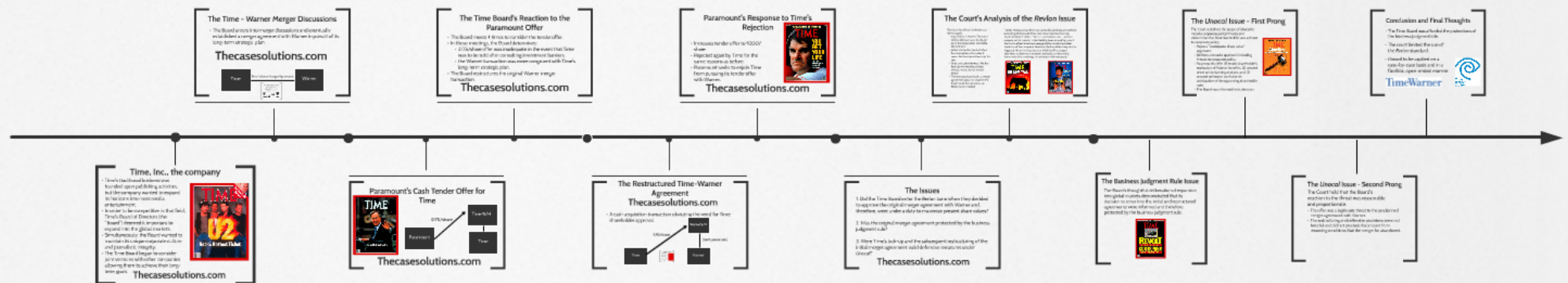
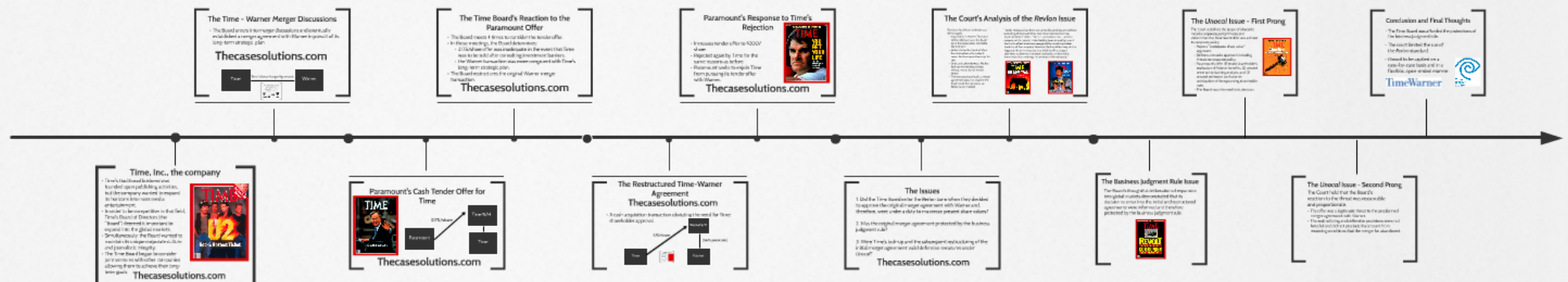


Time Warner Restructures



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Time Warner Restructures



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Time, Inc., the company

- Time's traditional business was founded upon publishing activities, but the company wanted to expand its horizons into mass media entertainment.
- In order to be competitive in that field, Time's Board of Directors (the "Board") deemed it important to expand into the global markets.
- Simultaneously, the Board wanted to maintain its unique corporate culture and journalistic integrity.
- The Time Board began to consider joint ventures with other companies allowing them to achieve their long-term goals.

