

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE AOL TIME WARNER, INC.
SECURITIES & "ERISA" LITIGATION

MDL Docket No. 1500
02 Civ. 5575 (SWK)

NOTICE OF PROPOSED \$2.65 BILLION SETTLEMENT OF SECURITIES CLASS ACTION, CERTIFICATION OF A SETTLEMENT CLASS, FINAL APPROVAL HEARING, APPLICATION FOR ATTORNEYS' FEES AND EXPENSES, AND PROPOSED PLAN OF ALLOCATION

TO: ALL PERSONS WHO PURCHASED, EXCHANGED OR OTHERWISE ACQUIRED PUBLICLY TRADED COMMON STOCK OF AMERICA ONLINE, INC. ("AOL") AND/OR BOUGHT OR SOLD OPTIONS ON AOL COMMON STOCK DURING THE PERIOD JANUARY 27, 1999 THROUGH AND INCLUDING JANUARY 11, 2001, AND ALL PERSONS WHO PURCHASED, EXCHANGED OR OTHERWISE ACQUIRED PUBLICLY TRADED COMMON STOCK OR BONDS OF TIME WARNER INC. (FORMERLY KNOWN AS AOL TIME WARNER INC.) ("TIME WARNER") AND/OR BOUGHT OR SOLD OPTIONS ON TIME WARNER COMMON STOCK DURING THE PERIOD JANUARY 11, 2001 THROUGH AND INCLUDING AUGUST 27, 2002, AND WERE DAMAGED THEREBY (THE "SECURITIES CLASS").

This Notice provides you with important information in connection with the settlement of a class action lawsuit (the "Settlement") concerning AOL and Time Warner Inc. ("Time Warner")¹ You may be entitled to receive money from the Settlement.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Deadline to File a Claim:	February 21, 2006
Deadline to File an Objection to the Settlement:	January 9, 2006
Deadline to Opt Out of the Securities Class:	January 9, 2006

PLEASE READ THIS NOTICE CAREFULLY. It will tell you what the case is about, the terms of the Settlement,² what choices you have to make, and what you have to do to protect your rights. This Notice explains to you certain deadlines, and encloses forms that allow you to file a claim or tell us that you don't want to be part of the Securities Class. It will also tell you where you can get additional information and help.

For more information, call the Settlement Administrator toll-free at (877) 800-7852, or go to www.aoltimewarnersettlement.com.

- The Settlement provides for the payment of \$2,500,000,000 (\$2.5 billion) in cash by Defendants Time Warner and Ernst & Young LLP ("Ernst & Young") for the benefit of the Securities Class defined above. The Settlement also provides for the distribution to Securities Class Members of \$150 million Time Warner paid to the United States Department of Justice ("DOJ") in connection with a separate settlement between Time Warner and the DOJ.
- If you are a purchaser on behalf of a beneficial owner, you have fifteen (15) days from receipt of this Notice to provide this Notice to the beneficial owner or provide the Settlement Administrator with names and addresses of all such beneficial owners. (See paragraph 61 below.)
- The Settlement resolves class litigation (the "Securities Class Action") over whether, among other things, AOL and Time Warner and certain of their officers and directors and their auditor, Ernst & Young, violated the Securities Act of 1933 and the Securities and Exchange Act of 1934 by allegedly making materially false and misleading statements or by allegedly omitting material facts during the period January 27, 1999 through August 27, 2002 ("Securities Class Period") regarding AOL's and Time Warner's current or future financial condition.

¹ In October of 2003, AOL Time Warner Inc. changed its name to Time Warner Inc.

² Unless otherwise noted, words in initial capitals not defined in this Notice are defined in the Stipulation of Settlement ("Stipulation"), dated September 22, 2005, available at www.aoltimewarnersettlement.com.

- **YOUR LEGAL RIGHTS ARE AFFECTED WHETHER YOU ACT, OR DO NOT ACT. READ THIS NOTICE CAREFULLY.**

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:	
IF YOU:	THEN:
SUBMIT A CLAIM FORM	The only way to receive a payment. You <u>must</u> submit a claim if you want to receive settlement monies.
OBJECT	You may submit documents to the Court setting forth why you do not like the Settlement, the Plan of Allocation or Lead Securities Counsel's Fee and Expense Application.
GO TO A HEARING	You may ask to speak in Court about the fairness of the Settlement, the Plan of Allocation or the Fee and Expense Application.
REQUEST EXCLUSION (OPT OUT)	You may submit a written request to be excluded from the Securities Class. You will receive no payment from the Net Settlement Sum or other monies distributed with this Settlement, if you exclude yourself from the Securities Class.
DO NOTHING	You will receive no payment, and you will give up your right to file your own lawsuit or participate in any other lawsuit concerning the legal claims being released in the case.

- These rights and options – **and the deadlines to exercise them** – are explained in this Notice.
- The Court in charge of this case, which has given preliminary approval of the Settlement, still has to decide whether to give final approval of the Settlement. Payments will be made if the Court gives final approval of the Settlement (subject to any appeals) and after the claims processing procedure is complete. The Plan of Allocation and any award of fees and costs to Securities Class Counsel must also be approved by the Court.

WHAT THIS NOTICE CONTAINS

This Notice contains only a summary of the Settlement. The complete terms of the Settlement are contained in the Stipulation, which is available to the public to review at the Clerk’s office at:

J. Michael McMahon/Clerk of Court
 Daniel Patrick Moynihan United States Courthouse
 500 Pearl Street, Room 120
 New York, NY 10007-1312

In addition, the complete Stipulation is posted on the Settlement website at www.aoltimewarnersettlement.com.

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SUMMARY OF NOTICE

Statement of Plaintiff Recovery

Pursuant to the Settlement described herein, a Settlement Account consisting of at least Two Billion, Six Hundred and Fifty Million (\$2,650,000,000) in cash, plus accrued interest, will be established. Time Warner will pay \$2.4 billion and Ernst & Young will pay \$100 million into the Settlement Account. The additional \$150 million set aside as part of Time Warner's settlement with the DOJ will also be placed in the Settlement Account as part of this Settlement. Lead Securities Plaintiff's damages expert estimates that approximately 3.4 billion of the outstanding shares of AOL and Time Warner common stock may have been damaged during the Securities Class Period as a result of the allegedly wrongful conduct. Based on the estimated number of damaged shares, as determined by Lead Securities Plaintiff's damages consultants, Lead Securities Plaintiff estimates that the average recovery per damaged share, based on the \$2.65 billion Settlement Account, is \$0.78. Many of the approximately 3.4 billion damaged shares were traded multiple times during the Securities Class Period and therefore, more than one investor may have a claim with respect to the same share. The estimated number of Claimed Damaged Shares with Turnover is therefore higher, approximately 11.315 billion. If every one of these Claimed Damaged Shares with Turnover received a recovery, then the average recovery per share would be \$0.23. A Securities Class Member's actual recovery will be a proportion of the distributed funds determined by that person's or entity's Recognized Claim (as used in and determined by the Plan of Allocation which is described below in this Notice) as compared to the total Recognized Claims of all Securities Class Members who submit acceptable Proof of Claim and Release forms. A Securities Class Member may receive more or less than the average amounts referred to above, and may even recover nothing depending on, among other factors, when their shares were purchased or sold, the number of Securities Class Members who file valid claims, the amount of interest that has accrued on the available funds as of the time of the distribution, administrative costs, including the costs of notice and administration of the Settlement, the amount awarded by the Court for attorneys' fees and costs, additional compensation approved by the Court for the Court-appointed Special Master(s), and the Plan of Allocation. In addition, the average recovery amounts referred to above may be further reduced by amounts that, under the Plan of Allocation, may be claimed by Securities Class Members who purchased certain call options, sold put options and/or purchased Time Warner bonds.

