

# **ATTACHMENT 1**

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of )  
 )  
Applications of America Online, Inc. ) CS Docket No. 00-30  
and Time Warner Inc. for )  
Transfers of Control )

To: The Commission

**DECLARATION OF BARRY SCHULER**

1. My name is Barry Schuler, and I am the President of AOL's Interactive Services Group. I am responsible for the flagship AOL Service, Netscape Communications, CompuServe, and the AOL Devices group, which is currently developing non-PC connected products such as AOLTV. Upon consummation of the proposed merger, I will become Chairman and Chief Executive Officer of America Online, Inc.
2. Prior to its acquisition by AOL in 1995, I was CEO and co-founder of Medior Inc. Medior pioneered the use of interactive multimedia for such applications as electronic commerce, entertainment products, and corporate information systems, and was acclaimed for its work in user interface design. Prior to co-founding Medior in 1989, I served as President and CEO of Cricket Software, an early developer of Macintosh graphics software, where I oversaw breakthroughs in the development of software for business presentations and color imaging. I joined Cricket after 10 years at CMP Communications, a high-technology marketing and communications company, which I also co-founded.
3. I am submitting this declaration in support of the pending applications in the above-referenced proceeding, which seek FCC approval of the transfer of licenses associated with the merger of America Online, Inc. ("AOL") and Time Warner Inc. ("Time Warner") (collectively, the "Applicants"). The purpose of my declaration is to describe some of the public interest benefits that the Applicants expect to bring to consumers as a result of our merger.
4. The Applicants intend to act quickly, following the closing of the transaction, to improve and expand on the existing online services now being offered by our two companies. By using AOL technology, facilities, and online expertise, the newly merged entity plans to improve existing Time Warner web sites and to develop additional Time Warner Internet

services. The companies intend to make Time Warner's content more widely available to online consumers more quickly than would otherwise be the case.

5. Specifically, our efforts will include, but are not limited to, improving existing Time Warner web sites and developing additional Time Warner Internet services; making Time Warner music, television programs and movies, cable programming, and magazine content more widely available online; and developing interactive packages of services focused on particular topics such as personal finances, which can be customized to meet individual consumer needs. Because many of these products and services will be web-based, these offerings will be available to all Internet users.
6. The expedited time frame will occur in part because AOL has a centralized and efficient cost structure for operating interactive sites, including larger web hosting facilities and internal Internet production and design operations than Time Warner.
7. The Applicants are beginning to discuss ways to improve consumer satisfaction with the online versions of Time Warner video programming services such as CNN and the Cartoon Network. These discussions also have explored ideas generally on how to make Time Warner music, television programs and movies, cable programming, and magazine content more widely available to consumers.
8. AOL expects that because these new and/or improved offerings will be based on widely enjoyed offline products (and will be primarily web-based rather than within AOL's flagship service), they are likely to entice a number of "late adopters"—*i.e.*, people who have been reluctant to venture online—to finally try the new medium. The combination of Time Warner's mass market brands with AOL's proven ability to make online services inviting and easy to use will help make the Internet an even more valuable part of everyday life.
9. It is my business judgment that as a consequence of AOL Time Warner's efforts in this area, the Applicants will draw a competitive response from rival providers of content, applications, and services, which will result in the delivery of even more choices to consumers.
10. AOL's intentions for the proposed merger go well beyond simply improving or cross-promoting Time Warner's online offerings. We intend the merged company to break the pattern set by most "traditional" media's use of the Internet, which generally has tended to serve only to promote their more traditional media outlets and services. AOL expects that the new AOL Time Warner will expand upon and enhance Time Warner's traditional content in ways that are unique to the online medium, including but not limited to more extensive interactivity and customization, and thereby transform traditional media websites into new forms of entertainment and information services.
11. Stated more broadly, AOL is pursuing this merger because of our business judgments concerning the next phase of the online medium's development. AOL expects that the combined company's talents and resources will allow it to develop and deliver

innovative, easily accessible, and widely available interactive services that today are only in their initial stage of development or not yet fully conceptualized.

