Company, Inc. or Standard & Poor's Corporation) by either (i) an amount in excess of 10%, measured from the close of business on any Trading Day to the close of business on the next succeeding Trading Day during the period commencing on the Trading Day preceding the day notice of any redemption of shares of this Series is given (or, if such notice is given after the close of business on a Trading Day, commencing on such Trading Day) and ending at the earlier of (x) the time and date fixed for redemption in such notice and (y) the time and date at which the Corporation shall have irrevocably deposited funds with a designated bank or trust company pursuant to Section 4.4 or (ii) an amount in excess of 15% (or, if the time and date fixed for redemption is more than 15 days following the date on which notice of redemption is given, 20%), measured from the

close of business on the Trading Day preceding the day notice of such redemption is given (or, if such notice is given after the close of business on a Trading Day, from such Trading Day) to the close of business on any Trading Day on or prior to the earlier of the dates specified in clauses (x) and (y) above, (c) a declaration of a banking moratorium or any suspension of payments in respect of banks by Federal or state authorities in the United States or (d) the

commencement of a war or armed hostilities or other national or international calamity directly or indirectly involving the United States which in the reasonable judgment of the Corporation could have a material adverse effect on the market for the Common Stock.

1.33 "Rescission Date" shall have the meaning set forth in Section 4.5 hereof.

1.34 "Senior Stock" shall mean the shares of any class or series of Capital Stock of the Corporation which, by the terms of the Certificate of Incorporation or of the instrument by which the Board of Directors, acting pursuant to authority granted in the Certificate of Incorporation, shall fix the relative rights, preferences and limitations thereof, shall be senior to the Series D Stock in respect of the right to receive dividends or to participate in any distribution of assets other than by way of dividends.

1.35 "Series A Stock" shall mean the series of Preferred Stock authorized and designated as Series A Participating Preferred Stock at the date of the Certificate, including any shares thereof authorized and designated after the date of the Certificate.

1.36 "Series B Stock" shall mean the series of Preferred Stock authorized and designated as Series B 6.40% Preferred Stock at the date of the Certificate, including any shares thereof authorized and designated after the date of the Certificate.

1.37 "Series D Stock" and "this Series" shall mean the series of Preferred Stock authorized and designated as the Series D Convertible Preferred Stock, including any shares thereof authorized and designated after the date of the Certificate.

1.38 "Surrendered Shares" shall have the meaning set forth in Section 3.5 hereof.

1.39 "Trading Day" shall mean, so long as the Common Stock is listed or admitted to trading on the NYSE, a day on which the NYSE is open for the transaction of business, or, if the Common Stock is not listed or admitted to trading on the NYSE, a day on which the principal national securities exchange on which the Common Stock is listed is open for the transaction of business, or, if the Common Stock is not so listed or admitted for trading on any national securities exchange, a day on which the National Market System of NASDAQ is open for the transaction of business.

2. Cash Dividends.

2.1 The holders of the outstanding Series D Stock shall be entitled to receive quarter-annual dividends, as and when declared by the Board of Directors out of funds legally available therefor. Each quarter-annual dividend shall be an amount per share equal to (i) in the case of each Dividend Payment Date (as defined below) occurring after the Effective Time through the Dividend Payment Date coinciding with the fourth anniversary of the Effective Time, the greater of (A) \$.9375 per \$100 of Liquidation Value of Series D Stock (which is equivalent to \$3.75 per annum), and (B) an amount per \$100 of Liquidation Value of Series D Stock equal to the product of (1) the Conversion Rate and (2) the aggregate per share amount of regularly scheduled dividends paid in cash on the Common Stock during the period from but excluding the immediately preceding Dividend Payment Date to and including such Dividend Payment Date and (ii) in the case of each Dividend Payment Date occurring thereafter, an amount per \$100 of Liquidation Value of Series D Stock equal to the product of (1) the Conversion Rate and (2) the aggregate per share amount of regularly scheduled dividends paid in cash on the Common Stock during the period from but excluding the immediately preceding Dividend Payment Date to and including such Dividend Payment Date. All dividends shall be payable in cash on or about the first day of January, April, July and October in each year, beginning on the first such date that is more than 15 days after the Effective Time, as fixed by the Board of Directors, or such other dates as are fixed by the Board of Directors

(provided that the fourth anniversary of the Effective Time shall be a Dividend Payment Date) (each a "Dividend Payment Date"), to the holders of record of Series D Stock at the close of business on or about the Trading Day next preceding such first day of January, April, July or October (or fourth anniversary of the Effective Time) as the case may be, as fixed by the Board of Directors, or such other dates as are fixed by the Board of Directors (each a "Record Date"). In the case of dividends payable in respect of periods prior to the fourth anniversary of the Effective Time, (i) such dividends shall accrue on each share on a daily basis, whether or not there are unrestricted funds legally available for the payment of such dividends and whether or not earned or declared, from and after the day immediately succeeding the Effective Time and (ii) any such dividends that become payable for any partial dividend period shall be computed on the basis of the actual days elapsed in such period. From and after the fourth anniversary of the Effective Time, dividends on the Series D Stock (determined as to amount as provided herein) shall accrue to the extent, but only to the extent, that regularly scheduled cash dividends are declared by the Board of Directors on the Common Stock

with a payment date after the fourth anniversary of the Effective Time (or, in the case of Series D Stock originally issued after the fourth anniversary of the Effective Time, after the Dividend Payment Date next preceding such date of original issuance). All dividends that accrue in accordance with the foregoing provisions shall be cumulative from and after the day immediately succeeding the Effective Time (or such date of issuance). The amount payable to each holder of record on any Dividend Payment Date shall be rounded to the nearest cent.

2.2 Except as hereinafter provided in this Section 2.2, unless all dividends on the outstanding shares of Series D Stock and any Parity Stock that shall have accrued and become payable as of any date shall have been paid, or declared and funds set apart for payment thereof, no dividend or other distribution (payable other than in shares of Junior Stock) shall be paid to the holders of Junior Stock or Parity Stock, and no shares of Series D Stock, Parity Stock or Junior Stock shall be purchased, redeemed or otherwise acquired by the Corporation or any of its subsidiaries (except by conversion into or exchange for Junior Stock), nor shall any monies be paid or made available for a purchase, redemption or sinking fund for the purchase or redemption of any Series D Stock, Junior Stock or Parity Stock. When dividends are not paid in full upon the shares of this Series and

any Parity Stock, all dividends declared upon shares of this Series and all Parity Stock shall be declared pro rata so that the amount of dividends declared per share on this Series and all such Parity Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of this Series and all such Parity Stock bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

