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August 14, 1995

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Regina Keeney, Chief
Wireless Telecommunications Bureau
Federal Communications Commission
Washington, D.C. 20554

Re: Your Reference 95M003; Liberty Cable Co.
Response to Commission Inquiry

Dear Ms. Keeney:

Attached is a comprehensive and forthright account of Liberty's activities regarding the construction and operation of its OFS paths in support of the information provided in response to Mr. Davenport's August 4, 1995 letter. Also attached is a Declaration of Peter O. Price, President of Liberty Cable Co.

As previously disclosed to the Commission, 19 paths are currently unlicensed but have all received prior coordination. In addition, Liberty's counsel's investigation revealed that, at various times, transmission over other paths was commenced prior to receiving specific FCC authorization; all these paths now have all necessary licenses.

The investigation also revealed that Liberty's management at all times intended to and sought to comply with all FCC licensing requirements. The unauthorized operations resulted from incorrect assumptions and improprieties of a lower-level Liberty employee coupled with a failure to monitor by Liberty's management. The investigation indicates that Liberty initially

created procedures to ensure compliance with the licensing requirements. Liberty retained a sophisticated outside consultant with expertise in FCC procedures. The consultant worked closely with Peter O. Price, Liberty's President, to ensure that licenses were obtained prior to commencement of any services. As a result, the paths first licensed to Liberty were, and have continued to be, in full accord with FCC procedures. Additionally, the record reflects that Liberty secured permission from Hughes Aircraft to use Hughes' experimental 18 GHz authorization for non-commercial, testing purposes, and the manager charged with supervising the engineering functions believed that the Hughes authorization covered Liberty's initial activation of paths even if those paths had not been specifically authorized by an FCC license or STA.

When a determination was made to bring Liberty's engineering function in-house, Liberty hired an experienced microwave engineer, Mr. Behrooz Nourain, suggested by the outside consultant. Liberty's management believed that its in-house engineer would continue to operate with FCC authorization, either pursuant to the Hughes experimental authorization or to receive specific FCC authorization before activating individual microwave paths. Liberty's in-house engineer appears to have done neither but instead -- acting on incorrect assumptions, relying on outside counsel and confused by the unusual number of paths and STAs -- activated paths without apparent regard for compliance with the Hughes experimental authorization or with the FCC's individual licensing procedures.

The Liberty manager responsible during most of this period for construction and activation of service believed that microwave paths were being activated (and free service was being provided) pursuant to the Hughes experimental authorization. However, neither he nor outside counsel adequately monitored the timing of the in-house engineer's activation of service to ensure that procedures previously established by Liberty's engineering consultant for use of the Hughes authorization or individual licensing were followed.

Each and every path went through the initial Comsearch prior coordination procedure. None of Liberty's signals interfered with anyone else's signals. Liberty has also hired, within the last month, a new chief engineer, Martin Sperber, to replace Mr. Nourain. Mr. Sperber has 30 years of microwave and FCC experience.

Based on counsel's findings, Liberty has accepted the recommendation by counsel to implement a comprehensive compliance program, a copy of which is enclosed. This compliance program should insure that Liberty never again violates the licensing procedures of the FCC. This compliance program has gone into effect.

We are sure you will find Liberty's submission to be comprehensive and candid. If you need further clarification or explanation, please let us know. Liberty stands ready to assist the Commission in its inquiries.

Respectfully submitted,
LIBERTY CABLE COMPANY, INC.

By: Henry M. Rivera/LSS
Larry S. Solomon

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Its Counsel

Enclosure

cc: Howard C. Davenport, Chief
Enforcement Division
Wireless Telecommunications Bureau

Re: Liberty Cable Company Pending Requests for
Special Temporary Authority: 95M005

PETER O. PRICE hereby discloses, pursuant to 47 C.F.R. § 1.17:

1. This statement is made in response to the August 4, 1995 letter of Howard C. Davenport requesting certain information.