12. It is my business judgment that because AOL Time Warner will be able to bring creative minds together from all divisions of the new company, including content creators, distribution network specialists, and online experts, the new company will be able to more quickly solve the so-called “chicken or egg” problems that have slowed the development and delivery of advanced services such as interactive television. The “chicken or egg” problem refers to the marketplace conundrum in which providers of two key inputs—(1) new interactive content and applications, and (2) new platforms—have been reluctant to make substantial investments without knowing that the other necessary component is in place.
13. For example, with respect to interactive television, the merger will allow AOL to work closely with Time Warner’s video programming properties to develop innovative and compelling interactive features. It is my business judgment that these types of enhancements of AOLTV will prompt other video programmers to work more quickly to develop interactive television offerings that may be available on AOLTV and on other platforms (such as Microsoft’s WebTV) that will compete with AOLTV.
14. AOL will also be better positioned to work closely with Time Warner cable systems to create interactive video programming for AOLTV that is tailored to local communities. The Applicants anticipate that the combined company’s efforts in this area will provide a model for other cable operators or alternative video distributors to develop and market such community-oriented interactive TV services using the open standards upon which AOLTV is built. AOL believes that the end result will be a wholly new kind of service that offers integrated, interactive content linked to video program services and created by a variety of sources, including entities unaffiliated with AOL Time Warner.
15. It is my business judgment that a merger will allow AOL and Time Warner to work to develop all facets of interactive television—both content and platform—more quickly and effectively than the two companies could through a joint venture or other contractual arrangement. I expect this to be the case in part because the ultimate business objectives of all the facets of the project will be aligned, thereby reducing the potential for delay or disagreements over resources, management, and business strategy.
16. It is my business judgment that interactive television offerings such as AOLTV will have even more to offer consumers once they become available on broadband platforms.
17. AOL also expects the proposed merger to help overcome the obstacles now impeding innovation in the online delivery of music services. Although there is current market demand for a commercially viable means of online distribution of music and other traditional media content found in books, magazines, video programming, and films, the copyright holders for intellectual property in these traditional media formats have had difficulty in developing and deploying easy-to-use, affordable, and secure means of tapping this demand. AOL expects that the new company will be able to develop and

deploy the easy-to-use, affordable, and secure technologies needed to move the marketplace to online distribution more quickly than would either company on its own.

18. It is my business judgment that AOL Time Warner will speed the advent of digital downloading and other such offerings in a way that the marketplace generally will emulate, both with respect to our solutions for protecting intellectual property and with respect to the actual new services that we will offer. This will help the Internet fulfill its potential as a new forum for the creation and distribution of entertainment.
19. The potential for the new company to offer IP Telephony service appears to be high, given the combination of Time Warner's expertise in broadband cable system architecture and AOL's extensive Internet knowledge and experience. AOL believes that the new company would be well positioned to bring to market a commercially viable IP telephony offering more quickly than either AOL or Time Warner could do alone. This will present an important opportunity to provide additional competition to the services of incumbent local exchange carriers.
20. AOL also expects that the new company will be well positioned to lead the next wave of online development, which AOL believes will center around helping consumers make effective use of the complex technology and distinct communications offerings available to them. AOL is particularly interested in serving what we perceive as consumers' increasing demands for obtaining the same interactivity, range of choices, and convenience and control from all interactive devices and to have those devices connected and seamlessly integrated for everyday uses.
21. It is my business judgment that the Applicants would not be able to bring the benefits in new or improved online content, services, and applications discussed above to consumers as quickly or with the same certainty through a joint venture or other contractual arrangement with each other as they will through a merger of the two companies. Specifically, absent the merger, AOL would be unable to develop on its own the breadth or depth of content-generating efforts that Time Warner brings to this proposed company, and which AOL believes is necessary for fulfilling the emerging online medium's full potential.
22. It is my business judgment that it also would not be feasible for AOL and Time Warner to negotiate a series of contracts that could cover the far-reaching, unprecedented plans that the Applicants have for the merged company. Even negotiating individual contractual relationships would be very difficult given the rapidly changing marketplace. The negotiation of individual joint venture agreements for each separate endeavor—or categories of endeavors—that AOL and Time Warner contemplate would involve delays and inefficiencies inherent in establishing the formal relationship necessitated by agreements among independent, publicly traded companies.
23. The development of our Memorandum of Understanding ("MOU"), which sets forth key principles for implementing open access on Time Warner Cable facilities, was a direct outgrowth of AOL's merger talks with Time Warner. The impending merger produced a

new model for more effectively addressing the complicated issues involved in resolving the open access debate. This cooperative approach led to the rational, marketplace-driven commitments embodied in the MOU.