Statement of Potential Outcome of Case

The Parties disagree on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if the Securities Class were to have prevailed on each claim alleged. The Defendants deny that they are liable to the Lead Securities Plaintiff or the Securities Class and deny that Lead Securities Plaintiff or the Securities Class have suffered any damages. The amount of damages increases or decreases significantly using different assumptions and methodologies. The issues on which the Parties disagree include, for example: (a) whether the statements made or facts allegedly omitted were materially false or misleading or otherwise actionable under the federal securities laws; (b) the appropriate economic models for determining the amounts by which AOL and Time Warner securities were artificially inflated (if at all) during the Securities Class Period; (c) the amounts by which AOL and Time Warner securities were artificially inflated (if at all) during the Securities Class Period; (d) the effect of various market forces on the trading prices of AOL and Time Warner securities at various times during the Securities Class Period; (e) the extent to which external factors, such as general market and industry conditions (for example, the bursting of the "Internet bubble"), influenced the trading prices of AOL and Time Warner securities at various times during the Securities Class Period; (f) the extent to which the various allegedly adverse material facts alleged to be misstated or omitted influenced (if at all) the trading prices of AOL and Time Warner common stock and/or bonds during the Securities Class Period; and (g) the materiality of the amount of AOL and Time Warner's restated advertising revenue as compared to the total revenue reported by AOL or Time Warner or the damages claimed.

Statement of Attorneys' Fees and Costs Sought

Lead Securities Counsel will apply to the Court for an award of attorneys' fees in connection with the Settlement on behalf of the law firms who combined their efforts to prosecute the Securities Class Action. The amount of fees requested will not exceed seven percent (7%) of \$2.5 billion, plus interest at the same rate as earned by the Settlement Sum. The requested fees are consistent with attorneys' fees awarded in contingent class actions of this size and complexity. Lead Securities Counsel will also apply for reimbursement of costs and expenses incurred in prosecuting the Securities Class claims, including the fees of Lead Securities Plaintiff's consultants and experts, in a total amount not to exceed \$5.6 million, or \$0.0016 per damaged share (\$0.0005 per share of Claimed Damaged Shares with Turnover), plus interest at the same rate as earned by the Settlement Sum. If approved by the Court, the total of the requested fees and expenses would not exceed an average of \$0.053 per damaged share, or \$0.0159 per share of Claimed Damaged Shares with Turnover. (See Statement of Plaintiff Recovery above.) Securities Class Counsel have expended considerable time and effort in the prosecution of this litigation (prosecuting the case through motions to dismiss, the completion of extensive discovery, and summary judgment briefing) on a contingent fee basis, and have advanced the expenses of litigation with

the expectation that if they were successful in recovering money for the Securities Class, they would receive fees and be reimbursed for their expenses from the recovery.

Further Information

Further information regarding the Securities Class Action and the Settlement may be obtained by contacting the Settlement Administrator at:

AOL Time Warner, Inc. Securities Litigation
Gilardi & Co. LLC
Settlement Administrator
P.O. Box 808061
Petaluma, CA 94975-8061
(877) 800-7852
www.aoltimewarnersettlement.com

Reasons for the Settlement

Lead Securities Plaintiff believes that the Settlement is fair, reasonable and in the best interests of the Securities Class. The principal reason for the Settlement is to provide a benefit to the Securities Class now. The immediacy and certainty of this benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future. While Lead Securities Counsel were prepared to go to trial and were confident in their ability to present a case, they recognize that a trial is a risky proposition and that Lead Securities Plaintiff and the Securities Class might not have prevailed on all or any of their claims. In light of the amount of the Settlement and the immediacy of recovery to the Securities Class, and the significant risk that the Securities Class might receive no recovery at all if it pursued the case through trial and likely appeals, Lead Securities Plaintiff believes that the Settlement is fair, reasonable and adequate, and in the best interests of the Securities Class.

The claims advanced by the Securities Class involve numerous complex legal, financial, and accounting issues, requiring extensive expert testimony, which would add considerably to the expense and duration of the litigation. Even after extensive investigation and discovery, questions remain regarding the extent of Defendants' liability, if any, the extent to which a jury might find them liable, if at all, and the true measure of the Securities Class' damages, if any. In particular, Defendants have denied all of the allegations of wrongdoing asserted against them in the Complaint and have asserted a number of affirmative defenses. Defendants contend that none of their statements or omissions was materially false or misleading; that Defendants had no legal duty to disclose any of the facts that allegedly were omitted from their statements; that Defendants acted in good faith and in reliance on the advice of their professional advisors, and had no intent to defraud; and that the alleged losses were caused by market factors that were unrelated to any alleged fraud.

BASIC INFORMATION

WHY DID I RECEIVE THIS NOTICE PACKAGE?

1. You or someone in your family may have purchased, exchanged or otherwise acquired publicly traded common stock of AOL, or bought or sold options on AOL common stock during the period January 27, 1999 through and including January 11, 2001, or may have purchased, exchanged or otherwise acquired publicly traded common stock or bonds of Time Warner and/or bought or sold options on Time Warner common stock during the period January 11, 2001 through and including August 27, 2002. If the description above applies to you or someone in your family, you have a right to know about the proposed settlement of this Securities Class Action, and about all of your options.

2. If the Court approves the Settlement, and after any objections and appeals are resolved, Gilardi & Co. LLC, the Settlement Administrator approved by the Court, will make payments pursuant to the Settlement.

3. The Court in charge of the case is the United States District Court for the Southern District of New York, and the case is known as In re AOL Time Warner, Inc. Securities & "ERISA" Litigation, MDL Docket No. 1500, 02 Civ. 5575 (SWK). This case is assigned to United States District Judge Shirley Wohl Kram. The entity that filed this lawsuit is Lead Securities Plaintiff, the Minnesota State Board of Investment ("MSBI"). The MSBI was appointed by the Court to act as the Lead Securities Plaintiff in the Securities Class Action. Defendants include AOL, AOL Time Warner, Time Warner, Ernst & Young, the Financial Institutions (as defined below), Stephen M. Case, Robert W. Pittman, J. Michael Kelly, David M. Colburn, Eric Keller, Joseph A. Ripp, Stephen Rindner, Gerald M. Levin, Wayne H. Pace, Paul T. Cappuccio, Kenneth J. Novack, Barry Schuler, Richard D. Parsons, Miles R. Gilburne, James W. Barge, Daniel F. Ackerson, Stephen F. Bollenbach, Frank J. Caufield, Franklin D. Raines, and Myer Berlow.