2. A report containing the results of Liberty's internal audit is submitted herewith under separate cover.

3. A list of all of the OFS paths that Liberty it is currently serving without FCC authorization is shown below. The list specifies the date that service at each of those paths was activated. Fifteen out of the nineteen buildings listed were disclosed to the FCC in Liberty's June 16, 1995 response to the FCC's June 12, 1995 letter (Group A). The four buildings in Group B were not disclosed in Liberty's June 16, 1995 response because Liberty did not know, at that time, that service to those buildings was not authorized. The unauthorized service to those four buildings which began in 1994 was discovered during the course of Liberty's recently completed internal audit, conducted by our law firms. Upon discovery, Liberty immediately completed the prior coordination for those four paths and is in the process of filing for necessary licenses with the FCC.

4. Liberty is not charging subscribers in any of the buildings receiving unauthorized service for the programming services they receive.

5. The following is a list of the buildings receiving unauthorized service. The earliest customer service date indicated below differs with regard to five paths from the dates

given to the Commission in the June 16 letter from Howard Barr to Michael B. Hayden. Each of the five paths is designated by an asterisk.

GROUP A

Address	No. of Subs	Date Service Activated
1. 114 East 72nd St.	40	1/30/95
2. 16 West 16th St.	213	3/28/95
3. 1775 York Ave.	80	*1/23/95
4. 200 East 32nd St.	111	3/27/95
5. 25 West 54th St.	45	2/6/95
6. 2727 Palisades Ave.	97	4/24/95
7. 30 Waterside Plaza	334	3/15/95
8. 433 East 56th St.	58	12/27/94
9. 524 East 72nd St.	57	11/16/94
10. 55 West End Ave.	335	1/3/95
11. 639 West End Ave.	53	2/14/95
12. NYU Res. Hall	56	*1/11/95
13. Greenberg Hall	36	*1/23/95
14. 6 East 44th St.	50	*4/12/95
15. 767 Fifth Ave.	32	*4/12/95

GROUP B

Address	No. of Subs	Date Service Activated
1. 35 East 85th St.	109	7/18/94
2. 440 East 56th St.	93	7/11/94

GROUP B (CONT'D.)

Address	No. of Subs	Date Service Activated
3. Hotel Wales (1295 Madison Ave.)	83	7/27/94
4. Liberty Terrace (380 Rector Pl.)	136	10/12/94

7. The facts stated above are true and correct to the best of my personal knowledge, information or belief.

Peter O. Price

Date: August 14, 1995

Investigation Into the Licensing Practice and Compliance of Liberty Cable Co., Inc. For 18 GHz Authorizations

In June and July 1995, Liberty Cable Company, Inc. ("Liberty" or "the Company") retained the law firm of Constantine & Partners to investigate the Company's compliance in the application for and initial operation of 18 GHz authorizations used to deliver SMATV services to 139 buildings in the New York City area.[1] The firm was assisted in this effort by the Washington, D.C. office of Ginsburg, Feldman & Bress as well as the Washington, D.C. law firm of Wiley, Rein & Fielding (the "investigating firms").[2] The following summarizes the findings of this investigation.

I. Background.

Liberty began providing SMATV service to six separate sites (each with its own satellite head end) in New York City and Jersey City from 1985 to 1991. By early 1991, Liberty had approximately 4,000 subscribers. In August 1991, through its consultant, Liberty applied to the Commission for permission to expand its SMATV

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[1] A preliminary investigation revealed that of the 139 buildings served by the Company, 15 were operating without specific FCC authorization.

[2] The investigation was principally conducted by Lloyd Constantine, former New York Assistant Attorney General in Charge of Antitrust Enforcement; Robert Begleiter, former Chief of the Civil Division of the United States Attorney's Office for the Eastern District of New York; and Eliot Spitzer, former Chief of the Labor Racketeering Unit of the District Attorney's Office for New York County.

operations into a network of buildings by use of microwave frequencies in the 18 GHz band. That band had not previously been used to transmit commercial television programming.[3] In February 1991, the Commission approved this use, and in December 1991, Liberty became the first company to be granted licenses to distribute video programming to subscribers using this technology.

