the business and affairs of the group following the merger. A majority of Liberty Media Corporation's Board of Directors will consist of individuals designated by TCI prior to the merger. If these individuals or their designated successors cease to constitute a majority of Liberty Media Corporation's Board, Liberty Media Corporation will transfer the assets and businesses of the New Liberty Media Group to a new entity. This new entity will be owned substantially by AT&T but will be controlled by persons other than those designated by AT&T. In addition, AT&T will form a new committee of AT&T's Board of Directors, comprised of Dr. Malone and two outside AT&T directors, to oversee the interaction between the New Liberty Media Group and the other assets and businesses of AT&T.

Dividends

Following the merger, AT&T expects to continue to pay its regular quarterly dividend on AT&T common stock at its current rate, subject to any change that AT&T's Board of Directors may determine. AT&T does not expect any dividends to be paid on New Liberty Media Group tracking stock for the foreseeable future.

Markets and Market Prices (see page 18)

The shares of AT&T common stock are listed on the New York Stock Exchange (the **NYSE**) under the symbol "T." The shares of TCI Group tracking stock are listed on the Nasdaq National Market tier of The Nasdaq Stock Market (**NASDAQ/NM**) under the symbols "TCOMA" and "TCOMB," respectively. On June 23, 1998, the last trading date prior to the public announcement of the proposed transactions, AT&T common stock closed at $65.3750 per share, TCI Group Series A tracking stock closed at $38.6875 per share and TCI Group Series B tracking stock closed at $38.1250 per share. On January 6, 1999, AT&T common stock closed at $82.8125 per share, TCI Group Series A tracking stock closed at $61.0625 per share and TCI Group Series B tracking stock closed at $67.00 per share.

The shares of the Liberty Media Group tracking stock and TCI Ventures Group tracking stock are listed on NASDAQ/NM under the symbols "LBTYA," "LBTYB," "TCIVA" and "TCIVB," respectively. On June 23, 1998, the last trading date prior to the public announcement of the proposed combination of the Liberty Media Group and the TCI Ventures Group, Liberty Media Group Series A tracking stock closed at $36.0625 per share, Liberty Media Group Series B tracking stock closed at $36.3750 per share, TCI Ventures Group Series A tracking stock closed at $17.3750 per share and TCI Ventures Group Series B tracking stock closed at $17.1250 per share. On January 6, 1999, Liberty Media Group Series A tracking stock closed at $45.8125 per share, Liberty Media Group Series B tracking stock closed at $45.8750 per share, TCI Ventures Group Series A tracking stock closed at $23.00 per share and TCI Ventures Group Series B tracking stock closed at $22.75 per share.

You may obtain more recent stock price quotes from most newspapers or other financial sources.

Selected Historical and Pro Forma Financial Information

Historical Financial Information

We are providing or incorporating by reference in this proxy statement/prospectus selected historical financial information for the following companies or businesses to help you in your analysis of the financial aspects of the proposed transactions:

- AT&T;
- TCI;
- TCI Group; and

- Liberty/Ventures Group (representing the combined financial position and results of operations of the proposed Liberty/Ventures Group).

We derived this information from the audited and unaudited financial statements of AT&T and TCI for the periods presented. The information is only a summary and you should read it together with the financial information included or incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information" on page 19.

Unaudited Pro Forma Condensed Financial Information

We are also providing unaudited pro forma condensed financial information in this proxy statement/prospectus to show you how the following companies or businesses might have looked if the merger, the merger-related transactions and the Liberty/Ventures combination had been completed as of the dates or at the beginning of the periods presented:

- AT&T; and
- New Liberty Media Group.

The pro forma financial information was prepared using the purchase method of accounting, with AT&T treated as the acquirer.

If we had actually completed these transactions in prior periods, these companies and businesses might have performed differently. You should not rely on the pro forma financial information as an indication of the results that we would have achieved if the transactions had taken place earlier or the future results that the companies will experience after completion of the transactions.

Merger-Related Expenses

AT&T and TCI estimate that the merger will result in fees and expenses totaling approximately $250 million, which are reflected in the AT&T pro forma financial information. After the merger, the AT&T Common Stock Group may also incur charges and expenses relating to integrating the operations of the TCI Group. We did not adjust the pro forma information for all of these charges and expenses or for any operating efficiencies that the companies may realize as a result of the merger.

Selected Historical Financial Information

AT&T

In the table below, we provide you with selected historical consolidated financial data of AT&T. We prepared this information using the consolidated financial statements of AT&T as of the dates indicated and for each of the fiscal years in the five-year period ended December 31, 1997 and for the nine-month periods ended September 30, 1998 and 1997. We derived the consolidated income statement data below for each of the three years ended December 31, 1997 and the consolidated balance sheet data at December 31, 1997 and 1996 from financial statements audited by PricewaterhouseCoopers LLP, independent accountants. We derived the remaining data from unaudited consolidated financial statements.

	At or for the Nine Months Ended September 30,		At or for the Year Ended December 31,				
	1998[1]	1997	1997	1996	1995[2]	1994	1993[3]
	(In millions, except per share amounts) (Unaudited)						
Income Statement Data:							
Revenues	$39,695	$38,674	$51,577	$50,688	$48,449	$46,063	$43,779
Operating income	4,144	4,845	6,836	8,709	5,169	7,393	6,556
Income from continuing operations before extraordinary losses and cumulative effects of accounting changes	3,151	2,998	4,249	5,458	2,981	4,230	3,768
Income before extraordinary losses and cumulative effects of accounting changes	4,451	3,153	4,415	5,793	85	4,680	3,684
Net income (loss)	$ 4,314	$ 3,153	$ 4,415	$ 5,793	$ 85	$ 4,680	$ (5,924)
Weighed average common shares and potential common shares	1,810	1,784	1,789	1,767	1,741	1,714	1,697
Per common share—basic:							
Income from continuing operations before extraordinary losses and cumulative effects of accounting changes	$ 1.76	$ 1.69	$ 2.39	$ 3.10	$ 1.72	$ 2.48	$ 2.23
Net income (loss)	2.40	1.77	2.48	3.29	0.05	2.74	(3.51)
Per common share—diluted:							
Income from continuing operations before extraordinary losses and cumulative effects of accounting changes	1.74	1.69	2.38	3.09	1.71	2.47	2.22
Net income (loss)	2.38	1.77	2.47	3.28	0.05	2.73	(3.49)
Cash dividends declared per common share	0.99	0.99	1.32	1.32	1.32	1.32	1.32
Balance Sheet Data:							
Total assets	$58,161	$58,568	$61,095	$57,348	$62,864	$57,817	$50,388
Long-term debt, including capital leases	6,079	8,149	7,857	8,878	8,913	9,138	10,317
Shareowners' equity	24,067	22,736	23,678	21,092	17,400	18,100	13,583

(1) 1998 net income includes $1.8 billion of restructuring and other charges, and a $137 million extraordinary charge, or $0.07 per diluted share, for the early retirement of debt.

(2) 1995 net income includes $5.4 billion of restructuring and other charges.

(3) 1993 net income reflects a $9.6 billion net charge for three accounting changes.

TCI

In the table below, we provide you with selected historical consolidated financial data of TCI. We prepared this information using the consolidated financial statements of TCI as of the dates indicated and for each of the fiscal years in the five-year period ended December 31, 1997 and for the nine-month periods ended September 30, 1998 and 1997. We derived the consolidated income statement data below for each of the years in the three-year period ended December 31, 1997 and the consolidated balance sheet data at December 31, 1997 and 1996 from financial statements audited by KPMG LLP, independent accountants.

When you read the selected historical financial information, you should consider reading along with it the historical financial statements and accompanying notes that TCI has included in its December 31, 1997 Annual Report on Form 10-K. You can obtain this report by following the instructions we provide under "Where You Can Find More Information" on page 19.

	At or for the Nine Months Ended September 30,		At or for the Year Ended December 31,				
	1998[5]	1997	1997[5]	1996	1995	1994	1993
	(In millions, except per share amounts) (Unaudited)						
Income Statement Data:							
Revenues	$ 5,510	5,637	7,570	8,022	6,506	4,682	3,977
Operating income	$ 323	824	849	632	542	788	916
Net income (loss)	$ 1,387	(234)	(561)	292	(183)	91	(13)
Weighted average common shares and potential common shares:							
TCI Class A and Class B common stock	—	—	—	—	648[1]	541	433
TCI Group tracking stock	600	670	632	665	656[2]	—	—
Liberty Media Group tracking stock	392	409	366	374	369[2]	—	—
TCI Ventures Group tracking stock	452	435[4]	410[3]	—	—	—	—
Net income (loss) per common share—basic:							
TCI Class A and Class B common stock	$ —	—	—	—	(.12)[1]	.15	(.03)
TCI Group tracking stock	$ .25	(.71)	(.85)	(1.20)	(.17)[2]	—	—
Liberty Media Group tracking stock	$ .64	.50	.34	2.82	(.07)[2]	—	—
TCI Ventures Group tracking stock	$ 2.40	.07[4]	(.47)[3]	—	—	—	—
Net income (loss) per common share—diluted:							
TCI Class A and Class B common stock	$ —	—	—	—	(.12)[1]	.15	(.03)
TCI Group tracking stock	$ .22	(.71)	(.85)	(1.20)	(.17)[2]	—	—
Liberty Media Group tracking stock	$ .58	.45	.31	2.58	(.07)[2]	—	—
TCI Ventures Group tracking stock	$ 2.24	.07[4]	(.47)[3]	—	—	—	—
Cash dividends declared per common share	$ —	—	—	—	—	—	—
Balance Sheet Data:							
Total assets	$36,573	32,091	32,477	30,169	25,429	19,148	16,351
Debt, including capital leases	$14,895	15,153	15,250	14,926	13,211	11,162	9,900
Shareowners' equity	$ 7,316	4,660	4,506	4,178	4,461	2,578	2,010

(1) From January 1, 1995 through August 10, 1995, the date of the transactions that resulted in the creation of TCI Group tracking stock and Liberty Media Group tracking stock.

(2) From August 10, 1995, the date of the transactions that resulted in the creation of TCI Group tracking stock and Liberty Media Group tracking stock, through December 31, 1995.

(3) From September 10, 1997, the date TCI Ventures Group tracking stock was first issued, through December 31, 1997.

(4) From September 10, 1997, the date TCI Ventures Group tracking stock was first issued, through September 30, 1997.

(5) TCI has restated its consolidated financial statements for the indicated periods to record non-cash costs of certain distribution agreements as assets to be amortized over the exclusivity periods set forth in the respective distribution agreements. Such non-cash costs had originally been expensed in the period that the underlying warrants had become exercisable. This restatement resulted in increases to total assets of $208 million and $164 million at September 30, 1998 and December 31, 1997, respectively, and increases to shareowners' equity of $82 million and $65 million at September 30, 1998 and December 31, 1997, respectively. In addition, the restatement resulted in a $17 million increase to net income for the nine months ended September 30, 1998, a $65 million decrease to net loss for the year ended December 31, 1997, a $.04 increase to basic and diluted net income attributable to common stockholders per share of TCI Ventures Group tracking stock for the nine months ended September 30, 1998, and a $.15 decrease to basic and diluted net loss attributable to common stockholders per share of TCI Ventures Group tracking stock for the year ended December 31, 1997.

TCI Group

In the table below, we provide you with selected historical combined financial data of the TCI Group. We prepared this information using the combined financial statements of the TCI Group as of the dates indicated and for each of the fiscal years in the three-year period ended December 31, 1997 and for the nine-month periods ended September 30, 1998 and 1997. We derived the combined income statement data below for each of the years in the three-year period ended December 31, 1997 and the combined balance sheet data at December 31, 1997 and 1996 from financial statements audited by KPMG LLP, independent accountants. We derive the data as of and for the nine months ended September 30, 1998 and 1997 from unaudited combined financial statements.

When you read the selected historical information of the TCI Group, you should consider reading along with it the historical combined financial statements and accompanying notes of the TCI Group that TCI has included in its December 31, 1997 Annual Report on Form 10-K. You can obtain this report by following the instructions we provide under "Where You Can Find More Information" on page 19.

	At or for the Nine Months Ended September 30,		At or for the Year Ended December 31,		
	1998	1997	1997	1996	1995
	(In millions, except per share amounts) (Unaudited)				
Combined Income Statement Data:					
Revenues	$ 4,560	4,779	6,429	5,881	4,827
Operating income	$ 602	904	1,147	596	686
Net income (loss)	$ 148	(448)	(495)	(764)	(156)
Weighted average common shares and potential common shares	600	670	632	665	656 [1]
Net income (loss) per common share—basic	$ .25	(.71)	(.85)	(1.20)	(.17)[1]
Net income (loss) per common share—diluted	$ .22	(.71)	(.85)	(1.20)	(.17)[1]
Cash dividends declared per common share	—	—	—	—	—
Combined Balance Sheet Data:					
Total assets	$22,286	23,767	23,578	22,819	19,529
Debt, including capital leases	$12,250	14,188	14,106	14,319	12,690
Combined equity (deficit)	$ (382)	(611)	(802)	(764)	468

(1) From August 10, 1995, the date of the transactions that resulted in the creation of TCI Group tracking stock and Liberty Media Group tracking stock, through December 31, 1995.

Liberty/Ventures Group

In the table below, we provide you with selected historical combined financial data of the Liberty/Ventures Group. We prepared this information using the combined financial statements of the Liberty/Ventures Group as of September 30, 1998, December 31, 1997 and 1996 and for each of the fiscal years in the three-year period ended December 31, 1997 and for the nine-month periods ended September 30, 1998 and 1997. We derived the combined income statement data below for each of the years in the three-year period ended December 31, 1997 and the combined balance sheet data at December 31, 1997 and 1996 from financial statements audited by KPMG LLP, independent accountants. We derive the remaining data from unaudited combined financial statements.

When you read the selected historical information of the Liberty/Ventures Group, you should consider reading along with it the historical combined financial statements and accompanying notes of the Liberty/Ventures Group that TCI has included in its Current Report on Form 8-K filed on January 7, 1999.

	At or for the Nine Months Ended September 30,		At or for the Year Ended December 31,		
	1998(1)	1997	1997(1)	1996	1995
	(In millions, except per share amounts) (Unaudited)				
Combined Income Statement Data:					
Revenues	$ 1,137	972	1,299	2,237	1,752
Operating income (loss)	$ (274)	(80)	(298)	36	(144)
Net income (loss)	$ 1,238	(130)	(411)	798	4
Cash dividends declared per common share	—	—	—	—	—
Combined Balance Sheet Data:					
Total assets	$14,375		8,927	7,356	
Debt, including capital leases	$ 2,646		1,144	728	
Combined equity	$ 7,699		5,309	4,945	

(1) Liberty/Ventures Group has restated its combined financial statements to record non-cash costs of certain distribution agreements as assets to be amortized over the exclusivity periods set forth in the respective distribution agreements. Such non-cash costs had originally been expensed in the period that the underlying warrants had become exercisable. This restatement resulted in increases to total assets of $208 million and $164 million at September 30, 1998 and December 31, 1997, respectively, and increases to combined equity of $82 million and $65 million at September 30, 1998 and December 31, 1997, respectively. In addition, the restatement resulted in a $17 million increase to net income for the nine months ended September 30, 1998, a $65 million decrease to net loss for the year ended December 31, 1997, a $.04 increase to basic and diluted net earnings attributable to common stockholders per share of TCI Ventures Group tracking stock for the nine months ended September 30, 1998 and a $.15 decrease to basic and diluted net loss attributable to common stockholders per share of TCI Ventures Group tracking stock for the nine months ended September 30, 1998.