4. Your interests have been represented in this lawsuit by Court-appointed Lead Securities Counsel, Heins Mills & Olson, P.L.C., 80 South 8th Street, Minneapolis, Minnesota, 55402. That firm represents the interests of all Securities Class Members. If you want to be represented by your own lawyer, you may hire one at your own expense.

5. This Notice explains the lawsuit, the Settlement, the certification by the Court of the Securities Class, your legal rights, what benefits are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you of the terms of the Settlement, the Securities Class and your right to exclude yourself from the Securities Class, and to inform you of a hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement and to consider the Fee and Expense Application and the Plan of Allocation (the "Final Approval Hearing").

6. The Final Approval Hearing will be held on February 22, 2006, at 10:30 a.m., before the Honorable Shirley Wohl Kram, United States District Judge, Southern District of New York, Courtroom 619, 40 Centre Street, New York, New York 10007-1581. The purpose of the Final Approval Hearing will be to determine:

- (a) whether the Settlement should be approved as fair, reasonable and adequate;
- (b) whether the application by Lead Securities Counsel for an award of attorneys' fees and costs should be approved;
- (c) whether the Plan of Allocation is fair, reasonable and adequate; and
- (d) whether the Securities Class Action should be dismissed with prejudice against the Defendants.

7. The Court may adjourn or continue the Final Approval Hearing without further notice to the Securities Class. The issuance of this Notice is not an expression of the Court's opinion on the merits of any claim in the lawsuit, and the Court still has to decide whether to approve the Settlement. If the Court approves the Settlement, payments will be made after any appeals are resolved and after the completion of all claims processing. *Please be patient.*

HOW DO I KNOW IF I AM PART OF THE SETTLEMENT?

8. By Order dated September 30, 2005, the Court has decided that all Persons who purchased, exchanged or otherwise acquired publicly traded common stock of AOL, and/or bought or sold options on AOL common stock during the period January 27, 1999 through and including January 11, 2001, and all Persons who purchased, exchanged or otherwise acquired publicly traded common stock or bonds of Time Warner and/or bought or sold options on Time Warner common stock during the period January 11, 2001 through and including August 27, 2002, and who were damaged thereby, are eligible to participate in the Settlement (the "Securities Class").

9. Excluded from the Securities Class are: (1) Defendants (including individuals proposed to be made Defendants in the pending motion to amend the Complaint), Defendants' immediate families, and the legal representatives, heirs, successors or assigns of any Defendant, and any Entity in which any Defendant has or had a controlling interest; and (2) the senior Officers and Directors of AOL and Time Warner at any time during the Securities Class Period (defined, in the case of Officers, as those individuals at AOL and Time Warner with a title of Senior Vice President or above). In addition, the Securities Class does not include any putative Securities Class members who exclude themselves by filing a request for exclusion in accordance with the requirements set forth herein.

RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A SECURITIES CLASS MEMBER OR ARE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU WISH TO PARTICIPATE IN THE SETTLEMENT, YOU MUST MAIL THE ACCOMPANYING PROOF OF CLAIM AND RELEASE FORM POSTMARKED ON OR BEFORE FEBRUARY 21, 2006.

WHAT RECOVERY DOES THE SETTLEMENT PROVIDE?

10. Time Warner and Ernst & Young have agreed to pay \$2,500,000,000 to settle the Securities Class Action. The balance of this Settlement Sum (including accrued interest) after deduction of Court-awarded attorneys' fees and expenses, certain taxes and tax expenses, escrow expenses, additional compensation approved by the Court for the Court-appointed Special Master(s), Settlement notice and administration costs, and any refund of a portion of the Settlement Sum to Time Warner and Ernst & Young, will be divided among Securities Class Members who send in valid Proof of Claim and Release forms. See paragraphs 42 and 60 below.

11. Time Warner has also reached a settlement with the DOJ for \$150 million. With the DOJ's agreement, Time Warner has agreed to make the \$150 million, plus any interest actually accrued thereon (the "DOJ Funds"), available to the Securities Class (in addition to the Settlement Sum) as further consideration for the Release of Securities Class claims. Time Warner also reached a related settlement with the United States Securities and Exchange Commission ("SEC") for \$300 million. In a pending request, Time Warner has asked that the SEC permit the \$300 million, plus any accrued interest thereon (the "SEC Fair Fund"), to be distributed to Securities Class Members as part of this Settlement. However, the SEC has not determined how the SEC Fair Fund will be distributed and, therefore, there is no understanding or assurance that the SEC Fair Fund or any portion thereof will be distributed as part of the Settlement. According to the terms of the Stipulation, if the SEC Fair Fund or any portion thereof is to be distributed to Securities Class Members as part of the Settlement, such amount must be transferred to the Settlement Account no later than

November 14, 2005. Updated information regarding whether the SEC Fair Fund or a portion thereof will be distributed as part of the Settlement will be promptly provided on the Settlement website at www.aoltimewarnersettlement.com.

12. Lead Securities Plaintiff's damages expert estimates that approximately 3.4 billion of the outstanding shares of AOL and Time Warner common stock may have been damaged during the Securities Class Period as a result of the allegedly wrongful conduct. Thus, assuming that the owners of all affected shares elect to participate, the average per-share recovery from the \$2.5 billion Settlement amount and the \$150 million of the DOJ Funds would be approximately \$0.78. Many of the approximately 3.4 billion damaged shares were traded multiple times during the Securities Class Period and therefore, more than one investor may have a claim with respect to the same share. The estimated number of Claimed Damaged Shares with Turnover is therefore higher, approximately 11.315 billion. If every one of these Claimed Damaged Shares with Turnover received a recovery, then the average recovery per share would be \$0.23. No attorneys' fees or expenses (except any applicable taxes) will be deducted from any government settlement funds.

13. See "How Much Will My Payment Be?" below for more information.

WHY IS THERE A SETTLEMENT?

14. Under the Settlement, the Court will not decide in favor of either the Lead Securities Plaintiff or the Defendants. By agreeing to a Settlement, both the Lead Securities Plaintiff and the Defendants avoid the costs and risk of a trial, and the Securities Class Members are compensated.

15. In light of the amount of the Settlement and the immediacy and certainty of recovery to the Securities Class, Lead Securities Plaintiff believes that the Settlement is fair, reasonable and adequate, and in the best interests of Securities Class Members. The Settlement provides a substantial benefit, namely \$2,500,000,000.00 in cash, plus accrued interest, at least \$150 million in government settlement funds, plus accrued interest, less the various deductions described in this Notice, as compared to the risk that a similar, smaller, or no recovery would be achieved after a trial and appeals, possibly years in the future, in which the Defendants would have the opportunity to assert substantial defenses to the claims asserted against them.

WHAT MIGHT HAPPEN IF THERE WAS NO SETTLEMENT?

16. If there were no settlement and Lead Securities Plaintiff failed to establish any essential legal or factual element of its claims, neither it nor the Securities Class would recover anything from the Defendants as part of the Securities Class Action. Also, if the Defendants were successful in proving any of their defenses, the Securities Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

WHAT IS THIS LAWSUIT ABOUT? WHAT HAS HAPPENED SO FAR?

