#1

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

LITERARY PARTNERS, L.P., CABLEVISION MEDIA PARTNERS, L.P., and A. JERROLD PERENCHIO,	)	
Plaintiffs,	)	
v.	)	C.A. No. 10935
TIME INCORPORATED, TW SUB INC., JAMES F. BERE, MICHAEL D. DINGMAN, EDWARD S. FINKELSTEIN, MATINA S. HORNER, DAVID T. KEARNS, GERALD M. LEVIN, HENRY LUCE III, JASON D. McMANUS, J. RICHARD MUNRO, N.J. NICHOLAS, JR., JOHN R. OPEL, DONALD S. PERKINS, and WARNER COMMUNICATIONS, INC.,	)	
Defendants.	)	

VERIFIED COMPLAINT FOR
DECLARATORY AND INJUNCTIVE RELIEF

Plaintiffs for their Verified Complaint for Declaratory and Injunctive Relief, by and through their attorneys, allege upon knowledge as to their own conduct and upon information and belief as to all other matters as follows.

SUMMARY OF THIS ACTION

1. This action is brought to restrain and remedy violations of the duties owed Plaintiffs and other shareholders of Time Incorporated ("Time") that have impaired and threaten to impair the value of the common stock of Time by an amount that exceeds two and one-half billion dollars. These violations have

been perpetrated by the senior officers and the directors of Time (identified as "Director Defendants" below), aided by their advisers including Wasserstein Perella & Co., Inc. ("Wasserstein"), and in concert with Warner Communications, Inc. ("Warner"). In summary, the violations fall into three categories:

First, knowing that their decision to sell to Warner by merger a majority of Time's equity and voting power (at effectively $150 per Time share) and to transfer to Warner half of the seats on Time's Board of Directors could invite others to propose alternative transactions, the Defendants chose not to take evenhanded, reasonable steps to assure reasoned consideration of any such alternatives; rather, they wrongfully erected what they hoped would be insurmountable obstacles to any competing alternative, even if substantially more beneficial to Time's shareholders.

Second, when, notwithstanding these efforts to preclude any alternative, Time was presented with an economically superior, noncoercive all-cash, all-shares tender offer, coupled with an invitation to negotiate further, the Defendants wrongfully declined the invitation, erroneously treated the offer as a severe threat to corporate policy and effectiveness, and implemented Draconian, coercive "doomsday" defensive actions.

Third, as part of their Draconian defensive strategy, the Defendants have wrongfully manipulated the shareholders electoral machinery in such a way as to violate their duties of

fairness and candor by: postponing Time's annual meeting from June 23 to June 30, 1989 without setting a new record date; eliminating the vote on their favored merger transaction (and with it the opportunity to pass on the election of twelve Warner representatives to Time's Board); moving to effect both the merger transaction and the related transfer to Warner of half of Time's Board both without Time shareholder approval; attempting to secure the reelection of incumbent management directors without adequate disclosure; and precluding the nomination of any opposition slate of director nominees.

2. The Defendants misconduct predates March 3, 1989, when the Director Defendants formally authorized the sale of Time to Warner (in the form of a stock merger which would result in 62% of Time being owned by the shareholders of Warner but would nonetheless preserve and advance the economic and career interests of Time's senior management) subject, inter alia, to the approval by the shareholders of Time (hereinafter the "Original Time/Warner Merger").

3. With that formal decision to transfer majority ownership of Time and change control of Time's Board of Directors, the Director Defendants assumed a duty, shared by Wasserstein, not to create barriers to possible alternative transactions, but to supervise and conduct a fair and evenhanded process whose sole permissible objective had to be the maximization of shareholder value.

4. The Director Defendants did not, however, fulfill that duty. Guided in part by Wasserstein, and acting in concert with Warner, they theretofore, then and thereafter have acted and continue to act improperly by discouraging any competing bid for Time, and by failing adequately to inquire whether the Original Time/Warner Merger continued to be in the best interest of Time shareholders, assuming it ever was.