Today, Liberty's systems operate from its head ends and additional relay hubs which transmit signals in the 18 GHz band to multiple-dwelling units and commercial properties in New York City and northern New Jersey. The availability of 18 GHz licenses enabled Liberty to expand from approximately 4,000 subscribers to its current size of approximately 25,000 subscribers in 139 buildings. With the ability to reach a large number of potential subscribers in the New York area, Liberty became the first multichannel video company in a major market to provide significant direct competition to franchised cable MSOs.

[3] Hughes Aircraft, a manufacturer of 18 GHz equipment, had obtained a license for the experimental use of its equipment in this band. After testing the Hughes equipment, Liberty determined that it could support high-quality transmission of cable programming in the New York area at a more reasonable price than that offered by the incumbent franchised cable companies.

II. The Investigation.

The investigating firms were given access to the Company's records and personnel and to the records and personnel of outside counsel and consultants[4] retained to represent Liberty in licensing matters before the FCC. In the course of the investigation, more than 20 employees and former employees were interviewed, and thousands of documents were reviewed. Specifically, the investigating firms reviewed documentation related to the initiation and operation of service to each of the 126[5] buildings served by 18 GHz connection. In addition, the investigating firms were asked to prepare a compliance program to ensure Liberty's compliance with FCC licensing rules.

The following represents a summary of the results of the investigation along with major conclusions and findings. The recommended compliance program which has been adopted by Liberty is attached as Exhibit A.

III. The Licensing Process.

Attached as Exhibit B are charts which summarize the findings with regard to each of the 18 GHz paths. These charts reflect the Company's and Pepper &

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[4] During the period in question, Liberty was represented by the law firms of Pepper & Corazzini and James MacNaughton P.C. as well as Comsearch, a Reston, Virginia-based firm that performed the engineering analysis and prior coordination notification of the microwave paths used by Liberty.

[5] Thirteen buildings are served by hard-wire connections.

Corazzini's ("P&C's") internal records. Liberty's internal information, as reflected in the charts, reveals that during the start-up phase of its operations, during which time Liberty relied on an outside engineering consultant, service was not initiated before receiving specific FCC authorization. However, the charts also reveal that from the time when Liberty brought the engineering function in-house, numerous instances occurred in which microwave path service was initiated before receiving specific FCC authorization. It appears that this occurred numerous times from 1992 through the fall of 1994 although each of those paths is now authorized by the Commission.

There are currently 19 microwave paths being used (and serving approximately 1,808 subscribers) without specific FCC authorization. This includes four buildings discovered during the course of this investigation for which no applications had been filed. It should be noted that only two of the 19 buildings were discovered as a result of petitions to deny filed by Time-Warner Cable. The remaining 17 buildings were discovered as the result of the Company's internal investigation. None of the subscribers in these 19 buildings is now being charged for service,[6] resulting in a revenue loss of more than $50,000 a month to Liberty.

[6] Liberty stopped charging for service when it was discovered that the paths used to deliver service were not specifically authorized by the Commission.

A. Initial Operations.

Liberty began applying for licenses for 18 GHz microwave stations in August 1991. The applications were prepared by Joseph Stern, an independent consulting engineer. Soon thereafter he was under the supervision of Bruce McKinnon, who was at that time Liberty's Executive Vice President, in charge of construction and activation of Liberty's microwave installations, and Peter Price, Liberty's President.[7] Ultimate responsibility for day-to-day operation of the Company resided with Mr. Price.[8] The law firm of Pepper & Corazzini filed the applications with the FCC. By the end of November 1991, Liberty had filed 38 microwave applications.

During the period of initial operations, Liberty did not initiate service without specific FCC authorization. Mr. Stern monitored the licensing process closely and specifically reconciled the applications granted with the actual buildings that were to receive service. Moreover, as a matter of operational policy, Mr. Stern did not initiate service on a microwave path until he received specific verification of FCC authorization.

