

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

_____x
BERNARD STERN, Derivatively on :
Behalf of Nominal Defendant, :
AON CORPORATION, :
 :
Plaintiff, :
 :
v. :
 :
PATRICK G. RYAN, EDGAR D. :
JANOTTA, LESTER B. KNIGHT, PERRY :
J. LEWIS, R. EDEN MARTIN, ANDREW :
J. MCKENNA, ROBERT S. MORRISON, :
RICHARD C. NOTEBAERT, MICHAEL D. :
O'HALLERAN, JOHN W. ROGERS, JR., :
PATRICK G. RYAN, JR., GEORGE A. :
SCHAEFER, RAYMOND I. SKILLING and :
DR. CAROLYN Y. WOO, :
 :
Defendants, :
 :
and :
 :
AON CORPORATION, :
 :
Nominal Defendant. :
_____x

CASE NO. 03 C 9079

NOTICE OF SETTLEMENT OF SHAREHOLDER
DERIVATIVE ACTIONS

TO: ALL PERSONS WHO CURRENTLY OWN AON CORPORATION ("AON" OR THE "COMPANY") COMMON STOCK

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS ACTION. HOWEVER, NO AON SHAREHOLDER HAS THE RIGHT TO RECEIVE INDIVIDUAL COMPENSATION AS A RESULT OF THE SETTLEMENT OF THE DERIVATIVE ACTIONS.

This Notice has been sent to you pursuant to an order of the United States District Court, Northern District of Illinois, (the "Court"), following the execution of a Stipulation of Settlement signed by the parties on April 21, 2004 (the "Derivative Stipulation"). The purpose of this Notice is to inform you of the proposed settlement (the "Derivative Settlement") of two shareholder derivative actions; the above-captioned action and parties to a substantially similar action pending in Illinois Chancery Court described below (collectively, the "Derivative Actions") and of the hearing to be held by the Court on July 27, 2004 to: (1) consider the fairness, reasonableness, and adequacy of the Derivative Settlement; and (2) rule upon plaintiffs' counsel's request for attorneys' fees and reimbursement of expenses. This Notice describes the rights you may have in connection with the Derivative Settlement and what steps you may take in relation to the Derivative Settlement. This Notice is not intended to be and should not be construed as an expression of any opinion by the Court about the merits of any of the claims or defenses asserted by any party in the Derivative Actions or the fairness or adequacy of the Derivative Settlement.

I. THE ACTIONS

On or about September 13, 2002, Bernard Stern initiated a shareholders' derivative action in the state court on behalf of and for the benefit of Aon against certain of Aon's officers and directors captioned *Stern v. Ryan, et al.*, No. 02-16831 in the Circuit Court of Cook County, Illinois, Chancery Division (the "State Action") and then later filed the same action in the United States District Court for the Northern District of Illinois on December 17, 2003 (the "Federal Action"). Plaintiff in the Derivative Actions alleged, *inter alia*, that the officers and directors of Aon breached their fiduciary duties to Aon and its shareholders in the management and oversight of Aon's business, particularly with respect to the Company's internal financial and accounting controls.

II. INVESTIGATION AND RESEARCH CONDUCTED BY DERIVATIVE PLAINTIFF'S SETTLEMENT COUNSEL

Derivative Plaintiff's Settlement Counsel (as that term is defined in Section V hereof) has conducted an extensive investigation during the development, prosecution and Derivative Settlement of the Derivative Actions. This discovery and investigation has included, *inter alia*, (i) inspecting, reviewing and analyzing tens of thousands of pages of documents and news articles related to Aon and its directors and officers; (ii) consulting with experts in the areas of securities law and corporate governance; (iii) drafting and filing multiple motions; (iv) participating in numerous conferences with Defendants' counsel; and (v) researching the applicable law with respect to the claims asserted in the complaints filed in the Derivative Actions and the potential defenses thereto.

III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants have denied and continue to deny each and all of the claims and contentions alleged by the Representative Plaintiff in the Derivative Actions. Defendants also have denied and continue to deny, *inter alia*, the allegations that the Representative Plaintiff or Aon have suffered any harm or damages. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Derivative Actions. Each of the

Defendants denies and continues to deny the allegations concerning any alleged breach of fiduciary duty, misappropriation and/or waste of corporate assets or unjust enrichment. Defendants have further asserted and continue to assert that at all relevant times, they acted in good faith and in a manner they reasonably believed to be in the best interests of Aon and its stockholders.

