

Dear AOL colleague,

Just over a year ago, AOL embarked on an incredibly complex and significant transformation as we fundamentally shifted our business model from subscription-based ISP to an advertising-supported Web company.

Today, I want to give you an update on where we are in this transition, and talk about further actions we're taking and where we're headed as a company.

When I came to AOL, I knew we had to take several steps to complete our company's transformation.

We aggressively expanded our advertising capabilities, building on the strength of Advertising.com and our premium ad sales force. We acquired three leading-edge advertising companies - ADTECH, Third Screen Media and TACODA - and formed Platform-A. AOL now has one of the largest and most sophisticated ad networks in the world, and we're well positioned to compete where the ad market is heading.

We rebuilt and revitalized our key products, programming channels and platforms. And unique visitors to AOL.com, News, Food, Money & Finance, TMZ, Moviefone, MapQuest and many other sites are up. Our products are once again creating buzz in the market. And to reach the widest audience possible across the Web, we're unbundling our products and programming so users can take them along wherever they go online.

Importantly, we're taking the business global. We're extending AOL's reach into seven new countries this year while globalizing our product development efforts. By the end of next year, AOL will have a presence in 30 countries. That's a remarkable achievement in a relatively short period of time.

We refocused the business around three core areas - **Platform-A, Publishing and Access** - and are now managing these as three distinct but related components.

Here's why this is important. With Platform-A, we can offer advertisers the most advanced set of solutions across our extensive network of owned-and-operated sites and third-party sites. Publishing provides us the products, programming and platforms we need to sustain a healthy owned-and-operated network. And our Access business continues to be profitable, providing us cash flow to invest in other areas of the business, and it's an important source of primary e-mails and page views.

The last important piece in this transition is the realignment of our costs against these three businesses so we can operate as efficiently and effectively as possible. This is in many ways the most difficult step, but a necessary one.

As a part of this realignment, tomorrow we begin a reduction in force that will, over the next couple of months, affect a total of about 2,000 people out of our worldwide workforce of 10,000.

Everyone impacted by this reduction deserves our thanks and respect for their contributions to the company. We will aid these individuals in their transition to new opportunities as much as possible, most importantly with what we believe are generous severance packages.

This realignment will allow us to increase investment in high-growth areas of the company - as an example, we added hundreds of people this year through acquisitions - while scaling back in areas with less growth potential or those that aren't core to our business, as we did with the sale of Tegic.

So where is this taking AOL? Put simply, my vision for AOL is to build the largest and most sophisticated global advertising network while we grow the size and engagement of our worldwide audience.

We're only a year and a month into our transformation, and the turnaround has been dramatic. We're now in a position to win as an advertising-supported business. We have a bright future as a company if we can execute on this vision.

Randy