Selected Pro Forma Condensed Financial Information

AT&T

In the table below, we provide you with unaudited selected pro forma condensed financial information for AT&T as if the merger, certain merger-related asset transfers and the charter amendments relating to the Liberty/Ventures combination had been completed on January 1 of the period being presented for income statement purposes and on September 30, 1998 for balance sheet purposes. Because AT&T will not obtain a "controlling financial interest" in the New Liberty Media Group, the New Liberty Media Group has been reflected as an equity method investment in the pro forma financial statements.

This unaudited selected pro forma condensed financial information should be read in conjunction with the separate historical financial statements and accompanying notes of AT&T that are incorporated by reference in this proxy statement/prospectus. It is also important that you read the unaudited pro forma condensed financial information and accompanying discussion that we have included in this proxy statement/prospectus starting on page 81 under "Unaudited Pro Forma Condensed Financial Information." You should not rely on the unaudited selected pro forma financial information as an indication of the results of operations or financial position that would have been achieved if the merger, certain merger-related asset transfers and the charter amendments related to the Liberty/Ventures combination had taken place earlier or of the results of operations or financial position of AT&T after the completion of such transactions.

	Nine Months Ended September 30, 1998[1]	Year Ended December 31, 1997[2]
	(In millions, except per share data)	
Unaudited Pro Forma Condensed Income Statement Data:		
Revenues	$ 44,375	$58,156
Operating income	4,106	7,196
Net income attributable to common shareowners	$ 1,901	$ 2,101
Weighted average shares and potential common shares of AT&T common stock	2,215	2,189
Net income per AT&T common share—basic	$ 1.17	$ 1.44
Net income per AT&T common share—diluted	$ 1.14	$ 1.40
Weighted average shares of New Liberty Media Group tracking stock	585	585
Net loss per New Liberty Media Group tracking share—basic	$ (1.04)	$ (1.63)

	September 30, 1998
Unaudited Pro Forma Condensed Balance Sheet Data:	
Total assets	$134,806
Long-term debt, including capital leases	22,349
Shareowners' equity—AT&T	46,271
Shareowners' equity—New Liberty Media Group	$ 22,686

(1) 1998 net income for AT&T, on a pro forma basis, includes $2.1 billion of restructuring and other charges.

(2) 1997 net income for AT&T, on a pro forma basis, includes $0.2 billion of restructuring and other charges.

New Liberty Media Group

In the table below, we provide you with unaudited selected pro forma financial information for the New Liberty Media Group as if the merger, certain merger-related asset transfers and the charter amendments relating to the Liberty/Ventures combination had been completed on January 1 for the period being presented for income statement purposes and on September 30, 1998 for balance sheet purposes.

This unaudited selected pro forma financial information should be read in conjunction with the separate historical combined financial statements and accompanying notes of the Liberty/Ventures Group that are included in TCI's Current Report on Form 8-K filed on January 7, 1999. It is also important that you read the unaudited pro forma condensed financial information and accompanying discussion that we have included in this proxy statement/prospectus starting on page 81 under "Unaudited Pro Forma Condensed Financial Information." You should not rely on the unaudited selected pro forma financial information as an indication of the results of operations or financial position that would have been achieved if the merger, certain merger-related asset transfers and the charter amendments related to the Liberty/Ventures combination had taken place earlier or of the results of operations or financial position of the New Liberty Media Group after the completion of such transactions.

	Nine Months Ended September 30, 1998	Year Ended December 31, 1997
	(In millions, except per share data)	
Unaudited Pro Forma Condensed Combined Income Statement Data:		
Revenues	$ 1,022	1,176
Operating loss	$ (323)	(422)
Net loss	$ (606)	(951)
Weighted average shares and potential common shares of New Liberty Media Group	585	585
Basic and diluted loss attributable to common shareholders per common share	$ (1.04)	(1.63)

	September 30, 1998
Unaudited Pro Forma Condensed Combined Balance Sheet Data:	
Total assets	$29,533
Debt and capital lease obligations	$ 150
Total combined equity	$22,686

Unaudited Comparative Per Share Data

In the table below, we provide you with historical and pro forma per share financial information as of and for the nine months ended September 30, 1998 and for the year ended December 31, 1997. The pro forma financial information assumes that the merger, certain merger-related asset transfers and the charter amendments relating to the Liberty/Ventures combination had been completed on January 1 for the period being presented and on September 30, 1998 for balance sheet purposes.

It is important that when you read this information, you read along with it the financial statements and accompanying notes of AT&T, TCI, the Liberty Media Group and the TCI Ventures Group included in the documents described on page 19 of this proxy statement/prospectus under "Where You Can Find More Information." It is also important that you read the pro forma condensed financial information and accompanying discussion and notes that we have included in this proxy statement/prospectus starting on page 81 under "Unaudited Pro Forma Condensed Financial Information." You should not rely on the pro forma financial information as an indication of the results of operations or financial position that would have been achieved if the merger, certain merger-related asset transfers and the charter amendments relating to the Liberty/Ventures combination had taken place earlier or the results of AT&T and the Liberty/Ventures Group after the completion of such transactions.

	AT&T Common Stock		TCI Group Tracking Stock		
	Historical	Pro Forma[1]	Historical	Equivalent Pro Forma for TCI Group Series A Tracking Stock[2]	Equivalent Pro Forma for TCI Group Series B Tracking Stock[3]
Book value per share:					
September 30, 1998	$13.72	$21.60	$(.73)	$16.76	$18.43
December 31, 1997	$13.24	20.18	(1.58)	15.65	17.22
Income from continuing operations: Earnings (loss) per share - basic:					
For the nine months ended September 30, 1998	$ 1.76	1.17	.25	.91	1.00
For the year ended December 31, 1997	$ 2.39	1.41	(.85)	1.09	1.20
Income from continuing operations: Earnings (loss) per share - diluted:					
For the nine months ended September 30, 1998	$ 1.74	1.13	.22	.88	.96
For the year ended December 31, 1997	$ 2.38	1.37	(.85)	1.06	1.17

	New Liberty Media Tracking Stock—	TCI Ventures Group Tracking Stock		Liberty Media Group Tracking Stock	
	Pro Forma[1]	Historical[7]	Equivalent Pro Forma[4]	Historical	Equivalent Pro Forma[5]
Book value per share—					
September 30, 1998	$38.78	8.46	20.17	11.55	38.78
December 31, 1997	$38.82	5.70	20.19	8.50	38.82
Basic earnings (loss) attributable to common shareholders per common share:					
For the nine months ended September 30, 1998	$(1.04)	2.40	(.54)	.64	(1.04)
For the year ended December 31, 1997	$(1.63)	(.47)[6]	(.85)	.34	(1.63)
Diluted earnings (loss) attributable to common shareholders per common share:					
For the nine months ended September 30, 1998	$(1.04)	2.24	(.54)	.58	(1.04)
For the year ended December 31, 1997	$(1.63)	(.47)[6]	(.85)	.31	(1.63)

(1) Pro forma information gives effect to the merger, certain merger-related asset transfers and the charter amendments relating to the Liberty/Ventures combination as of and for the period beginning on the dates indicated.

(2) The equivalent pro forma per share data for TCI Group Series A tracking stock is computed by multiplying AT&T's pro forma per share information by the exchange ratio of 0.7757.

(3) The equivalent pro forma per share data for TCI Group Series B tracking stock is computed by multiplying AT&T's pro forma per share information by the exchange ratio of 0.8533.

(4) The equivalent pro forma per share data for TCI Ventures Group tracking stock is computed by multiplying the pro forma information for New Liberty Media tracking stock by the exchange ratio of 0.52.

(5) The equivalent pro forma per share data for Liberty Media Group tracking stock is computed by multiplying the pro forma information for New Liberty Media tracking stock by the merger exchange ratio of 1.0.

(6) From September 10, 1997, the date TCI Ventures Group tracking stock was first issued, through December 31, 1997.

(7) TCI has restated its consolidated financial statements as of and for the nine months ended September 30, 1998, and as of and for the year ended December 31, 1997 to record non-cash costs of certain distribution agreements as assets to be amortized over the exclusivity periods set forth in the respective distribution agreements. Such non-cash costs had originally been expensed in the period that the underlying warrants had become exercisable.

Comparative Per Share Market Price and Dividend Information

The following table sets forth the high and low sale prices for a share of AT&T common stock and for a share of each series of TCI Group tracking stock, Liberty Media Group tracking stock and TCI Ventures Group tracking stock, rounded up to the nearest eighth, and, in the case of AT&T common stock, the dividends declared, for the periods indicated. TCI and its predecessors have never paid any cash dividends with respect to TCI common stock. The prices are, in the case of AT&T common stock, as reported on the NYSE Composite Transaction Tape and, in the case of TCI shares, as reported on NASDAQ/NM, in each case, based on published financial sources.

	AT&T Common Stock[1]			TCI Group Series A Tracking Stock		TCI Group Series B Tracking Stock		Liberty Media Group Series A Tracking Stock		Liberty Media Group Series B Tracking Stock		TCI Ventures Group Series A Tracking Stock		TCI Ventures Group Series B Tracking Stock	
	High	Low	Cash Dividends Per Share	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
1996															
First Quarter	$68⅞	$60⅛	$0.33	$22⅜	$18⅜	$22¾	$18½	$13	$11½	$13⅞	$11⅝	$—	$—	$—	$—
Second Quarter	64⅞	58	0.33	20⅛	17⅜	20½	17½	13⅞	11½	14	12	—	—	—	—
Third Quarter	62⅜	49¼	0.33	18½	13⅛	18	13¾	13⅛	9¼	13¼	10¼	—	—	—	—
Fourth Quarter	44½	33¼	0.33	15	11⅜	15	11⅝	13¼	9⅞	13	10½	—	—	—	—
1997															
First Quarter	41⅞	34⅜	0.33	14⅞	11⅞	14¾	12	15⅞	12	15½	12⅜	—	—	—	—
Second Quarter	38¼	30¾	0.33	17⅛	10¾	18	10¼	18	12½	17⅞	12⅜	—	—	—	—
Third Quarter	45 15/16	34¼	0.33	21⅛	14⅛	22	15½	20⅛	15⅞	19¾	16¼	10¾	9⅝	10⅞	10⅛
Fourth Quarter	63 15/16	43 3/16	0.33	29⅛	19½	29½	21	24⅝	19⅝	25	20¼	14⅞	9⅞	14⅜	10⅛
1998															
First Quarter	68	58⅜	0.33	33⅛	26¼	33½	26¼	35	22⅛	35⅛	23⅜	18	13½	18	13½
Second Quarter	67⅛	56 7/16	0.33	44	30½	47⅞	30¾	40⅛	30⅜	41	31⅜	20¼	15¾	20⅝	15½
Third Quarter	60⅝	50⅛	0.33	42⅝	30⅜	46¾	33½	44	31¾	47¾	33½	22⅛	15⅞	22¾	16⅜
Fourth Quarter	74 3/16	57	0.33	55 5/16	37⅛	62	38⅜	46 1/16	33⅛	47½	34 11/16	23 9/16	16	23¼	16
1999															
First Quarter (through January 6, 1999)	82⅞	77⅞	—	61 1/16	57¼	67	62	45 13/16	45	45⅞	45⅞	23	22¾	22¾	22¾

[1] The AT&T common stock price has not been adjusted to reflect the spin-off stock dividends of (a) .324084 shares of Lucent Technologies, Inc. for each share of AT&T common stock in the third quarter of 1996 or (b) .0625 shares of NCR Corporation for each share of AT&T common stock in the fourth quarter of 1996.

Where You Can Find More Information

AT&T and TCI file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the **SEC**). You may read and copy any reports, statements or other information we file at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from commercial document retrieval services and at the Internet world wide web site maintained by the SEC at *www.sec.gov.*

AT&T filed a Registration Statement on Form S-4 to register with the SEC the AT&T common stock and the New Liberty Media Group tracking stock to be issued to TCI shareholders in the merger (the **Registration Statement**). This proxy statement/prospectus is a part of that Registration Statement and constitutes a prospectus of AT&T, as well as being a proxy statement of each of AT&T and TCI for their respective special meetings.

As allowed by SEC rules, this proxy statement/prospectus does not contain all the information you can find in the Registration Statement or the exhibits to the Registration Statement.

The SEC allows us to "incorporate by reference" information into this proxy statement/prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement/prospectus, except for any information superseded by information contained directly in this proxy statement/prospectus. This proxy statement/prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about our companies and their financial condition.

AT&T SEC Filings (File No. 1-1105)	**Period**
Annual Report on Form 10-K	Year ended December 31, 1997
Quarterly Reports on Form 10-Q	Quarters ended March 31, 1998, June 30, 1998 and September 30, 1998 (as amended on January 8, 1999)
Current Reports on Form 8-K	Filed on January 16, 1998, March 2, 1998, July 6, 1998, October 16, 1998 (as amended on January 8, 1999), October 21, 1998, December 8, 1998 and January 8, 1999
Proxy Statement	Dated March 26, 1998

TCI SEC Filings (File No. 0-20421)	**Period**
Annual Report on Form 10-K	Year ended December 31, 1997 (as amended on January 7, 1999)
Quarterly Reports on Form 10-Q	Quarters ended March 31, 1998, June 30, 1998 (as amended on November 19, 1998) and September 30, 1998
Current Reports on Form 8-K	Filed on February 25, 1998, March 6, 1998 (as amended on June 23, 1998 and June 30, 1998), July 1, 1998, October 22, 1998, December 8, 1998, January 7, 1999 and January 8, 1999
Proxy Statement	Dated April 30, 1998

AT&T and TCI also incorporate by reference into this proxy statement/prospectus additional documents that may be filed with the SEC from the date of this proxy statement/prospectus to the date of the special meetings. These include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

AT&T has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to AT&T and TCI has supplied all such information relating to TCI.