2.3 In case the Corporation shall at any time distribute (other than a distribution in liquidation of the Corporation) to the holders of its shares of Common Stock any assets or property, including debt or equity securities of the Corporation (other than Common Stock subject to a distribution or reclassification covered by Section 3.6(a)) or of any other Person (including common stock of such Person) or cash (but excluding regularly scheduled cash dividends payable on shares of Common Stock), or in case the Corporation shall at any time distribute (other than a distribution in liquidation of the Corporation) to such holders rights, options or warrants to subscribe for or purchase shares of Common Stock (including shares held in the treasury of the Corporation), or rights, options or warrants to subscribe for or purchase any other security or

rights, options or warrants to subscribe for or purchase any assets or property (in each case, whether of the Corporation or otherwise, but other than any distribution of rights to purchase securities of the Corporation if the holder of shares of this Series would otherwise be entitled to receive such rights upon conversion of shares of this Series for Common Stock; provided, however, that if such rights are subsequently redeemed by the Corporation, such redemption shall be treated for purposes of this Section 2.3 as a cash dividend (but not a regularly scheduled cash dividend) on the Common Stock), the Corporation shall simultaneously distribute such assets, property, securities, rights, options or warrants pro rata to the holders of Series D Stock on the record date fixed for determining holders of Common Stock entitled to participate in such distribution (or, if no such record date shall be established, the effective time thereof) in an amount equal to the amount that such holders of Series D Stock would have been entitled to receive had their shares of Series D Stock been converted into Common Stock immediately prior to such record date (or effective time). In the event of a distribution to holders of

Series D Stock pursuant to this Section 2.3, such holders shall be entitled to receive fractional shares or interests only to the extent that holders of Common Stock are entitled to receive the same. The holders of Series D Stock on the applicable record date (or effective time) shall be entitled to receive in lieu of such fractional shares or interests the same consideration as is payable to holders of Common Stock with respect thereto. If there are no fractional shares or interests payable to holders of Common Stock, the holders of Series D Stock on the applicable record date (or effective time) shall receive in lieu of such fractional shares or interests the fair value thereof as determined by the Board of Directors.

2.4 If a distribution is made in accordance with the provisions of Section 2.3, anything in Section 3 to the contrary notwithstanding, no adjustment pursuant to Section 3 shall be effected by reason of the distribution of such assets, property, securities, rights, options or warrants or the subsequent modification, exercise, expiration or termination of such securities, rights, options or warrants.

2.5 In the event that the holders of Common Stock are entitled to make any election with respect to the kind or amount of securities or other property receivable by them in any distribution that is subject to Section 2.3, the kind and amount of securities or other property that shall be distributable to the holders of the Series D Stock shall be based on (i) the election, if any, made by the record holder (as of the date used for determining the holders of Common Stock entitled to make such election) of the largest number of

shares of Series D Stock in writing to the Corporation on or prior to the last date on which a holder of Common Stock may make such an election or (ii) if no such election is timely made, an assumption that such holder failed to exercise any such rights (provided that if the kind or amount of securities or other property is not the same for each nonelecting holder, then the kind and amount of securities or other property receivable by holders of the Series D Stock shall be based on the kind or amount of securities or other property receivable by a plurality of shares held by the nonelecting holders of Common Stock). Concurrently with the mailing to holders of Common Stock of any document pursuant to which such holders may make an election of the type referred to in this Section, the Corporation shall mail a copy thereof to the record holders of the Series D Stock as of the

date used for determining the holders of record of Common Stock entitled to such mailing.

3. Conversion Rights.

3.1 Each holder of a share of this Series shall have the right at any time or as to any share of this Series called for redemption or exchange, at any time prior to the close of business on the date fixed for redemption or exchange (unless the Corporation defaults in the payment of the Redemption Price or fails to exchange the shares of this Series for the applicable number of shares of Common Stock and any cash portion of the Exchange Price or exercises its right to rescind such redemption pursuant to Section 4.5, in which case such right shall not terminate at the close of business on such date), to convert such share into (i) a number of shares of Common Stock equal to 2.08264 shares of Common Stock for each share of this Series, subject to adjustment as provided in this Section 3 (such rate, as so adjusted from time to time, is herein called the "Conversion Rate") plus (ii) a number of shares of Common Stock equal to

(A) (1) the Accrued Dividend Amount minus (2) the Common Dividend Excess, if applicable, or plus (3) the Common Dividend Deficiency, if applicable (the "Net Dividend Amount"), divided by

(B) the Closing Price of the Common Stock on the last Trading Day prior to the Conversion Date;

provided, however, that in the event that the Net Dividend Amount is a negative number, the number of shares deliverable upon conversion of a share of Series D Stock shall be equal to

(I) the number of shares determined pursuant to clause (i) minus

(II) a number of shares equal to (x) the absolute value of the Net Dividend Amount divided by (y) the Closing Price of the Common Stock on the last Trading Day prior to the Conversion Date;

and provided further that, in the event that the Net Dividend Amount is a positive number, the Corporation shall have the right to deliver cash equal to the Net Dividend Amount or any portion thereof, in which case its obligation to deliver shares of Common Stock pursuant to

clause (ii) shall be reduced by a number of shares equal to (x) the aggregate amount of cash so delivered divided by (y) the Closing Price of the Common Stock on the last Trading Day prior to the Conversion Date, unless the Corporation shall deliver cash equal to the entire Net Dividend Amount, in which case its entire obligation under clause (ii) shall be discharged. The obligations of the Corporation to issue the Common Stock or make the cash payments provided by this Section 3.1 shall be absolute whether or not any accrued dividend by which such issuance or payment is measured has been declared by the Board of Directors and whether or not the Corporation would have adequate surplus or net profits to pay such dividend if declared or is otherwise restricted from making such dividend.

3.2 Except as provided in this Section 3, no adjustments in respect of payments of dividends on shares surrendered for conversion or any dividend on the Common Stock issued upon conversion shall be made upon the conversion of any shares of this Series (it being understood that if the Conversion Date for shares of Series D Stock occurs after a Record Date and on or prior to a Dividend Payment Date, the holder of record on such Record Date shall be entitled to receive the dividend payable with respect to such shares on the related Dividend Payment Date pursuant to Section 2.1 hereof).

3.3 The Corporation may, but shall not be required to, in connection with any conversion of shares of this Series, issue a fraction of a share of Common Stock, and if the Corporation shall determine not to issue any such fraction, the Corporation shall, subject to Section 3.6(c), make a cash payment (rounded to the nearest cent) equal to such fraction multiplied by the Closing Price of the Common Stock on the last Trading Day prior to the Conversion Date.

3.4 Any holder of shares of this Series electing to convert such shares into Common Stock shall surrender the certificate

or certificates for such shares at the office of the transfer agent or agents therefor (or at such other place as the Corporation may designate by notice to the holders of shares of this Series) during regular business hours, duly endorsed to the Corporation or in blank, or accompanied by instruments of transfer to the Corporation or in blank, or in form satisfactory to the Corporation, and shall give written notice to the Corporation at such office that such holder elects to convert such shares of this Series. The Corporation shall,

as soon as practicable (subject to Section 3.6(d)) after such deposit of certificates for shares of this Series, accompanied by the written notice above prescribed, issue and deliver at such office to the holder for whose account such shares were surrendered, or to his nominee, certificates representing the number of shares of Common Stock and the cash, if any, to which such holder is entitled upon such conversion.

