

SETTLEMENT AGREEMENT

This Settlement Agreement (hereafter the "Settlement Agreement") is an agreement among plaintiff California State Teachers' Retirement System ("Plaintiff") and defendants Time Warner Inc., f/k/a AOL Time Warner, Inc. ("Time Warner"), Stephen M. Case, Robert W. Pittman, J. Michael Kelly, Wayne H. Pace, David Colburn, Steven R. Rindner, Barry M. Schuler, Citigroup Global Markets, Inc. (f/k/a Salomon Smith Barney), Morgan Stanley & Co., Goldman Sachs & Co., Merrill Lynch & Co. and Credit Suisse First Boston (collectively, "Settling Defendants").

WHEREAS, Plaintiff commenced litigation by a Complaint filed on July 18, 2003, under the caption California State Teachers' Retirement System v. AOL Time Warner, Inc., et al., Case No. CGC-03-422609 (the "Litigation") against defendants AOL Time Warner Inc., Citigroup Global Markets, Inc. (f/k/a Salomon Smith Barney), Citigroup, Inc., Morgan Stanley & Co., Goldman Sachs & Co., Merrill Lynch, Credit Suisse First Boston, Ernst & Young, LLP, Stephen M. Case, Robert W. Pittman, J. Michael Kelly, Wayne H. Pace, Myer Berlow, David Colburn, Eric Keller, Steven R. Rindner, Joseph A. Ripp, Barry M. Schuler, Raymond J. Oglethorpe, Janice Brandt, George Vradenburg, III, William J. Raduchel, Mayo S. Stuntz, Jr., and Does 1-99; and

WHEREAS, on September 26, 2003, this Litigation was coordinated with two other related cases then pending in the Superior Court of the State of California under the caption AOL Time Warner Cases I & II, Judicial Council Coordination Proceedings Nos. 4322 & 4325; and

WHEREAS, Plaintiff and Settling Defendants (collectively, the "Parties", and each a "Party") have agreed to settle this action pursuant to the terms set forth below including, but not limited to, the payment by Time Warner to Plaintiff of the Settlement

Payment (as defined below); (ii) the dismissal with prejudice of this Litigation by Plaintiff; and (iii) releases by Plaintiff of the Settling Defendants, together with releases by Settling Defendants of Plaintiff; and

WHEREAS, on December 18, 2006, Plaintiff and Time Warner entered into a Memorandum of Understanding setting forth the essential terms agreed to between the Parties;

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and among the Parties, by and through their duly authorized undersigned counsel, that the Litigation and the matters raised by it are hereby settled and compromised, and that the Litigation shall be dismissed with prejudice, subject to the Settlement Payment being made, and subject to the other terms and conditions of this Settlement Agreement being fulfilled.

TERMS AND CONDITIONS OF THE SETTLEMENT

1. Within ten business days of the signing of this Settlement Agreement by the Parties, a sum of \$105 million (the "Settlement Payment"), of which \$100,000,000 is allocated for settlement of the stock claims asserted by CalSTRS and \$5,000,000 is allocated for settlement of the bond claims asserted by CalSTRS shall be wire transferred by Time Warner to Cotchett, Pitre, Simon & McCarthy Trust Account, Account No. 01-01101-4, ABA No. 1211-4153-4, Peninsula Bank of Commerce, 1001 Broadway, Millbrae, CA 94030 (the "Account"). Upon execution of the wire transfer, Time Warner shall cause notice to be provided to Cecile Meyer, Cotchett, Pitre, Simon & McCarthy, 650-697-6000, cmeyer@cpsmlaw.com.

2. Within one day after receipt and collection of the Settlement Payment into the Account, Plaintiff shall file with the Court a Notice of Dismissal in the form attached hereto (hereafter the "Notice of Dismissal") voluntarily dismissing the Litigation with prejudice as to all defendants other than Ernst & Young LLP, and without costs or fees as to any Party. Plaintiff shall serve a filed copy of the Notice of Dismissal on all Settling Defendants immediately upon Plaintiff's receipt of the filed Notice of Dismissal from the Court.