If you are a shareholder, we may have sent you some of the documents incorporated by reference, but you can obtain any of them through us, the SEC or the SEC's Internet world wide web site as described above. Documents incorporated by reference are available from us without charge, excluding all exhibits unless we have specifically incorporated by reference an exhibit in this proxy statement/prospectus. Shareholders may obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses:

AT&T Corp.
32 Avenue of the Americas
New York, New York 10013-2412
Tel: (212) 387-5400
Attn.: Corporate Secretary's Department

Tele-Communications, Inc.
5619 DTC Parkway
Englewood, Colorado 80111-3000
Tel: (303) 267-5500
Attn.: Corporate Secretary

If you would like to request documents from us, please do so by February 9, 1999 to receive them before your special meeting.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus to vote on the transactions. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement/prospectus. This proxy statement/prospectus is dated January 8, 1999. You should not assume that the information contained in the proxy statement/prospectus is accurate as of any date other than that date, and neither the mailing of this proxy statement/prospectus to shareholders nor the issuance of AT&T common stock or New Liberty Media Group tracking stock in the merger shall create any implication to the contrary.

RISK FACTORS RELATING TO THE MERGER

Benefits of Combining AT&T and TCI May Not be Realized

AT&T and TCI entered into the merger agreement with the expectation that the merger will result in certain benefits, including, among other things, acceleration of deployment of new cable telephony services and improvements in revenues and earnings from new services and combined service packages. Achieving the benefits of the merger will depend in part upon the accelerated deployment of services and development of new service packages and there can be no assurance that this will occur. The new telephony and combined package offers to be developed will require substantial attention from management. The diversion of management attention and any difficulties encountered in the transition and integration processes could have an adverse effect on the revenues, levels of expenses and operating results of the combined company. There can be no assurance that the combined company will realize any of the anticipated benefits.

Regulatory Agencies May Impose Conditions on Consents Relating to the Merger

A condition to AT&T's obligation to complete the merger is that AT&T receive all material required regulatory consents and approvals relating to the merger without any material restrictions or conditions. Several parties who have submitted comments to the U.S. Federal Communications Commission (the **FCC**) as part of its review of the merger have advocated that, as a condition to its approval, the FCC require that AT&T and TCI unbundle their cable facilities and make them available to competitors. There can be no assurance that the FCC will not impose such obligations on AT&T and TCI as a condition of its approval of the merger or at some later date. Some of those same parties have advocated to various local franchise authorities, from which consent to the change of control in TCI is required, that they also impose such an unbundling requirement. Although TCI and AT&T firmly believe that such action by a local franchise authority would be unlawful, two local franchise authorities, representing in the aggregate less than .5% of TCI subscribers, already have imposed such a condition. In addition, as of January 6, 1999, other local franchise authorities, representing in the aggregate approximately 7%-8% of TCI subscribers, have indicated that they are considering imposing such a condition. There can be no assurance that others will not impose such a condition. Depending on the nature of any such obligations, such obligations may jeopardize or delay completion of the merger if imposed by the FCC or local franchise authorities as a condition to its approval, or lessen the anticipated benefits of the merger if imposed by the FCC or local franchise authorities as a condition to the merger or at a later date. See "The Proposed Transactions—Regulatory Matters—State and Local Governmental Authorities."

Value of AT&T Stock to be Received in the Merger May Fluctuate

The number of shares of AT&T common stock to be received in the merger for each share of TCI common or preferred stock is fixed. Therefore, because the market price of AT&T common stock is subject to fluctuation, the value at the time of the merger of the consideration to be received by these TCI shareholders will depend on the market price of AT&T common stock at that time. There can be no assurance as to the fair market value at the time of the merger of the consideration to be received by these TCI shareholders. For historical and current market prices of AT&T common stock, see "Summary—Comparative Per Share Market Price and Dividend Information."

Holders of Different Classes of AT&T Stock May Have Competing Interests

After completion of the merger, potential conflicts of interest may arise between holders of AT&T common stock and holders of New Liberty Media Group tracking stock with respect to, among other things, the payment of dividends, asset dispositions, and operational and financial decisions of the AT&T Board. For a description of potential conflicts of interest between the holders of AT&T common stock and the holders of New Liberty Media Group tracking stock, see "The AT&T Tracking Stock Amendment—Special Considerations Relating to the Issuance of Tracking Stock and the Merger."

The Board of Directors of Liberty Media Corporation, a Majority of Which Will Be Individuals Designated by TCI Prior to the Merger, Has the Power to Take Actions That May Not Be in the Best Interests of AT&T or Holders of New Liberty Media Group Tracking Stock

Following the merger, a majority of the Liberty Media Corporation board of directors will be individuals designated by TCI prior to the merger. If these individuals or their designated successors cease to constitute a majority of the Liberty Media Corporation board, a new entity controlled by officers of Liberty Media Corporation has the power to require Liberty Media Corporation to transfer the assets and businesses of the New Liberty Media Group to that new entity.

Subject to its fiduciary duties to AT&T and any other shareholders of Liberty Media Corporation, and to the obligations under an inter-group agreement between AT&T and Liberty Media Corporation, the Liberty Media Corporation board of directors has the power under Delaware law to manage the business and affairs of the corporation. This includes, among other things, the power to: (1) set management compensation, (2) issue shares of stock of Liberty Media Corporation, including preferred shares, (3) repurchase securities, including securities owned by officers or directors of Liberty Media Corporation, (4) cause Liberty Media Corporation to engage in businesses and activities that compete directly with AT&T, or (5) cause Liberty Media Corporation to pursue business opportunities that may also be of interest to AT&T. This creates the risk that the Liberty Media Corporation board could take actions that AT&T does not believe are in the best interests of AT&T or holders of New Liberty Media Group tracking stock. In the event of such actions, AT&T's recourse is limited to making a claim for breach of the fiduciary duties owed by the Liberty Media Corporation board to AT&T in its capacity as a shareholder of Liberty Media Corporation, or a claim under the inter-group agreement if it applies. There is no assurance, however, that AT&T would be able to obtain effective relief by making any such claim.

The Board of Directors of Liberty Media Corporation May Have No Fiduciary Duties to Holders of New Liberty Media Group Tracking Stock

Neither AT&T nor TCI is aware of any legal precedent under Delaware law that would impose on the Liberty Media Corporation board any fiduciary duties directly to holders of New Liberty Media Group tracking stock. For this reason, there is no assurance that holders of New Liberty Media Group tracking stock would be able to pursue a claim for breach of fiduciary duty against the Liberty Media Corporation board for actions taken by that board, even if those actions were not in the best interests of the holders of New Liberty Media Group tracking stock. In the event that AT&T is unwilling to pursue its own claim with respect to such actions, the only recourse available to a holder of New Liberty Media Group tracking stock may be to claim a breach of fiduciary duty against the AT&T board of directors for failing to make a claim on behalf of AT&T against the Liberty Media Corporation board. There is no assurance that any holder of New Liberty Media Group tracking stock would be able to obtain effective relief by making such a claim.

Lack of Certainty that Merger Will be Tax Free

It is a condition to the obligation of each of AT&T and TCI to complete the merger that such party receive a tax opinion from its counsel that provides, among other things, that (a) the merger should be treated for U.S. federal income tax purposes as a "reorganization," (b) no gain or loss should be recognized by a shareholder of TCI as a result of the merger with respect to shares of TCI common stock converted solely into AT&T common stock or New Liberty Media Group tracking stock, and (c) no gain or loss should be recognized by TCI as a result of the merger. There are no Internal Revenue Code provisions, U.S. federal income tax regulations, court decisions or published Internal Revenue Service rulings bearing directly on the treatment of tracking stocks for the above-described U.S. federal income tax purposes and, as a result, it is possible that the Internal Revenue Service could take a position inconsistent with the tax opinions. If the Internal Revenue Service were to take such a position and prevail, then:

- a TCI shareholder would likely recognize gain or loss in an amount equal to the difference between the fair market value on the date of the merger of AT&T common stock and New Liberty Media Group tracking stock that the shareholder receives in the merger and the shareholder's basis in the TCI shares exchanged by the shareholder;

- the shareholder's basis in the shares of AT&T common stock and New Liberty Media Group tracking stock received would likely equal their fair market value on the date of the merger; and

- TCI could possibly recognize gain for U.S. federal income tax purposes equal to the excess of the fair market value of Liberty Media Corporation over TCI's basis in Liberty Media Corporation.

For a description of the material federal income tax consequences of the merger, including counsels' views as to the likelihood that the IRS would prevail if it sought to treat the tracking stocks as property other than stock of AT&T or TCI, respectively, see "The Proposed Transactions—Material Federal Income Tax Consequences."

THE COMPANIES

For your convenience, we have included an index of certain defined terms used in this Proxy Statement/Prospectus. The "Index of Defined Terms" is printed on blue paper towards the end of this Proxy Statement/Prospectus to help you locate it quickly.

AT&T

AT&T is among the world's communications leaders, providing voice, data and video telecommunications services to large and small businesses, consumers and government entities. AT&T and its subsidiaries furnish regional, domestic, international, local and Internet communication transmission services, including cellular telephone and other wireless services. AT&T also provides billing, directory and calling card services to support its communications business.

AT&T was incorporated in 1885 under the laws of the State of New York and has its principal executive offices at 32 Avenue of the Americas, New York, New York 10013-2412 (telephone number 212-387-5400). Internet users can access information about AT&T and its services at *www.att.com.*

As a result of the Merger, AT&T common stock will be divided into two groups, with each group intended to reflect the separate performance of a specified group of assets and businesses of AT&T. The first group, AT&T Common Stock, is intended to reflect the performance of the "**AT&T Common Stock Group**," which will consist of the combined AT&T and the TCI Group. The second group, New Liberty Media Group Tracking Stock, is intended to reflect the performance of the "**New Liberty Media Group**," which will consist of all of the businesses conducted by the Liberty/Ventures Group after giving effect to the Liberty/Ventures Combination and the Asset Transfers described in this Proxy Statement/Prospectus.

Italy Merger Corp.

Italy Merger Corp. ("**Merger Sub**") is a Delaware corporation formed by AT&T in June 1998 solely for the purpose of being merged with and into TCI and is wholly owned by AT&T. The mailing address of Merger Sub's principal executive offices is c/o AT&T Corp., 32 Avenue of the Americas, New York, New York 10013-2412 (telephone number 212-387-5400).

TCI

TCI, through its subsidiaries and affiliates, engages principally in the construction, acquisition, ownership and operation of cable television systems and the provision of satellite-delivered video entertainment, information and home shopping programming services to various video distribution media, principally cable television systems. TCI also has investments in cable and telecommunications operations and television programming in certain international markets, as well as investments in companies and joint ventures involved in developing and providing programming for new television and telecommunications technologies. TCI is a Delaware corporation and was incorporated in 1994. TCI Communications, Inc., a subsidiary of TCI, and its predecessors have been engaged in the cable television business since the early 1950's.

TCI has its principal offices at Terrace Tower II, 5619 DTC Parkway, Englewood, Colorado 80111-3000 (telephone number 303-267-5500).

TCI common stock is currently divided into three groups, with each group intended to reflect the separate performance of a specified group of assets and businesses of TCI. TCI Group tracking stock is intended to reflect the separate performance of the "**TCI Group,**" which consists primarily of TCI's domestic cable television and information distribution business, including the ownership and operation of various cable television systems, as well as TCI's minority interests in various partnerships owning and operating cable television systems.

The Liberty Media Group tracking stock is intended to reflect the separate performance of the "**Liberty Media Group,**" which consists primarily of TCI's assets and business relating to production, acquisition and distribution through all available formats and media of branded entertainment, educational and informational programming and software, including multimedia products, and electronic retailing, direct marketing, advertising sales relating to programming services, infomercials and transaction processing.

TCI Ventures Group tracking stock is intended to reflect the separate performance of the "**TCI Ventures Group,**" which is comprised of TCI's principal international assets and businesses and substantially all of TCI's non-cable and non-programming assets.

THE PROPOSED TRANSACTIONS

Special Meetings to Vote on the Proposed Transactions

AT&T and TCI are furnishing this Proxy Statement/Prospectus to their shareholders in connection with the solicitation of proxies by AT&T for use at the AT&T Special Meeting and the solicitation of proxies by TCI for use at the TCI Special Meeting.

The AT&T Special Meeting will be held at the Meadowlands Exposition Center, 355 Plaza Drive, Secaucus, New Jersey, on Wednesday, February 17, 1999, at 8:00 a.m. local time. At the AT&T Special Meeting, AT&T shareholders will be asked to vote upon the "**AT&T Merger Proposal,**" which is a proposal to approve the issuance of shares of:

- common stock, par value $1.00 per share, of AT&T ("**AT&T Common Stock**");
- Class A Liberty Media Group common stock, par value $1.00 per share, of AT&T ("**New Liberty Media Group Class A Tracking Stock**"); and
- Class B Liberty Media Group common stock, par value $1.00 per share, of AT&T ("**New Liberty Media Group Class B Tracking Stock**" and together with New Liberty Media Group Class A Tracking Stock, "**New Liberty Media Group Tracking Stock**")

in the merger of a subsidiary of AT&T with and into TCI (the "**Merger**"), and to approve and adopt the "**AT&T Tracking Stock Amendment,**" an amendment to the AT&T Charter to authorize the creation of New Liberty Media Group Tracking Stock.

The TCI Special Meeting will be held at TCI's National Digital Television Center, 4100 East Dry Creek Road, Littleton, Colorado, on Wednesday, February 17, 1999, at 10:00 a.m. local time. At the TCI Special Meeting, TCI shareholders will be asked to vote upon:

- The "**Liberty/Ventures Combination Proposal,**" a proposal to approve and adopt the "**TCI Charter Amendment,**" an amendment to the TCI Charter that effects the Liberty/Ventures Combination. Specifically, this includes:
  - — reclassifying each share of Series A TCI Ventures Group common stock, par value $1.00 per share, of TCI ("**TCI Ventures Group Series A Tracking Stock**") and Series B TCI Ventures Group common stock, par value $1.00 per share, of TCI ("**TCI Ventures Group Series B Tracking Stock**" and together with TCI Ventures Group Series A Tracking Stock, "**TCI Ventures Group Tracking Stock**") as 0.52 of a share of the corresponding series of Liberty/Ventures Group Tracking Stock;
  - — providing that the number of authorized shares of Liberty/Ventures Group Tracking Stock following the Liberty/Ventures Combination will be equal to the sum of the number of authorized shares of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock currently authorized; and
  - — amending the definition of the Liberty Media Group to include the assets and businesses of the TCI Ventures Group;
- The "**Increased Authorization Proposal,**" a proposal, conditioned upon approval of the Liberty/Ventures Combination Proposal, to increase the number of authorized shares of Series A Liberty Media Group common stock, par value $1.00 per share ("**Liberty Media Group Series A Tracking Stock**"), and Series B Liberty Media Group common stock, par value $1.00 per share ("**Liberty Media Group Series B Tracking Stock**" and together with the Liberty Media Group Series A Tracking Stock, "**Liberty Media Group Tracking Stock**"), of TCI; and
- The "**TCI Merger Proposal,**" a proposal to approve and adopt the Agreement and Plan of Restructuring and Merger, dated as of June 23, 1998, among AT&T, Merger Sub, and TCI (the "**Merger Agreement**") pursuant to which TCI would become a wholly owned subsidiary of AT&T (the TCI Merger Proposal, the Liberty/Ventures Combination Proposal and the Increased Authorization Proposal are collectively referred to as the "**TCI Proposals**").