24. It is my business judgment that this agreement would not have been reached as quickly, or the commitment to implement a multiple ISP model felt so urgently, if AOL and Time Warner had attempted to pursue a joint venture or other contractual arrangement rather than this merger.
25. In developing the MOU, the Applicants understood and intended that the agreement would move to the forefront of the marketplace in affording consumers a choice among multiple Internet service providers via broadband cable systems. It is my business judgment that our MOU has, in fact, had a significant impact on the marketplace's approach to the open access issue, including but not limited to prompting other cable operators to begin considering how to implement multiple ISP choice on their own systems. Furthermore, it is my business judgment that affording subscribers a choice among multiple ISPs on AOL Time Warner cable systems will attract consumers who are accustomed to having similar choices in the "dial-up" (*i.e.*, narrowband telephony) context.
26. AOL is participating in a technical and operational trial of multiple ISP offerings in Time Warner's Columbus, Ohio cable system. In addition, AOL is working expeditiously to enter into a commercially negotiated agreement with Time Warner in order to be able to offer AOL's ISP service to consumers via Time Warner's cable systems.
27. The Applicants expect that the new and improved offerings of online content, applications, and services we will offer by virtue of our merger will have a positive effect on the deployment of broadband services. It is my business judgment that these offerings will help to spark greater consumer demand for broadband capacity than would otherwise occur and that this demand, in turn, will encourage broadband providers to deploy high-speed architectures more quickly than they would have absent the merger and will encourage financing sources to make more investment capital available more quickly to broadband facilities providers than would occur absent the merger.
28. The Applicants also expect our merger to have a positive impact on Time Warner's deployment of its own broadband facilities by focusing more of the combined company's attention on optimizing the use of such facilities for Internet access and other interactive services. Specifically, AOL expects to provide critical expertise to the combined company in investing in and deploying the hardware and software needed for optimal broadband cable delivery of interactive content, applications, and services.
29. It is my business judgment that by optimizing the AOL Time Warner cable systems for Internet access and other interactive services, we will improve our own competitiveness and thereby prompt rival facility providers to deploy upgraded broadband architectures in order to protect their own competitive positions in the marketplace—and to do so more

quickly than they would have absent our merger. This therefore will ultimately provide consumers with even more choices.

30. It is my business judgment that implementing our MOU also will play a significant role in making the Time Warner cable systems more appealing to consumers interested in high-speed Internet service. Affording consumers a choice among ISPs is a significant advantage in competing for Internet users who are accustomed to having such choices in the dial-up context and therefore continue to demand it. It is my business judgment that this will spur other broadband platform providers, such as telephone companies offering DSL, to more aggressively make their services widely and ubiquitously available.
31. It is my business judgment that the merged company's effect on spurring broadband deployment will be further enhanced by the "AOL Anywhere" strategy. AOL Anywhere is a consumer-centric plan to extend AOL's hallmark convenience and ease-of-use to consumers through every possible platform. The Applicants intend that AOL Time Warner will continue to adhere to this multi-platform distribution plan.

**VERIFICATION**

I, Barry Schuler, declare under penalty of perjury that the foregoing is true and correct. Executed on August 17, 2000.

\* 

Barry Schuler  
President, Interactive Services Group  
America Online, Inc.

\*Facsimile signature. Original to be submitted upon receipt.

## **ATTACHMENT 2**



than would be the case if the companies remained separate.

3. The goal of Time Warner's merger with AOL is to create an entirely new entity capable of harnessing the complementary resources and expertise of the two companies, thereby fueling the development and introduction of an array of new products and services that will attract consumers to what is certain to be an increasingly competitive Internet environment. From my perspective, the merger presents many exciting opportunities for the development of enhanced websites and other services utilizing Time Warner's creative content. And it will allow us to convert those opportunities to reality much more quickly than would be the case if AOL and Time Warner remained separate.

4. Time Warner is one of the world's leading media companies. From television to movies to music to books and magazines, Time Warner has developed a wide array of content brands which it distributes over a variety of platforms, including bookstores and newsstands, movie theaters and television stations, music retailers and radio stations, cable systems and satellite distributors. With the advent of the Internet revolution, Time Warner has been seeking to find ways to extend and enhance the distribution of its informational and entertainment content through online technology. At present, there are over 125 websites devoted to Time Warner-brand products and services. These include more than 40 websites associated with Time Warner's cable networks and film studios, more than 30 websites associated with its

publishing brands, nearly 20 music-oriented websites, and more than 30 websites for Time Warner's local cable systems.