3. Without any further action by anyone, and subject to paragraphs 5, 7, and 9 below, and further subject to all of the terms and conditions of this Settlement Agreement, Plaintiff shall be deemed to have, and by operation of law shall have, fully, finally, and forever, released, relinquished, settled, and discharged the Settling Defendants, including Time Warner, any or all of the Settling Defendants' respective parents, predecessors, successors, affiliates, divisions, business units, and subsidiaries, and all of the Settling Defendants' respective current and former officers, directors, shareholders, employees, partners, agents, servants, consultants, advisors, insurers, reinsurers, attorneys, accountants (excluding Ernst & Young LLP), auditors, underwriters and representatives, and their successors and assigns, from any and all claims that relate in any way to the prosecution, defense or settlement of the Litigation, including any and all actions, causes of action, proceedings, and suits, whether in law or in equity, whether based on any federal law, state law, common law, or foreign law right of action or otherwise, foreseen or unforeseen, matured or unmatured, known or unknown, accrued or not accrued, existing now or to be created in the future, that relate to the same transactions and occurrences that gave rise to the claims alleged in the Litigation;

provided, however, that such release does not extend to claims asserted by Plaintiff as lead plaintiff in the action *In re Homestore.com, Inc. Securities Litigation*, Master File No. CV 01-11115-RSWL (CWx). Also, without any further action by anyone, and subject to paragraphs 5, 7, and 9 below, and further subject to all of the terms and conditions of this Settlement Agreement, the Settling Defendants shall be deemed to have, and by operation of law shall have, fully, finally, and forever, released, relinquished, settled, and discharged Plaintiff and Plaintiff's current and former officers, directors, shareholders, employees, partners, agents, servants, consultants, advisors, insurers, reinsurers, attorneys, accountants, and representatives, and their successors and assigns, from any and all claims that relate in any way to the prosecution, defense, or settlement of the Litigation, including any and all actions, causes of action, proceedings, and suits, whether in law or in equity, whether based on any federal law, state law, common law, or foreign law right of action or otherwise, foreseen or unforeseen, matured or unmatured, known or unknown, accrued or not accrued, existing now or to be created in the future, that relate to the same transactions and occurrences that gave rise to the claims alleged in the Litigation.

4. Nothing in this Settlement Agreement, including, but not limited to, the foregoing paragraph 3, and nothing in the attached Notice of Dismissal, shall bar any action or claim by Plaintiff or by the Settling Defendants to enforce the terms of this Settlement Agreement.

5. The Settling Defendants expressly deny that any of them have committed any act or omission giving rise to any liability and state that they are entering into this

Settlement Agreement solely to eliminate the uncertainties, burden and expense of further protracted litigation.

6. Neither this Settlement Agreement, nor any of its terms, shall constitute an admission or finding of wrongful conduct, wrongful acts, or wrongful omissions on the part of the Settling Defendants or of Plaintiff or be admissible in any proceeding for any purpose whatsoever, except that this Settlement Agreement shall be admissible for all purposes solely in proceedings brought by Plaintiff or by the Settling Defendants to enforce the terms of this Settlement Agreement.

7. This Settlement Agreement shall be interpreted in accordance with, and governed by, the laws of the State of California. All Parties to this Settlement Agreement hereby submit to the jurisdiction of the Superior Court of the State of California, solely for purposes of subsequent proceedings to enforce the terms of this Settlement Agreement.

8. By their execution hereof, counsel for the Parties hereby represent that they are duly authorized to execute this Settlement Agreement on behalf of their respective clients.

9. This Settlement Agreement may be executed in counterparts, which may be exchanged or delivered by telecopy or .pdf and considered the same as an original signature, and shall be effective when one or more counterparts taken together has been executed by all signatures specified below.

[THIS SPACE INTENTIONALLY LEFT BLANK]

AGREED TO BY:

CALIFORNIA STATE TEACHERS'
RETIREMENT SYSTEM

By: Jack Thores
Its Chief Executive Officer
Date: 1/26/07

TIME WARNER, INC.

By: [Signature]
Its SVP & Deputy GC
Date: 2/5/07

CITIGROUP GLOBAL MARKETS INC.
(f/k/a SALOMON SMITH BARNEY INC.)

By: _____
Its _____
Date: _____

MORGAN STANLEY & CO.

By: _____
Its _____
Date: _____

MERRILL LYNCH & CO.

By: _____

Its _____

Date: _____

CREDIT SUISSE FIRST BOSTON LLC

By: _____

Its _____

Date: _____

GOLDMAN SACHS & CO.

By: _____

Its _____

Date: _____

Stephen M. Case

Date: _____

J. Michael Kelly

Date: _____



Wayne H. Pace

Date: 2/5/07

Steven R. Rindner

Date: _____

Barry M. Schuler

Date: _____

Robert W. Pittman

Date: _____

David M. Colburn

Date: _____