Structure of the Transactions

Shareholder approval is needed to enable AT&T and TCI to proceed with the Merger and the Liberty/Ventures Combination (collectively, the "**Transactions**"), which will consist of the following steps:

Merger

Merger Sub will merge with and into TCI, with TCI being the Surviving Corporation in the Merger and becoming a wholly owned subsidiary of AT&T. Prior to, but conditioned upon, the closing of the Merger (the "**Closing**"), the Liberty/Ventures Group (or the TCI Ventures Group in the event the Liberty/Ventures Combination has not become effective prior to the Merger) will transfer or attribute to the TCI Group its entire interest in the following assets (collectively, the "**Asset Transfers**"):

- At Home Corporation ("**@Home**");
- National Digital Television Center, Inc. ("**NDTC**");
- 46,952,832 shares of AT&T Common Stock received by the TCI Ventures Group in exchange for its shares of Teleport Communications Group Inc. ("**Teleport**") in the merger of Teleport with a subsidiary of AT&T (the "**Teleport Merger**"); and
- Western Tele-Communications, Inc. ("**WTCI**").

In exchange for the Asset Transfers, the TCI Group will pay the Liberty/Ventures Group (or the TCI Ventures Group if the Liberty/Ventures Combination has not already occurred) an aggregate of approximately

$5.5 billion in cash. In addition, following the Merger, the New Liberty Media Group will become entitled to the U.S. federal income tax benefits of any net operating tax loss carryforwards possessed by TCI at the time of the Merger (which TCI estimates to be approximately $1.6 billion at September 30, 1998).

In connection with the Merger:

- each share of Series A TCI Group common stock, par value $1.00 per share, of TCI (''**TCI Group Series A Tracking Stock**'') will be exchanged for 0.7757 of a share of AT&T Common Stock;
- each share of Series B TCI Group common stock, par value $1.00 per share, of TCI (''**TCI Group Series B Tracking Stock**'' and together with TCI Group Series A Tracking Stock, ''**TCI Group Tracking Stock**'') will be exchanged for 0.8533 of a share of AT&T Common Stock (together with the exchange ratio described in the preceding bullet, the ''**TCI Group Exchange Ratios**'');
- each share of Liberty Media Group Series A Tracking Stock (following the Liberty/Ventures Combination, referred to as ''**Liberty/Ventures Group Series A Tracking Stock**'') will be exchanged for one share of New Liberty Media Group Class A Tracking Stock and each share of Liberty Media Group Series B Tracking Stock (following the Liberty/Ventures Combination, referred to as ''**Liberty/Ventures Group Series B Tracking Stock**'' and together with Liberty/Ventures Group Series A Tracking Stock, ''**Liberty/Ventures Group Tracking Stock**'') will be exchanged for one share of New Liberty Media Group Class B Tracking Stock (collectively, the ''**Liberty/Ventures Group Exchange Ratios**'');
- each share of Class B 6% Cumulative Redeemable Exchangeable Preferred Stock of TCI (''**TCI Class B Preferred Stock**'') will remain outstanding as one share of Class B junior preferred stock of the Surviving Corporation;
- each share of preferred stock, par value $.01 per share, of TCI (''**TCI Preferred Stock**'') that is convertible into TCI Group Tracking Stock or Liberty/Ventures Group Tracking Stock after the Liberty/Ventures Combination is effected (collectively, the ''**TCI Convertible Preferred Stock**''), other than any shares with respect to which appraisal rights are perfected under the Delaware General Corporation Law (the ''**DGCL**''), will be exchanged for that number of shares of AT&T Common Stock or New Liberty Media Group Tracking Stock that such TCI Preferred Stock would have been exchanged for had such TCI Preferred Stock been converted into TCI Group Tracking Stock or Liberty/Ventures Group Tracking Stock, as appropriate, immediately prior to the Merger. Specifically:
  - — each share of Convertible Preferred Stock, Series C-TCI Group of TCI (''**TCI Series C-TCI Group Preferred Stock**'') will be exchanged for 103.059502 shares of AT&T Common Stock (the ''**TCI Series C-TCI Group Exchange Ratio**'');
  - — each share of Convertible Preferred Stock, Series C-Liberty Media Group of TCI (''**TCI Series C-Liberty Media Group Preferred Stock**'' and together with the TCI Series C-TCI Group Preferred Stock, the ''**TCI Series C Preferred Stock**'') will be exchanged for 56.25 shares of New Liberty Media Group Class A Tracking Stock (the ''**TCI Series C-Liberty Media Group Exchange Ratio**'');
  - — each share of Redeemable Convertible TCI Group Preferred Stock, Series G of TCI (''**TCI Series G Preferred Stock**'') will be exchanged for 0.923083 of a share of AT&T Common Stock (the ''**TCI Series G Exchange Ratio**''); and
  - — each share of Redeemable Convertible Liberty Media Group Preferred Stock, Series H of TCI (''**TCI Series H Preferred Stock**'') will be exchanged for 0.590625 of a share of New Liberty Media Group Class A Tracking Stock; and

- if the Liberty/Ventures Combination is not completed prior to the Merger:
  - — each share of Liberty Media Group Series A Tracking Stock will be exchanged for one share of New Liberty Media Group Class A Tracking Stock and each share of Liberty Media Group Series B Tracking Stock will be exchanged for one share of New Liberty Media Group Class B Tracking Stock (the "**Liberty Media Group Exchange Ratios**"); and
  - — each share of TCI Ventures Group Series A Tracking Stock will be exchanged for 0.52 of a share of New Liberty Media Group Class A Tracking Stock and each share of TCI Ventures Group Series B Tracking Stock will be exchanged for 0.52 of a share of New Liberty Media Group Class B Tracking Stock (the "**TCI Ventures Group Exchange Ratios**").
- No fractional shares will be issued in the Merger, and cash equal to the value of any fraction of a share will be paid in lieu thereof.

The Merger will become effective when a Certificate of Merger is filed with the Secretary of State of Delaware or at such other time as will be specified in the Certificate of Merger (the "**Effective Time**"). The Effective Time will occur as soon as practicable after the last of the conditions in the Merger Agreement has been satisfied or waived. We expect the Merger to occur in the first half of 1999. Because the Merger is subject to governmental approvals, however, we cannot predict the exact timing.

Liberty/Ventures Combination

Independent of the Merger, TCI is seeking shareholder approval of the TCI Charter Amendment in order to combine the Liberty Media Group and the TCI Ventures Group. The TCI Charter Amendment will result in:

- each share of TCI Ventures Group Series A Tracking Stock being reclassified as 0.52 of a share of Liberty Media Group Series A Tracking Stock;
- each share of TCI Ventures Group Series B Tracking Stock being reclassified as 0.52 of a share of Liberty Media Group Series B Tracking Stock (together with the exchange ratio described in the preceding bullet, the "**Liberty/Ventures Combination Exchange Ratios**");
- deletion of references to the "TCI Ventures Group" currently contained in the TCI Charter and the redefinition of the "Liberty Media Group" in the TCI Charter to include the assets and businesses held by the Liberty Media Group and the TCI Ventures Group immediately prior to the combination of the Liberty Media Group and the TCI Ventures Group;
- the number of authorized shares of Liberty Media Group Tracking Stock being equal to the sum of the number of shares of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock currently authorized; and
- certain other conforming changes to the TCI Charter necessary to effect the combination of the Liberty Media Group and the TCI Ventures Group.

If the TCI Charter Amendment is approved at the TCI Special Meeting, TCI intends to file the TCI Charter Amendment and combine the Liberty Media Group and the TCI Ventures Group as soon as practicable thereafter. However, if the Merger is expected to be completed promptly after the TCI Special Meeting, TCI presently intends not to combine the Liberty Media Group and the TCI Ventures Group prior to the Merger and, instead, to have such combination occur as part of the Merger. TCI intends to file the TCI Charter Amendment and combine the Liberty Media Group and the TCI Ventures Group regardless of whether the Merger Agreement is approved at the TCI Special Meeting or the Merger is consummated. Upon the effectiveness of the TCI Charter Amendment, all of the capital stock of Liberty Media Corporation, which holds substantially all of the assets and businesses of the Liberty Media Group, will be contributed to TCI Ventures Group, LLC, which holds substantially all of the assets and businesses of the TCI Ventures Group. Thereafter, the name of TCI Ventures Group, LLC will be changed to "Liberty Ventures LLC." Following the combination of the Liberty Media Group and the TCI Ventures Group, the combined Liberty Media Group and TCI Ventures Group will be referred to as the "**Liberty/Ventures Group**" for purposes of this Proxy Statement/Prospectus. John C. Malone, Chairman and Chief Executive Officer of TCI, will be Chairman of the Liberty/Ventures Group, Robert R. Bennett, President and Chief Executive Officer of Liberty Media Corporation, will be President and Chief Executive Officer of the Liberty/Ventures Group, and Gary S. Howard, President of the TCI Ventures Group, will be Executive Vice President and Chief Operating Officer of the Liberty/Ventures Group.

For ease of reference, we refer to the foregoing transactions collectively as the "**Liberty/Ventures Combination.**"

Increased Authorization

TCI is seeking shareholder approval, independent of the Merger and conditioned upon shareholder approval of the Liberty/Ventures Combination, of an additional amendment to the TCI Charter to increase the number of authorized shares of Liberty Media Group Series A Tracking Stock to 2.5 billion shares and the number of authorized shares of Liberty Media Group Series B Tracking Stock to 250 million shares. If the Increased Authorization Proposal is approved by the shareholders, the amendment to the TCI Charter filed in connection with the Liberty/Ventures Combination also will reflect the increased number of authorized shares of Liberty Media Group Tracking Stock.

For ease of reference, we refer to the increase in the authorized shares of Liberty Media Group Tracking Stock as the "**Increased Authorization.**"

Background

In pursuing their strategies for enhancing shareholder value, each of AT&T and TCI regularly consider opportunities for acquisitions, joint ventures and other strategic alliances. From time to time, AT&T and TCI have discussed possible transactions between the two companies.

Beginning in late May, 1998, AT&T and TCI began to pursue discussions about a possible combination of the TCI Group's cable business and AT&T's consumer telecommunications services business. After retaining legal and financial advisors, AT&T and TCI entered into negotiations regarding the possibility of such a transaction. These discussions did not result in any agreement with respect to such a transaction.

During the course of these discussions, however, commencing around June 14, 1998, AT&T and TCI began to discuss a possible transaction that would involve a merger of TCI with a subsidiary of AT&T. Over the following days, AT&T, TCI, and their respective financial and legal advisors, proceeded to discuss alternative terms for a merger between TCI and a subsidiary of AT&T.

On June 15, 1998, at a regular meeting of the TCI Board of Directors, management of TCI informed the TCI Board of their discussions with AT&T concerning a potential merger transaction. The TCI Board formed a special committee (the "**Special Committee**") for the purpose of evaluating a potential merger. The TCI Board appointed John W. Gallivan and Paul A. Gould, two members of the TCI Board who were not officers or employees of TCI, as the members of the Special Committee, and authorized them to evaluate any potential merger. At this TCI Board meeting, management of TCI also informed the TCI Board of a proposal to combine the Liberty Media Group and the TCI Ventures Group into a single group. The TCI Board requested that TCI's management consider the matters further and directed the Special Committee to consider an appropriate exchange ratio in the event the Liberty Media Group and the TCI Ventures Group were to be combined. The TCI Board authorized the retention of Donaldson Lufkin & Jenrette Securities Corporation ("**DLJ**") as financial advisor to TCI and the Special Committee for the purpose of evaluating any potential transaction with AT&T as well as an appropriate exchange ratio in the event the TCI Ventures Group were to be combined with the Liberty Media Group. The TCI Board directed DLJ to work with TCI's management in structuring any potential transaction with AT&T and directed DLJ to report separately to the Special Committee.

On June 17, 1998, at a regularly scheduled meeting of the AT&T Board of Directors, AT&T management reviewed the status of negotiations with respect to the possible merger transaction, potential synergies and remaining open issues. At this meeting, Credit Suisse First Boston Corporation ("**CSFB**") and Goldman, Sachs & Co., financial advisors to AT&T, reviewed with the AT&T Board certain financial aspects of the potential merger. After discussion, the AT&T Board authorized the officers of AT&T to continue negotiations.

Following their respective Board of Directors meetings, AT&T and TCI, advised by their respective legal and financial advisors, negotiated the terms and conditions of the Merger Agreement and certain related agreements (the "**Transaction Agreements**"). These negotiations focused particularly on the exchange ratios in the Merger, the terms of the New Liberty Media Group Tracking Stock, the governance of the New Liberty Media Group following the Merger, and intercompany and inter-group arrangements between the AT&T Common Stock Group and the New Liberty Media Group. In addition, management of each of the Liberty Media Group and the TCI Ventures Group continued their discussions concerning a proposed combination of the two groups and the exchange ratio at which TCI Ventures Group Tracking Stock would be reclassified into Liberty/Ventures Group Tracking Stock in such a combination.

On June 19, 1998, the Special Committee met with representatives from TCI, DLJ and DLJ's legal counsel to review the structure of the proposed Liberty/Ventures Combination and the proposed Merger, the status of the negotiations with AT&T, the status of DLJ's financial due diligence and various other legal issues relating to the proposed transactions.

The Special Committee met twice on June 21, 1998, once in the morning and once in the evening. At each of these meetings, the Special Committee received updates from TCI's management as to the status of the negotiations with AT&T. The Special Committee also reviewed with representatives from DLJ and DLJ's legal counsel, respectively, the financial and legal aspects of the proposed Liberty/Ventures Combination and the proposed Merger.

On June 22, 1998, the members of the Special Committee met individually with representatives of DLJ to review DLJ's preliminary financial analysis of the proposed Liberty/Ventures Combination and the proposed Merger.

On June 23, 1998, the AT&T Board held a special meeting. At that meeting, AT&T's management reviewed the status of negotiations (including the resolution of previously open issues) and the principal terms of the proposed transactions. AT&T's legal counsel reviewed the Merger Agreement and the other Transaction Agreements. CSFB and Goldman Sachs made a joint presentation as to the financial analyses performed in connection with their respective opinions, and each rendered to the AT&T Board an opinion to the effect that, as of such date and based upon and subject to certain matters stated in such opinions, the TCI Group Exchange Ratios, the Liberty/Ventures Group Exchange Ratios, the Liberty Media Group Exchange Ratios and the TCI Ventures Group Exchange Ratios taken as a whole (collectively, the "**Merger Exchange Ratio**"), were fair to AT&T from a financial point of view. See "—Opinions of AT&T's Financial Advisors." After concluding that the Merger and the related transactions were fair and in the best interests of AT&T and its shareholders, the AT&T Board voted to approve the Merger, to authorize the execution of the Merger Agreement and the other Transaction Agreements, and to recommend that AT&T's shareholders approve the issuance of AT&T Common Stock and New Liberty Media Group Tracking Stock in the Merger and the AT&T Tracking Stock Amendment.

