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FOR IMMEDIATE RELEASE
Wednesday, Feb. 28, 2007
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UC Regents to vote on \$246 million settlement of AOL/Time-Warner securities litigation

At its March 14-15 meeting, the University of California Board of Regents will decide whether to approve a \$246 million settlement of the University's lawsuit against Time-Warner Corporation, its officers and directors.

The lawsuit alleges that AOL inflated its stock price prior to its January 2001 merger with Time-Warner by misrepresenting its sales, revenues and subscriber numbers. UC's pension and endowment funds, which held significant positions in Time-Warner stock prior to the merger, suffered losses when the truth about AOL emerged and the merged company's stock price dropped from \$48 at the time of the merger to less than \$10 per share by July 2002.

The University's settlement of more than \$246 million represents its share of a \$260 million joint settlement with it and its co-plaintiff in the case, Amalgamated Bank. The settlement, subject to approval by the Regents and Time-Warner's board, is believed to be the largest publicly announced payment on an opt-out securities claim in history.

UC opted out of an ongoing federal class action to file its own case in state court in April 2003. The University's net recovery, which will be just over \$200 million if the settlement is approved, is estimated to be between 16 and 24 times the amount that it would have received through the class action case.

"Opting out of the federal class action suit allowed the University to assert unique claims that were unavailable in the class action," said UC general counsel Charles Robinson. "Although every circumstance is different, this result reflects the wisdom of that strategy in this case."

The settlement does not resolve UC's claims against AOL and Time-Warner's auditors, Ernst & Young, which the University will continue to pursue.

UC's counsel in the case is the firm of Lerach Coughlin Stoia Geller Rudman & Robbins.

The estimated decline in the market value of UC's holdings in Time Warner stock (UC held no AOL stock) was approximately \$555 million. Damages recoverable in the lawsuit would likely have been lower. Background on the lawsuit is available at www.ucop.edu/news/archives/2003/apr14art1.htm.

UC's retirement and endowment funds currently total more than \$71 billion. These investments provide substantial benefits to current and retired employees and support the university's mission of education, research and public service.

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