Nonetheless, Defendants have concluded that further litigation would be protracted and expensive, and that it is desirable that the Derivative Actions be fully and finally settled in the manner and upon the terms and conditions set forth in this Derivative Stipulation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex litigation like the Derivative Actions. Defendants have, therefore, determined that it is desirable and beneficial to Aon that the Derivative Actions be settled in the manner and upon the terms and conditions set forth in the Derivative Stipulation.

IV. CLAIMS OF THE REPRESENTATIVE PLAINTIFF AND BENEFITS OF SETTLEMENT

The Representative Plaintiff believes that the claims asserted in the Derivative Actions have merit. However, Derivative Plaintiff's Settlement Counsel recognizes and acknowledges the expense and length of continued proceedings necessary to prosecute the Derivative Actions against Defendants through trial and the inevitable appeals that would follow. Derivative Plaintiff's Settlement Counsel has also taken into account the uncertain outcome and the risk of any litigation, especially in complex litigation such as the Derivative Actions, as well as the difficulties and delays inherent in such litigation. Derivative Plaintiff's Settlement Counsel also are mindful of the inherent problems of proof under, and possible defenses to, the alleged violations of law asserted in the Derivative Actions. Based on these considerations, among others, Derivative Plaintiff's Settlement Counsel believes that the settlement set forth in this Derivative Stipulation confers substantial benefits upon Representative Plaintiff, Aon, and Current Aon Stockholders.

V. TERMS OF DERIVATIVE STIPULATION AND AGREEMENT OF SETTLEMENT

A. Definitions

As used herein, the following terms have the meanings specified below:

1. "Current Aon Stockholders" means any Person (as that term is defined herein) who owned Aon common stock as of May 4, 1999, and who continued to own their stock as of the date of the execution of the Stipulation of Settlement ("Derivative Stipulation") in this matter.

2. "Defendants" means Aon Corporation (as a nominal Defendant), as well as Patrick G. Ryan, Edgar D. Jannotta, Lester B. Knight, Perry J. Lewis, R. Eden Martin, Andrew J. McKenna, Robert S. Morrison, Richard C. Notebaert, Michael D. O'Halleran, John W. Rogers, Jr., Patrick G. Ryan, Jr., George A. Schaefer, Raymond I. Skilling and Dr. Carolyn Y. Woo.

3. "Effective Date" means the first date by which all of the events and conditions specified in Section V of the Derivative Stipulation have been met and have occurred.

4. "Final" means: (i) The date of final affirmance on an appeal of the Judgment, the expiration of the time for a petition for or a denial of a writ of certiorari to review the Judgment and, if certiorari is granted, the date of final affirmance of the Judgment following review pursuant to that grant; or (ii) the date of final dismissal of any appeal from the Judgment or the final dismissal of any proceeding on certiorari to review the Judgment; or (iii) if no appeal is filed, the expiration date of the time for the filing or noticing of any appeal from the Court's Judgment approving the Derivative Stipulation substantially in a form approved by the Court; *i.e.*, thirty (30) days after entry of the Judgment. Any proceeding or order, or any appeal or petition for a writ of certiorari pertaining solely to any plan of allocation and/or application for attorneys' fees, costs or expenses, shall not in any way delay or preclude the Judgment from becoming Final.

5. "Judgment" means the Final Judgment and Order of Dismissal to be rendered by the Court in the Derivative Actions.

6. "Person" means an individual, corporation, limited liability company, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

7. "Plaintiff's Lead Derivative Settlement Counsel" or "Derivative Plaintiff's Settlement Counsel" means the following counsel for plaintiff in the derivative action: Bull & Lifshitz, LLP, 18 East 41st Street, New York, New York 10017, Telephone (212) 213-6222.

8. "Related Parties" means each of a Defendant's past or present directors, officers, managers, employees, partners, members, principals, agents, underwriters, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, banks or investment banks, associates, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs, executors, administrators, related or affiliated entities, any entity in which a Defendant has a controlling interest, any members of their immediate families, or any trust of which any Defendant is the settlor or which is for the benefit of any Defendant and/or member(s) of his or her family.