On June 23, 1998, prior to a meeting of the TCI Board, the Special Committee met with representatives of DLJ and DLJ's legal counsel to discuss the terms of the proposed Liberty/Ventures Combination and the proposed Merger. DLJ reviewed with the Special Committee DLJ's financial analysis as to the fairness to TCI shareholders of the proposed reclassification of TCI Ventures Group Tracking Stock and the proposed Merger.

Thereafter, DLJ informed the Special Committee of DLJ's opinions that the Liberty/Ventures Combination Exchange Ratios, the TCI Group Exchange Ratios and the Liberty/Ventures Group Exchange Ratios were fair, from a financial point of view, to the TCI shareholders affected thereby. In addition, the Special Committee reviewed a summary of the terms of the proposed Merger Agreement prepared by DLJ's legal counsel and discussed the terms of the proposed Merger Agreement with DLJ's legal counsel. At the end of this meeting, the Special Committee unanimously voted to recommend that the TCI Board approve the Liberty/Ventures Combination and the Merger.

Immediately following the Special Committee meeting, the TCI Board held a special meeting to consider the Merger and the terms of the proposed Liberty/Ventures Combination. At this meeting, the Special Committee reported to the TCI Board on its review of the Merger Agreement and the Transaction Agreements and the terms of the Liberty/Ventures Combination. TCI's management and legal counsel then reviewed with the TCI Board the terms and conditions of the Merger Agreement, the Transaction Agreements and the Liberty/Ventures Combination. Following this presentation, on June 23, 1998, DLJ delivered to the TCI Board its oral opinion, which opinion was subsequently confirmed in a written opinion dated as of June 23, 1998 (the "**Liberty/Ventures Opinion**"), that, as of such date, and based on and subject to the assumptions, limitations and qualifications as set forth in such opinion, with respect to the holders of Liberty Media Group Tracking Stock (other than shareholders who are affiliates of TCI), each Liberty/Ventures Combination Exchange Ratio was fair to such holders from a financial point of view and, with respect to the holders of each series of TCI Ventures Group Tracking Stock (other than shareholders who are affiliates of TCI), the Liberty/Ventures Combination Exchange Ratio relating to such series was fair to such holders from a financial point of view. On the same date, DLJ delivered to the TCI Board its oral opinion, which opinion was subsequently confirmed in a written opinion dated as of June 23, 1998 (the "**TCI Merger Opinion**" and, together with the Liberty/Ventures Opinion, the "**DLJ Opinions**"), that, as of such date, and based on and subject to the assumptions, limitations and qualifications as set forth in such opinion, with respect to the holders of each series of TCI Group Tracking Stock and Liberty/Ventures Group Tracking Stock (other than shareholders who are affiliates of TCI), the TCI Group Exchange Ratios and the Liberty/Ventures Group Exchange Ratios relating to such series were fair to such holders from a financial point of view. See "—Opinions of TCI's Financial Advisor."

Following these presentations, the TCI Board determined that the terms of each of the Liberty/Ventures Combination and the Merger Agreement and the other Transaction Agreements were advisable and fair to and in the best interests of the shareholders of TCI, and the TCI Board unanimously recommended that the shareholders of TCI approve the amendment to the TCI Charter effecting the Liberty/Ventures Combination and the Merger Agreement.

After the Boards of Directors meetings concluded, the parties finalized the Merger Agreement and other Transaction Agreements, and executed the Merger Agreement. On June 24, 1998, AT&T and TCI issued a joint press release announcing execution of the Merger Agreement. Concurrently, TCI issued a press release announcing the proposed Liberty/Ventures Combination and the terms thereof.

On December 10, 1998, the TCI Board unanimously approved an amendment to the TCI Charter to increase the authorized numbers of shares of Liberty Media Group Series A Tracking Stock and Liberty Media Group Series B Tracking Stock conditioned upon shareholder approval of the amendment to the TCI Charter effecting the Liberty/Ventures Combination as well as shareholder approval of the amendment to the TCI Charter effecting the Increased Authorization Proposal.

AT&T's Reasons for the Merger; Recommendation of the AT&T Board

The following briefly describes the material reasons, factors and information taken into account by the AT&T Board in deciding to approve the Merger and to recommend that AT&T shareholders approve the AT&T Merger Proposal.

AT&T's Reasons for the Merger

Strategic Business Opportunity. AT&T believes the Merger will redefine the communications industry landscape. Through the Merger, as well as through continued evolution of AT&T's nationwide network and through future alliances, AT&T believes it will be able to obtain significantly accelerated entry into residential local telephony, residential Internet services, including "next generation" Internet protocol telephony, and other on-line and electronic and diversified digital data and video services for consumers. Combining AT&T's capital, expertise and established telephony brand with the TCI Group is expected to strengthen AT&T's new product offerings and marketing efforts. AT&T expects that it will become a fully-integrated residential communications services provider in TCI service areas, including the ability to provide long-distance, video, local, wireless, Internet and other data services on a packaged, as well as individualized, basis.

Competitive Advantage. The Merger is expected to produce a fully-integrated residential communications services company and an alternative path to the consumer, enabling AT&T to follow a strategy of offering broadband, all-distance consumer services directly to the residential market through ownership of facilities, including cable networks. AT&T believes that the ability to provide cable television services, bundled with telecommunications services, and the ability to offer an increasing array of broadband services over its own facilities will enable it to distinguish its services from those of its competitors. Because it is widely anticipated that substantial numbers of long-distance customers will seek to purchase local, long-distance and other services from a single carrier as part of a combined or full-service package, AT&T believes that the ability to offer all such services at competitive rates using its own facilities will be increasingly important.

Improved Marketing Capabilities. AT&T believes that the Merger will increase not only the customer base for telecommunications services but also for cable television services through the use of the combined AT&T-branded bundle of offers to existing customers of each of AT&T and TCI. In addition, the Merger is expected to provide AT&T with lower-cost customer acquisition channels through TCI's cable and high-speed Internet access business, and enable AT&T to attract and retain customers more cost effectively through the use of bundled offers. In addition, AT&T expects to use its existing distribution channels to market bundled offers that include TCI's cable and high-speed Internet access services.

Expanded Services Offerings. AT&T believes that broadband capacity is necessary to provide the wide variety of multimedia broadband video, voice and Internet protocol services that consumers increasingly desire. To provide these services, TCI's cable infrastructure will need to be upgraded to provide for the delivery of advanced video and data transmissions. Following the Merger, AT&T plans to continue the upgrade of the TCI network and architecture to a high-speed system that will carry two-way voice services with the quality, clarity and reliability that will be necessary to attract customers from their current incumbent local exchange carriers. AT&T also plans to add innovative technology to TCI's networks, including enhanced switching and other systems. Ultimately, AT&T expects to participate with its vendors in the development and deployment of new multi-purpose digital customer terminals with technology that will permit the integration of voice, data and video service. Consumers then will be able to access a broad range of services, including digital and "downloadable" video programming, Internet access, on-line shopping and bill paying, interactive programming, and other forms of electronic commerce, in addition to a full range of local and long-distance voice services utilizing high-quality telephony.

Satisfies Goals of the Telecommunications Act. AT&T believes that the Merger fulfills the ideals of the Telecommunications Act of 1996 (the "**Telecommunications Act**") and will offer consumers significant new choices. The Telecommunications Act was designed to foster local exchange competition by establishing a regulatory framework to govern new competitive entry in local and long-distance telecommunications services. To date, AT&T has been largely unsuccessful in its attempts to provide local service to residential customers. AT&T relied primarily on resale of services and/or wholesale network elements from incumbent local exchange carriers, which has not provided a viable option for local service entry. As a result, AT&T had to pursue alternative means of local access to the consumer, including through cable infrastructure. AT&T anticipates that the Merger will promote competition in the provision of local residential telephone service in areas where TCI has existing cable infrastructure and will accelerate the development of telephony offerings by cable companies in other areas.

Cable Plant Access Strategy. AT&T believes that the cable plant offers an attractive foundation for a significant initial residential local access strategy. The cable plant more readily supports broadband products, such as interactive video and Internet access, and AT&T believes these features may be of competitive importance in differentiating its product offering from product offerings of telecommunications competitors. In addition, as one of the largest cable operators, TCI provides a leadership position in forming technological, marketing and new product alliances. As a result of the Merger, AT&T expects to be able to provide a competitive facilities-based local telephone service to residential consumers on a schedule that greatly exceeds the pace at which AT&T or TCI independently could provide such service. AT&T and TCI anticipate combining their assets to invest in and develop advanced wireline facilities that will compete directly with incumbent local exchange carriers to provide toll-quality voice and high-speed data communications to homes in the United States.

Economies of Scale. AT&T expects to achieve economies of scale through the Merger that will both expedite its ability to provide new and differentiated services and make those services more economically efficient to provide. As an initial matter, AT&T has access to an existing wired network with access to current cable television customers. Beyond simply obtaining access to TCI's wireline infrastructure, AT&T and TCI plan to accomplish the upgrade of TCI's infrastructure to provide for both two-way voice and digital video and data transmissions at the same time. AT&T also can, in certain instances, connect TCI's facilities to Teleport's switches, thereby using Teleport's switches and transport facilities to carry the local traffic of the post-Merger AT&T voice customers. AT&T expects that this architecture will enable AT&T to spread the high fixed costs associated with these facilities over more lines and services, thereby enhancing AT&T's ability to price its products more competitively against entrenched local carriers. In addition, following the Merger, AT&T will be a leading provider of consumer cable, wireless mobility and telecommunications services with one of the largest local connectivity footprints in the country. AT&T expects that this architecture will enable AT&T to spread the high fixed costs associated with these facilities over more lines and services, thereby enhancing AT&T's ability to price its products more competitively against entrenched local exchange carriers.

Information and Factors Considered by the AT&T Board

In connection with its approval of the Merger and recommendation that shareholders approve the AT&T Merger Proposal, the AT&T Board considered the following factors:

- the reasons described under "—AT&T's Reasons for the Merger;"
- the terms and conditions of the Transaction Agreements, including, among other things, (a) the Merger Exchange Ratio, including the fact that the Merger Exchange Ratio is fixed and that fluctuations in the price of the AT&T Common Stock could affect the consideration to be received by holders of TCI Group Tracking Stock in the Merger, (b) the agreement of certain shareholders of TCI to vote in favor of the Merger as described under "The Transaction Agreements—Other Transaction Agreements—Voting Agreement," (c) the terms of the intercompany and inter-group agreements as described under "Relationship between the AT&T Common Stock Group and the New Liberty Media Group," (d) the limitations upon the interim business operations of the TCI Group, (e) the conditions to consummation of the Merger, and (f) the circumstances under which the agreements could be terminated, including the termination fees associated therewith;
- the familiarity of the AT&T Board with the business, properties and prospects of AT&T, including the opportunities and alternatives available to AT&T if the Merger were not to be undertaken;
- the business rationale for the Merger, including the strategic fit between AT&T and the TCI Group and the belief that the combination of AT&T and the TCI Group has the potential to enhance shareholder

value through additional opportunities for expansion and operating efficiencies (although such opportunities may not be achieved);

- the expected tax treatment of the Merger for U.S. federal income tax purposes;
- the accounting treatment of the Merger, including the goodwill that will be recorded on the financial statements of AT&T;
- the presentations by AT&T's management and AT&T's financial, legal and other advisors regarding the Merger;
- the opinions of CSFB and Goldman Sachs to the effect that, as of June 23, 1998 and based upon and subject to certain matters stated in their respective opinions, the Merger Exchange Ratio was fair to AT&T from a financial point of view (copies of the CSFB opinion and the Goldman Sachs opinion, setting forth the assumptions made and limitations on the review undertaken in rendering such opinions, are attached as Appendices D and E, respectively, to this Proxy Statement/Prospectus and are described under "—Opinions of AT&T's Financial Advisors");
- the degree of independence of the New Liberty Media Group following the Merger; and
- the interests of the officers and directors of AT&T and TCI in the Transactions, including the matters described under "—Interests of Certain Persons in the Transactions," and the impact of the Merger on the customers and employees of each of AT&T and TCI.

The AT&T Board also considered the following potential adverse consequences of the Transactions:

- the challenges and potential costs of combining the businesses of two major companies of this size and the attendant risks of not achieving the expected operating efficiencies or improvements in earnings, and of diverting management focus and resources from other strategic opportunities and from operational matters for an extended period of time;
- the risk that the Merger will not be consummated;
- the lack of complete certainty as to the tax treatment of the Merger;
- the complexity of AT&T's capital structure following the creation of New Liberty Media Group Tracking Stock;
- the operational complexities resulting from the allocation of assets and distribution channels to different tracking entities;
- the dilution to earnings of AT&T expected to result from the Merger, the impact of which on a pro forma basis for the nine months ended September 30, 1998 was to dilute earnings from $1.76 per share to $1.17 (see "Summary—Unaudited Comparative Per Share Data"); and
- the special considerations relating to the existence of tracking stock described under "The AT&T Tracking Stock Amendment—Special Considerations Relating to the Issuance of Tracking Stock and the Merger."

The foregoing discussion of the information and factors considered and given weight by the AT&T Board is not intended to be exhaustive but includes the material factors considered by the AT&T Board. In its consideration of the tax treatment of the Merger, the AT&T Board did not separately consider whether it would approve the Merger if the Merger was a taxable transaction. Rather, the AT&T Board relied on the fact that it would receive an opinion of its special counsel that the Merger should not be taxable to TCI or to holders of TCI common stock, the receipt of which opinion is a non-waivable condition to the Merger. As a result, the AT&T Board considered the risk of the Merger being taxable to TCI and its shareholders to be small and was comfortable with the risk in light of the expected benefits of the Merger and recommends that AT&T shareholders approve the Merger in spite of the lack of complete certainty of the tax treatment of the Merger. In view of the wide variety of factors considered in connection with its evaluation of the Merger and the complexity of these matters, the AT&T Board did not find it practicable to and did not attempt to quantify, rank or otherwise assign relative weights to these factors. In addition, other than as described above, the AT&T Board did not undertake to make any specific determination as to whether any particular factor (or any aspect of any particular factor) was favorable or unfavorable to AT&T, but, rather, conducted an overall analysis of the factors described above, including thorough discussions with AT&T's management and legal, financial and accounting advisors. In considering the factors described above, individual members of the AT&T Board may have given different weight to different factors. The AT&T Board considered all these factors as a whole, and overall considered the factors to be favorable to and to support its determination.

Recommendation of the AT&T Board

For the reasons discussed above, the AT&T Board has unanimously approved the AT&T Merger Proposal and recommends that AT&T shareholders vote "FOR" approval of the AT&T Merger Proposal.

TCI's Reasons for the Transactions; Recommendation of the Special Committee and the TCI Board

The following briefly describes the material reasons, factors and information taken into account by the Special Committee in deciding to recommend approval by the TCI Board of the Merger Agreement and the terms of the Liberty/Ventures Combination and by the TCI Board in deciding to approve the Merger Agreement, the terms of the Liberty/Ventures Combination and the Increased Authorization and to recommend that TCI shareholders approve each of the TCI Proposals.

TCI's Reasons for the Merger

Merger Price Premium. Both the Special Committee and the TCI Board considered the historical market prices of TCI Group Tracking Stock and the premium to be received by the holders of TCI Group Tracking Stock in the Merger. The value of AT&T Common Stock to be received by the holders of TCI Group Tracking Stock pursuant to the Merger Agreement, $48.87 per share of TCI Group Series A Tracking Stock and $53.76 per share of TCI Group Series B Tracking Stock (based upon the closing prices of AT&T Common Stock on June 22, 1998), represents a premium of approximately 41.2% over the average closing price per share of TCI Group Series A Tracking Stock of $34.60, and approximately 47.0% over the average closing price per share of TCI Group Series B Tracking Stock of $34.90, each for the 30-day period preceding June 22, 1998. The value of AT&T Common Stock to be received by the holders of TCI Group Tracking Stock pursuant to the Merger Agreement represents a premium of approximately 36.9% over the $35.69 closing price per share of TCI Group Series A Tracking Stock as of June 22, 1998 and approximately 51.4% over the $35.50 closing price per share of TCI Group Series B Tracking Stock as of June 22, 1998. In addition, each of the Special Committee and the TCI Board considered the rights, terms and preferences of the New Liberty Media Group Tracking Stock to be received in the Merger by holders of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock, and determined that it was appropriate that holders of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock not receive a premium in connection with the Merger. This determination was based on the fact that the New Liberty Media Group Tracking Stock would continue to reflect the results of substantially the same assets and businesses (after the Asset Transfers) as Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock represented prior to the Merger and that the New Liberty Media Group would retain a sufficient level of independence from AT&T following the Merger and would be controlled by substantially the same management that controlled the Liberty Media Group prior to the Merger.

Strategic Combination. TCI believes that the Merger will provide its shareholders with a unique investment opportunity in a company that will be capable of providing consumers with an end-to-end bundled telecommunications solution consisting of local and long-distance telephony and data services, wireless telephony and data services, video entertainment, interactive television services and both high- and low-speed Internet connectivity. Each of the Special Committee and the TCI Board believes that the Merger will enhance shareholder value through, among other things, the following strategic advantages:

- Accelerated Deployment of New Services. Delivery of new services through the cable infrastructure, such as local telephony, interactive television through the advanced set top devices or boxes and high-speed Internet access, will require the expenditure of significant capital investments in order to upgrade the cable plant and equipment of TCI's cable systems and also will require technology skills that TCI possesses only in limited amounts. Although TCI was committed prior to the signing of the Merger Agreement to upgrading its cable systems and acquiring and installing advanced set top devices or boxes in order to deploy many of these new services, TCI believes that AT&T will invest the amounts necessary to accelerate such deployment following the Merger in order to take advantage of its investment in TCI and to initiate and expedite entry into local telephony markets. In addition, TCI believes that AT&T will seek to expand and accelerate the group of services to be offered to customers over the services TCI would have offered in the same time frame because of AT&T's expertise in telephony and other technology areas and its available cash flow. TCI believes that such accelerated deployment will result in improved subscriber growth and customer satisfaction.

- *Bundled Services.* TCI has long believed that the ability to offer customers bundled packages of communications and entertainment services would increase customer satisfaction and drive subscriber penetration. TCI believes that the combined company's ability to offer customers ''one-stop shopping'' for all of their video entertainment, information and communication needs will be a significant advantage to AT&T following the Merger, and that shareholders will ultimately benefit from increases in sales and customer satisfaction that may result from this ability.

- *AT&T Brand and Marketing.* AT&T is acknowledged to have a strong and well-recognized brand that consumers associate with reliable services. Use of such brand in connection with the delivery of video entertainment and Internet services could improve subscriber identification of the services. AT&T also has a strong marketing presence in many of the local markets in which TCI operates and utilizing the capabilities of AT&T's marketing force along with the bundling of various service offerings could provide operating efficiencies as well as improved customer acquisition.

- *Participation in Potential Growth of AT&T's Businesses.* TCI believes that the provision of local telephone service through the cable infrastructure is a tremendous business opportunity that TCI alone would not be able to exploit in the near term because of capital as well as technological constraints. The combination of TCI's cable infrastructure and AT&T's technological expertise, free cash flow and access to capital markets should enable the combined company to take better advantage of this opportunity than TCI could independently, although there can be no assurance as to the combined company's success in this area. Former holders of TCI Group Tracking Stock will be able to benefit from this potential business through their ownership of AT&T Common Stock received in the Merger.

Diversification of Revenue Sources. Each of the Special Committee and the TCI Board believes that the Merger will benefit former holders of TCI Group Tracking Stock because AT&T's diversified sources of revenue will result in less reliance upon cable subscriber revenue as a primary source of revenue. Currently, the TCI Group derives most of its total revenue from the provision of cable television services to subscribers. These revenues are used primarily to finance operations as well as the upgrade of cable plant and equipment of TCI cable systems and for debt service. The prices TCI charges to its subscribers for the provision of these services are currently regulated by the U.S. federal government. In the past, government regulations affecting cable service prices (including mandatory price reductions and price freezes) have had a significant impact on TCI's business and have resulted in delays in cable system upgrades and the introduction of new digital and other services. If government-imposed price freezes or roll-backs were to be reimposed in the future, TCI may again have to delay its cable system upgrade plans and the introduction of new services. The TCI Board believes that, as a result of the Merger, additional sources of financing will become available for cable system upgrades and the provision of advanced services. The TCI Board believes that TCI could realize significant benefits for its customers by providing digital services, but that any delay in upgrading systems or rolling out new products may cause TCI to lose such advantages. Because revenues from cable television services will account for a significantly smaller portion of the total revenue of AT&T, the timing of cable system upgrades will not be solely dependent upon subscriber revenue sources.

Protection for Holders of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock. Following the Merger, New Liberty Media Group Tracking Stock will continue to represent an interest in the same assets and businesses as Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock did prior to the Merger (after giving effect to the Asset Transfers). Pursuant to the Transaction Agreements, the New Liberty Media Group will be managed separately from the AT&T Common Stock Group. In particular, until the seventh anniversary of the Merger, a majority of the members of the Board of Directors of Liberty Media Corporation (the "**Liberty Board**"), the entity that will hold substantially all of the interests of the New Liberty Media Group, as well as of the boards of directors or similar bodies of other entities attributed to the New Liberty Media Group, will be designees chosen by TCI prior to the Merger. After the seventh anniversary, AT&T cannot elect a majority of the Liberty Board without causing a Triggering Event. If a Triggering Event occurs, the assets and businesses of the New Liberty Media Group would be transferred to a new entity managed by Liberty Management LLC, which is a separate entity owned by the current officers of Liberty Media Corporation, unless the Triggering Event is waived by Liberty Management LLC. See "—Interests of Certain Persons in the Transactions—Management of the New Liberty Media Group." Under the DGCL, the business of Liberty Media Corporation will be conducted by the Liberty Board, and its shareholder, AT&T, would have only those rights provided to shareholders under law. In addition to election of directors, these rights consist of the right to vote for approval of the merger or sale of all of the assets of Liberty Media Corporation, the liquidation of Liberty Media Corporation, and the amendment of Liberty Media Corporation's certificates of incorporation. In addition, the AT&T Tracking Stock Amendment will provide the holders of New Liberty Media Group Tracking Stock with certain procedural protections regarding the assets and businesses of the New Liberty Media Group (such as separate class voting of the holders of New Liberty Media Group Tracking Stock on certain matters), in addition to those protections afforded to such holders by virtue of the fiduciary duties of the AT&T Board that will be owed to all shareholders of AT&T, including the holders of New Liberty Media Group Tracking Stock. The TCI Board noted, however, that the business of the New Liberty Media Group would be limited by the terms of the Transaction Agreements following the Merger. The Transaction Agreements provide that the New Liberty Media Group may not incur indebtedness in excess of 25% of its total market capitalization (without the consent of AT&T), or enter into any agreement or incur any liability or obligation which binds the AT&T Common Stock Group without its consent. In addition, the Transaction Agreements prohibit Liberty Media Corporation from issuing and selling an amount of its equity securities that would result in Liberty Media Corporation ceasing to be a "Qualifying Subsidiary" within the meaning of the AT&T Charter. The TCI Board believes that these limitations will not materially affect the business of the New Liberty Media Group and that such limitations will not materially affect the types of businesses in which the New Liberty Media Group may engage in the future. In addition, the TCI Board believes that the Liberty/Ventures Group may obtain significant benefits as a result of the Merger by virtue of being part of a company that is significantly larger than TCI while continuing to have separate management focused on its assets and businesses.

Efficiencies. The TCI Board believes the integration of its cable infrastructure with AT&T's services businesses will enable AT&T to take advantage of certain operating efficiencies, including efficiencies in the areas of customer service and marketing.

TCI's Reasons for the Liberty/Ventures Combination and the Increased Authorization

Change in Business. TCI's Management proposed the Liberty/Ventures Combination because of recent changes in the type and characteristics of the assets held by the TCI Ventures Group. The Special Committee and the TCI Board reviewed the nature of the assets held and businesses conducted by the Liberty Media Group and the TCI Ventures Group, and determined that the Liberty/Ventures Combination was likely to result in operational and management efficiencies that would benefit both groups of shareholders. In addition, because the rights of the holders of TCI Group Tracking Stock are independent of the rights of the holders of each of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock and because the Liberty/Ventures Combination only combined such rights and did not expand such rights, the Special Committee and the TCI Board each determined that the Liberty/Ventures Combination would not have an adverse effect upon the rights of the holders of TCI Group Tracking Stock.

Market Price Comparison. Each of the Special Committee and the TCI Board considered the historical market prices of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock. The value of the Liberty Media Group Tracking Stock to be received by the holders of TCI Ventures Group Tracking Stock (based upon the closing market prices of Liberty Media Group Tracking Stock as of June 22, 1998) equals $18.33 per share of TCI Ventures Group Series A Tracking Stock, representing a premium of 8.4% over the average closing price per share of TCI Ventures Group Series A Tracking Stock of $16.90, and $17.97 per share of TCI Ventures Group Series B Tracking Stock, representing a premium of 7.7% over the average closing price per share of TCI Ventures Group Series B Tracking Stock of $16.69, in each case, over the 30-day period prior to June 22, 1998.

No Change of Control. Each of the Special Committee and the TCI Board believes that the Liberty/Ventures Combination does not constitute a change in control of the type that might generally justify the payment of a premium to the holders of TCI Ventures Group Tracking Stock.

Increase in Authorized Shares. In connection with seeking approval of the Liberty/Ventures Combination, the TCI Board has determined that it would be appropriate to increase the number of authorized shares of Liberty/Ventures Group Tracking Stock. The increase in the number of authorized shares will provide TCI with flexibility in structuring future transactions by making additional shares of capital stock available for issuance for general corporate purposes, including, but not limited to, stock dividends and splits, acquisitions, and financings. If each of the TCI Proposals and the AT&T Merger Proposal are adopted and the Liberty/Ventures Combination is effected, the number of authorized shares of New Liberty Media Group Tracking Stock will be equal to the number of authorized shares of Liberty/Ventures Group Tracking Stock. See "Description of AT&T Capital Stock—AT&T Tracking Stock Amendment—General."

Information and Factors Considered by the Special Committee and the TCI Board

In connection with the Special Committee's recommendation to the TCI Board to approve the Liberty/Ventures Combination and the Merger Agreement and the TCI Board's approval of the terms of the Liberty/Ventures Combination, the Increased Authorization and the Merger Agreement and its determination to recommend that TCI shareholders approve the TCI Proposals, each of the Special Committee and the TCI Board considered certain affirmative and negative factors. The affirmative factors considered by the Special Committee and the TCI Board included the following factors:

- the reasons described under "—TCI's Reasons for the Liberty/Ventures Combination and the Increased Authorization" and "—TCI's Reasons for the Merger;"
- the terms and conditions of the Merger Agreement, including, but not limited to:
  - — the termination fee of $1.75 billion payable by AT&T to TCI under certain circumstances upon termination of the Merger Agreement;
  - — the assets to be transferred or attributed by the TCI Ventures Group to the TCI Group in return for a tax-free transfer of $5.5 billion;
- the ability of the New Liberty Media Group to utilize, through tax sharing arrangements following the Merger, the U.S. federal income tax benefits of any net operating tax loss carryforwards possessed by TCI at the time of the Merger;
- the fact that the covenants in the Merger Agreement relating to actions TCI may take prior to the Effective Time will permit the TCI Group to continue the upgrade of its cable systems, and that the limitations applicable to the Liberty Media Group and the TCI Ventures Group prior to the Merger would not unduly restrict them from conducting their businesses in the ordinary course;
- the terms and conditions of certain of the Transaction Agreements, including, among other things, the agreement of certain shareholders of TCI to vote in favor of the proposed transaction as described under "The Transaction Agreements—Other Transaction Agreements—Voting Agreement," the terms of the

intercompany and inter-group agreements, which will impose certain limits on the businesses conducted by the Liberty/Ventures Group after the Merger as described under "Relationship between the AT&T Common Stock Group and the New Liberty Media Group—Agreements between the AT&T Common Stock Group and the New Liberty Media Group—Inter-Group Agreement" and "—Liberty Intercompany Agreement," the other conditions to consummation of the Merger and the circumstances under which the agreements could be terminated;

- the fact that New Liberty Media Group Tracking Stock will continue to represent an interest in the same group of assets and businesses following the Merger (after giving effect to the Asset Transfers) as Liberty/Ventures Group Tracking Stock represented prior to the Merger, and that the holders of the Liberty/Ventures Group Tracking Stock would not receive a premium for their shares in the Merger;
- the degree of independence of the New Liberty Media Group following the Merger;
- the expected tax treatment of the Liberty/Ventures Combination and the Merger for U.S. federal income tax purposes;
- the business rationale for the Transactions, including the strategic fit between AT&T and the TCI Group, AT&T's incentive to accelerate TCI's existing cable system upgrade plans in order to commence provision of local telephony services prior to the entry by a regional Bell operating company into long-distance telephone services, the belief that the combination of AT&T and TCI has the potential to enhance shareholder value through additional opportunities for global expansion and operating efficiencies (although such opportunities may not be fulfilled), including the ability to offer telephony products to consumers under the AT&T brand;
- the presentations by TCI's management and TCI's financial, legal, accounting and other advisors regarding the terms of the Liberty/Ventures Combination and the Merger;
- the rights granted to the New Liberty Media Group to provide interactive video programming over the TCI cable systems on favorable terms following the Merger;
- the DLJ Opinions (copies of the DLJ Opinions, setting forth the assumptions, limitations and qualifications to the DLJ Opinions, are attached as Appendices F-1 and F-2 to this Proxy Statement/Prospectus and the DLJ Opinions are described under "—Opinions of TCI's Financial Advisor"); and
- the familiarity of the TCI Board with the business, properties and prospects of AT&T and TCI, including the opportunities and alternatives available to TCI if the Merger were not to be undertaken.