5. Consumer interest in and demand for online content and services is growing exponentially. Yet, despite Time Warner's expenditure of considerable energy and resources in the development of an Internet strategy, its efforts have not produced the results that the company seeks and believes possible. For example, in 1994, Time Warner launched Pathfinder as a portal service which aggregated content from several of Time Warner's publications. Despite its initial popularity, Pathfinder ultimately failed to sustain user interest. According to some observers, Pathfinder simply was not fast enough or user-friendly enough to successfully compete with more general interest portal services. Last year Time Warner decided to shut down Pathfinder and to concentrate on individual websites.

6. While we continue to believe in the merits of our current website-focused strategy, we have continued to face a certain amount of frustration in our efforts to fully realize our Internet vision as quickly as we would like and as quickly as we believe is necessary to meet consumer needs. At present, too many of our websites serve primarily to promote our traditional, offline content sources, falling short of our goal of fully integrating our content resources into this new interactive medium.

7. In contrast, AOL is one of the most web-savvy companies in the world, and has helped make the Internet an accessible and user-friendly medium that is now a daily part of the

lives of millions of people. By combining Time Warner's content brands and creative resources with AOL's expertise in identifying and bringing together online communities, the two companies will be able to take the Internet to the next level -- the level at which traditional and online media universes converge to create an entirely new means by which people satisfy their hunger for quality information and entertainment content.

8. First, I believe that the merger of AOL and Time Warner will allow the companies to utilize their complementary resources and expertise to enhance Time Warner's existing palette of websites. By integrating AOL technology, facilities, and online expertise, the new company will be able to make dramatic improvements in Time Warner's web presence and it will be able to do so much more rapidly than would be the case if the companies were operating separately. In particular, the merger will allow the two companies to optimize their use of AOL's centralized and efficient cost structure for operating interactive sites, including its larger web hosting facilities and internal Internet production and design operations. In contrast, Time Warner's solo efforts to utilize online technology as a platform for its content brands have been far less efficient and have produced disappointing results.

9. Industry analysts agree with our assessment of the opportunities that the merger presents for the enhancement of Time Warner's existing web-based products. William Blair & Company has noted that "AOL can provide the catalyst Time Warner's [online versions of offline] properties have been looking for." By applying AOL's proven ability to make online services inviting and easy to use to Time Warner's widely enjoyed, quality offline products, not only

will we be able to better serve the current audience for these products, but we also will attract new audiences. Moreover, the expansion of our brands should benefit all Internet users, not just AOL subscribers. We expect that our efforts will spur a rapid competitive response from other traditional content providers and from other web-based services. The resulting introduction of new and enhanced applications and services based on non-Time Warner content will provide consumers an immediate benefit in the form of expanded product choice. It also will fuel a competitive dynamic that should produce a steady stream of service improvements and other beneficial developments.

10. Second, it is my opinion that the merger of Time Warner and AOL promises to serve as a catalyst not just for the enhanced presentation of Time Warner's existing websites. It also promises to jumpstart efforts to create wholly new forms of online content and service. Launching such new applications presents business risks and, in its analysis of the merger, William Blair & Co. noted that "the Internet has not yet spawned what we call 'made for medium' content." However, this same analysis went on to conclude that the marriage of AOL and Time Warner "reduce[s] the friction that slows innovation" and can be expected "to help to create and shape this evolution in the medium by combining their unique technology, brand management, and distribution skills."

11. Time Warner and AOL share the view that the emerging Internet marketplace holds out the potential to transform the way people work, play, learn, and communicate. Consequently, the collective focus of the merged entity will go beyond the current generation of online applications will extend to the development and introduction of widely available, easily

accessible interactive services that today are in their infancy or not yet on the drawing board. As one industry analyst (Robinson-Humphrey) put it: the merger of AOL and Time Warner creates a “pioneer for the next chapter of the Internet,” one which “will facilitate the adoption of the Internet by mainstream America.”