3.5 Conversion shall be deemed to have been made as of the date (the "Conversion Date") that certificates for the shares of this Series to be converted, and the written notice prescribed in Section 3.4 are received by the transfer agent or agents for this Series; and the Person entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such Common Stock on such date. Notwithstanding anything to the contrary contained herein, in the event the Corporation shall have rescinded a redemption of shares of this Series pursuant to Section 4.5, any holder of shares of this Series that shall have surrendered shares of this Series for conversion following the day on which notice of the subsequently rescinded redemption shall have been given but prior to the close of business on the later of (a) the Trading Day next succeeding the date on which public announcement of the rescission of such redemption shall have been made and (b) the Trading Day on which the notice of rescission required by Section 4.5 is deemed given pursuant to Section 8.2 (a "Converting Holder"), may rescind the conversion of such shares surrendered for conversion by (i) properly completing a form prescribed by the Corporation and mailed to holders of shares of this Series (including Converting Holders) with the Corporation's notice of rescission, which form shall provide for the certification by any Converting Holder rescinding a conversion on behalf of any beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of shares of this Series that the beneficial ownership (within the meaning of such Rule) of such shares shall not have changed from the date on which such shares were surrendered for conversion to the date of such certification and (ii) delivering such form to the Corporation no later than the close of

business on that date which is ten (10) Trading Days following the date on which the Corporation's notice of rescission is deemed given pursuant to Section 8.2. The delivery of such form by a Converting Holder shall be accompanied by (x) any certificates representing shares of Common Stock issued to such Converting Holder upon a conversion of shares of this Series that shall be rescinded

by the proper delivery of such form (the "Surrendered Shares"), (y) any securities, evidences of indebtedness or assets (other than cash) distributed by the Corporation to such Converting Holder by reason of such Converting Holder's being a record holder of Surrendered Shares and (z) payment in New York Clearing House funds or other funds acceptable to the Corporation of an amount equal to the sum of (I) any cash such Converting Holder may have received in lieu of the issuance of fractional shares upon conversion and (II) any cash paid or payable by the Corporation to such Converting Holder by reason of such Converting Holder being a record holder of Surrendered Shares. Upon receipt by the Corporation of any such form properly completed by a Converting Holder and any certificates, securities, evidences of indebtedness, assets or cash payments required to be returned or made by such Converting Holder to the Corporation as set forth above, the Corporation shall instruct the transfer agent or agents for shares of Common Stock and shares of this Series to cancel any certificates representing Surrendered Shares (which Surrendered Shares shall be deposited in the treasury of the Corporation) and reissue certificates representing shares of this Series to such Converting Holder (which shares of this Series shall be deemed to have been outstanding at all times during the period following their surrender for conversion). The Corporation shall, as promptly as practicable, and in no event more than five (5) Trading Days, following the receipt of any such properly completed form and any such certificates, securities, evidences of indebtedness, assets or cash payments required to be so returned or made, pay to the Converting Holder or as otherwise directed by such Converting Holder any dividend or other payment made on such shares during the period from the time such shares shall have been surrendered for conversion to the rescission of such conversion. All questions as to the validity, form, eligibility (including time or receipt) and acceptance of any form submitted to the Corporation to rescind the conversion of shares of this Series, including questions as to the proper completion or execution of any such form or any certification contained therein, shall be resolved by the Corporation, whose determination shall be final and binding. The Corporation shall not be required to deliver certificates for shares of Common Stock while the stock transfer books for such stock or for this Series are

duly closed for any purpose or during any period commencing at a Redemption Rescission Event and ending at either (i) the time and date at which the Corporation's right of rescission shall expire pursuant

to Section 4.5 if the Corporation shall not have exercised such right or (ii) the close of business on that day which is ten (10) Trading Days following the date on which notice of rescission pursuant to Section 4.4 is deemed given pursuant to Section 8.2 if the Corporation shall have exercised such right of rescission, but certificates for shares of Common Stock shall be delivered as soon as practicable after the opening of such books or the expiration of such period.

3.6 The Conversion Rate shall be adjusted from time to time as follows for events occurring after January 26, 1995:

(a) In case the Corporation shall, at any time or from time to time while any of the Series D Stock is outstanding, (i) pay a dividend in shares of its Common Stock, (ii) combine its outstanding shares of Common Stock into a smaller number of shares, (iii) subdivide its outstanding shares of Common Stock or (iv) reclassify (other than by way of a merger that is subject to Section 3.7) its shares of Common Stock, then the Conversion Rate in effect immediately before such action shall be adjusted so that immediately following such event the holders of the Series D Stock shall be entitled to receive upon conversion or exchange thereof the kind and amount of shares of Capital Stock of the Corporation which they would have owned or been entitled to receive upon or by reason of such event if such shares of Series D Stock had been converted or exchanged immediately before the record date (or, if no record date, the effective date) for such event (it being understood that any distribution of cash or of Capital Stock (other than Common Stock), including any distribution of Capital Stock that shall accompany a reclassification of the Common Stock, shall be subject to Section 2.3 rather than this Section 3.6(a)). An adjustment made pursuant to this Section 3.6(a) shall become effective retroactively immediately after the record date in the case of a dividend or distribution and shall become effective retroactively immediately after the effective date in the case of a subdivision, combination or reclassification. For the purposes of this Section 3.6(a), in the event that the holders of Common Stock are entitled to make any election with respect to the kind or amount of securities receivable by them in any transaction that is subject to this Section 3.6(a) (including any election that would

result in all or a portion of the transaction becoming subject to Section 2.3), the kind and amount of securities that shall be distributable to the holders of the Series D Stock shall be based on (i) the election, if any, made by the record holder (as of the date used for determining the holders of Common Stock entitled to make such election) of the largest number of shares of Series D Stock in writing to the Corporation on or prior to the last date on which a holder of Common Stock may make such an election or (ii) if no such election is timely made, an assumption that such holder failed to exercise any such rights (provided that if the kind or amount of securities is not the same for each nonelecting holder, then the kind and amount of securities receivable shall be based on the kind or amount of securities receivable by a plurality of nonelecting holders of Common Stock). Concurrently with the mailing to holders of Common Stock of any document pursuant to which such holders may make an election of the type referred to in this Section, the Corporation shall mail a copy thereof to the record holders of the Series D Stock as of the date used for determining the holders of record of Common Stock entitled to such mailing.

(b) In case a Change of Control shall occur, the Conversion Rate in effect immediately prior to the Change of Control Date shall be increased (but not decreased) by multiplying such rate by a fraction as follows: (i) in the case of a Change of Control specified in Section 1.5(a), a fraction in which the numerator is the Conversion Price prior to adjustment pursuant hereto and the denominator is the Current Market Price of the Common Stock at the Change of Control Date, (ii) in the case of a Change of Control specified in Section 1.5(b), the greater of the following fractions: (x) a fraction the numerator of which is the highest price per share of Common Stock paid by the Acquiring Person in connection with the transaction giving rise to the Change of Control or in any transaction within six months prior to or after the Change of Control Date (the "Highest Price"), and the denominator of which is the Current Market Price of the Common Stock as of the date (but not earlier than six months prior to the Change of Control Date) on which the first public announcement is made by the Acquiring Person that it intends to acquire or that it has acquired 40% or more of the

outstanding shares of Common Stock (the "Announcement Date") or (y) a fraction the numerator of which is the Conversion Price prior to adjustment pursuant hereto and the denominator of which is the Current Market Price of the Common Stock on the Announcement Date and (iii) in the case where there co-exists a Change of Control specified in both Section 1.5(a) and Section 1.5(b), the greatest of the fractions determined pursuant to clauses (i) and (ii). Such adjustment shall become effective immediately after the Change of Control Date and shall be made, in the case of clauses (ii) and (iii) above, successively for six months thereafter in the event and at the time of any increase in the Highest Price after the Change of Control Date; provided, however, that no such successive adjustment shall be made with respect to the Conversion Rate of the shares of this Series in respect of any event occurring after the Conversion Date.