9. "Released Claims" shall collectively mean all claims (including "Unknown Claims" as defined herein), demands, rights, liabilities and causes of action of every nature and description whatsoever, known or unknown, whether or not concealed or hidden, asserted or that might have been asserted by the Representative Plaintiff, Aon, or Current Aon Stockholders on behalf of Aon, or any of them, against the Defendants (and/or their Related Parties) in the Derivative Actions, that are based upon or related in any way to the facts, circumstances, transactions, events, occurrences, disclosures, statements, omissions, acts or failures to act which were alleged or could have been alleged in the Derivative Actions, including, without limitation, claims for negligence, gross negligence, breach of duty of care and/or breach of duty of loyalty, fraud, constructive fraud, self-dealing, misrepresentation (whether intentional, negligent or innocent), omission (whether intentional, negligent or innocent), suppression (whether intentional, negligent or innocent), mismanagement, gross mismanagement, abuse of control, unjust enrichment, breach of contract, breach of fiduciary duty or violations of any state or federal statutes, rules or regulations or any other source of legal or equitable obligation of any kind or description in whatever forum.

10. "Released Persons" or "Released Parties" means Derivative Plaintiff's Settlement Counsel, Released Defendants' Counsel, the Settling Parties, and each of their parents, subsidiaries or affiliates, and all of their respective present and former directors, officers, employees, agents, fiduciaries, trustees, insurers, underwriters, attorneys, accountants, and advisors, as well as all of their successors, heirs, assigns, executors, personal representative and immediate families.

11. "Representative Plaintiff" means Bernard Stern.

12. "Representative Plaintiff's Counsel" means counsel who have appeared for the Representative Plaintiff in the Derivative Actions.

13. "Related Securities Action" means the case pending in the Northern District of Illinois (Eastern Division) under the caption *Taubenfeld v. Aon Corp., et. al.*, Case No. 02-CV- 5631 and all other cases consolidated thereunder by way of an order of September 5, 2002 and October 30, 2002 of that same Court.

14. "Settling Parties" means, collectively, each of the Defendants, their Related Parties, and the Representative Plaintiff on behalf of himself and derivatively on behalf of Aon and Current Aon Stockholders.

15. "Securities Settlement Fund" means the sum of \$7,250,000 which has been agreed to be paid by the defendants in the Related Securities Action and/or their insurer in settlement of both the Derivative Actions as well as the Related Securities Action.

16. "Unknown Claims" means any Released Claims which any Representative Plaintiff, Aon, or Current Aon Stockholders does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement. The Representative Plaintiff, Aon or Current Aon Stockholders 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 Representative Plaintiff, Aon, or Current Aon Stockholder shall expressly, upon the Effective Date, be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released 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 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 Representative Plaintiff expressly acknowledges, and Current Aon Stockholders shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a material and essential part and expressly waives: (i) the benefits of the provisions of Section 1542 of the California Civil Code, which provides that "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"; and (ii) the benefits of any comparable law, statute, regulation or legal principle of any other jurisdiction.

B. The Settlement

After final Court approval of the Settlement (the "Commencement Date") of the Derivative Actions, Aon's Board of Directors, as a result of the filing, prosecution and Settlement of the Derivative Actions, will take such steps as may be necessary to implement the Aon's new Corporate Governance Policies as set forth in the Derivative Stipulation at Exhibit A.

VI. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A Settlement Hearing will be held on July 27, 2004, at 9:00 a.m., at the United States Court House, Room 1941, 219 South Dearborn Street, Chicago, Illinois 60604, (the "Derivative Settlement Hearing"). The purpose of the Derivative Settlement Hearing will be to: (1) determine whether the Derivative Settlement should be approved as fair, reasonable and adequate; and (2) rule upon Derivative Plaintiffs' Settlement Counsel's request for fees and reimbursement of expenses.

The Court may adjourn the Derivative Settlement Hearing by oral announcement at such hearing or at any adjournment without further notice of any kind. The Court may approve the Derivative Settlement with or without modifications, enter an Order and Final Judgment, and order the payment of attorneys' fees and expenses without further notice of any kind.

VII. THE RIGHT TO BE HEARD AT THE HEARING

Any Current Aon Stockholder may, but is not required to, enter an appearance in the Derivative Actions and be represented by counsel of his, her or its choice and expense. Any Current Aon Stockholder who does not enter an appearance will be represented by the attorney for Representative Plaintiffs listed below. Any Current Aon Stockholder who objects to any aspect of the Derivative Settlement may appear and be heard at the Derivative Settlement Hearing. Any such person must submit a written notice of objection, sent via first class mail or hand delivered such that it is received on or before July 17, 2004, by each of the following:

By Hand Delivery
or
By First Class Mail:

Lawrence W. Schad, Esq.
BEER SCHAD & DIAMOND, PC
332 South Michigan Ave., Suite 1000
Chicago, IL 60604
(312) 939-6280

Joshua M. Lifshitz, Esq.
BULL & LIFSHITZ, LLP
18 East 41st Street
New York, NY 10017
(212) 213-6222