17. On July 18, 2002, and thereafter, thirty class action complaints were filed against Time Warner, certain of its officers and directors, and Ernst & Young in the Southern District of New York, the Eastern District of Virginia and the Eastern District of Texas, alleging violations of the Securities Act of 1933 and the Securities and Exchange Act of 1934. On September 9, 2002, the actions pending in the Southern District of New York were consolidated before Judge Shirley Wohl Kram, and on December 16, 2002, the Judicial Panel on Multidistrict Litigation transferred the cases in other jurisdictions to the Southern District of New York under the caption In re AOL Time Warner, Inc. Securities & "ERISA" Litigation, MDL Docket No. 1500. On January 8, 2003, Judge Kram appointed the MSBI as the sole Lead Securities Plaintiff, and appointed Heins Mills & Olson, P.L.C. as Lead Securities Counsel.

18. On April 15, 2003, Lead Securities Plaintiff filed its 309-page Amended Complaint. The Amended Complaint alleged, among other things, that AOL and Time Warner and certain of their current and former officers, directors and employees, Morgan Stanley & Co., Salomon Smith Barney Inc., Citigroup, Inc., Banc of America Securities LLC, JP Morgan Chase & Co. (collectively, the "Financial Institutions"), and AOL's and Time Warner's auditor, Ernst and Young, violated Sections 11, 12 and 15 of the Securities Act of 1933 and Sections 10(b), 14(a) and 20(a) of the Securities and Exchange Act of 1934 and Rules 10b-5 and 14a-9 promulgated thereunder.

19. Defendants filed nine separate motions to dismiss the Amended Complaint. On May 5, 2004, Judge Kram denied the bulk of Defendants' motions to dismiss and formal discovery commenced. The Time Warner bond claims were dismissed with prejudice, with the Court finding that the bondholders had not suffered damages. The Court's dismissal of the bondholder claims can be appealed.

20. On August 23, 2004, Lead Securities Plaintiff filed its Second Amended Consolidated Class Action Complaint ("Second Amended Complaint"). The Second Amended Complaint, among other things, elaborated upon the allegations against certain Individual Defendants. The Second Amended Complaint and a proposed Third Amended

Consolidated Class Action Complaint also allege that Defendants issued false and misleading statements and omitted material facts concerning AOL's financial condition and performance and engaged in a systematic and fraudulent scheme to materially inflate the financial condition and performance reported in the companies' publicly disclosed financial statements and included additional allegations relating to AOL's use of bulk subscription programs and AOL Europe, including allegations regarding Goldman Sachs, which acts are alleged to be a further part of the fraudulent scheme.

21. There was substantial motion practice, including Defendants' motion for summary judgment on loss causation which asserted that under applicable law Securities Class Members had sustained no compensable damage. The issues of loss causation and damages were hotly contested and fully briefed. A decision in favor of Defendants could have had a significant adverse effect on the Securities Class, and if their motion was granted in its entirety, the Securities Class Action could have been dismissed. Defendants' motion was still under advisement by the Court at the time of Settlement.

22. Lead Securities Counsel has conducted a massive and intensive investigation into the events and transactions underlying Lead Securities Plaintiff's claims. Lead Securities Counsel established a document depository that has been in place for approximately one year, staffed daily by an average of 50-60 attorneys dedicated to the task of reviewing and analyzing over fifteen and a half (15.5) million pages of documents produced by Defendants in response to extensive, detailed document requests, as well as documents produced by third parties in response to sixty-two subpoenas. Lead Securities Counsel consulted regularly with its accounting and economic damage experts in preparing its pleadings and analyzing hundreds of highly complex transactions involving AOL and/or Time Warner and third parties and the accounting for those transactions.

23. Even prior to the commencement of formal discovery, Lead Securities Counsel engaged in extensive informal discovery and investigation, including, for example, reviewing all public filings, articles and analyst reports concerning AOL and Time Warner, interviewing over twenty former employees of AOL and Time Warner and various third parties, and conducting comprehensive legal research and analysis on numerous securities law issues, as well as the multiple claims asserted in the Securities Class Action and potential defenses thereto.

24. Over the course of many months, counsel for various Parties conducted intensive, arms-length settlement negotiations overseen by the Court-appointed Special Master. Each side prepared a series of thorough and detailed confidential mediation statements, which they submitted to the Special Master. The mediation sessions involved numerous presentations to and discussions with opposing counsel and the Special Master, regarding, among other things, the Parties' respective claims and defenses, expert damages analyses, legal analyses, and expert accounting and auditing analyses. Finally, on July 29, 2005, after numerous intense settlement negotiations, an agreement in principle was reached to settle the Securities Class Action. On September 30, 2005, the Court executed an order preliminarily approving the terms of this Settlement as set forth in the Stipulation of Settlement executed by the Parties on September 22, 2005.

25. Defendants have denied and continue to deny liability with respect to each and all of the claims alleged by Lead Securities Plaintiff, and the Settlement is not and may not be construed or deemed to be evidence of, or an admission or a concession on the part of any of the Defendants of, any fault or liability whatsoever on the part of any of them or of any infirmity in any defenses they have asserted or intended to assert. Defendants, while affirmatively denying any liability, consider it desirable and in their best interests that this Securities Class Action be dismissed under the terms of the Settlement in order to avoid further expense, uncertainty and distraction, or protracted litigation.

WHAT LED UP TO THE SETTLEMENT?

26. Hard-fought settlement discussions took place over an intensive seven-month period. Face-to-face negotiations occurred with the Special Master on January 18, 2005, March 3, 2005, April 8, 2005, June 1, 2005, June 2, 2005, June 29, 2005 and July 8, 2005, with each meeting preceded by extensive briefing on liability and damages issues. Numerous other discussions regarding a possible settlement took place during that period of time. Under the auspices of the Special Master, the Settlement was reached on July 29, 2005.

WHAT ARE THE LEAD SECURITIES PLAINTIFF'S REASONS FOR THE SETTLEMENT?