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[7] Mr. McKinnon left Liberty in the spring of 1993. The position of Executive Vice President was not filled.

[8] Mr. Price, a Yale Law School graduate, is the former publisher of the New York Post.

In addition, in January 1992, Mr. Stern informed Liberty that the Company had received a test license from Hughes Microwave to operate 18 GHz equipment under Hughes' experimental license for non-commercial test purposes. Mr. Stern indicated that "we have on hand a Test License provided to Liberty by Hughes Microwave. This Test License authorizes Liberty to operate the 18 GHz equipment at any location, at any azimuth, from any type of antenna, for test purposes, on the condition that transmission would be discontinued if any interference is noted. The other condition[s] of operating are that Liberty keep a log of the 'tests' and not enter into 'commercial service' with transmissions made under the test license." (Emphasis in original.) See Exhibit C. There is no mention in Mr. Stern's memorandum that the Test License was otherwise limited in time or by further condition. Liberty has been unable to locate a copy of the Test License referred to by Mr. Stern. This Test License was interpreted by Mr. McKinnon, who supervised construction and activation, to permit service transmission using the Hughes license prior to Liberty billing for the service.

In February 1992, Mr. Stern and P&C were directed in writing by Mr. Price to establish a procedure to accurately audit which licenses Liberty had requested and which had been granted and to prepare a weekly report on the status of pending license applications. See Exhibit D. One purpose for this weekly audit report was to develop a monitoring process so that the entire licensing function could be brought in-house. While reports were produced for a brief period of time, this reporting process was inexplicably discontinued soon after the initial reports were generated, and Mr. Price

failed to require its continued preparation. Moreover, no one inside the company or at retained counsel assumed responsibility for continually monitoring the status of FCC license applications, despite the fact that P&C, Liberty's outside counsel, had been specifically instructed to do so. See Exhibit D. Additionally, no one inside the Company or at P&C subsequently developed a program to monitor Liberty's use of the Hughes experimental authorization or to ensure the consistency of that use with FCC policies regarding experimental authorizations.

B. In-House Transfer of Licensing Responsibilities.

In June 1992, general responsibility for the licensing process was transferred to Behrooz Nourain, who had been hired, upon the recommendation of Mr. Stern, as Liberty's in-house Chief Engineer. At the same time, the P&C attorney who had been working with Liberty left the firm, and was replaced on the Liberty file by a new attorney. Thus, by the summer of 1992, responsibility for licensing was in the hands of a new engineer and new attorney.

Prior to the transfer of duties, Mr. Stern met with Mr. Nourain to review the Company's practice with regard to licensing, the history of Liberty's licensing activity, the process for coordinating the paths and filing license applications, the general timing of the licensing procedure and the necessity of working with P&C in the licensing process. At this meeting, Mr. Stern transferred his files to Mr. Nourain and emphasized the necessity of tracking the FCC licenses with individual buildings. Mr.

Stern summarized this meeting in a memorandum to Mr. Nourain with copies to Messrs. Price, McKinnon and Anthony Ontiveros, the Company's General Manager for Construction and Installation. See Exhibit E.

However, despite the fact that FCC notifications regarding license and STA grants came directly to Mr. Nourain, he did not continue to follow the Company's procedures as outlined by Mr. Stern or to closely monitor the status of applications. Specifically, while Mr. Nourain appears to have routinely sought frequency coordination of microwave paths, he did not monitor in any detail the progress of the applications for licenses and STAs filed by P&C, and he followed no system for informing himself or Liberty management of the status of applications. Moreover, at P&C's request, Mr. Nourain signed multiple blank license applications, which were later completed by P&C and filed with the FCC without a Liberty employee examining them prior to filing. This practice exacerbated the information gap at Liberty with respect to the status of applications for licenses and STAs. Accordingly, at any given time, Mr. Nourain assumed that P&C knew which paths were authorized and which were not. Moreover, unlike his predecessor, Mr. Nourain did not continue the program to reconcile the FCC grants with the transmission paths, and as a result, Mr. Nourain stated that he did not know which grants went with which buildings. And fundamentally, Mr. Nourain did not wait to receive official documentation or otherwise verify grants for individual microwave paths before instituting service. This was

contrary to well-established Company policy and procedures which Mr. Stern discussed with Mr. Nourain.

It should be emphasized that the Commission's processes served to further confuse the issue of which paths were actually authorized. When Liberty began providing service, the licensing process was fairly simple, and only a few paths were involved. However, as Liberty's service grew, it was necessary to add multiple paths to each transmit site, and the Commission was unable to handle the licensing routinely because of the computers and software employed at that time. In fact, Liberty's representatives were told by FCC personnel that it was an administrative impossibility to license the facilities as they should have been. This was a new service and new procedures were necessary at the FCC. Because of the FCC's inability to promptly license new Liberty paths, in some instances, licenses were not granted for one to two years. That is why the Commission issued so many STAs. Recent attempts to obtain information from the FCC's records have been difficult at best. For example, a review of the FCC's online database provided by Interactive Services, Inc., showed Liberty as having 77 call signs with license information totalling over 1,400 pages despite the fact that all of Liberty's licenses have now been consolidated under eight licenses, one for each of its transmit locations.

Mr. Nourain appears to have received little supervision regarding the licensing process. According to Mr. Nourain, at his previous job, in-house counsel had taken

over the responsibility for licensing once the engineering part of microwave path coordination was complete. Mr. Nourain, despite his instruction to the contrary by Mr. Stern, assumed the procedure would be the same at Liberty, and he relied on outside counsel to deal with licensing matters.

Mr. Nourain appears neither to have utilized the derivative authority of the Hughes Test License nor to have waited to receive specific FCC authorization for the microwave paths. Rather, he assumed that STAs would be granted for the microwave paths within 45 days after he directed Comsearch to issue coordination notification to potentially affected parties (although in some instances he does not appear to have waited even 45 days). This rule of thumb included 30 days for the notification process, about five days for P&C to file for an STA and about 10 days for the FCC to grant an STA. Mr. Nourain could state no credible basis for his assumptions. Prior to the investigation, Mr. Nourain never communicated this practice to any other Liberty employee or official. Moreover, his belief was that any problems with initiating service would be "taken care of" by his supervisors.

As a consequence, Mr. Nourain activated microwave paths within 45 days (and some buildings in less than 45 days) without specific knowledge as to whether the paths had been approved by the FCC. While Mr. Nourain believes that he told Mr. Price that the Company was rushing and might not get approvals in time, Mr. Nourain does

not state that he specifically informed Mr. Price or other senior management that service was being instituted on some microwave paths without FCC authorization.

Other than Mr. Nourain, it appears that Mr. McKinnon was aware from Mr. Nourain that some buildings were being activated without a specific FCC license or STA. Mr. McKinnon did not inform Mr. Price or other Liberty management officials. Mr. McKinnon stated that he did not believe that the absence of a specific license or STA was a problem because he believed Liberty could operate on the authority of Hughes Aircraft's experimental license until the FCC specifically granted the microwave paths.[9] Mr. McKinnon said that Liberty did not charge subscribers for service on these paths and, therefore, was acting in compliance with Hughes' authority. The investigation disclosed that this was true in only some of the instances of unauthorized service.

At some point in April 1993 during a conversation between Mr. Nourain and the P&C attorney handling Liberty's licensing, the P&C attorney appears to have become aware that service had been activated on certain paths without specific authorization. However, P&C never communicated this fact to any Liberty officer. Instead, the firm sent the Company a letter which indicated generally the importance of complying with FCC procedures. See Exhibit F. Shortly after this letter was sent,

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[9] As indicated above, in January 1992, Mr. Stern informed Mr. Price that Hughes had given Liberty a "Test License" under which Liberty could operate non-commercial service under Hughes' experimental authorization.

P&C applied for STAs for certain paths where license applications were pending and that previously had been activated. In a letter from P&C, which was directed to Mr. McKinnon, P&C also indicated that it might be possible for the Company to obtain an authorization to use Hughes' experimental authorization. Mr. McKinnon left the Company shortly after the letter was sent.[10]

Accordingly, between the fall of 1992 and the fall of 1993, it appears that:

- Mr. Nourain began to activate microwave paths on the incorrect assumption that STAs would be granted by the FCC within 45 days of the coordination notification but failed to notify Liberty's management of this activity. It appears that service on paths to numerous buildings was initiated prior to specific FCC authorization.

- Of Liberty's management, only Mr. McKinnon, the Company's Executive Vice President who left Liberty in the spring of 1993, was aware that specific licenses or STAs had not been obtained for certain microwave paths although he was not aware of Mr. Nourain's specific practices. However, Mr. McKinnon believed that until the FCC applications were granted, Liberty's operations were covered by Hughes Aircraft's experimental authorization and that in accordance with that authority no charges were being made to subscribers and potential subscribers for those services. Mr. Price shared this belief; however, he was not aware that any of his

[10] Mr. McKinnon's departure was unrelated to licensing matters.

subordinates were activating service on the basis of this belief. Neither was he aware that service was otherwise being activated prematurely. Moreover, neither Mr. McKinnon nor Mr. Nourain so informed him.

- P&C appears to have become aware in April 1993 that service without specific licenses or STAs had been undertaken on some paths but likewise failed to communicate this fact to Liberty's management.

C. Licensing From Fall 1993 to April 1995.

In October 1993, P&C informed Liberty that the FCC disfavored routine STA requests, and at that time P&C ceased filing STA requests on behalf of Liberty. However, P&C did not explicitly inform anyone at the Company that they intended to stop filing STAs altogether. As a result, Mr. Nourain stated that he continued to believe that STA requests were being filed with license applications and that they were being granted about 45 days after coordination notification. Accordingly, Mr. Nourain continued to initiate service based on the mistaken assumption that the paths were authorized although he has acknowledged that he activated service to some buildings knowing that authorizations had not been granted. Service to the 19 buildings currently operating without specific license or STA was initiated at this time.

Mr. Ontiveros, the Company's General Manager, learned at some point in late 1994 or early 1995 that one or two buildings had been improperly activated. Mr. Ontiveros indicated that he raised the issue of unrealistic time constraints on the

activation of service to a particular building at a meeting in December 1994. However, Mr. Ontiveros said that he did not tell anyone in the management structure of the Company that microwave paths had been activated without specific license or STA.

During the course of its analysis, the investigating firms discovered that service to four buildings had been initiated in July 1994 even though no applications were filed for those paths. The investigating firms discovered that from March 1994 through May 1994, Mr. Nourain conducted initial site surveys of each of the four buildings and that he then instructed Comsearch to perform the engineering analysis to clear the paths. These analyses were conducted between March and May 1994, and the results were transmitted to Mr. Nourain. Mr. Nourain stated that he believed that he instructed Comsearch to initiate the application process by circulating the coordination notification. However, since the established procedure was for issuing such instructions to Comsearch by telephone, there is no record of this. The investigation disclosed that Comsearch had lost the files relating to these four paths, suggesting that Mr. Nourain may in fact have instructed Comsearch to file the applications. Mr. Nourain, operating under his mistaken assumptions regarding the application and STA processes, thereafter initiated service to the four sites without knowing that P&C had neither received the data sheets from Comsearch nor filed for licenses.

D. Investigative Conclusions.

Based on its analysis and research, the investigating firms came to the following conclusions:

- While Liberty's initial licensing (during Mr. Stern's tenure as a consulting engineer) was completed in accordance with Commission rules and policies, after Mr. Nourain was employed by Liberty there were numerous instances in which service was initiated on microwave paths without specific FCC authorization.