COUNSEL FOR REPRESENTATIVE PLAINTIFF

Dane Drobny, Esq.
WINSTON & STRAWN LLP
35 W. Wacker Drive
Chicago, IL 60601
(312) 558-5600

COUNSEL FOR DEFENDANTS AON: PATRICK G. RYAN, EDGAR D. JANOTTA, LESTER B. KNIGHT, PERRY J. LEWIS, R. EDEN MARTIN, ANDREW J. McKENNA, ROBERT S. MORRISON, RICHARD C. NOTEBAERT, MICHAEL D. O'HALLERAN, JOHN W. ROGERS, JR., PATRICK G. RYAN, JR., GEORGE A. SCHAEFER, RAYMOND I. SKILLING and DR. CAROLYN Y. WOO.

In order to object to the Derivative Settlement, the notice of objection must demonstrate the objecting Person's standing as a Current Aon Stockholder. The notice of objection must also contain the reasons for objection, the names of any witnesses that the objecting Person plans on calling at the Derivative Settlement Hearing and the substance of any testimony that any testifying witness will provide at the Derivative Settlement Hearing. Only Current Aon Stockholders who have submitted written notices of objection in this manner will be entitled to be heard at the Derivative Settlement Hearing, although attendance at the Derivative Settlement Hearing is not necessary in order for an objection to be considered by the Court. **However, unless otherwise ordered by the Court, any Current Aon Stockholder who does not make his, her or its objection or opposition to the Derivative Settlement in the manner provided above shall be deemed to have waived all objections and opposition to the fairness, reasonableness and adequacy of the proposed settlement and the requested attorneys' fees and expenses.**

VIII. DISMISSAL AND RELEASES

If the Derivative Settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice, pursuant to the terms of the Derivative Stipulation ("Judgment"). The Judgment will dismiss the Released Claims with prejudice as to all Defendants and their Related Parties.

IX. ATTORNEYS' FEES AND EXPENSES

Aon, on behalf of all Defendants and upon Court approval, has agreed to pay Derivative Plaintiff's Settlement Counsel such amount as ordered by the Court up to an amount of \$250,000.00 for their fees and expenses for the filing, prosecuting and settlement of the Actions (the "Fees and Expenses"). Such fees and expenses shall be payable solely out of the Securities Settlement Fund and shall be deducted from the Securities Settlement Fund prior to any distribution to the class members in the Related Securities Action. The Settling Parties agree that the costs associated with production and dissemination of this Derivative Notice shall be paid out of the Securities Settlement Fund and shall not effect the Derivative Fee and Expense Award.

To date, Derivative Plaintiff's Settlement Counsel have not received any payment for their services in prosecuting the Derivative Actions, nor have counsel been reimbursed for their substantial out-of-pocket expenses. The fee requested by Derivative Plaintiff's Settlement Counsel would compensate counsel for their efforts in achieving the benefits for the Company described in detail in the Derivative Stipulation and for their risk in undertaking this representation on a contingency basis.

X. CONDITIONS FOR SETTLEMENT

The Derivative Settlement is conditioned upon the occurrence of certain events, including among other things: (1) entry of the Judgment by the Court, as provided for in the Derivative Stipulation; (2) expiration of the time to appeal from or alter or amend the Judgment; and (3) the dismissal with prejudice of the Derivative Actions. If, for any reason, any one of the conditions described in the Derivative Stipulation is not met (including, but not limited to those conditions identified in the preceding sentence), the Derivative Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Derivative Stipulation will be restored to their respective positions prior to the execution of the Derivative Stipulation.

XI. NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF OTHERS

Brokerage firms, banks and other persons or entities who are Current Aon Stockholders in their capacities as record owners, but not as beneficial owners, are requested to send this Notice promptly to beneficial owners. Additional copies of this Notice for transmittal to beneficial owners are available on request directed to:

Aon Derivative Securities Litigation
c/o The Garden City Group, Inc.
Notice Administrator
P.O. Box 9000 #6222
Merrick, NY 11566-9000
1-866-808-3579

XII. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Derivative Stipulation. For full details of the matters discussed in this Notice, you may desire to review the Derivative Stipulation filed with the Court, which may be inspected during business hours, at the office of the clerk of the Court at the United States Courthouse, 20th Floor, 219 South Dearborn Street, Chicago, Illinois 60604.

For further information regarding this settlement you may contact Derivative Plaintiff's Settlement Counsel.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.

DATED: April 27, 2004

BY ORDER OF THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS