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**Betsy J. Brady, Esq.**  
Federal Government Affairs  
Vice President

Suite 1000  
1120 20th Street, N.W.  
Washington, DC 20036  
202 457-3824  
FAX 202 457-2545  
EMAIL betbrady@lga.att.com

January 12, 1999

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 Twelfth Street, SW, Room TWB-204  
Washington, D.C. 20554

RE: Ex Parte Meeting  
In the Matter of Applications for Transfer of Control to AT&T Corp. ("AT&T") of  
Licenses and Authorizations Held by Tele-Communications, Inc. ("TCI")  
CS Docket No. 98-178

Dear Ms. Roman Salas:

At the request of the Commission staff, attached for inclusion in the record for the above-referenced proceeding is an article from The Wall Street Journal. The description in this article of the equipment purchase by AT&T is accurate. It should be noted, however, that in addition to the contingency cited in this article with respect to the \$850 million portion of the purchase – the closing of the AT&T/TCI merger – there are other contingencies included in the contract as well which are typical of those found in contracts of this type and size.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(2) of the Commission's rules.

Sincerely,

A handwritten signature in black ink that reads "Betsy J. Brady".

Attachment

cc: Royce Dickens

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# THE WALL STREET JOURNAL

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## AT&T Set to Purchase Equipment To Deliver Service on TCI's Lines

By REBECCA BLUMENSTEIN  
And LESLIE CAULEY

Staff Reporters of THE WALL STREET JOURNAL

NEW YORK—In an unusual move, AT&T Corp. has committed to buy as much as \$900 million of equipment to deliver telephone service over Tele-Communications Inc.'s cable-TV lines, even though the phone company's landmark purchase of the cable giant hasn't been completed.

The contract calls for AT&T to ultimately buy enough cable-telephone equipment to serve more than two million homes throughout TCI's sprawling nationwide cable network. The order, with Antec Corp. and its Arris Interactive joint venture with Northern Telecom Ltd., calls for an initial equipment order valued at \$50 million that will begin shipping immediately. The remaining \$850 million in orders are contingent upon the AT&T-TCI deal closing.

The contract is part of what is expected to be a multibillion-dollar investment by AT&T to ready TCI's cable lines to deliver voice, Internet and interactive video.

AT&T's willingness to proceed with at least part of that investment right now indicates its desire for the deal to close as quickly as possible once it is approved, said Thomas Egan, an analyst with PaineWebber Inc. "It's a good move on their part. It signals to the market that they are going ahead full steam with this merger."

TCI had promised AT&T it would have

at least 10% of its system upgraded by the time the \$31.8 billion deal closes next year. It now appears to some that TCI, which has a reputation for getting others to finance its projects, may be getting some early help from AT&T. Executives at Denver-based TCI couldn't be reached for comment last night.

AT&T said it had no comment on Antec's announcement, citing a "quiet period" the company has invoked since the TCI deal was announced.

The equipment, which is already being used by a number of other big cable companies including Cox Communications Inc., allows cable companies to turn their video-only lines into ones capable of providing phone service.

However, people close to the company say that AT&T justifies the early purchase because the equipment is crucial to its plans to deliver phone service over TCI's lines. AT&T had never expected TCI to purchase such equipment, these people say. Moreover, AT&T is battling widespread skepticism that it can deliver high-quality phone service over cable.

People close to the situation say the equipment will be used in a handful of markets to test the technology, with an eye toward ramping up quickly once the deal closes. In the event the AT&T-TCI merger falls through, AT&T will be liable for the initial \$50 million order.

*[Handwritten notes and scribbles at the bottom of the page, including the name "Blumenstein" and other illegible text.]*