5. Even before they approved the Original Time/Warner Merger, the Director Defendants had in place an array of takeover defenses adequate to protect Time against a threat to corporate policies and effectiveness, including:

a. a supermajority voting provision for business combinations with 20% shareholders;

b. a Preferred Stock Purchase Rights ("Poison Pill") Plan;

c. Section 203 of the Delaware General Corporation Law;

d. a classified and staggered board of directors, nominees for which must be nominated 90 days prior to the anniversary of the previous year's annual meeting; and

e. a prohibition against stockholder action by written consent and against stockholders' initiation of a special meeting.

6. In conjunction with their approval of the Original Time/Warner Merger, the Director Defendants, with the advice of Wasserstein and the assistance of Warner, took other defensive measures, including:

a. entering into a "lock-up" Share Exchange Agreement whereby Time and Warner would swap substantial blocks of their respective common stocks (11+% for 9%); and

b. authorizing substantial payments of Time funds (with Warner doing the same) to a variety of leading financial institutions in consideration for assurances that those institutions will not fund competing bids for Time.

7. The defensive measures identified in paragraph 6 were not in the best interest of the non-management shareholders of Time. They were designed to preempt and preclude any competing bid.

8. Despite the foregoing improper actions, a competing bidder -- Paramount Communications Inc. and its wholly owned subsidiary KDS Acquisition Corp. (jointly referred to as "Paramount") -- did come forward. On June 6, 1989, Paramount announced an uninvited $175 per share all-cash, all-shares tender offer for Time. This offer was accompanied by a letter which invited Time to negotiate all aspects of Paramount's offer, including price. Moreover, on June 23, 1989, Paramount unilaterally increased its tender offer for Time to $200 per share.

9. At all relevant times, including at the time it was first made, Paramount's offer was manifestly superior to the Original Time/Warner Merger from the perspective of Time's non-management shareholders. The day after the initial Paramount offer was announced, Time stock gained $44 per share to close at $170. In the week that followed, Time stock rose to over $182

per share on the strength of the market's expectation that even higher bids might emerge from the auction process.

10. The Paramount tender offers have never posed a threat to corporate policy or effectiveness of Time. The only threat posed by the Paramount tender offer, as Defendants readily perceived, was that Time shareholders would prefer it to the Time/Warner Merger.

11. In contravention of their clear duties under Delaware law to Time's non-management shareholders under the circumstances, the Director Defendants, advised by Wasserstein and acting in concert with Warner, among other things:

a. never responded to the invitation to negotiations issued by Paramount, or sought to renegotiate with Warner to see if Warner would meet Paramount's offer;

b. implemented the Share Exchange Agreement, thereby diluting Time's shareholders by 11% and giving Warner an unfair advantage in the ongoing bidding contest;

c. marked up and adopted amendments to the Original Time/Warner Merger agreement and then committed Time irrevocably to proceed with the Time/Warner Merger in a way which, unless restrained, will eliminate material economic benefits provided under the Original Time/Warner Merger to Time's non-management shareholders, allow Time's Directors to impose upon the non-management shareholders a coercive, economically inferior "Revised Time/Warner Merger" and deprive plaintiffs and

Time's other non-management shareholders of the benefits of Paramount's offer and possible bids by other bidders no matter how favorable; and

d. decided on June 16, 1989 to adjourn the June 23, 1989 shareholder meeting one week until June 30, while retaining the May 1, 1989 record date, with the intent and effect to: eliminate any shareholder's opportunity to vote on or object to the Revised Time/Warner Merger; require shareholders to vote for or against four of the Defendant Directors (including the three senior members of management) without providing Time's shareholders adequate disclosure in proxy solicitation materials that might enable the shareholders to evaluate the actions taken by the nominees in connection with the Revised Time/Warner Merger, the implementation of the Share Exchange Agreement, and Time's response to the Paramount offer and invitation to negotiate; and deny the shareholders any opportunity to consider other nominees.

12. In the days following the June 20, 1989 announcement of the June 16 Revised Time/Warner Merger and related actions, the market price for Time stock plummeted to under $152.