(c) The Corporation shall be entitled to make such additional adjustments in the Conversion Rate, in addition to those required by subsections 3.6(a) and 3.6(b), as shall be necessary in order that any dividend or distribution in Common Stock or any subdivision, reclassification or combination of shares of Common Stock referred to above, shall not be taxable to the holders of Common Stock for United States Federal income tax purposes so long as such additional adjustments pursuant to this Section 3.6(c) do not decrease the Conversion Rate.

(d) In any case in which this Section 3.6 shall require that any adjustment be made effective as of or retroactively immediately following a record date, the Corporation may elect to defer (but only for five (5) Trading Days following the occurrence of the event which necessitates the filing of the statement referred to in Section 3.6(f)) issuing to the holder of any shares of this Series converted after such record date (i) the shares of Common Stock and other Capital Stock of the Corporation issuable upon such conversion over and above (ii) the shares of Common Stock and other Capital Stock of the Corporation issuable upon such conversion on the basis of the Conversion Rate prior to adjustment; provided, however, that the Corporation shall deliver to such holder a due bill or other appropriate

instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(e) All calculations under this Section 3 shall be made to the nearest cent, one-hundredth of a share or, in the case of the Conversion Rate, one hundred-thousandth. Notwithstanding any other provision of this Section 3, the Corporation shall not be required to make any adjustment of the Conversion Rate unless such adjustment would require an increase or decrease of at least 1.00000% of such Conversion Rate. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1.00000% in such rate. Any adjustments under this Section 3 shall be made successively whenever an event requiring such an adjustment occurs.

(f) Whenever an adjustment in the Conversion Rate is required, the Corporation shall forthwith place on file with its transfer agent or agents for this Series a statement signed by a duly authorized officer of the Corporation, stating the adjusted Conversion Rate determined as provided herein. Such statements shall set forth in reasonable detail such facts as shall be necessary to show the reason for and the manner of computing such adjustment. Promptly after the adjustment of the Conversion Rate, the Corporation shall mail a notice thereof to each holder of shares of this Series.

(g) In the event that at any time as a result of an adjustment made pursuant to this Section 3, the holder of any share of this Series thereafter surrendered for conversion shall become entitled to receive any shares of Capital Stock of the Corporation other than shares of Common Stock, the conversion rate of such other shares so receivable upon conversion of any such share of this Series shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in subparagraphs (a) through (f) and (h) of this Section 3.6, and the provisions of Section 3.1 through 3.5 and 3.7 through 3.10 shall apply on like or similar terms to any such

other shares and the determination of the Board of Directors as

to any such adjustment shall be conclusive.

(h) No adjustment shall be made pursuant to this Section 3.6 (i) if the effect thereof would be to reduce the Conversion Price below the par value of the Common Stock or (ii) subject to Section 3.6(c) hereof, with respect to any share of Series D Stock that is converted, prior to the time such adjustment otherwise would be made.

3.7 In case after January 26, 1995 (a) any consolidation or merger to which the Corporation is a party, other than a merger or consolidation in which the Corporation is the surviving or continuing corporation and which does not result in any reclassification of, or change (other than a change in par value or from par value to no par value or from no par value to par value, or as a result of a subdivision or combination) in, outstanding shares of Common Stock or (b) any sale or conveyance of all or substantially all of the property and assets of the Corporation, then lawful provision shall be made as part of the terms of such transaction whereby the holder of each share of Series D Stock shall have the right thereafter, during the period such share shall be convertible or exchangeable, to convert such share into or have such share exchanged for the kind and amount of shares of stock or other securities and property receivable upon such consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which such shares of this Series could have been converted or exchanged immediately prior to such consolidation, merger, sale or conveyance, subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 3 (based on (i) the election, if any, made in writing to the Corporation by the record holder (as of the date used for determining holders of Common Stock entitled to make such election) of the largest number of shares of Series D Stock on or prior to the last date on which a holder of Common Stock may make an election regarding the kind or amount of securities or other property receivable by such holder in such transaction or (ii) if no such election is timely made, an assumption that such holder failed to exercise any such rights (provided that if the kind or amount of securities or other property is not the same for each nonelecting holder, then the kind and amount of securities or other property receivable shall be based upon the

kind and amount of securities or other property receivable by a plurality of the nonelecting holders of Common Stock)). In the event that any of the transactions referred to in clauses (a) or (b)

involves the distribution of cash (or property other than equity securities) to a holder of Common Stock, lawful provision shall be made as part of the terms of the transaction whereby the holder of each share of Series D Stock on the record date fixed for determining holders of Common Stock entitled to receive such cash or property (or if no such record date is established, the effective date of such transaction) shall be entitled to receive the amount of cash or property that such holder would have been entitled to receive had such holder converted his shares of Series D Stock into Common Stock immediately prior to such record date (or effective date) (based on the election or nonelection made by the record holder of the largest number of shares of Series D Stock, as provided above). Concurrently with the mailing to holders of Common Stock of any document pursuant to which such holders may make an election regarding the kind or amount of securities or other property that will be receivable by such holder in any transaction described in clause (a) or (b) of the first sentence of this Section 3.7, the Corporation shall mail a copy thereof to the holders of the Series D Stock as of the date used for determining the holders of record of Common Stock entitled to such mailing. The Corporation shall not enter into any of the transactions referred to in clauses (a) or (b) of the preceding sentence unless effective provision shall be made in the certificate or articles of incorporation or other constituent documents of the Corporation or the entity surviving the consolidation or merger, if other than the Corporation, or the entity acquiring the Corporation's assets, as the case may be, so as to give effect to the provisions set forth in this Section 3.7. The provisions of this Section 3.7 shall apply similarly to successive consolidations, mergers, sales or conveyances. For purposes of this Section 3.7 the term "Corporation" shall refer to the Corporation (as defined in Section 1.14) as constituted immediately prior to the merger, consolidation or other transaction referred to in this Section.

3.8 The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued stock, for the purpose of effecting the conversion of the shares of this Series, such number of its duly authorized shares of Common Stock (or, if applicable, any other shares of Capital Stock of the Corporation) as shall from time to time be sufficient to

effect the conversion of all outstanding shares of this Series into such Common Stock (or such other shares of Capital Stock) at any time (assuming that, at the time of the computation of such number of shares, all such Common Stock (or such other shares of Capital Stock) would be held by a single holder); provided, however, that nothing contained herein shall preclude the Corporation from satisfying its obligations in respect of the conversion of the shares by delivery of

purchased shares of Common Stock (or such other shares of Capital Stock) that are held in the treasury of the Corporation. All shares of Common Stock (or such other shares of Capital Stock of the Corporation) which shall be deliverable upon conversion of the shares of this Series shall be duly and validly issued, fully paid and nonassessable. For purposes of this Section 3, any shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation.

3.9 If any shares of Common Stock or other shares of Capital Stock of the Corporation which would be issuable upon conversion of shares of this Series hereunder require registration with or approval of any governmental authority before such shares may be issued upon conversion, the Corporation will in good faith and as expeditiously as possible cause such shares to be duly registered or approved, as the case may be. The Corporation will use commercially reasonable efforts to list the shares of (or depositary shares representing fractional interests in) Common Stock or other shares of Capital Stock of the Corporation required to be delivered upon conversion of shares of this Series prior to such delivery upon the principal national securities exchange upon which the outstanding Common Stock or such other shares of Capital Stock is listed at the time of such delivery.

3.10 The Corporation shall pay any and all issue or other taxes that may be payable in respect of any issue or delivery of shares of Common Stock or other shares of Capital Stock of the Corporation on conversion of shares of this Series pursuant hereto. The Corporation shall not, however, be required to pay any tax which is payable in respect of any transfer involved in the issue or delivery of Common Stock or such other shares of Capital Stock in a name other than that in which the shares of this Series so converted were registered, and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Corporation

the amount of such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

3.11 In case of (i) the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, (ii) any Pro Rata Repurchase or (iii) any action triggering an adjustment to the Conversion Rate pursuant to this Section 3, then, in each case, the Corporation shall cause to be filed with the transfer agent or agents for the Series D Stock, and shall cause to be mailed,

first-class postage prepaid, to the holders of record of the outstanding shares of Series D Stock, at least fifteen (15) days prior to the applicable record date for any such transaction (or if no record date will be established, the effective date thereof), a notice stating (x) the date, if any, on which a record is to be taken for the purpose of any such transaction (or, if no record date will be established, the date as of which holders of record of Common Stock entitled to participate in such transaction are determined), and (y) the expected effective date thereof. Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in this Section 3.11.

4. Redemption or Exchange.

4.1 (a) The Corporation may, at its sole option, subject to Section 2.2 hereof, from time to time on and after the fifth anniversary of the Effective Time in the case of clause (i) or (iii) of Section 4.1(b), and on and after the fourth anniversary, in the case of clause (ii) of Section 4.1(b), redeem, out of funds legally available therefor, or, as provided below, exchange shares of Common Stock for, all (or in the case of Section 4.1(b) (i), any part) of the outstanding shares of this Series. The redemption price for each share of this Series called for redemption pursuant to clause (i) of Section 4.1(b) shall be the Liquidation Value together with an amount equal to the accrued and unpaid dividends to the date fixed for redemption (hereinafter collectively referred to as the "Redemption Price"). The exchange price for each share of this Series called for exchange pursuant to clause (ii) of Section 4.1(b) shall be a number of shares of Common Stock equal to the Conversion Rate, together with, at the option of the Corporation, either (x) cash or (y) a number of shares of Common Stock, valued at the Closing Price on the Trading Day immediately preceding the date fixed for exchange, equal, in either

case, to the aggregate amount of accrued and unpaid dividends on the Series D Stock to the date fixed for exchange (provided that any dividends which are in arrears must be paid in cash) (hereinafter collectively referred to as the "Exchange Price").

(b) On the date fixed for redemption or exchange the Corporation shall, at its option, effect either

(i) a redemption of the shares of this Series to be redeemed by way of payment, out of funds legally available therefor, of cash equal to the aggregate Redemption Price for the shares of this Series then being redeemed;

(ii) an exchange of the shares of this Series for the Exchange Price in shares of Common Stock (provided that the Corporation (A) shall be entitled to deliver cash (1) in lieu of any fractional share of Common Stock (determined in a manner consistent with Section 3.3) and (2) equal to accrued and unpaid dividends to the date fixed for exchange in lieu of shares of Common Stock and (B) shall be required to deliver cash in respect of any dividends that are in arrears); or

(iii) any combination thereof with respect to each share of this Series called for redemption or exchange.

(c) Notwithstanding clauses (ii) and (iii) of Section 4.1(b), the Corporation shall be entitled to effect an exchange of shares of Series D Stock for Common Stock or other shares of Capital Stock of the Corporation only to the extent that duly and validly issued, fully paid and nonassessable shares of Common Stock (or such other shares of Capital Stock) shall be available for issuance (including delivery of previously issued shares of Common Stock held in the Corporation's treasury on the date fixed for exchange). The Corporation shall comply with Section 3.9 and 3.10 with respect to shares of Common Stock or other shares of Capital Stock of the Corporation which would be issuable upon exchange of shares of this Series. Certificates for shares of Common Stock issued in exchange for surrendered shares of this Series pursuant to this Section 4.1 shall be made available by the Corporation not later than the fifth Trading Day following the date for exchange.

4.2 In the event that fewer than all the outstanding shares of this Series are to be redeemed pursuant to Section 4.1(b) (i), the number of shares to be redeemed from each holder of shares of this Series shall be determined by the Corporation by lot or pro rata or by any other method as may be determined by the Board of Directors in its sole discretion to be equitable, and the certificate of the Corporation's Secretary or an Assistant Secretary filed with the transfer agent or transfer agents for this Series in respect of such determination by the Board of Directors shall be conclusive.

4.3 In the event the Corporation shall redeem or exchange shares of this Series pursuant to Section 4.1, notice of such redemption or exchange shall be given by first class mail, postage prepaid, mailed not less than fifteen (15) nor more than sixty (60) days prior to the date fixed for redemption or exchange, as the case may be, to each record holder of the shares to be redeemed or exchanged, at such holder's address as the same appears on the books of the Corporation. Each such notice shall state: (i) whether the

shares of this Series are to be redeemed or exchanged; (ii) the time and date as of which the redemption or exchange shall occur; (iii) the total number of shares of this Series to be redeemed or exchanged and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iv) the Redemption Price or the Exchange Price, as the case may be; (v) that shares of this Series called for redemption or exchange may be converted at any time prior to the time and date fixed for redemption or exchange (unless the Corporation shall, in the case of a redemption, default in payment of the Redemption Price or, in the case of an exchange, fail to exchange the shares of this Series for the applicable number of shares of Common Stock and any cash portion of the Exchange Price or shall exercise its right to rescind such redemption pursuant to Section 4.5, in which case such right of conversion shall not terminate at such time and date); (vi) the applicable Conversion Price and Conversion Rate; (vii) the place or places where certificates for such shares are to be surrendered for payment of the Redemption Price, in the case of redemption, or for delivery of certificates representing the shares of Common Stock and the payment of any cash portion of the Exchange Price, in the case of exchange; and (viii) that dividends on the shares of this Series to be redeemed or exchanged will cease to accrue on such redemption or exchange date.

4.4 If notice of redemption or exchange shall have been given by the Corporation as provided in Section 4.3, dividends on the shares of this Series so called for redemption or exchange shall cease to accrue, such shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation with respect to shares so called for redemption or exchange (except (i) in the case of redemption, the right to receive from the Corporation the Redemption Price without interest and in the case of exchange, the right to receive from the Corporation the Exchange Price without interest and (ii) the right to convert such shares in accordance with Section 3) shall cease (including any right to receive dividends otherwise payable on any Dividend Payment Date that would have occurred after the time and date of redemption or exchange) either (i) in the case of a redemption or exchange pursuant to Section 4.1, from and after the time and date fixed in the notice of redemption or exchange as the time and date of redemption or exchange (unless the Corporation shall (x) in the case of a redemption, default in the payment of the Redemption Price, (y) in the case of an exchange, fail to exchange the applicable number of shares of Common Stock and any cash portion of the Exchange Price or (z) exercise its right to rescind such redemption pursuant to Section 4.5, in which case such rights shall not terminate at such time and date)

or (ii) if the Corporation shall so elect and state in the notice of redemption or exchange, from and after the time and date (which date shall be the date fixed for redemption or exchange or an earlier date not less than fifteen (15) days after the date of mailing of the redemption or exchange notice) on which the Corporation shall irrevocably deposit with a designated bank or trust company doing business in the Borough of Manhattan, City and State of New York, as paying agent, money sufficient to pay at the office of such paying agent, on the redemption date, the Redemption Price, in the case of redemption, or certificates representing the shares of Common Stock to be so exchanged and any cash portion of the Exchange Price, in the case of an exchange. Any money or certificates so deposited with any such paying agent which shall not be required for such redemption or exchange because of the exercise of any right of conversion or otherwise shall be returned to the Corporation forthwith. Upon surrender (in accordance with the notice of redemption or exchange) of the certificate or certificates for any shares of this Series to be so redeemed or exchanged (properly endorsed or assigned for transfer, if the Corporation shall so require and the notice of redemption or

exchange shall so state), such shares shall be redeemed or exchanged by the Corporation at the Redemption Price or the Exchange Price, as applicable, as set forth in Section 4.1 (unless the Corporation shall have exercised its right to rescind such redemption pursuant to Section 4.5). In case fewer than all the shares represented by any such certificate are to be redeemed, a new certificate shall be issued representing the unredeemed shares (or fractions thereof as provided in Section 8.4), without cost to the holder thereof, together with the amount of cash, if any, in lieu of fractional shares other than those issuable in accordance with Section 8.4. Subject to applicable escheat laws, any moneys so set aside by the Corporation in the case of redemption and unclaimed at the end of one year from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption or exchange shall look only to the general funds of the Corporation for the payment of the Redemption Price or the Exchange Price, as applicable, without interest. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

4.5 In the event that a Redemption Rescission Event shall occur following any day on which a notice of redemption shall have been given pursuant to Section 4.3 but at or prior to the earlier of (a) the time and date fixed for redemption as set forth in such notice of redemption and (b) the time and date at which the Corporation shall have irrevocably deposited funds or certificates with a designated bank or trust company pursuant to Section 4.4, the Corporation may, at its sole option, at any time prior to the earliest

of (i) the close of business on that day which is two (2) Trading Days following such Redemption Rescission Event, (ii) the time and date fixed for redemption as set forth in such notice and (iii) the time and date on which the Corporation shall have irrevocably deposited such funds with a designated bank or trust company, rescind the redemption under Section 4.1(b) (i) to which such notice of redemption shall have related by making a public announcement of such rescission (the date on which such public announcement shall have been made being hereinafter referred to as the "Rescission Date"). The Corporation shall be deemed to have made such announcement if it shall issue a release to the Dow Jones News Service, Reuters Information Services or any successor news wire service. From and after the making of such announcement, the Corporation shall have no obligation

to redeem shares of this Series called for redemption pursuant to such notice of redemption or to pay the redemption price therefor and all rights of holders of shares of this Series shall be restored as if such notice of redemption had not been given. The Corporation shall give notice of any such rescission by one of the means specified in Section 8.2 as promptly as practicable, but in no event later than the close of business on that date which is five (5) Trading Days following the Rescission Date to each record holder of shares of this Series at the close of business on the Rescission Date and to any other Person or entity that was a record holder of shares of this Series and that shall have surrendered shares of this Series for conversion following the giving of notice of the subsequently rescinded redemption. Each notice of rescission shall (w) state that the redemption described in the notice of redemption has been rescinded, (x) state that any Converting Holder shall be entitled to rescind the conversion of shares of this Series surrendered for conversion following the day on which notice of redemption was given but prior to the close of business on the later of (1) the Trading Day next succeeding the date on which public announcement of the rescission of such redemption shall have been made and (2) the Trading Day on which the Corporation's notice of rescission is deemed given pursuant to Section 8.2, (y) be accompanied by a form prescribed by the Corporation to be used by any Converting Holder rescinding the conversion of shares so surrendered for conversion (and instructions for the completion and delivery of such form, including instructions with respect to payments that may be required to accompany such delivery shall be in accordance with Section 3.5) and (z) state that such form must be properly completed and received by the Corporation no later than the close of business on a date that shall be ten (10) Trading Days following the date of the mailing of such notice of rescission is deemed given pursuant to Section 8.2.

4.6 The shares of this Series shall not be subject to the provisions of Section 5 of Article IV of the Certificate of Incorporation.

5. Pro Rata Repurchase.

5.1 Upon a Pro Rata Repurchase, each holder of shares of this Series shall have the right to require that the Corporation repurchase, out of funds legally available therefor, a Pro Rata Portion (as defined below) of the shares of such holder, or any

lesser number requested by the holder, at a price per share equal to the highest price per share of Common Stock paid in the Pro Rata Repurchase multiplied by the Conversion Rate then in effect plus an amount equal to the accrued but unpaid dividends on such shares to the date of repurchase.

5.2 At any time prior to or within thirty (30) days following any Pro Rata Repurchase, the Corporation shall mail a notice to each holder of shares of this Series stating:

(a) that a Pro Rata Repurchase will occur or has occurred and that such holder will have (upon such Pro Rata Repurchase) or has the right to require the Corporation to repurchase such holder's shares in an amount not in excess of the Pro Rata Portion at a repurchase price in cash determined as set forth above plus an amount equal to accrued and unpaid dividends, if any, to the date of repurchase;

(b) the repurchase date for the Series D Stock (which shall be no earlier than fifteen (15) days nor later than sixty (60) days from the date such notice is mailed); and

(c) the instructions determined by the Corporation, consistent with this Section, that a holder must follow in order to have its shares repurchased.

5.3 Holders electing to have any shares repurchased will be required to surrender such shares, with an appropriate form duly completed, to the Corporation at the address specified in the notice at least five (5) days prior to the repurchase date. Holders will be entitled to withdraw their election if the Corporation receives, not later than three (3) days prior to the repurchase date, a telegram, telex, facsimile transmission or letter setting forth the name of the holder, the certificate numbers of the shares delivered for purchase by the holder and a statement that such holder is

withdrawing his election to have such shares repurchased. Holders will have such additional withdrawal and other rights as may be required pursuant to applicable law.

5.4 On the repurchase date, the Corporation shall (i) pay the repurchase price plus an amount equal to accrued and unpaid

dividends as provided in Section 5.1, if any, to the holders entitled thereto and (ii) issue to such holders any equity securities of the Corporation (other than Common Stock) that would at the time be issuable upon conversion of the shares of Series D Stock which are then being repurchased pursuant hereto.

5.5 The Board of Directors will not approve any tender or exchange offer by the Corporation or a third party for shares of Common Stock or recommend that the holders of Common Stock accept any offer or tender their shares into any offer unless a Pro Rata Portion of the shares of this Series of all holders are entitled to be tendered into such offer at a price not less than the price per share for shares of Common Stock pursuant to such offer multiplied by the Conversion Rate then in effect plus an amount equal to accrued but unpaid dividends on such shares to the date of payment for such shares in such tender or exchange offer.