12. Outside observers have identified a number of "next generation" opportunities presented by the merger, including innovations in interactive television service, IP telephony, and in the distribution of music (and, ultimately, books and movies) online. I am particularly familiar with the promise and risks presented by the Internet with respect to music. Although the public's interest in and demand for the convenience and flexibility offered by online modes of distribution is undeniable, Time Warner and others in the music industry have had difficulty in developing affordable, easy-to-use and secure means for satisfying this demand. As a result, unauthorized channels of distribution which are anathema to the creators and owners of music have developed to fill the void. However, as industry analyst Sanford C. Bernstein & Co. has stated, the merger of AOL and Time Warner is expected “to accelerate the selling and marketing of music online” while helping to reduce the threat of piracy. I believe that these efforts will provide a significant public benefit by paving the way for other e-commerce innovations which will serve to accelerate the evolution and maturation of the Internet.

13. It is easy to look at the rapid evolution of the Internet and assume that it will fulfill its potential in due course regardless of particular marketplace transactions, such as the merger of AOL and Time Warner. However, technology does not simply evolve on its own. Just as Time Warner's pioneering use of satellite technology to deliver movies revolutionized and ultimately transformed television, so too will the fulfillment of the Internet's promise require visionary risk taking. Combining AOL and Time Warner will create an entity with the vision and the willingness to take the necessary risks. And while I believe this to be the case based on my own experience in the traditional and digital media markets, it is a view that is shared by industry analysts as well. Commenting on the merger shortly after it was announced, Goldman Sachs noted that "[i]n the past, each company had self-interest at heart, arguing that its assets were more important to the equation. This often prevented either company from maximizing its growth." However, with the merger, "[t]his limitation is no longer an issue." Rather, "the risks of the combined company are lower than for the individual companies" and the merged entity will be able to respond quickly to "rapidly morphing user habits as users reexamine their daily activities through 'Internet-enabled glasses.'"

14. Other industry analysts have expressed similar views. Merrill Lynch has commented that the merged company "is in a better position than either entity is separately to drive the evolution of interactive services to the next level -- breaking the convergence logjams that, in many sectors of the media and communications industries, are inhibiting the growth of the medium" and that "the merger will only help to accelerate cable's rollout of high speed data and new services." In particular, according to Merrill Lynch, the merged entity will be in a "great position"

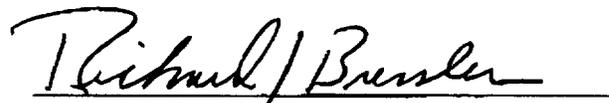
to become a "leading platform for and provider of consumer-oriented interactive services -- services that we expect to evolve far beyond the rudimentary PC-based activities popular today." Similarly, Paine Webber has stated that the new company will be well-positioned "to define and create yet-to-be imagined new businesses which [will] evolve as technologies are introduced and as the Internet continues to develop."

15. In summary, the merger of AOL and Time Warner will provide both immediate and long term benefits to the public by spurring the evolution of the Internet as an essential platform for entertainment, information, and commerce. Moreover, these benefits simply could not be achieved without the shared vision and management that will result from the creation of a single new company.

**VERIFICATION**

I, Richard J. Bressler, declare under penalty of perjury that the foregoing is true and correct.

Executed on August 22, 2000.

  
Richard J. Bressler

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# **ATTACHMENT 3**



on February 29, 2000 ("MOU") and with the use of TWC's broadband platform to deliver innovative services such as Internet Protocol ("IP") telephony and interactive television.

3. The announcement of the AOL Time Warner merger plainly helped to facilitate the commitments set forth in the MOU. Prior to the announcement of the merger, the ISP industry and the cable industry were at loggerheads, espousing diametrically opposed positions over whether and how consumers might attain a choice of ISPs over cable. The announcement of the AOL Time Warner merger created an environment whereby Time Warner and AOL could work together towards an understanding of these complicated issues from each other's perspective. This cooperative approach led to the rational, marketplace driven commitments embodied in the MOU.

4. In the year before the merger announcement, I had already begun thinking about how TWC could facilitate the ability of our customers to choose among multiple ISPs. As described above, however, the merger spurred us to act even more quickly and concretely. On February 8, 2000, I circulated within the company my thoughts in a white paper entitled "Open Access." A copy of this document was included in Time Warner's March 21, 2000 document production to the Commission. As I wrote in the white paper regarding our open access goals, "[t]he framework should be flexible because the technology will continue to evolve rapidly." I also wrote that:

it must be that 'open access' is only about the provision of physical access to the Internet. It is interesting that this appears to be the hardest part of providing broadband and the cable company might be better off with a number of competitors

providing that function. The cable company does not have the skill set to provide this service, which is one of the reasons for forming the Road Runner venture.