13. By this suit, plaintiffs seek intervention of this Court to protect the rights of plaintiffs under Delaware Law, by:

a. restraining Time from holding its truncated shareholder meeting as currently scheduled on June 30, 1989, from enforcing Article III, Section 3 of Time's by-laws, which preclude nominations for the four positions open on Time's Board

of Directors, and from retaining its May 1, 1989 record date, and enjoining such meeting until at least 30 days after Time has disseminated to its shareholders proxy soliciting materials concerning the incumbent nominees that satisfy Time's duty of candor;

b. rescinding the Share Exchange Agreement as executed;

c. enjoining the Revised Time/Warner Merger (specifically including the Time tender offer for Warner);

d. requiring the Director Defendants to meet and negotiate with Paramount as an initial step toward the initiation of an evenhanded and open auction;

e. requiring Time to invite other qualified bidders to participate in this process, and to release all lending institutions from restrictions on their ability to finance competing bids for Time;

f. providing that, should Time determine, after reasoned deliberation, to proceed with any competing transactions, not to do so unless an opportunity is provided to its shareholders, by vote and/or contemporaneous tender, to choose among the competing transactions;

g. declaring that the restrictions contained in the Delaware Business Combination Statute do not apply to the Paramount Offer; and

h. restraining Time from taking any further defensive measures absent ten business days prior notice to the Court and all parties then before the Court; or

i. all that failing, such damage and other remedies as may be just and appropriate.

THE PARTIES

14. Plaintiff Literary Partners, L.P. ("LP") is a limited partnership with its principal place of business in Texas, organized to acquire certain shares of Time common stock on behalf of its limited partners, who include Robert M. Bass Group, Inc. and certain of its affiliates and associates. LP owns more than 600,000 shares of Time.

15. Plaintiff Cablevision Media Investors, L.P. ("CMI") is a Delaware limited partnership, the sole general partner of which is CSC Investors Inc., a Delaware corporation with its principal place of business in New York. CMI owns 100 shares of Time and is a 41.6% general partner in U.S. Media Investors, L.P., a Delaware limited partnership that owns more than 1.2 million shares of Time.

16. Plaintiff A. Jerrold Perenchio is a citizen of the United States and a resident of California. Mr. Perenchio owns directly 100 shares of Time common stock and indirectly, more than 500,000 shares of Time common stock, through a partnership known as U.S. Media Investors, L.P.

17. All plaintiffs have owned common stock of Time at all times relevant to this Complaint and currently own in the aggregate over one million such shares. All are shareholders of record as of May 1, 1989; some have acquired substantial shares subsequent to that date.

18. Defendant Time is a Delaware corporation whose principal executive offices are located at the Time & Life Building, Rockefeller Center, New York, New York 10020. As of May 1, 1989, Time had approximately 57 million shares of common stock outstanding, hel by approximately 14,655 shareholders of record. Time stock is listed and traded on the New York Stock Exchange ("NYSE").

19. Defendant TW Sub Inc. is a Delaware corporation and a wholly-owned subsidiary of Time, organized for the purposes of effectuating a merger between Time and Warner.

20. Defendant J. Richard Munro ("Munro") is, and has been at all times relevant to the Complaint, Chairman of the Board and Chief Executive Officer of Time. Mumro is one of four nominees for reelection to his position as a director of Time at a meeting presently scheduled to be reconvened on June 30, 1989.

21. Defendant N.J. Nicholas, Jr. ("Nicholas") is, and has been at all times relevant to the Complaint, President, Chief Operating Officer, and a Director of Time. Nicholas is one of four nominees for reelection to his position as a director of Time at a meeting presently scheduled to be reconvened on June 30, 1989.

22. Defendant Gerald M. Levin ("Levin") is, and has been at all times relevant to the Complaint, Vice-Chairman of the Board of Time. Levin is one of four nominees for reelection to

his position as a director of Time at a meeting presently scheduled to be reconvened on June 30, 1989.

23. Defendants James F. Bere, Michael D. Dingman, Edward S. Finkelstein, Matina S. Horner, David T. Kearns, Henry Luce III, Jason D. McManus, John R. Opel, and Donald S. Perkins, are Directors of the Company (collectively with Munro, Nicholas and Levin, the "Director Defendants").

24. Defendant Warner is a Delaware corporation with its principal executive offices located at 75 Rockefeller Plaza, New York, New York 10019. Warner's stock also trades on the NYSE.

25. Wasserstein is a corporation with its principal executive offices located at 31 West 52nd Street, New York, New York 10019, engaged in investment banking primarily in the field of mergers and acquisitions. Wasserstein acted as a financial advisor to Time and the Director Defendants in the transactions which are the subject of this action.

THE ORIGINAL TIME/WARNER MERGER

26. For at least a year, Time's management has been attempting to negotiate a sale or merger of Time with a party that would assure management continuity and other benefits for themselves and Time's shareholders.

27. On March 4, 1989, Time and Warner announced that the two companies had reached an agreement to merge on terms which, when completed, would result in transferring senior executive positions, half of the Board seats, and more than a majority of the stock of the surviving corporation to Warner's

executives, directors, and stockholders. The agreement was subject to the requirement of approval by the Time stockholders. The Defendants announced at the time that one of the primary benefits of the form of the transaction was that it was expected to receive favorable "pooling of interests" accounting treatment.

28. Having thus determined to transfer a majority of Time's common stock and to transfer control of Time's Board of Directors, the Director Defendants assumed a variety of special duties to plaintiffs and the other shareholders. In light of the requirement of shareholder approval, they assumed a duty of candor. In light of the prospect of an auction developing in response to the announcement of the Original Time/Warner Merger, they assumed the duty not to erect unreasonable barriers to the consideration of alternatives which could enhance shareholder value. In such circumstances, lock-ups and similar defensive measures are permissible only to the extent that they encourage further bidding and thereby benefit the shareholders. In contrast, the Defendants have a duty to avoid taking or authorizing measures which prematurely end an auction or discourage qualified bidders because such measures are detrimental to shareholder interests. The duty was further enhanced in this case because Time management has had from the outset a substantial personal interest in the outcome of the process by virtue of the special assurances given them under the Original Time/Warner Merger agreement.

29. When the Director Defendants approved the Original Time/Warner Merger agreement on March 3, 1989, Time already had substantial takeover defenses in place that were adequate to protect Time against a coercive bid or unfair offer including those referred to in paragraph 5, above.

30. Contemporaneous with the March 3, 1989 authorization of the Original Time/Warner Merger agreement, the Director Defendants, aided and abetted by Warner and Wasserstein, adopted a number of additional defensive measures, including the following:

a. The Director Defendants authorized payment of substantial fees out of Time shareholder funds (as Warner did out of its funds) to various financial institutions so that these institutions would not provide financing in connection with any uninvited bid for Time for periods of up to one year.

b. The Director Defendants and Warner agreed to a Share Exchange Agreement. This agreement originally provided for the issuance and transfer to Warner of shares which would then equal 12.5% of the total outstanding shares of Time common stock upon clearance of the merger in a preliminary regulatory proceeding. The Share Exchange Agreement was amended on April 12, 1989, because the SEC suggested that "pooling of interests" accounting treatment, which the Director Defendants properly regarded as extremely valuable for Time, would be spoiled by such an exchange. Time then amended the Share Exchange Agreement to provide the exchange would not occur prior to February 20, 1990, unless Time or Warner "triggered" it earlier in response to,

among other things, the announcement of an uninvited bid for Time. This side agreement was intended to act as a lock-up; its sole function was to discourage other interested bidders.

c. Time agreed to a confidentiality provision which substantially restricted its ability to furnish information to, or negotiate with, any person willing to offer Time stockholders a superior financial alternative to the original Time/Warner Merger.

31. In light of the circumstances, the defensive measures described in paragraph 30 were unnecessary to protect the shareholders. Indeed, their intended effect was to discourage and frustrate any other potential interested bidders for Time in order to ensure the success of the Original Time/Warner Merger, without regard to the possibility of enhancing shareholder value through an economically superior offer.

32. Because these measures were intended and expected to limit rather than maximize opportunities to enhance shareholder value and to favor management's interest, the action of the Director Defendants, Wasserstein and Warner violated duties owed Plaintiff.

THE PARAMOUNT TENDER OFFER

33. On June 7, 1989, Paramount commenced a $175 per share all cash/all shares tender offer for Time. This price represented a premium of $49 (approximately 39%) over the closing price of $126 per share on June 6. This initial Paramount offer

was thus manifestly superior for Time stockholders to the Original Time/Warner Merger.