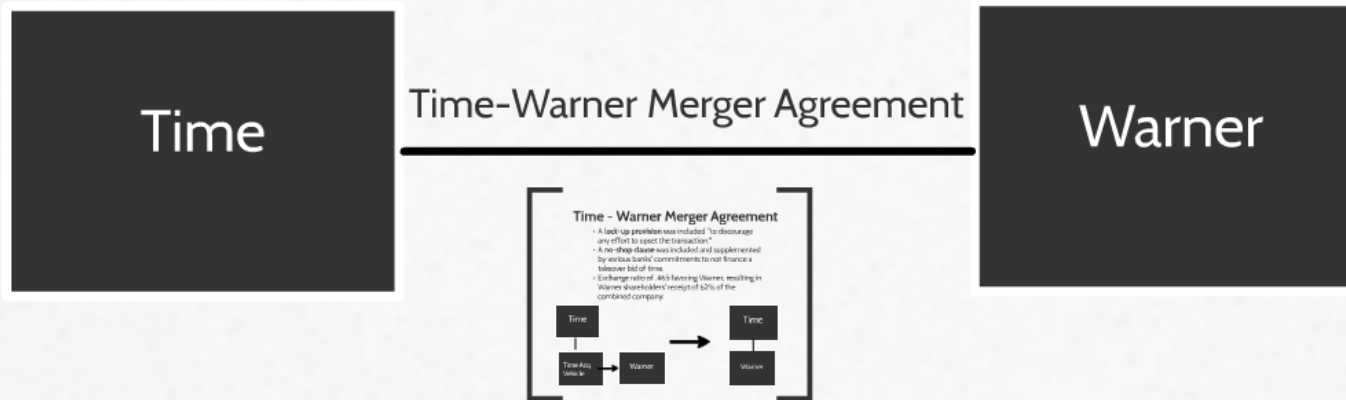


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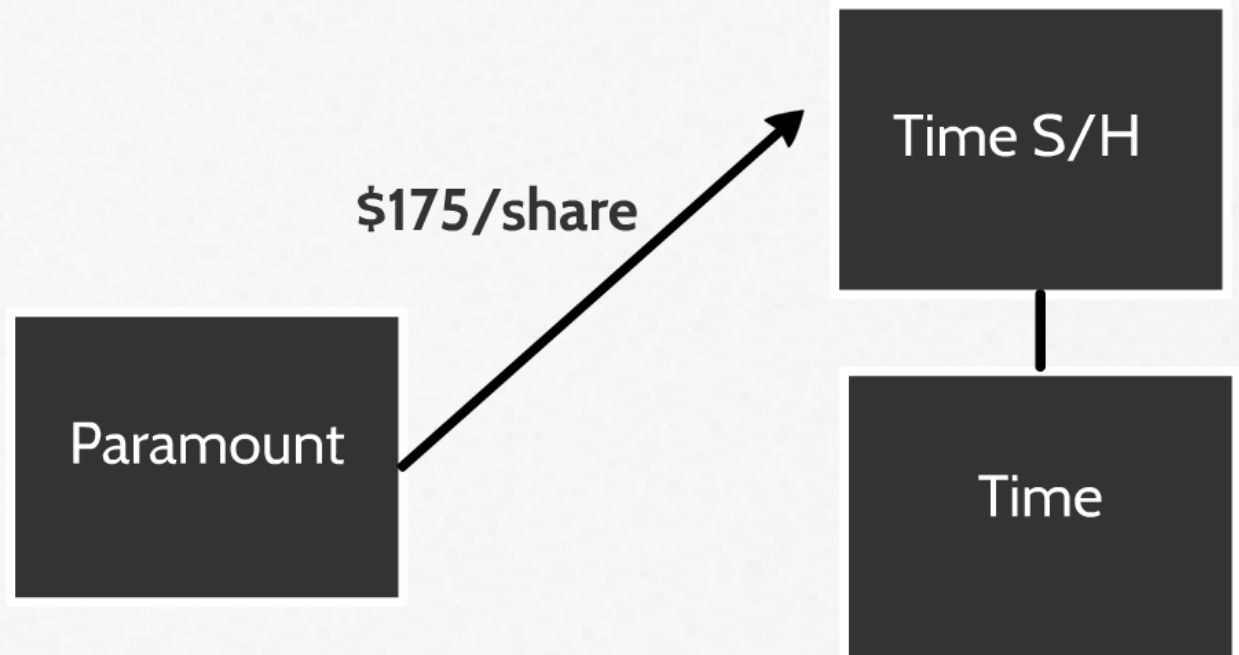
The Time - Warner Merger Discussions

- The Board enters into merger discussions and eventually established a merger agreement with Warner in pursuit of its long-term strategic plan.

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Paramount's Cash Tender Offer for Time



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The Time Board's Reaction to the Paramount Offer