- Service was initiated by Liberty's Chief Engineer without reference either to the Hughes Test License or to specific STA or license grants. Throughout this period, Liberty's top management and ownership was unaware that paths were being activated on this basis. It appears that Mr. McKinnon, who supervised construction and activation of service, was aware that some paths had been initiated without specific FCC authorization. However, Mr. McKinnon appears to have believed that such operation was covered by a Test License secured from Hughes. Much later, Mr. Ontiveros became aware that one or two paths had been activated without specific FCC authorization. None of these officials appears to have communicated the circumstances surrounding initiation of new service to Liberty's President or owners.

- The company retained Pepper & Corazzini to apply for FCC licenses and assist Liberty management in assuring compliance with FCC regulations. Pepper & Corazzini became aware in April 1993 that Liberty had in certain instances initiated microwave service prior to obtaining licenses but never communicated this fact to any

Liberty officer. Instead, Pepper & Corazzini cryptically informed Liberty of the need to comply with FCC licensing regulations. At the same time, Pepper & Corazzini's practices exacerbated the apparent confusion at Liberty about licensing procedures and about which license or STA authorized which path. These practices included having Liberty's engineer sign license applications in blank, failing to identify for Liberty which microwave paths were covered by granted STAs and failing to prepare a regular report to "accurately audit what licenses Liberty has requested and which have been provided," a report which Liberty had asked Pepper & Corazzini to prepare.

- While the Company took actions evidencing its intention to comply with FCC licensing regulations, throughout this period, there was no continuing, effective internal supervision or oversight of the licensing process. However, when evidence of licensing problems began to emerge in April and May of 1995, the Company moved aggressively to investigate the problem and take remedial action.

- As President of Liberty, Mr. Price had overall responsibility for operations, including licensing. Mr. Price understood the importance of the 18 GHz licenses and the need to track their progress. While attempts were made by Mr. Price to assure compliance with FCC rules, it does not appear that he sufficiently monitored the status of FCC authorizations.

- While Liberty recognizes that the FCC's inability to promptly respond to Liberty's licensing requests (necessary to provide competition to Time Warner in the provision of programming services) does not justify Liberty's actions, had the Commission been more responsive to Liberty applications, many of the paths could have been authorized at the time they were activated.

As stated previously, the investigating firms have prepared an FCC Licensing Compliance Program, which is being implemented by the Company and is attached as Exhibit A.

LIBERTY CABLE COMPANY, INC.
FCC LICENSING COMPLIANCE PROGRAM

In order to insure that Liberty Cable Company, Inc. ("Liberty") complies with all applicable laws and FCC rules and regulations relating to the licensing of 18 GHz microwave transmission paths, Liberty retained Constantine & Partners to formulate a compliance program that would:

(a) define the procedures to be followed by Liberty to obtain FCC authorization to transmit over 18 GHz microwave paths;

(b) create a training program that would insure that all relevant Liberty employees understood the steps involved in the FCC licensing procedure and all surrounding laws, rules, and regulations;

(c) create a reporting procedure so that any violations of applicable laws, rules, or regulations or Liberty's own procedures would immediately be reported to both a Liberty supervisor and a designated FCC Compliance Officer; and

(d) create an audit process so that Liberty can verify that it is satisfying the procedures created in this document.

I. License Acquisition Procedures To Be Followed By Liberty

A. General Rules and Procedures

1. No Liberty employee will be permitted to initiate any 18 GHz transmission over a microwave path until the FCC Compliance Officer (hereinafter "the Officer") has signed the FCC Path License Check List (the "Check List," a copy is attached as Exhibit 1), certifying that all necessary steps have been completed and that either a license or a Certificate of Special Temporary Authority ("STA") (collectively FCC "Authorization") has been obtained authorizing service on such microwave path.

2. The Officer shall be selected by the Chairman of Liberty and shall report directly to the Chairman. The Officer may have other duties within Liberty.