34. Paramount also indicated in a contemporaneous letter to Time, addressed to Defendant Munro, its willingness to negotiate with Time "all aspects" of its offer, including the price.

35. Thus, bidding for Time began despite the Defendants' best efforts to discourage it. At this point, the duties of the Director Defendants could not have been more clear: they were obligated to take all reasonable measures to maximize shareholder value and not favor either bidder, particularly Warner since Defendants Munro, Nicholas and Levin and other members of Time management had a very substantial interest in the Time/Warner transaction.

TIME'S REACTION

36. The Director Defendants did not negotiate with either Paramount or Warner (or any other interested, qualified bidders). Instead the Director Defendants permitted Defendant Munro to declare "war" on Paramount on behalf of Time. They thereby violated their fiduciary duties to the shareholders of Time.

37. As part of their battle strategy, the Director Defendants, aided and abetted by Warner and Wasserstein:

a. refused to negotiate with Paramount;

b. "triggered" and performed under the Share Exchange Agreement, thereby diluting the holdings of Time's

shareholders, erecting a formidable barrier to any uninvited bid by placing approximately 11% of Time's voting power in Warner's hands, and creating a substantial risk of injury to Plaintiffs by exposing Time's stock to the risk of being delisted from trading on the NYSE for violation of NYSE Corporate Responsibility Rule 312.00(3)(c);

c. utterly abandoned their fiduciary responsibilities by marking up the Original Time/Warner Merger agreement and adopting the markup to irrevocably authorize a first-step, $70 cash Time tender offer for 51% of Warner and a second-step merger with Warner, the effect of which will be to entrench and enrich senior Time and Warner management and increase the potential compensation to Wasserstein; and

d. withdrew from the Time shareholders the opportunity they previously had been provided to vote on any of the above-described misconduct, even though essentially the same merger, the same arrangements for Time management, and the same Board consisting of half Time and half Warner representatives will result.

By so manipulating the corporate mechanism, the Director Defendants, aided by Warner, have abdicated their duty of loyalty requiring them to deal fairly with the Time public shareholders.

38. In all material respects, the Revised Time/Warner Merger inures to the material disadvantage of the non-management shareholders of Time.

a. The agreement, as amended, no longer contemplates a pure share-for-share exchange, which would have

provided the benefit of "pooling of interests" accounting treatment for continuing Time shareholders. Rather, the Revised Time/Warner Merger will receive disadvantageous "purchase accounting" treatment, which will require Time to amortize billions of dollars in "goodwill" for years to come.

b. On the basis of the share exchange ratio used by the Defendants in the original Time/Warner Transaction (1 share of Warner = .465 shares of Time), the $70 cash per Warner share to be paid by Time in the Revised Time/Warner Merger values Time's shares at approximately $150. Thus, on the same day that the Director Defendants, relying on Wasserstein, advised the shareholders of Time that Paramount's offer of $175 was inadequate, they approved a transaction with an implied $150 per share value for Time.

c. Under the structure of the new agreement, the Director Defendants, advised by Wasserstein and collaborating with Warner, signed away all discretion to act in the best interests of Time's shareholders, and thus grossly violated their most fundamental duties to Time shareholders. Assuming that a minimum of 100 million shares of Warner are tendered, the Revised Time/Warner Merger agreement imposes on Time an unavoidable obligation to consummate the merger (absent an injunction), notwithstanding the superior Paramount bid (since vastly improved), or any new, even more attractive transaction that may appear. They attempted to conclude the auction before it began. They took the ultimate unreasonable defensive measure. In their haste to benefit Time's top management by entering into

some transaction -- any transaction -- with Warner, the Director Defendants, aided and abetted by Warner and Wasserstein, have abdicated their most fundamental fiduciary obligations to Time's shareholders.

d. Perhaps the most egregious aspect of the Revised Time/Warner Merger is the manner in which the Director Defendants, aided and abetted by Warner and Wasserstein, determined to manipulate and abuse the principle of shareholder democracy in these circumstances. Having sensed that they would lose the vote on the Original Time/Warner Merger (and the effective election of twelve Warner representatives to Time's Board), the Defendant Directors, with total disdain for principles of shareholder democracy and fair dealing, announced they would proceed anyway and just eliminated the requirement of Time shareholders' approval. Just seven days before the previously scheduled June 23 annual shareholders' meeting, the Director Defendants decided to convene and adjourn that meeting and to truncate its agenda to exclude any vote on the merger or the Warner-representative directors. A one-page statement to that effect, mailed on June 20, 1989, is all the information shareholders were given -- containing no disclosure or explanation of the momentous intervening events or the role played in them by the four nominees. Unless this Court restrains it, the meeting is to be reconvened June 30, despite that no revised proxy materials explaining anything about the events of the past few weeks have been distributed and, given Article III, Section 3 of Time's by-laws, no opposing slate of directors can

be nominated. Under the present plan, Plaintiffs and other non-management Time shareholders have been given no information, no time, and thus no real opportunity to exercise a reasoned judgement even on the sole remaining issue -- which is whether to oppose the reelection of Directors Munro, Nicholas, Levin and Perkins.

COUNT I

(Breach of Fiduciary Duty Of Loyalty)

39. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 38 as if fully set forth herein.

40. At all relevant times, the Director Defendants and Wasserstein owed a fiduciary duty of loyalty to act solely in the best interests of Time and its shareholders. The Director Defendants and Wasserstein, acting in concert with Warner, breached that duty by acting to preclude any possibility of an evenhanded, fair auction and by employing unreasonable defensive maneuvers in anticipation of and in the face of the Paramount Tender Offer.

41. Paramount's Tender Offer represents no threat to Time or its shareholders. As an all cash offer for all shares, it is straightforward and noncoercive. At $175 per share, it represented a $49 per share premium over the market's valuation of the Original Time/Warner Merger, and an approximately $25 per share premium over the Revised Time/Warner Merger. Even then,

Paramount expressly indicated its willingness and desire to negotiate with Defendants all aspects of its offer, including price. Thus, its offer was fair and adequate and represented no threat to the shareholders. Now, Paramount has increased its bid to $200 per share, the aggregate premium exceeds $2.5 billion, but Time's Directors have abdicated all discretion to accept or even consider it, absent intervention of the Court.

42. Notwithstanding the fair, adequate and noncoercive nature of Paramount's Tender Offers, the Director Defendants, aided and abetted by Warner and Wasserstein, undertook the Draconian defensive responses described above, which are totally unreasonable.

43. The defensive measures taken by the Director Defendants to deny Time's shareholders the benefit of a clearly superior Paramount Tender Offer were unreasonable and disproportionate and are understandable (if at all) only in the context of Time management's substantial personal interest in the Time/Warner transaction. In no sense were these measures taken in response to any threat or danger to corporate policy or the best interests of Time's public stockholders.

COUNT II

(Breach of Fiduciary Duties Of Care and Loyalty)

44. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 43 as if fully set forth herein.

45. At all relevant times, the Director Defendants and Wasserstein owed fiduciary duties of care and loyalty to the shareholders of Time. Once the Director Defendants, with Wasserstein's advice and assistance, agreed to the Original Time/Warner Merger that contemplated transferring 62% voting control and half of the Board of Directors of Time to Warner, the fiduciary duties of care and loyalty the Director Defendants and Wasserstein owed to the shareholders were significantly enhanced. These enhanced duties included but were not limited to the obligation to consider and fairly evaluate, rather than erect unreasonable barriers to, all reasonable offers for Time, with an eye single on maximizing shareholder value.

46. The Director Defendants breached the enhanced duties of care and loyalty, as alleged above, and in the following respects:

a. The Director Defendants, aided and abetted by Warner and Wasserstein, flatly refused to negotiate with Paramount, despite Paramount's explicit request to do so and indication of flexibility on all terms, including price.

b. The Director Defendants, aided and abetted by Warner and Wasserstein, precipitously and irrevocably committed Time to a tender offer for and second-step merger with Warner carrying a total transaction price of approximately $14 billion dollars. This Revised Time/Warner Merger was hastily entered into. The Director Defendants did not adequately inform themselves about the relative merits of the competing transactions or other available options. Indeed, the Special

Committee of Director Defendants, given first responsibility for these matters, was advised by Wasserstein and certain other financial and legal advisors that were retained by and advising Time's inside Directors, who had a substantial personal interest in seeing that either the Original or Revised Time/Warner Merger was approved.

c. Time's commitment to the Revised Time/Warner Merger is, for all practical purposes, irrevocable, regardless of the degree of superiority vis-a-vis Time shareholders' interests of the original $175 per share or present $200 per share Paramount offer or any subsequent offer for Time. In other words, the Director Defendants, aided and abetted by Warner and Wasserstein, have abandoned their ability to exercise their discretion as fiduciaries for the benefit of the shareholders, and committed Time to complete a $14 billion, multi-step acquisition without any evidence of the reasoned deliberation and consideration required of such decisions.

COUNT III

(Breach of Duties Of Candor and Fair Dealing)

47. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 46 as if fully set forth herein.

48. At all relevant times, the Director Defendants owed fiduciary duties of candor and fair dealing to the shareholders of Time.

49. The Director Defendants breached these duties when, on June 16, 1989, they decided: to convene and then adjourn the June 23 annual shareholders' meeting for seven days; to retain the May 1, 1989 record date for that meeting; to remove from the agenda any vote on the Original or Revised Time/Warner Merger; to proceed with the scheduled election of four incumbent directors (three of whom are senior management); but not to amend and recirculate proxy soliciting materials to disclose the following material facts, among others:

a. the actual terms of Paramount's $175 (now $200) per share all cash/all shares tender offer;

b. the actions taken by the four nominees in Time's refusal to negotiate with Paramount; implementation of the lock-up Share Exchange with Warner; rejection of the Paramount offer; amendment to the Original Time/Warner Merger agreement; execution of the Revised Time/Warner Merger agreement; and decision to disenfranchise Time's shareholders in the process.

50. The Director Defendants also breached their duty of fair dealing by manipulating the corporate machinery by retaining the May 1, 1989 record date, knowing that as a result of the above material intervening events, that record date would not permit a substantial portion -- perhaps a majority -- of Time's current shareholders any electoral vote. They also knew that by adjourning the shareholders' meeting only seven days -- when there is a 90-day prior notice requirement for nominees, and a two-week or more period required to prepare and disseminate proxy contest materials -- they had selected a period that is too short

to allow non-management shareholders, outraged by the Board's misconduct, to determine whether to propose an alternate slate of directors to oppose the management incumbents. Inasmuch as the four Director Defendant nominees will continue in office until their successors are elected and qualify, there would have been little or no harm to them or Time in rescheduling a meeting with a new record date. Finally, under the circumstances here, it was wrong to take any vote on the Time/Warner Merger off the agenda. In totality, the June 16, 1989 decisions constitute a manipulation of the corporate machinery designed to subvert shareholder democracy and thwart substantial shareholder opposition to the Revised Time/Warner Merger and the incumbent nominees who were responsible for coercing the shareholders into it.

COUNT IV

(Declaratory Relief: Delaware Business Combination Statute Is Inapplicable)

51. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 50 as if fully set forth herein.

52. Given the March 3, 1989 decision to authorize the Original Time/Warner Merger, Section 203 of the Delaware Corporation Law provides no barrier to the Paramount tender or any future offer for all of the shares of Time's common stock.

IRREPARABLE INJURY

53. Unless the Court enters the relief that the Plaintiffs seek, the shareholder meeting to be held on June 30 will produce a sham election of Directors; the first step of the Revised Time/Warner Merger -- the Time Tender Offer -- will expire on July 17; and the second-step merger will inevitably be consummated to the $2.5 billion or more detriment of Time's non-management shareholders; and the shareholders of Time will have been diluted and irreparably injured. And as a result of Defendants' misconduct, Time's shareholders will have had no opportunity to vote on or object to the merger, will be powerless to prevent the expansion of Time's Board of Directors from 12 to 24 seats, and will have no say as to the identity of the 12 new directors. The actions of the Defendants have been manifestly unfair to the public shareholders of Time and unfairly advantageous to the top management of Time. Once completed, these actions cannot be unscrambled. The Time shareholders will have lost a $2.5 billion premium in an available transaction -- the Paramount Tender Offer -- that is vastly superior to the Revised Time/Warner Merger.