27. Lead Securities Plaintiff believes that the claims asserted in the Securities Class Action have substantial merit and that the evidence developed to date in the Securities Class Action supports the claims asserted. Lead Securities Plaintiff asserts, and believes it would present at trial, supporting evidence that Defendants issued materially false and misleading statements and omissions of material information concerning AOL and Time Warner, causing the price of AOL and Time Warner stock to be artificially inflated during the Securities Class Period and causing injury to Lead Securities Plaintiff and members of the Securities Class. However, Lead Securities Plaintiff and Lead Securities Counsel

recognize the risks, expense and delay associated with the continued prosecution of this Securities Class Action. In particular, Defendants' summary judgment motion on loss causation was vigorously contested and still pending at the time the Settlement was reached. Even assuming that Lead Securities Plaintiff would have prevailed in preventing summary judgment, there were significant risks associated with establishing loss causation and damages. Lead Securities Plaintiff and Lead Securities Counsel have also taken into account the numerous complex issues that would have to be decided by a jury, including: (i) whether each of the alleged misrepresentations and omissions was material; (ii) whether the Defendants acted knowingly or recklessly in making the alleged misrepresentations and omissions; and (iii) the amount of any damages caused by the alleged misrepresentations and omissions. Lead Securities Plaintiff and Lead Securities Counsel also considered the uncertain outcome and trial risk in complex lawsuits like this one, as well as the difficulties and delays inherent in such litigation. The accounting issues here are particularly complex, involving hundreds of separate transactions of varying types for which Defendants are alleged to have improperly recorded inflated revenues, implicating a multitude of specific accounting principles, standards and rules. When negotiating and deciding to accept the Settlement and recommend it to the Court, Lead Securities Plaintiff considered a variety of factors, including: (a) \$2.65 billion in cash (the \$2.5 billion Settlement Sum, plus the \$150 million in DOJ funds) confers an immediate and substantial benefit to the Securities Class; (b) the Settlement Sum is substantial when compared with other settlements in securities class action cases (the second largest ever against a securities issuer); and (c) the Settlement is all cash and includes interest earned on the \$2.65 billion. Lead Securities Plaintiff believes that a certain and immediate recovery is superior to the risk of proceeding with this Securities Class Action, particularly given the pending summary judgment motion, and the complexity of the liability issues, even if Lead Securities Plaintiff were able to prevent summary judgment in favor of Defendants. Considering these factors, Lead Securities Plaintiff decided to accept the Settlement after consultation with Lead Securities Counsel.

28. In addition, Lead Securities Counsel recognizes and acknowledges the expense and length of continued proceedings necessary to prosecute the Securities Class Action through trial and through appeals. Lead Securities Counsel is mindful of the inherent problems of proof and possible defenses to the violations asserted in the Securities Class Action, including the defenses asserted by Defendants. There is risk at trial that Plaintiffs will not succeed against Time Warner, Ernst & Young and the Individual Defendants, given, for example, the complicated accounting and legal issues involved. The amount of damages that Lead Securities Plaintiff could prove at trial, if any, has also been a matter of serious dispute, and the proposed loss amount formula for distributing the Settlement proceeds does not constitute a finding, admission or concession that provable damages could be measured by that formula at trial. No determination has been made by the Court as to liability or the amount, if any, of damages suffered by the Securities Class, nor on the proper measure of damages. The determination of damages, like the determination of liability, is a complicated and uncertain process, involving conflicting expert opinions. The Settlement provides an immediate and substantial cash benefit to Securities Class Members and avoids the risks that liability or damages might not have been proven at trial.

29. In light of the foregoing, Lead Securities Counsel agrees with Lead Securities Plaintiff and believes that the Settlement set forth in the Stipulation confers substantial benefits upon the Securities Class and its members. Lead Securities Counsel, based on its evaluation, has determined that the Settlement set forth in the Stipulation is fair, reasonable, and in the best interests of the Lead Securities Plaintiff and the Securities Class.

WHY HAVE THE DEFENDANTS AGREED TO THE SETTLEMENT?

30. Defendants have denied and continue to deny liability with respect to each and all of the claims alleged by Lead Securities Plaintiff on behalf of the Securities Class.

31. Nonetheless, the Defendants have concluded that further conduct of the Securities Class Action would be protracted and expensive, and that it is desirable that the Securities Class Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation to limit further expense, inconvenience and distraction; to dispose of the burden of protracted litigation; and to permit the operation of Time Warner's and Ernst & Young's business without further distraction and diversion of the Companies' personnel with respect to the matters at issue in the Securities Class Action. The Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases such as this one.

32. The Defendants have therefore determined that it is desirable and beneficial to them that the Securities Class Action be settled in the manner and upon the terms and conditions set forth in the Stipulation. The Defendants enter into the Stipulation without in any way acknowledging any fault, liability, or wrongdoing of any kind. There has been no adverse determination by any court against any of the Defendants on the merits of the claims asserted by the Lead Securities Plaintiff. Neither the Stipulation, nor any of its terms or provisions, nor any of the negotiations or proceedings connected with it, shall be construed as an admission or concession by any of the Defendants of the merit or truth of any of the allegations or wrongdoing of any kind on the part of any of the Defendants. The Defendants enter into the Stipulation based upon, among other things, the Parties' agreement herein that, to the fullest extent permitted by law,

neither the Stipulation nor any of its terms or provisions, nor any of the negotiations or proceedings connected therewith, nor this Notice, shall be offered as evidence in the Securities Class Action or in any pending or future civil, criminal, or administrative action or other proceeding to establish any liability or admission by any of the Released Persons or any other matter adverse to any of the Released Persons, except as expressly set forth herein.

HOW MUCH WILL MY PAYMENT BE? WHAT IS THE PLAN OF ALLOCATION?

33. The Stipulation provides for an allocation of the Net Settlement Sum, the DOJ Funds, and if made available for distribution to the Securities Class, the SEC Fair Fund, or a portion thereof (see paragraph 11 above), in accordance with the Plan of Allocation, attached to this Notice, among Securities Class Members who submit valid and timely Proof of Claim and Release forms. Each Securities Class Member's Recognized Claim, if any, is calculated as explained in the Plan of Allocation. Along with this Settlement, Lead Securities Plaintiff seeks Court approval for the Plan of Allocation, but approval of the Settlement is independent from approval of the Plan of Allocation. In other words, any determination with respect to the Plan of Allocation will not affect the Settlement. The Plan of Allocation was created by Lead Securities Plaintiff, through Lead Securities Counsel, with the substantial assistance of outside economists, and takes into consideration rulings of the Court in the Securities Class Action, including the Court's dismissal with prejudice of claims relating to bonds issued by Time Warner during the Securities Class Period. Neither Time Warner, Ernst & Young, the Individual Defendants nor any other of the Defendants' Released Persons have any role in, or responsibility for, or liability whatsoever for the Plan of Allocation.

34. The amount of recovery by any particular Securities Class Member depends on a number of factors, including: (i) when and for what price the Securities Class Member purchased and/or sold his, her or its securities; (ii) how much of the Securities Class Member's loss was attributable to Defendants' alleged fraud; and (iii) the total number of securities for which timely and valid Proof of Claim and Release forms are submitted by Securities Class Members ("Authorized Claimants").

35. Each Authorized Claimant will be allocated a pro rata share of the Net Settlement Sum, the DOJ Funds, and if made available for distribution to the Securities Class, the SEC Fair Fund, or a portion thereof (see paragraph 11 above), based on his, her or its Recognized Claim (as calculated under the Plan of Allocation) compared to the total Recognized Claims of all Authorized Claimants. Each Authorized Claimant will be paid an amount determined by multiplying his, her or its Recognized Claim by a fraction, the numerator of which will be the aggregate of the Net Settlement Sum (including accrued interest) the DOJ Funds, plus accrued interest, and, if made available for distribution as part of the Settlement, the SEC Fair Fund (or a portion thereof), plus accrued interest, and the denominator of which will be the total Recognized Claims of all Authorized Claimants.

WILL I BE COMPENSATED FOR ALL OF MY LOSSES?

36. No. Securities Class Members will only be compensated for their pro rata share of damages asserted to be attributable to Defendants' alleged fraud. The movement of AOL's stock price over time may include the effect of other market factors (such as the bursting of the "Internet bubble") in addition to the movement of AOL's and Time Warner's share price due to the alleged fraud.

MUST I FILE A CLAIM TO RECEIVE MONEY FROM THE SETTLEMENT?

37. **Yes. Every person wishing to participate in the distribution of the Settlement Sum, the DOJ Funds, and if made available for distribution to the Securities Class, the SEC Fair Fund, or a portion thereof (see paragraph 11 above), must timely submit a valid Proof of Claim and Release form.** Securities Class Members who do not file acceptable Proof of Claim and Release forms will not share in the Settlement proceeds. Securities Class Members who do not file acceptable Proof of Claim and Release forms will nevertheless be bound by the Judgment and the Settlement.

38. Once the Settlement Administrator has considered a timely submitted Proof of Claim and Release, Lead Securities Counsel, through the Settlement Administrator, will determine, based upon the Plan of Allocation, as approved by the Court, whether such claim is valid, deficient or rejected. For each claim determined to be either deficient or rejected, the Settlement Administrator will send a deficiency letter or a rejection letter, as appropriate, describing the bases on which the claim was so determined. Each Securities Class Member who receives a deficiency or rejection letter shall have 30 days from the date of such letter to supply to the Settlement Administrator documentation and/or explanations sufficient to remedy the deficiency or rejection. Any Securities Class Member who receives a deficiency letter or a rejection letter and who fails to submit documentation or explanation sufficient to remedy the deficiency or reason for rejection within the time prescribed herein shall have such claim deemed finally rejected. Such finally rejected claims will be submitted to the Court as rejected claims at such time as Lead Securities Plaintiff moves the Court for an

Order approving distribution of the Net Settlement Sum, the DOJ Funds, and if made available for distribution to the Securities Class, the SEC Fair Fund, or a portion thereof (see paragraph 11 above), unless the recipient objects in writing to the deficiency letter or rejection letter, in which case the claim will be submitted to the Court as a disputed claim.

39. If a Securities Class Member timely responds to a deficiency letter or rejection letter by providing an explanation and/or documentation in response to such a deficiency letter or rejection letter, Lead Securities Counsel, through the Settlement Administrator, will determine whether such explanation and/or documentation is sufficient to remedy the deficiency or reason for rejection. If Lead Securities Counsel, through the Settlement Administrator, determines that the explanation and/or documentation submitted in response to the deficiency letter or the rejection letter is sufficient, such claim will be deemed a valid claim. If, on the other hand, Lead Securities Counsel, through the Settlement Administrator, determines the explanation and/or documentation is not sufficient to remedy the deficiency or reason for rejection, such claim will be deemed formally rejected. Such formally rejected claims will be submitted to the Court as disputed claims at such time as Lead Securities Plaintiff moves the Court for an Order approving distribution of the Net Settlement Sum, the DOJ Funds, and if made available for distribution to the Securities Class, the SEC Fair Fund, or a portion thereof (see paragraph 11 above), with Lead Securities Counsel, through the Settlement Administrator to provide to the Claimant at least fourteen (14) days' notice that his, her or its claim has been rejected and is being submitted to the Court or the Court's designee for a final determination.

WOULD THE AMOUNT OF MY CLAIM BE THE SAME IF THE CASE WENT TO TRIAL?

40. The amount of a Securities Class Member's Recognized Claim as computed above is not intended to be an estimate of what a Securities Class Member might have been able to recover at trial, and it is not an estimate of the amount that will be paid pursuant to the Settlement. The computation is only a method to weigh Securities Class Members' claims against one another.

WHAT IF I RECEIVED AOL OR TIME WARNER SECURITIES DURING THE SECURITIES CLASS PERIOD BUT DID NOT PURCHASE THEM?

41. If a Claimant acquired AOL or Time Warner securities during the Securities Class Period by means of a gift, inheritance or operation of law (except those shares exchanged by reason of the Merger of AOL and Time Warner), such a claim will be computed by using the price of the AOL or Time Warner securities on the original date of purchase and not the date of transfer, unless the transfer resulted in a taxable event or other change in the cost basis of the securities. To the extent that those AOL or Time Warner securities were originally purchased prior to commencement of the Securities Class Period, and there was no such taxable event or change in cost basis at the time of transfer, such a claim for that acquisition shall be zero.

WHAT PART OF THE SETTLEMENT SUM GETS DISTRIBUTED TO SECURITIES CLASS MEMBERS?

42. In accordance with the terms of the Stipulation, certain payments will be made from the Settlement Sum prior to any distribution to Securities Class Members. These payments include:

- (a) Payment of all notice and Settlement Administrator costs and expenses;
- (b) Payment of Taxes and Tax Expenses;
- (c) Reimbursement of Securities Class Counsels' expenses incurred in prosecuting this Securities Class Action and payment of Securities Class Counsels' attorneys' fees, together with interest at the same rate as earned by the Settlement Sum, as approved by the Court;
- (d) Payment of escrow fees and costs associated with the Settlement Account;
- (e) Payment, if any, to Time Warner and Ernst & Young reducing the Settlement Sum if certain Opt-Out thresholds are met (See paragraph 60 below);
- (f) Additional compensation approved by the Court for the Court-appointed Special Master(s); and
- (g) Payment to create a reserve fund of \$250,000 in the Settlement Account to be used to adjust for errors in payment, to pay possible late claims, meet other contingencies, and make equitable adjustments regarding claims, with any unused portion of the reserve fund to be contributed to one or more national public interest or national charitable organizations approved by the Court.

After deduction for the payments set forth in the Stipulation, the Net Settlement Sum will be distributed to Authorized Claimants as allowed by the Stipulation, the Plan of Allocation, and/or the Court.

CAN ANY OF THE MONEY AVAILABLE FOR DISTRIBUTION TO SECURITIES CLASS MEMBERS BE RETURNED TO DEFENDANTS IF SOME SECURITIES CLASS MEMBERS FAIL TO SUBMIT A CLAIM?

43. This is not a claims-made settlement, which means that the Net Settlement Sum will be distributed in its entirety to Securities Class Members who timely file valid Proof of Claim and Release forms. See "How Much Will My Payment Be?" above for more information.

HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

44. If you fall within the definition of the Securities Class and you do not submit a written request for exclusion postmarked by January 9, 2006 (see paragraph 52 below), you may be entitled to participate in the Settlement. If you did not request to be excluded from the Securities Class, you will be bound by any judgment entered in the Securities Class Action whether or not you file a Proof of Claim and Release, including the dismissal with prejudice of any Released Claims you may possess against the Defendants.

45. If you wish to participate in the Settlement and the distribution of the Net Settlement Sum, the DOJ Funds, and if made available for distribution to the Securities Class, the SEC Fair Fund, or a portion thereof (see paragraph 11 above), you don't need to do anything other than timely file a valid Proof of Claim and Release. Your interests will be represented by Lead Securities Counsel. If you choose, you may enter an appearance individually or through your own counsel at your own expense.

46. **TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT SUM, THE DOJ FUNDS, AND IF MADE AVAILABLE FOR DISTRIBUTION TO THE SECURITIES CLASS, THE SEC FAIR FUND, OR A PORTION THEREOF (SEE PARAGRAPH 11 ABOVE), YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM AND RELEASE FORM THAT ACCOMPANIES THIS NOTICE.** The Proof of Claim and Release must be postmarked on or before February 21, 2006, and mailed to the Settlement Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim and Release, you will be barred from receiving any payment, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

47. Extra copies of the Proof of Claim and Release form can be requested from the Settlement Administrator at:

AOL Time Warner, Inc. Securities Litigation
Gilardi & Co. LLC
Settlement Administrator
P.O. Box 808061
Petaluma, CA 94975-8061
(877) 800-7852
www.aoltimewarnersettlement.com

WHAT RIGHTS AM I GIVING UP BY AGREEING TO THE SETTLEMENT?

48. If the Settlement is approved, the Court will enter a Judgment and Order of Dismissal (the "Judgment"). The Judgment will dismiss the claims against the Defendants with prejudice and provide that Lead Securities Plaintiff and all Securities Class Members (who do not include persons or entities that elect to exclude themselves from the Securities Class), shall upon the Effective Date of the Judgment be deemed to have, and by operation of the Judgment shall have, waived, released, forever discharged and dismissed and agreed not to institute, maintain or prosecute any or all of the Released Claims (including "Unknown Claims" as defined below) against any or all of the Defendants' Released Persons, and shall be permanently and finally enjoined, without the necessity of posting a bond, from commencing or prosecuting any actions or other proceedings asserting any of the Released Claims against any of the Defendants' Released Persons.

"Unknown Claims" means any Released Claims which the Lead Securities Plaintiff or any Securities Class Member does not know or suspect to exist in his, her, or its favor at the time of the release of the Defendants' Released Persons, and any Released Defendants' Claims that any Defendant does not know or suspect to exist in his, her or its favor at the time of the release of the Lead Securities Plaintiff's Released Persons, which, if known by him, her, or it, might have affected his, her, or its decision(s) with respect to this Settlement. With respect to any and all Released Claims and Released Defendants' Claims, the Parties stipulate and agree that, upon the Effective Date, Lead Securities Plaintiff and Defendants expressly waive and relinquish, and the Securities Class Members and Defendants' Released Persons shall be deemed to have, and by operation of the Judgment shall have expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of § 1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Released Persons shall be deemed to waive, and upon the Effective Date and by operation of the Judgment shall have waived, any and all provisions, rights, and benefits conferred by any law of the United States or any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to § 1542 of the California Civil Code. The Lead Securities Plaintiff and the Securities Class Members may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each of them hereby stipulates and agrees that the Lead Securities Plaintiff does settle and release, and each Securities Class Member shall be deemed to settle and release, and upon the Effective Date and by operation of the Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or which heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent or intentional and with or without malice, or a breach of any duty, law, or rule, without regard to the subsequent discovery or existence of such different or additional facts. Similarly, Defendants and Defendants' Released Persons may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of Released Defendants' Claims, but each of them hereby stipulates and agrees that Defendants do settle and release, and each Defendants' Released Person shall be deemed, upon the Effective Date and by operation of the Judgment, to have fully, finally, and forever settled and released any and all Released Defendants' Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law, or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Parties acknowledge that the foregoing waiver was bargained for and a key element of the Settlement, of which this release is a part.

HOW WILL THE ATTORNEYS BE PAID FOR THEIR WORK IN THIS CASE?
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49. Prior to and for consideration at the Final Approval Hearing, Lead Securities Counsel will apply to the Court for an award of Securities Class Counsel attorneys' fees and reimbursement of costs and expenses. The Fee and Expense Application shall be submitted by Lead Securities Counsel on behalf of all Securities Class Counsel.

50. Lead Securities Counsel will apply to the Court for an award of attorneys' fees in connection with the Settlement on behalf of the law firms who combined their efforts to prosecute the Securities Class Action. That application shall request as a fee no more than seven percent (7%) of \$2.5 billion, plus interest at the same rate as earned by the Settlement Sum. The requested fees are consistent with attorneys' fees awarded in contingent class actions of this size and complexity. Lead Securities Counsel will also apply for reimbursement of costs and expenses incurred in prosecuting the Securities Class claims, including the fees of Lead Securities Plaintiff's consultants and experts, in a total amount not to exceed \$5.6 million, or \$0.0016 per damaged share (\$0.0005 per share of Claimed Damaged Shares with Turnover), plus interest at the same rate as earned by the Settlement Sum. If approved by the Court, the total of the requested fees and expenses would not exceed an average of \$0.053 per damaged share, or \$0.0159 per share of Claimed Damaged Shares with Turnover. (See paragraph 12 above.) Securities Class Counsel have expended considerable time and effort in the prosecution of this litigation (prosecuting the case through motions to dismiss, the completion of extensive discovery, and summary judgment briefing) on a contingent fee basis, and have advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Securities Class, they would receive fees and be reimbursed for their expenses from the recovery. The approval of the Settlement and approval of the Plan of Allocation are independent from approval of Lead Securities Counsel's Fee and Expense Application.

51. To date, neither Lead Securities Counsel nor any of the Securities Class Counsel have received any payment for their services in prosecuting this Securities Class Action on behalf of the Securities Class, nor have counsel been reimbursed for their out-of-pocket expenses. The fee requested by Lead Securities Counsel would compensate Securities Class Counsel for their efforts in achieving the Settlement for the benefit of the Securities Class and for their risk in undertaking this representation on a contingent basis. The fee requested is within the range of fees awarded to plaintiffs' counsel under similar circumstances in litigation of this type, magnitude and complexity. The Court will determine the actual amount of the award. The Court has not expressed any opinion on the Fee and Expense Application.

WHAT IF I DO NOT WANT TO PARTICIPATE IN THE SETTLEMENT? HOW DO I EXCLUDE MYSELF?

52. Each Securities Class Member will be bound by all determinations and judgments in this lawsuit concerning the Settlement, whether favorable or unfavorable, unless such Member mails, by first class mail, a written request for exclusion from the Securities Class, postmarked no later than January 9, 2006, addressed to:

AOL Time Warner Settlement
EXCLUSIONS
c/o Gilardi & Co. LLC
Settlement Administrator
P.O. Box 808061
Petaluma, CA 94975-8061

No one may exclude himself, herself or itself from the Securities Class after that date. If you choose to be excluded from the Securities Class, you must submit a written request for exclusion that includes your name, address, telephone number, fax number and email address (if available). You should also provide the amount of AOL common stock held on January 26, 1999 and the date(s), price(s), and number(s) of shares of all purchases, exchanges or other acquisitions and sales of AOL or Time Warner common stock during the Securities Class Period. In your request for exclusion you should state "I wish to be excluded from the class," or similar words. You must sign the request for exclusion. A sample request for exclusion is attached to this Notice. Your mailed request for exclusion must be postmarked no later than January 9, 2006.

53. If a Securities Class Member requests to be excluded from the Securities Class, that Securities Class Member will not participate in the distribution of the Net Settlement Sum, the DOJ Funds, and if made available for distribution to the Securities Class, the SEC Fair Fund, or a portion thereof (see paragraph 11 above).

WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT AND RELATED MATTERS? DO I HAVE TO COME TO THE HEARING? MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT OR THE OTHER MATTERS REFERENCED IN THIS NOTICE?

54. The Final Approval Hearing will be held on February 22, 2006, at 10:30 a.m., before the Honorable Shirley Wohl Kram, United States District Judge, at the United States District Court for the Southern District of New York, 40 Centre Street, Courtroom 619, New York, New York 10007-1581.

55. If you are a Securities Class Member, you can object to any part of the Settlement that you do not like. To object, you must properly serve by hand, overnight-delivery service or first-class mail, for receipt on or before January 9, 2006, written objections and copies of any supporting papers and briefs (which must contain proof of all purchases, acquisitions, sales and dispositions of AOL and Time Warner publicly traded securities, including options on AOL and Time Warner common stock, and Time Warner bonds made by such Securities Class Member during the Securities Class Period) upon Lead Securities Counsel and counsel for Defendants listed below, and file on or before January 9, 2006, said objections and copies of any supporting papers and briefs, along with due proof of such service upon all counsel, with the Clerk of the United States District Court for the Southern District of New York.

COURT
J. Michael McMahon/Clerk of Court Daniel Patrick Moynihan United States Courthouse 500 Pearl Street, Room 120 New York, NY 10007-1312

LEAD SECURITIES PLAINTIFF'S COUNSEL
Samuel D. Heins, Esq. Heins Mills & Olson, P.L.C. 3550 IDS Center 80 South 8th Street Minneapolis, MN 55402

DEFENDANTS' COUNSEL

Peter T. Barbur, Esq.
Cravath, Swaine & Moore
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019

Michael L. Rugen, Esq.
Heller Ehrman LLP
333 Bush Street
San Francisco, CA 94104

56. Only Securities Class Members who have timely and properly submitted written notices of objection and related documentation in this manner will be entitled to be heard at the Final Approval Hearing, unless the Court orders otherwise. If you do not wish to object to the Settlement, the Plan of Allocation, or the Fee and Expense Application, you need not attend the Final Approval Hearing scheduled for February 22, 2006.

57. The Final Approval Hearing may be delayed from time to time by the Court without further written notice to the Securities Class. If you intend to attend the Final Approval Hearing, you should confirm the date and time with Lead Securities Counsel.

58. Unless otherwise ordered by the Court, any Securities Class Member who does not object in the manner described herein will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the Settlement, the Fee and Expense Application, and/or the Plan of Allocation. Securities Class Members do not need to appear at the hearing or take any other action to indicate their approval or to receive a distribution from the Net Settlement Sum, the DOJ Funds, and if made available for distribution to the Securities Class, the SEC Fair Fund, or a portion thereof. (See paragraph 11 above).

WHAT IF THE SETTLEMENT IS NOT APPROVED?

59. In the event that the Stipulation is not approved by the Court or the Settlement set forth herein (or a portion thereof) is terminated or fails to become effective in accordance with its terms, the Parties, subject to termination or cancellation, will be restored to their respective positions in the Securities Class Action as of July 29, 2005.

60. In addition, Defendants Time Warner and Ernst & Young have the right to terminate and cancel the Settlement if the persons or entities who would otherwise be members of the Securities Class, but who exclude themselves from the Securities Class in accordance with the terms of the Notice ("Opt-Outs"), sold or held shares (that would otherwise be entitled to damages) that collectively exceed a certain percentage of the total number of shares alleged to have been damaged during the Securities Class Period, taking into account turnover of those shares. If this threshold is met, Time Warner and Ernst & Young, if they choose to terminate the Settlement, must do so within five (5) days after receipt from the Settlement Administrator of the total number of shares (which would otherwise be entitled to damages) sold or held by Opt-Outs. In addition, if the number of excluded shares (which would otherwise be entitled to damages) exceeds a certain percentage, then a total of up to \$250 million of the Settlement Sum could be returned to Time Warner and Ernst & Young, depending upon the total number of excluded shares. The Net Settlement Sum, even if reduced, will still be distributed among the remaining eligible Securities Class Members, who will not include those persons or entities who exclude themselves from the Securities Class. Therefore, any reduction in the Net Settlement Sum may increase, decrease or have no effect on the remaining Securities Class Members' pro rata distribution under the Settlement.

**WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF OR REPRESENT A BROKER,
BANK OR OTHER NOMINEE?**

61. If you purchased, exchanged or otherwise acquired publicly traded common stock of AOL, and/or bought or sold options on AOL common stock or purchased, exchanged or otherwise acquired publicly traded common stock or bonds of Time Warner and/or bought or sold options on Time Warner common stock during the Securities Class Period as nominee for a beneficial owner, then, within fifteen (15) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim and Release by first-class mail to all such persons; or (2) provide a list of the names and addresses of such beneficial owners to the Settlement Administrator, preferably in a Microsoft Access data table (.mdb file), a Microsoft Excel spreadsheet (.xls file) or a tab-delimited or comma-delimited ASCII .txt file, setting forth (a) title/registration, (b) street address, (c) city/state/zip. If you choose to mail the Notice and Proof of Claim and Release yourself, upon such mailing, you must send a statement to the Settlement Administrator confirming that the mailing was made as directed. You will be reimbursed from the Settlement Sum upon receipt by the Settlement Administrator of proper documentation for the reasonable expenses of sending the Notices and Proof of Claim and Release forms to the beneficial owners. You may obtain (without cost to you) as many additional copies of these documents as you will need to complete the mailing by contacting the Settlement Administrator at:

AOL Time Warner, Inc. Securities Litigation
Gilardi & Co. LLC
Settlement Administrator
P.O. Box 808061
Petaluma, CA 94975-8061
(877) 800-7852

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement of reasonable administrative costs actually incurred in connection with forwarding the Notice and Proof of Claim and Release and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim and Release, upon submission of appropriate documentation.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

62. This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may desire to review the Stipulation filed with the Court, which may be inspected during business hours, at the office of J. Michael McMahon/Clerk of Court, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, Room 120, New York, NY 10007-1312. The Stipulation is also available at www.aoltimewarnersettlement.com.

63. If you have any questions about the Settlement of the Securities Class Action, please contact the Settlement Administrator at:

AOL Time Warner, Inc. Securities Litigation
Gilardi & Co. LLC
Settlement Administrator
P.O. Box 808061
Petaluma, CA 94975-8061
(877) 800-7852
www.aoltimewarnersettlement.com

DO NOT CONTACT THE COURT OR OFFICE OF THE CLERK OF COURT OR ANY REPRESENTATIVE OF THE DEFENDANTS CONCERNING THIS NOTICE.

Dated: September 30, 2005

BY ORDER OF THE HONORABLE SHIRLEY WOHL KRAM
UNITED STATES DISTRICT JUDGE