5. Accordingly, under my white paper's "Suggested Solution" section, my first suggestion was that "[t]he cable company will partner with a number of ISPs to offer cable modem customers choice among ISPs." The section went on to stress flexibility and choice for these ISPs regarding billing, content, video streaming, and other services. I believe that, with the help of AOL, we will be in a better position to provide flexible solutions in accommodating multiple ISPs, and to do so faster than we previously anticipated. Thus, if we are able to restructure Road Runner before the end of 2001, which is the goal of Time Warner's current discussions with its Road Runner partners, we will sooner be able to take advantage of AOL's expertise in expediting the goal of multiple ISP choice espoused in my white paper.

6. In developing the MOU, the Applicants understood and intended that the agreement would move to the forefront of the marketplace in affording consumers a choice among multiple Internet service providers via broadband cable systems. It seems clear to me that our MOU has, in fact, had a significant impact on the marketplace's approach to the open access issue, including but not limited to prompting other cable operators to announce their willingness to consider launching multiple ISPs on their own systems and our own recent announcement of an agreement to provide Juno's ISP service on our cable systems, as described below.

7. It is both my business judgment -- and the judgment of several industry analysts -- that the completion of the AOL Time Warner merger will result in an expedited roll-out of high-speed Internet services over TWC's cable systems. TWC has substantially completed its company-wide upgrade of its cable systems to deploy hybrid fiber/coax ("HFC") architecture and two-way capability. This architecture provides a platform for offering digital video services, such as digital tiers and video-on-demand. It also provides a platform for providing cable-modem high-speed Internet services. However, rolling out high-speed Internet services on these systems is more complex than providing these other services. For example, additional headend equipment such as high-speed routers, file servers, and cable modem termination systems are needed. Furthermore, personnel with new and complex skill sets need to be hired and/or retrained. Moreover, billing, provisioning, and customer care procedures become much more complicated. We also need to develop new marketing strategies for this new arena. For all these reasons, the actual roll-out of cable modem services represents a greater undertaking than the roll-out of our other new services. I believe that a combined AOL-Time Warner will have the incentive and expertise to devote more resources (such as capital, technical expertise, sales and marketing, etc.) to expedite TWC's high-speed Internet roll-out schedule.

8. Moreover, in my opinion, the multiple ISP approach being implemented by AOL and Time Warner will drive cable modem penetration, which in turn will continue to drive broadband deployment by alternative platforms, including DSL, satellite and wireless. For example, as the FCC

and others have noted, telephone companies had the capability to provide DSL years before they actually did so but delayed offering these new services because they didn't want to cut into the sales of their more costly high-speed services. It was only with the deployment of cable modem services that the telephone companies began to actively deploy DSL. Now the major telephone companies are broadly deploying DSL, while offering their DSL customers a choice of established ISP brands, including AOL. In my view, cable operators must respond to this competitive challenge by also offering those established brands as well as the new ones that will develop.

9. There are also parallels to this marketplace development in the history of the pay television business. In the early days of pay television, most cable operators offered only a single pay service. Over time, more such services were developed and cable operators found that our customers wanted and expected multiple pay services. Moreover, in this framework, each pay service has a great incentive to differentiate itself from competing services so as to highlight the choice to the consumer. Competing pay TV services devote greater efforts to marketing and promotion, resulting in higher consumer awareness, which again helps to drive the entire pay TV category. A review of this kind of experience has led Time Warner to the view that its multiple ISP program will have similar results for cable modem service.

10. Time Warner has already made considerable progress in implementing a multiple ISP program. Just this month, TWC entered into a binding agreement with Juno Online Services, Inc.,

one of the nation's largest independent ISPs, to provide the Juno service over TWC's cable systems. The Washington Post cited this agreement as proof that greater consumer choice is rapidly being achieved through marketplace forces, and that regulatory restraint is therefore the best course to follow at this time. The company is also continuing its ongoing discussions with other independent ISPs, and we expect more agreements to follow.