The Special Committee and the TCI Board also considered the following potentially adverse factors relating to the Merger, the Liberty/Ventures Combination and the Increased Authorization:

- the challenges and potential costs of combining the businesses of two major companies of this size, as well as the businesses of the Liberty/Ventures Group, and the attendant risks of not achieving the expected operating efficiencies or improvements in earnings and of diverting management focus and resources from other strategic opportunities and from operational matters for an extended period of time;
- the terms and conditions of the Merger Agreement, including, but not limited to:
  - — the termination fee of $1.75 billion payable by TCI to AT&T under certain circumstances upon termination of the Merger Agreement;
  - — the fact that the Merger Exchange Ratio is fixed and that fluctuations in the price of AT&T Common Stock could affect the consideration to be received by holders of TCI Group Tracking Stock in the Merger;

- — the limitations upon the interim business operations of the TCI Group imposed by the Merger Agreement and the risks to the TCI Group's continuing businesses if the Merger is not consummated;
- — the limitations upon the interim business operations of the Liberty Media Group and the TCI Ventures Group imposed by the Merger Agreement and, following the Merger, under the terms of the other Transaction Agreements;

- the risk that the Merger will not be consummated;
- the lack of complete certainty as to the tax treatment of the Merger and the Liberty/Ventures Combination;
- the complexity of AT&T's capital structure following the creation of New Liberty Media Group Tracking Stock; and
- the interests of the officers and directors of AT&T and TCI in the Transactions, including the matters described under "—Interests of Certain Persons in the Transactions," and the impact of the Merger on the customers and employees of each company.

In addition, the TCI Board also considered the recommendation of the Special Committee that (a) the Liberty/Ventures Combination Exchange Ratios were fair to the holders of both Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock and (b) the TCI Group Series A Exchange Ratio and the TCI Group Series B Exchange Ratio were fair to holders of TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock, respectively. In considering issues relating to the tax treatment of the Merger, the TCI Board noted that tax counsel had advised it, and was prepared to deliver an opinion to the effect, that the Merger should be tax free to TCI and its shareholders. In approving the Merger and the Merger Agreement and determining to recommend approval of the Merger to its shareholders, the TCI Board relied upon such advice and the fact that it would be a non-waivable condition to the Merger that TCI receive an opinion of its counsel to such effect, and determined that it would not proceed with the Merger without receiving such opinion. As a result, the TCI Board did not separately consider the advisability of the Merger in the event it was determined to be a taxable transaction. The TCI Board has further requested that TCI's counsel deliver an opinion to TCI that the Liberty/Ventures Combination should be tax-free to TCI and to holders of shares of TCI Ventures Group Tracking Stock whose shares are converted solely into shares of Liberty/Ventures Group Tracking Stock. The TCI Board has determined that TCI will not complete the Liberty/Ventures Combination if it does not receive such an opinion. The foregoing discussion of the information and factors considered and given weight by the Special Committee and the TCI Board is not intended to be exhaustive, but includes the material factors considered by each of the Special Committee and the TCI Board. In view of the wide variety of factors considered in connection with the evaluation of the terms of the Liberty/Ventures Combination and the Merger by the Special Committee and the TCI Board, and the complexity of these matters, neither the Special Committee nor the TCI Board found it practicable to and did not attempt to quantify, rank or otherwise assign relative weights to these factors. Each of the Special Committee and the TCI Board relied on the experience and expertise of DLJ for a quantitative analysis of the financial terms of the Liberty/Ventures Combination and the Merger. See "—Opinions of TCI's Financial Advisor." In addition, other than as described above, neither the Special Committee nor the TCI Board undertook to make any specific determination as to whether any particular factor (or any aspect of any particular factor) was favorable or unfavorable to TCI, but, rather, conducted an overall analysis of the factors, described above, including thorough discussions with and questioning of TCI's management and legal, financial and accounting advisors. In considering the factors described above, individual members of each of the Special Committee and the TCI Board may have given different weight to different factors. Each of the Special Committee and the full TCI Board considered all these factors as a whole, and overall considered the factors to be favorable to and to support their respective determinations.

Recommendation of the TCI Board

For the reasons discussed above, the TCI Board has unanimously approved and deemed advisable each of the TCI Proposals and recommends that TCI shareholders vote "FOR" approval of each of the TCI Proposals.

Opinions of AT&T's Financial Advisors

CSFB Opinion

CSFB has acted as financial advisor to AT&T in connection with the Merger. CSFB was selected by AT&T based on CSFB's experience, expertise and familiarity with AT&T and its business. CSFB is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In addition to acting as AT&T's financial advisor in connection with the Merger, CSFB has provided certain investment banking services to AT&T from time to time, including having acted as its financial advisor in connection with the Teleport Merger.

In connection with CSFB's engagement, AT&T requested that CSFB evaluate the fairness of the consideration to be paid by AT&T in the Merger from a financial point of view. On June 23, 1998, the date on which the Merger Agreement was executed, CSFB rendered to the AT&T Board its oral opinion (which was subsequently confirmed in a written opinion dated June 23, 1998) that, as of such date and based upon and subject to certain matters stated in such opinion, the Merger Exchange Ratio was fair to AT&T from a financial point of view.

The full text of CSFB's written opinion to the AT&T Board dated June 23, 1998, which sets forth the procedures followed, assumptions made, matters considered and limitations on the review undertaken in rendering such opinion, is attached as Appendix D to this Proxy Statement/Prospectus and is incorporated herein by reference. Shareholders of AT&T are urged to read this opinion carefully in its entirety. CSFB's opinion is directed to the AT&T Board and relates only to the fairness of the Merger Exchange Ratio from a financial point of view to AT&T, does not address any other aspect of the Merger or any related transaction and does not constitute a recommendation to any shareholder as to how such shareholder should vote at the AT&T Special Meeting. The summary of the opinion of CSFB set forth in this Proxy Statement/Prospectus is qualified in its entirety by reference to the full text of such opinion.

In arriving at its opinion, CSFB reviewed the Merger Agreement and certain publicly available business and financial information relating to AT&T and TCI. CSFB also reviewed certain other information relating to AT&T and TCI, including financial forecasts, provided to or otherwise discussed with CSFB by AT&T and TCI, and met with the managements of AT&T and TCI to discuss the businesses and prospects of AT&T and TCI. CSFB also considered certain financial and stock market data of AT&T and TCI, and compared those data with similar data for other publicly held companies in businesses similar to AT&T and TCI, and considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions recently effected. CSFB also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria that CSFB deemed relevant.

In connection with its review, CSFB did not assume any responsibility for independent verification of any of the foregoing information and relied on such information being complete and accurate in all material respects. With respect to the financial forecasts, AT&T informed CSFB, and CSFB assumed, that such forecasts were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of AT&T and TCI as to the future financial performance of AT&T and TCI and the potential strategic benefits and synergies (including the amount, timing and achievability thereof) anticipated to result from the Merger. CSFB was not requested to make, and did not make, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of AT&T or TCI, nor was CSFB furnished with any such evaluations or appraisals. In addition, CSFB assumed, with the consent of the AT&T Board, that, with regard to the proposed issuance of New Liberty Media Group Tracking Stock and the governance arrangements and corporate structure relating to the New Liberty Media Group, the financial condition of AT&T would not be affected by the financial condition of the New Liberty Media Group. CSFB's opinion was necessarily based upon information available to, and financial, economic, market and other conditions as they existed and could be evaluated by, CSFB on the date of its opinion. CSFB did not express any opinion as to the actual value of AT&T Common Stock and New Liberty Media Group Tracking Stock when issued pursuant to the Merger or the prices at which such securities will trade subsequent to the Merger. Although CSFB evaluated the Merger Exchange Ratio from a financial point of view to AT&T, CSFB was not requested to, and did not, recommend the specific consideration payable in the Merger, which consideration was determined through negotiation between AT&T and TCI. No other limitations were imposed by AT&T on CSFB with respect to the investigations made or procedures followed by CSFB in rendering its opinion.

Goldman Sachs Opinion

Goldman Sachs has acted as financial advisor to AT&T in connection with the Merger. Goldman Sachs is a nationally recognized investment banking firm and was selected by AT&T based on the firm's reputation and experience in investment banking in general and its recognized expertise in the valuation of businesses. Goldman Sachs, as part of its investment banking business, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. In addition to acting as AT&T's financial advisor in connection with the Merger, Goldman Sachs has provided certain investment banking services to AT&T from time to time, including having acted as its financial advisor in connection with the Teleport Merger and as Joint Global Coordinator in the initial public offering and subsequent spin-off of the common stock of Lucent Technologies Inc. in April 1996 and September 1996, respectively.

At the meeting of the AT&T Board held on June 23, 1998, Goldman Sachs delivered to the AT&T Board, subject to its review of the final Merger Agreement, its oral opinion (which was subsequently confirmed in a written opinion dated June 23, 1998) that, as of such date and based upon and subject to the matters set forth therein, the Merger Exchange Ratio was fair from a financial point of view to AT&T.

The full text of Goldman Sachs' written opinion, which sets forth the assumptions made, procedures followed, matters considered and limits on the review undertaken in connection with the opinion, is attached as Appendix E to this Proxy Statement/Prospectus and is incorporated herein by reference. Shareholders of AT&T are urged to, and should, read the opinion in its entirety.

In connection with rendering its opinion, Goldman Sachs, among other things, (a) reviewed the Merger Agreement; (b) reviewed Annual Reports to Shareholders and Annual Reports on Form 10-K of AT&T and TCI for the five years ended December 31, 1997, certain interim reports to shareholders and Quarterly Reports on Form 10-Q of AT&T and TCI and certain other communications from AT&T and TCI to their respective shareholders; (c) reviewed certain internal financial analyses and forecasts for AT&T and TCI prepared by their respective managements and certain analyses and forecasts of cost savings and operating synergies anticipated to result from the Merger prepared by the management of AT&T (the "**Synergies**"); (d) held discussions with members of the senior management of AT&T and TCI regarding the strategic rationale for, and expected benefits of, the Merger, the possible combination of AT&T's consumer services business and certain businesses of TCI and the past and current business operations, financial condition and future prospects of AT&T and TCI; (e) reviewed the reported price and trading activity for AT&T Common Stock and the different classes of publicly traded TCI common stock; (f) compared certain financial and stock market information for AT&T and TCI with similar information for certain other companies the securities of which are publicly traded; (g) reviewed the financial terms of certain recent business combinations in the cable television and telecommunications services industries specifically and in other industries generally; and (h) performed such other studies and analyses as it considered appropriate.

As set forth more fully in its opinion, Goldman Sachs relied upon the accuracy and completeness of all of the financial and other information reviewed by it, and, for purposes of rendering its opinion, assumed such accuracy and completeness. With respect to the financial forecasts, AT&T informed Goldman Sachs, and Goldman Sachs assumed, that such forecasts were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of AT&T and TCI as to the future financial performance of AT&T and TCI on a combined basis and the potential strategic benefits and Synergies (including the amount, timing and achievability thereof) anticipated to result from the Merger. Goldman Sachs has also assumed, with AT&T's consent, that, with regard to the proposed issuance of New Liberty Media Group Tracking Stock and the governance arrangements and corporate structure relating to the New Liberty Media Group, the financial condition of AT&T will not be affected by the financial condition of the New Liberty Media Group. Goldman Sachs did not make, nor was it furnished with, an independent evaluation or appraisal of the assets and liabilities of AT&T or TCI or any of their subsidiaries.

The opinion of Goldman Sachs was provided for the information and assistance of the AT&T Board in connection with its consideration of the Merger and does not constitute a recommendation as to how any holder of AT&T Common Stock should vote with respect to the transaction.

Financial Analyses

In preparing their respective opinions to the AT&T Board, CSFB and Goldman Sachs performed a variety of financial and comparative analyses, including those described below. The summary of the analyses of CSFB and Goldman Sachs set forth below describes the material analyses performed by CSFB and Goldman Sachs but does not purport to be a complete description of the analyses underlying the opinions of CSFB and Goldman Sachs. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances, and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. In arriving at their respective opinions, CSFB and Goldman Sachs made qualitative judgments as to the significance and relevance of each analysis and factor they considered. Accordingly, CSFB and Goldman Sachs believe that their analyses must be considered as a whole and that selecting portions of such analyses and factors, without considering all analyses and factors, could create a misleading or incomplete view of the processes underlying such analyses and opinions. In their analyses, CSFB and Goldman Sachs made numerous assumptions with respect to AT&T, TCI, industry performance, regulatory, general business, economic, market and financial conditions, and other matters, many of which are beyond the control of AT&T and TCI. No company, transaction or business used in such analyses as a comparison is identical to AT&T, TCI or the Merger, nor is an evaluation of the results of such analyses entirely mathematical; rather, such analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions being analyzed. The estimates contained in such analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, such analyses and estimates are inherently subject to substantial uncertainty. The opinions and financial analyses of CSFB and Goldman Sachs were only one of many factors considered by the AT&T Board in its evaluation of the Merger and should not be viewed as determinative of the views of the AT&T Board or AT&T's management with respect to the Merger Exchange Ratio or the Merger.

The following is a summary of the material financial analyses reviewed by CSFB and Goldman Sachs in their presentation to the AT&T Board with regard to their oral opinions on June 23, 1998:

Selected Companies Analysis. CSFB and Goldman Sachs compared certain financial, market and operating information of the TCI Group with corresponding data of the following selected publicly traded companies in the cable industry: Cox Communications, Inc., Comcast Corporation, MediaOne Group Inc., Cablevision Systems Corporation and Time Warner Inc. (together, the "**TCI Selected Companies**"). CSFB and Goldman Sachs calculated adjusted market values (equity market value plus total debt, preferred stock and minority interests, less cash and cash equivalents and the estimated value of the non-consolidated cable and the non-cable assets) as multiples of estimated calendar 1998 and 1999 cable-only earnings before interest, taxes, depreciation and amortization (''**EBITDA**''), based on publicly available research analyst estimates. The range of cable-only EBITDA multiples for the TCI Selected Companies in calendar 1998 was 11.2x to 13.1x, compared with 11.8x for the TCI Group, and in calendar 1999 was 10.0x to 11.8x, compared with 10.8x for the TCI Group.