54. As damages for such loss cannot be readily calculated and, in any event, would far exceed any amounts which could be recovered from the individual Defendants, Plaintiffs have no adequate remedy at law.

WHEREFORE, Plaintiffs request that this Court enter judgment against the Defendants as follows:

A. temporarily restraining Defendants and their directors, officers, agents, employees, attorneys, servants, subsidiaries and any persons acting in concert with them from holding the reconvened shareholders' meeting of Time currently scheduled for June 30, 1989, directing the Defendants to establish a new and correct record date, voiding the application of any barriers to a new slate of nominees opposed to management; and preliminarily and permanently enjoining such meeting until 30 days after Time has disseminated revised proxy solicitation materials that satisfy Time's duty of candor;

B. rescinding the June 16, 1989 Share Exchange between Time and Warner;

C. preliminarily and permanently enjoining the Defendants and their directors, officers, agents, employees, attorneys, servants, subsidiaries and any persons acting in concert with them from proceeding with the Revised Time/Warner Merger, specifically including Time's tender offer for Warner, unless and until the Revised Time/Warner Merger has been submitted to and approved by the current shareholders of Time;

D. declaring that the restrictions of the Delaware Business Combinations Statute, 8 Del. C. § 203, do not apply to the Paramount offer;

E. preliminarily and permanently enjoining the Defendants and their directors, officers, agents, employees, attorneys, servants, subsidiaries and any persons acting in concert with them from causing Time to take any further defensive

measures, absent ten days prior notice to the Court and all parties then before the Court;

F. requiring the Director Defendants to meet and negotiate with both Paramount and Warner, as an initial step toward the initiation of an evenhanded and open auction;

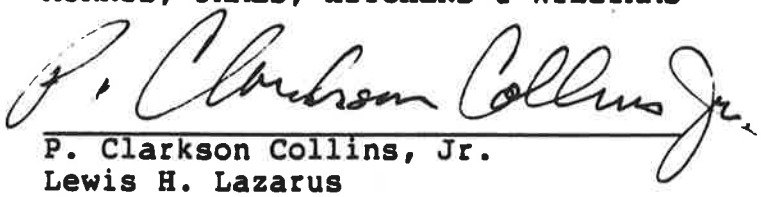
G. requiring Time to invite other qualified bidders to participate in this process, and to release all lending institutions from restrictions on their ability to lend to new bidders;

H. preliminarily and permanently enjoining the Defendants and their directors, officers, agents, employees, attorneys, servants, subsidiaries and any persons acting in concert with them from causing Time to proceed with any competing transactions unless an opportunity is provided to its shareholders, by vote and/or contemporaneous tender, to choose among the competing transactions; and

I. awarding to the Plaintiffs such other relief, including damages, as the Court deems just and proper.

Respectfully submitted,

MORRIS, JAMES, HITCHENS & WILLIAMS



P. Clarkson Collins, Jr.
Lewis H. Lazarus
Barbara MacDonald
222 Delaware Avenue
P.O. Box 2306
Wilmington, Delaware 19899-2306
(302) 888-6800
Attorneys for Plaintiffs

OF COUNSEL:

WILMER, CUTLER & PICKERING

Michael R. Klein
Richard W. Cass
Jane C. Sherburne
Thomas W. Jeffrey
Eric Markus
2445 M Street, N.W.
Washington, D.C. 20034-1420
(202) 663-6000

Dated: June 26, 1989

VERIFICATION

David Bonderman hereby certifies that he is president of the general partner of Literary Partners, L.P., that he is authorized to make this verification affidavit on behalf of Literary Partners, L.P., that he has read the foregoing Verified Complaint and knows the contents thereof, and that the allegations contained in the Verified Complaint are, of his own personal knowledge, true and correct, except that as to those allegations alleged upon information and belief, he believes them to be true.

DAVID BONDERMAN

Signed and Sworn to before me on this 26th day of June, 1989.

Notary Public

My Commission Expires June 14, 1992