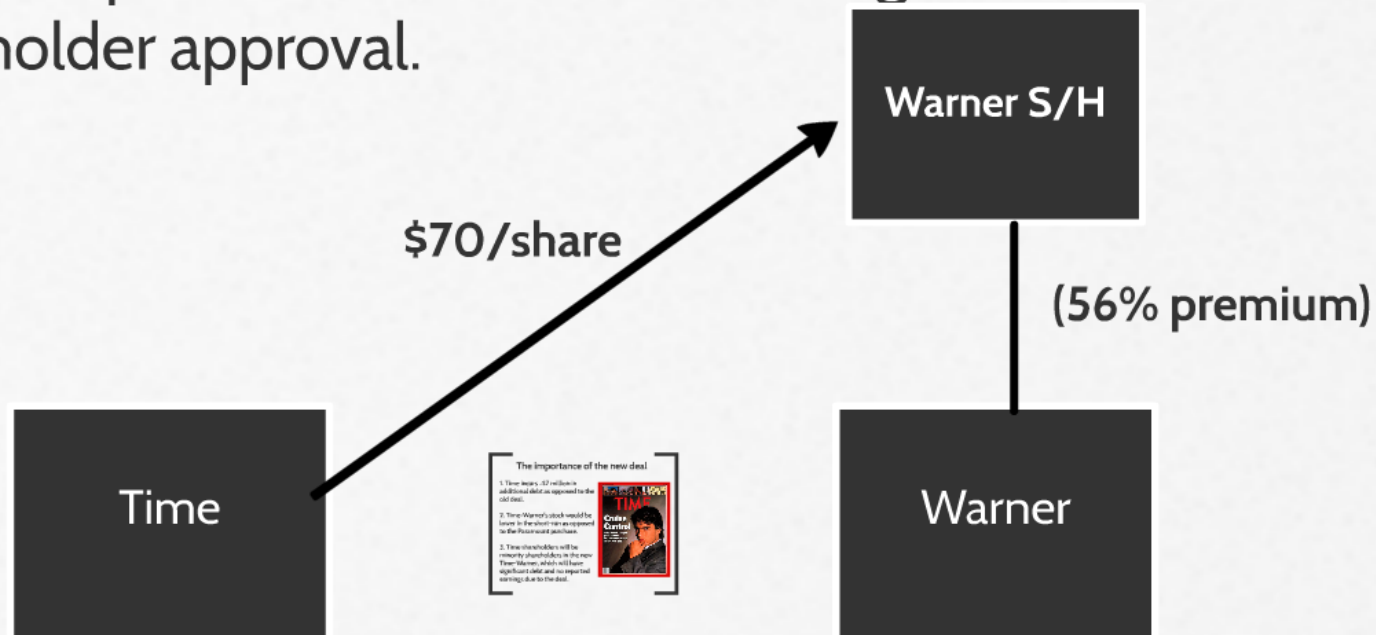
- The Board meets 4 times to consider the tender offer.
- In those meetings, the Board determines:
 - \$175/share offer was inadequate in the event that Time was to be sold after consulting investment bankers.
 - the Warner transaction was more congruent with Time's long-term strategic plan.
- The Board restructures the original Warner merger transaction.

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The Restructured Time-Warner Agreement

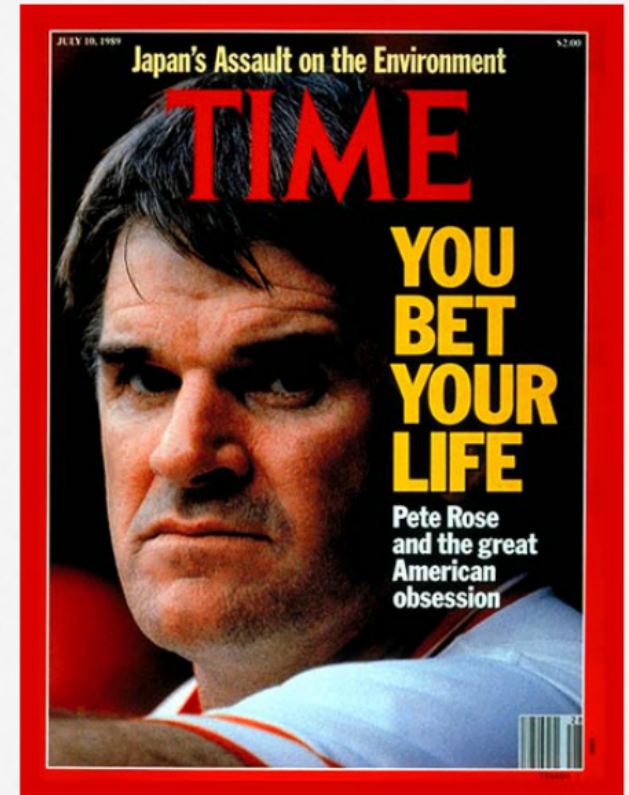
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- A cash acquisition transaction obviating the need for Time shareholder approval.



Paramount's Response to Time's Rejection

- Increases tender offer to \$200/share.
- Rejected again by Time for the same reasons as before.
- Paramount seeks to enjoin Time from pursuing its tender offer with Warner.



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The Issues

1. Did the Time Board enter the *Revlon* zone when they decided to approve the original merger agreement with Warner and, therefore, were under a duty to maximize present share values?
2. Was the original merger agreement protected by the business judgment rule?
3. Were Time's lock-up and the subsequent restructuring of the initial merger agreement valid defensive measures under *Unocal*?

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