5.6 For purposes hereof, "Pro Rata Portion" with respect to the shares of this Series held by any holder shall mean all the shares of this Series then owned by such holder times a fraction, the numerator of which is the number of outstanding shares of Common Stock (a) purchased in the applicable Pro Rata Repurchase or (b) for which a tender or exchange offer referred to in Section 5.5 is made, as the case may be, and the denominator of which is the number of outstanding shares of Common Stock immediately prior to such Pro Rata Repurchase or the commencement of such tender or exchange offer, as the case may be.

6. Voting. The shares of this Series shall have no voting rights except as required by law or as set forth below.

6.1 Each share of this Series shall be entitled to vote together with holders of the shares of Common Stock (and any other class or series which may similarly be entitled to vote with the shares of Common Stock) as a single class upon all matters upon which holders of Common Stock are entitled to vote. In any such vote, the holders of this Series shall be entitled to two (2) votes per \$100 of Liquidation Value of Series D Stock, subject to adjustment at the same time and in the same manner as each adjustment of the Conversion Rate pursuant to Section 3, so that the holders of this Series shall be

entitled following such adjustment to the number of votes equal to the

number of votes such holders were entitled to under this Section 6.1 immediately prior to such adjustment multiplied by a fraction (x) the numerator of which is the Conversion Rate as adjusted pursuant to Section 3 and (y) the denominator of which is the Conversion Rate immediately prior to such adjustment.

6.2(a) So long as any shares of this Series remain outstanding, unless a greater percentage shall then be required by law, the Corporation shall not, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of shares of this Series representing at least 66-2/3% of the aggregate voting power of shares of this Series then outstanding (i) authorize any Senior Stock or reclassify (by merger, consolidation or otherwise) any Junior Stock or Parity Stock as Senior Stock, (ii) merge into or consolidate with any Person where the surviving or continuing corporation will have any authorized Senior Stock (other than capital stock corresponding to shares of Senior Stock of the Corporation existing immediately before such merger or consolidation) or (iii) amend, alter or repeal (by operation of law or otherwise) any of the provisions of the Certificate or the Certificate of Incorporation, so as in any such case to adversely affect the voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of the shares of this Series.

(b) No consent of holders of shares of this Series shall be required for (i) the creation of any indebtedness of any kind of the Corporation, (ii) the authorization or issuance of any class of Junior Stock or Parity Stock, (iii) the authorization, designation or issuance of additional shares of Series D Stock or (iv) subject to Section 6.2(a), the authorization or issuance of any other shares of Preferred Stock.

6.3(a) If and whenever at any time or times dividends payable on shares of this Series shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly dividend periods, then the number of directors constituting the Board of Directors shall be increased by two and the holders of shares of this Series, together with the holders of any shares of any Parity Stock as to which in each case

dividends are in arrears and unpaid in an aggregate amount equal to or

exceeding the amount of dividends payable thereon for six quarterly dividend periods, shall have the exclusive right, voting separately as a class with such other series, to elect two directors of the Corporation.

(b) Such voting right may be exercised initially either by written consent or at a special meeting of the holders of the Preferred Stock having such voting right, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each such annual meeting until such time as all dividends in arrears on the shares of this Series shall have been paid in full and all dividends payable on the shares of this Series on four subsequent consecutive Dividend Payment Dates shall have been paid in full on such dates or funds shall have been set aside for the payment thereof, at which time such voting right and the term of the directors elected pursuant to Section 6.3(a) shall terminate.

(c) At any time when such voting right shall have vested in holders of shares of such series of Preferred Stock described in Section 6.3(a), and if such right shall not already have been exercised by written consent, a proper officer of the Corporation may call, and, upon the written request, addressed to the Secretary of the Corporation, of the record holders of shares representing ten percent (10%) of the voting power of the shares then outstanding of such Preferred Stock having such voting right, shall call, a special meeting of the holders of such Preferred Stock having such voting right. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding annual meetings of stockholders of the Corporation, or, if none, at a place designated by the Board of Directors. Notwithstanding the provisions of this Section 6.3(c), no such special meeting shall be called during a period within 60 days immediately preceding the date fixed for the next annual meeting of stockholders.

(d) At any meeting held for the purpose of electing directors at which the holders of such Preferred Stock shall have the right to elect directors as provided herein, the presence in Person or by proxy of the holders of shares representing more than fifty percent (50%) in voting power of the then outstanding shares of such Preferred

Stock having such right shall be required and shall be sufficient

to constitute a quorum of such class for the election of directors by such class.

(e) Any director elected by holders of Preferred Stock pursuant to the voting right created under this Section 6.3 shall hold office until the next annual meeting of stockholders (unless such term has previously terminated pursuant to Section 6.3(b)) and any vacancy in respect of any such director shall be filled only by vote of the remaining director so elected, or if there be no such remaining director, by the holders of such Preferred Stock entitled to elect such director or directors by written consent or at a special meeting called in accordance with the procedures set forth in Section 6.3(c), or, if no special meeting is called or written consent executed, at the next annual meeting of stockholders. Upon any termination of such voting right, subject to applicable law, the term of office of all directors elected by holders of such Preferred Stock voting separately as a class pursuant to this Section 6.3 shall terminate.

(f) In exercising the voting rights set forth in this Section 6.3, each share of this Series shall have a number of votes equal to its Liquidation Value.

7. Liquidation Rights.

7.1 Upon the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the holders of the shares of this Series shall be entitled to receive out of the assets of the Corporation available for distribution to stockholders, in preference to the holders of, and before any payment or distribution shall be made on, Junior Stock, the amount of \$100 per share (the "Liquidation Value"), plus an amount equal to all accrued and unpaid dividends to the date of final distribution.

7.2 Neither the sale, exchange or other conveyance (for cash, shares of stock, securities or other consideration) of all or substantially all the property and assets of the Corporation nor the merger or consolidation of the Corporation into or with any other corporation, or the merger or consolidation of any other corporation into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 7.

7.3 After the payment to the holders of the shares of this Series of full preferential amounts provided for in this Section 7, the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

7.4 In the event the assets of the Corporation available for distribution to the holders of shares of this Series upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to Section 7.1, no such distribution shall be made on account of any shares of any Parity Stock upon such dissolution, liquidation or winding up unless proportionate distributive amounts shall be paid on account of the shares of this Series, ratably, in proportion to the full distributable amounts for which holders of all Parity Stock are entitled upon such dissolution, liquidation or winding up.

8. Other Provisions.

8.1 All notices from the Corporation to the holders shall be given by one of the methods specified in Section 8.2. With respect to any notice to a holder of shares of this Series required to be provided hereunder, neither failure to give such notice, nor any defect therein or in the transmission thereof, to any particular holder shall affect the sufficiency of the notice or the validity of the proceedings referred to in such notice with respect to the other holders or affect the legality or validity of any distribution, right, warrant, reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up, or the vote upon any such action. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice.

8.2 All notices and other communications hereunder shall be deemed given (i) on the first Trading Day following the date received, if delivered personally, (ii) on the Trading Day following timely deposit with an overnight courier service, if sent by overnight courier specifying next day delivery and (iii) on the first Trading Day that is at least five days following deposit in the mails, if sent by first class mail to (x) a holder at its last address as it appears on the transfer records or registry for the Series D Stock and (y) the

Corporation at the following address (or at such other address as the Corporation shall specify in a notice pursuant to this Section): Time Warner Inc., 75 Rockefeller Plaza, New York, New York 10019, Attention: General Counsel.