11. TWC is also in the process of conducting a multiple ISP technical trial involving its Columbus, Ohio cable system. The trial is being used to evaluate and determine the best technical approaches for providing multiple ISPs over TWC's cable systems consistent with the open access business model outlined in the MOU. This goal requires the creation of new software and hardware to address issues that have never been solved by any cable operator and that do not arise in the context of traditional or dial-up Internet service. The trial will allow TWC and its vendors to develop solutions to these and any other technological challenges in order that AOL Time Warner's subscribers can enjoy the benefits of multiple ISP choice. The lessons learned in Columbus will ultimately provide invaluable business and technical knowledge as AOL Time Warner rolls out its multiple ISP business model in other systems.

12. Time Warner has also begun talks with its partners regarding the restructuring of Road Runner. Among other things, I am hopeful that this restructuring process will lead to an elimination of the provisions in the Road Runner contract that inhibit our ability to offer multiple ISPs.

13. As noted above, I believe that AOL Time Warner's commitment to open access, as embodied in the MOU, is fueling a competitive cycle that will drive cable modem penetration and the deployment of alternative platforms by others. Indeed, the evidence of this is overwhelming. Since AOL Time Warner made public its MOU and the open access commitments contained therein, announcements regarding broadband developments by others have been reported at a rapidly increasing rate. These include:

- Increased willingness of other major cable operators, including Cox, Comcast, Charter and others, to consider offering multiple ISPs on their cable systems.
- Rapid cable modem penetration exceeding 2 million customers thus far, with a 22% growth rate during the second quarter of 2000.
- An accelerated roll-out of DSL service by incumbent LECs and aggressive start-ups alike, already surpassing the growth rate of cable modem deployment during the most recent quarter. In addition to press reports, Chairman Kennard has also expressly noted DSL's extraordinary growth rate, which has been accompanied by a decrease in the price of DSL service.

14. I also believe that the AOL Time Warner merger will expedite the fulfillment of Time Warner's long-held vision for the promise of interactive television. Dating back to our first QUBE system in Columbus, OH, to the Quantum system in Queens, NY, and the ground-breaking "Full Service Network" in Orlando, FL, TWC has been at the forefront in developing the technology to make broadband interactive television a reality. While each of these developments has significantly advanced the state-of-the-art in broadband cable system architecture, our efforts to make interactive television commercially viable still have a long way to go. By popularizing such features as chat

rooms, buddy lists and creation of online communities for the sharing of common interests, AOL has helped to make interactivity synonymous with the Internet experience. AOL has also demonstrated an incredible ability to make advanced communications technologies more user friendly. By combining our respective strengths, I have great optimism that we will be able to make broadband interactive television a better and more successful consumer experience.

15. The combined AOL Time Warner also will have greater incentives and abilities to create an abundance of localized content for interactive television and the Internet. Currently, TWC takes a community oriented approach to local television news, with local 24-hour cable news channels in New York City, NY; Rochester, NY; Austin, TX; Tampa, FL; and Orlando, FL. These channels provide coverage of local events such as city council meetings, school board meetings, museum openings, parades and festivals. This complements AOLTV's very different interactive entertainment oriented offerings, concentrating on movie listings, restaurant reviews, tourist information, etc. Together, AOL Time Warner will be able to use each other's knowledge and strengths to develop new types of interactive television programming with entertainment as well as informational value, and local as well as a more broad focus. Our customers will undoubtedly derive great value from such interactive content because it will be crafted to the specific needs and interests of their local communities.

16. A combined AOL Time Warner will also have a unique combination of skills to devote to an effort to make residential IP telephony commercially viable. Although TWC has experimented with residential telephony in Rochester, New York, Time Warner has concluded that it is not prepared to commit to a widespread deployment of traditional residential circuit-switched telephony. Instead, Time Warner believes that the use of IP telephony technology will make telephony over cable a compelling alternative to the offerings of the local telephone companies. Indeed, in Portland, Maine, Time Warner is conducting a limited trial of residential, IP-based non-powered voice service. I firmly believe that the combination of TWC's own technical expertise with AOL's, as well as AOL's proven track record of successfully taking new technologies to the mass market, will enable the combined company to develop a scalable and commercially viable IP telephony business model sooner and better than either could alone, bringing unprecedented and unforeseeable benefits to residential consumers.

VERIFICATION

I, Glenn A. Britt, declare under penalty of perjury that the foregoing is true and correct. Executed on August 22, 2000.

  
Glenn A. Britt

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