8.3 Any shares of this Series which have been converted, redeemed, exchanged or otherwise acquired by the Corporation shall, after such conversion, redemption, exchange or acquisition, as the case may be, be retired and promptly cancelled and the Corporation shall take all appropriate action to cause such shares to obtain the status of authorized but unissued shares of Preferred Stock, without designation as to series, until such shares are once more designated as part of a particular series by the Board of Directors. The Corporation may cause a certificate setting forth a resolution adopted by the Board of Directors that none of the authorized shares of this Series are outstanding to be filed with the Secretary of State of the State of Delaware. When such certificate becomes effective, all references to Series D Stock shall be eliminated from the Certificate of Incorporation and the shares of Preferred Stock designated hereby as Series D Stock shall have the status of authorized and unissued shares of Preferred Stock and may be reissued as part of any new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors.

8.4 The shares of this Series shall be issuable in whole shares or, if authorized by the Board of Directors (or any authorized committee thereof), in any fraction of a whole share so authorized or any integral multiple of such fraction.

8.5 The Corporation shall be entitled to recognize the exclusive right of a Person registered on its records as the holder of shares of this Series, and such record holder shall be deemed the holder of such shares for all purposes.

8.6 All notice periods referred to in the Certificate shall commence on the date of the mailing of the applicable notice.

8.7 Certificates for shares of this Series shall bear such legends as the Corporation shall from time to time deem appropriate.

IN WITNESS WHEREOF, Time Warner Inc. has caused this certificate to be signed and attested this 6th day of July, 1995.

TIME WARNER INC.,

by /s/ Spencer B. Hays

Name: Spencer B. Hays

Title: Vice President

Attest: /s/ Eli T. Bruno

Name: Eli T. Bruno

Title: Assistant Secretary

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF
A TRUSTEE PURSUANT TO SECTION 305(b) (2) -----

CHEMICAL BANK

(Exact name of trustee as specified in its charter)

New York 13-4994650
(State of incorporation (I.R.S. employer
if not a national bank) identification No.)

270 Park Avenue
New York, New York 10017
(Address of principal executive offices) (Zip Code)

William H. McDavid
General Counsel
270 Park Avenue
New York, New York 10017
Tel: (212) 270-2611
(Name, address and telephone number of agent for service)

TIME WARNER INC.

(Exact name of obligor as specified in its charter)

Delaware 13-1388520
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification No.)

75 Rockefeller Plaza
New York, New York 10019
(Address of principal executive offices) (Zip Code)

Debt Securities
(Title of the indenture securities)

GENERAL

Item 1. General Information.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

New York State Banking Department, State House,
Albany, New York 12110.

Board of Governors of the Federal Reserve System,
Washington, D.C., 20551

Federal Reserve Bank of New York, District No. 2,
33 Liberty Street, New York, N.Y.

Federal Deposit Insurance Corporation, Washington,
D.C., 20429.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with the Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

Item 16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Articles of Association of the Trustee as now in effect, including the Organization Certificate and the Certificates of Amendment dated February 17, 1969, August 31, 1977, December 31, 1980, September 9, 1982, February 28, 1985 and December 2, 1991 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference).

2. A copy of the Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference).

3. None, authorization to exercise corporate trust powers being contained in the documents identified above as Exhibits 1 and 2.

4. A copy of the existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 33-84460, which is incorporated by reference).

5. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference).

7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act

of 1939 the Trustee, Chemical Bank, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York, on the 10th day of July, 1995.

CHEMICAL BANK

By /s/ R. Lorenzen

R. Lorenzen
Senior Trust Officer

Exhibit 7 to Form T-1

Bank Call Notice

RESERVE DISTRICT NO. 2
CONSOLIDATED REPORT OF CONDITION OF

Chemical Bank
of 270 Park Avenue, New York, New York 10017
and Foreign and Domestic Subsidiaries,
a member of the Federal Reserve System,

at the close of business March 31, 1995, in
accordance with a call made by the Federal Reserve Bank of this
District pursuant to the provisions of the Federal Reserve Act.

ASSETS

Dollar Amounts
in Millions

| | |
|--|----------|
| Cash and balances due from depository institutions: | |
| Noninterest-bearing balances and currency and coin | \$ 5,797 |
| Interest-bearing balances | 5,523 |
| Securities: | |
| Held to maturity securities..... | 6,195 |
| Available for sale securities..... | 17,785 |
| Federal Funds sold and securities purchased under agreements to resell in domestic offices of the | |

| | |
|---|-----------|
| bank and of its Edge and Agreement subsidiaries, and in IBF's: | |
| Federal funds sold | 2,493 |
| Securities purchased under agreements to resell ... | 50 |
| Loans and lease financing receivables: | |
| Loans and leases, net of unearned income \$68,937 | |
| Less: Allowance for loan and lease losses 1,898 | |
| Less: Allocated transfer risk reserve ... 113 | |
| Loans and leases, net of unearned income, ----- allowance, and reserve | 66,926 |
| Trading Assets | 37,294 |
| Premises and fixed assets (including capitalized leases)..... | 1,402 |
| Other real estate owned | 99 |
| Investments in unconsolidated subsidiaries and associated companies..... | 148 |
| Customer's liability to this bank on acceptances outstanding | 1,051 |
| Intangible assets | 512 |
| Other assets | 6,759 |
| | ----- |
| TOTAL ASSETS | \$149,034 |
| | ===== |

LIABILITIES

| | |
|---|----------|
| Deposits | |
| In domestic offices | \$44,882 |
| Noninterest-bearing | \$14,690 |
| Interest-bearing | 30,192 |
| In foreign offices, Edge and Agreement subsidiaries, and IBF's | 32,537 |
| Noninterest-bearing | \$ 146 |
| Interest-bearing | 32,391 |
| Federal funds purchased and securities sold under agree- ments to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's | |
| Federal funds purchased | 10,587 |
| Securities sold under agreements to repurchase | 3,083 |
| Demand notes issued to the U.S. Treasury | 464 |
| Trading liabilities | 31,358 |
| Other Borrowed money: | |
| With original maturity of one year or less | 7,527 |
| With original maturity of more than one year | 914 |
| Mortgage indebtedness and obligations under capitalized | |

| | |
|--|---------|
| leases | 20 |
| Bank's liability on acceptances executed and outstanding | 1,054 |
| Subordinated notes and debentures | 3,410 |
| Other liabilities | 5,986 |
| TOTAL LIABILITIES | 141,822 |
| | ----- |

EQUITY CAPITAL

| | |
|---|-----------|
| Common stock | 620 |
| Surplus | 4,501 |
| Undivided profits and capital reserves | 2,558 |
| Net unrealized holding gains (Losses) on available-for-sale securities | (476) |
| Cumulative foreign currency translation adjustments ... | 9 |
| TOTAL EQUITY CAPITAL | 7,212 |
| | ----- |
| TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK AND EQUITY CAPITAL | \$149,034 |
| | ===== |

I, Joseph L. Sclafani, S.V.P. & Controller of the above-named bank, do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true to the best of my knowledge and belief.

JOSEPH L. SCLAFANI

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

WALTER V. SHIPLEY)
EDWARD D. MILLER) DIRECTORS
WILLIAM B. HARRISON)