Selected Transactions Analysis. CSFB and Goldman Sachs reviewed the implied transaction multiples paid in the following selected merger and acquisition transactions in the cable industry (acquiror/target): Cox/Prime South Diversified, Inc., Vulcan Ventures, Inc./Marcus Cable Company L.L.C., US WEST Media Group/Continental Cablevision, Inc., Comcast/E.W. Scripps Co., TCI/Viacom, Inc., and Time Warner/Houston Industries, Inc. (the ''**TCI Selected Transactions**''). CSFB and Goldman Sachs calculated adjusted transaction values, the amount paid in the transaction for the equity of the target, plus total debt, preferred stock and minority interests, less cash and cash equivalents and the estimated value of the non-consolidated cable and the non-cable assets (the ''**Adjusted Transaction Value**''), in the TCI Selected Transactions (a) as a multiple of estimated current-year cable-only EBITDA and (b) per subscriber. The Adjusted Transaction Values of the TCI Selected Transactions ranged from 10.7x to 14.0x current-year cable-only EBITDA and from $1,818 to $3,564 per subscriber. CSFB and Goldman Sachs calculated that the Adjusted Transaction Value for the Merger was 14.2x estimated calendar 1999 EBITDA as estimated by TCI management and AT&T management. The Adjusted Transaction Value for the Merger plus the value of non-consolidated cable interests was $2,970 per estimated 1999 subscriber (consolidated and non-consolidated).

Discounted Cash Flow Analysis for TCI Group. CSFB and Goldman Sachs estimated the present value of the future stand-alone, unlevered free cash flows that could be produced by the TCI Group, based on internal estimates of the management of TCI (the ''**TCI Management Case**'') and on certain sensitivities to the TCI Management Case based on discussions with the management of AT&T that assumed, among other things, AT&T management's view of the telephony and data business of TCI (the ''**TCI Alternative Case**''). The net present value ranges were estimated by applying terminal value multiples of 2002 projected EBITDA of 11.0x to 13.0x and discount rates ranging from 10.0% to 12.0%. This analysis indicated an implied blended equity value per share of TCI Group Tracking Stock ranging from approximately $55.14 to $72.49 (TCI Management Case) and from approximately $44.40 to $59.06 (TCI Alternative Case). This compares with the implied blended per share price for TCI Group Tracking Stock in the Merger of approximately $49.35 (based on the closing price of AT&T Common Stock on June 22, 1998).

Pro Forma Merger Analysis. CSFB and Goldman Sachs analyzed the potential pro forma effects of the Merger on AT&T's projected earnings per share (''**EPS**'') for fiscal years 1999 through 2002 based on (a) forecasts developed in conjunction with AT&T management (the ''**AT&T Management Case**'') and (b) certain sensitivities to the AT&T Management Case based on discussions with AT&T's management that assumed, among other things, a reduction in consumer long-distance revenues (the ''**AT&T Alternative Case**''). These plans were analyzed in combination with the TCI Alternative Case. This analysis indicated that the Merger would be dilutive to AT&T's EPS in fiscal years 1999 through 2002 under the AT&T Management Case and dilutive through 2001 but accretive in 2002 under the AT&T Alternative Case. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Certain Other Factors and Comparative Analyses. In their presentation to the AT&T Board, CSFB and Goldman Sachs reviewed certain other factors and other comparative analyses, including, among other things, (a) the historical stock price performance of TCI Group Tracking Stock, AT&T Common Stock, the S&P 500, and indexes composed of selected companies in the long-distance and cable industries, and (b) the estimated present value of the future stand-alone, unlevered free cash flows that could be produced by AT&T.

Miscellaneous

Pursuant to the terms of their engagement, AT&T has agreed to pay each of CSFB and Goldman Sachs for its financial advisory services in connection with the Merger an aggregate fee of $30 million, of which $10 million became payable upon execution of the Merger Agreement, $10 million will be payable upon approval by the AT&T shareholders of the AT&T Merger Proposal, and $10 million will be payable upon the Closing. AT&T also has agreed to reimburse each of CSFB and Goldman Sachs for reasonable out-of-pocket expenses incurred by each of CSFB and Goldman Sachs in performing its services, including the fees and expenses of legal counsel and any other advisor retained by each of CSFB and Goldman Sachs, and to indemnify each of CSFB and Goldman Sachs and certain related persons against certain liabilities, including liabilities under the U.S. federal securities laws, arising out of the engagement of CSFB and Goldman Sachs.

Each of CSFB and Goldman Sachs has in the past provided financial services to AT&T, TCI and certain of their respective affiliates unrelated to the Merger, for which services CSFB and Goldman Sachs have received compensation. In the ordinary course of their respective businesses, each of CSFB and Goldman Sachs and their respective affiliates may actively trade the debt and equity securities of AT&T, TCI and their respective affiliates for their own accounts and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

Opinions of TCI's Financial Advisor

TCI engaged DLJ to act as TCI's financial advisor in connection with the proposed Liberty/Ventures Combination and the proposed Merger and to evaluate the fairness to TCI shareholders, from a financial point of view, of the Liberty/Ventures Combination Exchange Ratios, the TCI Group Exchange Ratios and the Liberty/Ventures Group Exchange Ratios as they relate to the relevant holders of each series of TCI Group Tracking Stock, Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock (collectively, "**TCI Common Stock**"). On June 23, 1998, DLJ delivered to the TCI Board its oral opinion, which opinion was subsequently confirmed in writing in the Liberty/Ventures Opinion, that, as of such date, and based on and subject to the assumptions, limitations and qualifications as set forth in such opinion, with respect to the holders of Liberty Media Group Tracking Stock (other than shareholders who are affiliates of TCI), each Liberty/Ventures Combination Exchange Ratio was fair to such holders from a financial point of view and, with respect to the holders of each series of TCI Ventures Group Tracking Stock (other than shareholders who are affiliates of TCI), the Liberty/Ventures Combination Exchange Ratio relating to such series was fair to such holders from a financial point of view. On the same date, DLJ delivered to the TCI Board its oral opinion, which opinion was subsequently confirmed in writing in the TCI Merger Opinion, that, as of such date, and based on and subject to the assumptions, limitations and qualifications as set forth in such opinion, with respect to the holders of each series of TCI Group Tracking Stock and Liberty/Ventures Group Tracking Stock (other than shareholders who are affiliates of TCI), the TCI Group Exchange Ratios and the Liberty/Ventures Group Exchange Ratios relating to such series were fair to such holders from a financial point of view.

The full text of the DLJ Opinions are attached as Appendices F-1 and F-2 to this Proxy Statement/Prospectus. The summary of the DLJ Opinions set forth in this Proxy Statement/Prospectus is qualified in its entirety by reference to the full text of the DLJ Opinions. TCI shareholders are urged to read the DLJ Opinions carefully and in their entirety for the procedures followed, assumptions made, other matters considered and limits of the review by DLJ in connection with such opinions.

The DLJ Opinions were prepared for the TCI Board and were directed only to the fairness from a financial point of view, as of the date thereof, of the various exchange ratios to TCI shareholders (other than shareholders who are affiliates of TCI). The DLJ Opinions do not address the relative merits of the Liberty/Ventures Combination and the Merger or of any other business strategies being considered by the TCI Board, nor do they address the TCI Board's decision to proceed with the Liberty/Ventures Combination and the Merger. DLJ expressed no opinion in the DLJ Opinions as to the prices at which Liberty Media Group Series A Tracking Stock, Liberty Media Group Series B Tracking Stock, AT&T Common Stock, New Liberty Media

Group Class A Tracking Stock and New Liberty Media Group Class B Tracking Stock will actually trade at any time. The DLJ Opinions also do not constitute a recommendation to any shareholder as to how such shareholder should vote on the Liberty/Ventures Combination or the Merger.

TCI selected DLJ as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in the media and communications industries and is familiar with TCI and its businesses. DLJ was not retained as an advisor to or agent of the shareholders of TCI or any other person. The type and amount of consideration in the Merger was determined in arm's-length negotiations between TCI and AT&T. As part of its investment banking business, DLJ is regularly engaged in the valuation of businesses and securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

In arriving at the Liberty/Ventures Opinion, DLJ discussed the Liberty/Ventures Combination with TCI and counsel to TCI, reviewed the terms of the Liberty/Ventures Combination as set forth in the Merger Agreement and reviewed financial and other information that was publicly available or furnished to DLJ by TCI, including information provided during discussions with TCI's management. Included in the information provided during such discussions with management were certain financial analyses of TCI prepared by TCI's management. In addition, DLJ reviewed the historical stock prices and trading volumes of TCI Ventures Group Series A Tracking Stock, TCI Ventures Group Series B Tracking Stock, Liberty Media Group Series A Tracking Stock, Liberty Media Group Series B Tracking Stock, and conducted such other financial studies, analyses and investigations as DLJ deemed appropriate for purposes of rendering the Liberty/Ventures Opinion.

In arriving at the TCI Merger Opinion, DLJ reviewed the Merger Agreement and reviewed financial and other information that was publicly available or furnished to DLJ by TCI and AT&T, including information provided during discussions with management of TCI and AT&T. Included in the information provided during discussions with management were certain financial analyses of TCI and AT&T, certain projections of TCI for the period beginning January 1, 1998 and ending on December 31, 2002 prepared by TCI's management and certain projections of AT&T for the period beginning January 1, 1998 and ending on December 31, 2002 prepared by AT&T's management. In addition, DLJ compared certain financial and securities data of TCI and AT&T with various other companies whose securities are traded in public markets, reviewed the historical stock prices and trading volumes of TCI Group Series A Tracking Stock, TCI Group Series B Tracking Stock, TCI Ventures Group Series A Tracking Stock, TCI Ventures Group Series B Tracking Stock, Liberty Media Group Series A Tracking Stock, Liberty Media Group Series B Tracking Stock and AT&T Common Stock, reviewed prices and premiums paid in certain other business combinations, and conducted such other financial studies, analyses and investigations as DLJ deemed appropriate for purposes of rendering the TCI Merger Opinion.

In rendering the DLJ Opinions, DLJ relied upon and assumed the accuracy, completeness and fairness of all the financial and other information that was available to DLJ from public sources, was provided to DLJ by TCI, AT&T or their respective representatives, or was otherwise reviewed by DLJ. With respect to the financial analyses and projections supplied to DLJ by TCI and AT&T, DLJ assumed that they were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of TCI and AT&T, respectively, as to the future operating and financial performance of TCI and AT&T, respectively. With respect to the TCI Merger Opinion, DLJ assumed that the Liberty/Ventures Combination would be completed prior to the consummation of the Merger. With respect to the Liberty/Ventures Opinion, DLJ assumed that any transactions undertaken by TCI before or in connection with the consummation of the Liberty/Ventures Combination would not affect the relative valuations of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock. DLJ did not assume any responsibility for making an independent evaluation of TCI's or AT&T's assets or liabilities or for making any independent verification of any of the information reviewed by DLJ. DLJ relied as to certain legal matters on advice of counsel to TCI. In addition, DLJ assumed that the Liberty/Ventures Combination and the Merger would be tax free for U.S. federal income tax purposes to TCI, AT&T and holders of each series of TCI Common Stock.

In rendering the TCI Merger Opinion, DLJ also assumed that obtaining the necessary regulatory and governmental approvals for the Merger would not significantly delay consummation of the Merger, and that, in the course of obtaining such approvals, no restriction would be imposed that will have a material adverse effect on the contemplated benefits of the Merger. DLJ was not requested to, and did not, solicit the interest of any other party in acquiring TCI or any of its assets.

The DLJ Opinions are necessarily based on economic, market, financial and other conditions as they exist on, and on the information made available to DLJ as of, the date thereof. The DLJ Opinions state that, although subsequent developments may affect the DLJ Opinions, DLJ does not have any obligation to update, revise or reaffirm its opinions.

The following is a summary of the presentation made by DLJ to the Special Committee on June 23, 1998 and, later that day, to the TCI Board in connection with the rendering of the DLJ Opinions.

Liberty/Ventures Opinion

TCI Ventures Group Valuation. DLJ analyzed the equity values of TCI Ventures Group Tracking Stock using current (as of June 19, 1998) and historical (20-day average, 30-day average and 60-day average) stock prices, research analysts' consensus (based on a review of publicly available analyst research) 1998 target price, research analysts' consensus 1998 private market value, DLJ's estimate of public market value and DLJ's estimate of private market value (with and without applying a portfolio discount). Under these analyses, the value per share of TCI Ventures Group Tracking Stock ranged from $16.67 to $26.57.

Liberty Media Group Valuation. DLJ analyzed the equity values of Liberty Media Group Tracking Stock using current (as of June 19, 1998) and historical (20-day average, 30-day average and 60-day average) stock prices, research analysts' consensus (based on a review of publicly available analyst research) 1998 target price, research analysts' consensus 1998 private market value, DLJ's estimate of public market value and DLJ's estimate of private market value. Under these analyses, the value per share of Liberty Media Group Tracking Stock ranged from $33.16 to $45.04.

Exchange Ratio Analysis. DLJ performed exchange ratio analyses of the equity values of TCI Ventures Group Tracking Stock and Liberty Media Group Tracking Stock using the values derived above. The calculated exchange ratios of Liberty Media Group Tracking Stock for each share of TCI Ventures Group Tracking Stock ranged from 0.4804x to 0.6590x with a median of 0.5183x and a mean of 0.5345x, as compared to the Liberty/Ventures Combination Exchange Ratios of 0.52x for TCI Ventures Group Series A Tracking Stock and 0.52x for TCI Ventures Group Series B Tracking Stock.

TCI Merger Opinion

Public Comparables Analysis. DLJ analyzed selected historical and projected operating information, stock market data and financial ratios for certain publicly traded cable companies that DLJ deemed to be comparable to TCI. The cable companies consisted of Comcast, Cox, Century Communications Corp., Cablevision Systems Corporation, Jones Intercable, Inc., TCA Cable TV, Inc. and MediaOne Group Inc. (collectively, the "**Comparable Cable Companies**").

DLJ compared the enterprise value (defined as the value of fully-diluted common equity plus long-term debt and the liquidation value of outstanding preferred stock, if any, minus cash, the proceeds, if any, from the exercise of outstanding options and warrants and the value of certain other assets, including minority interests in other entities, at a discount to the private market value thereof) of each of the Comparable Cable Companies as of June 19, 1998 to certain selected financial data. In examining these Comparable Cable Companies, DLJ analyzed the enterprise value of the companies as a multiple of each company's respective 1998 estimated EBITDA and 1999 estimated EBITDA and the enterprise value per cable system subscriber. Estimated 1998 EBITDA and estimated 1999 EBITDA were obtained from DLJ's equity research analysts. DLJ's analysis of the Comparable Cable Companies yielded the following: 1998 estimated EBITDA multiples ranged from 10.7x to 13.3x with a median of 11.6x; 1999 estimated EBITDA multiples ranged from 9.8x to 12.1x with a median of 10.7x; and enterprise value per subscriber ranged from $2,347.1 to $2,751.4 with a median of $2,461.5.

DLJ then calculated implied exchange ratios of TCI Group Tracking Stock by applying TCI's actual and certain forecasted financial results to the high, median and low multiples derived from its analysis of the Comparable Cable Companies. DLJ calculated ranges of implied per share exchange ratios of TCI Group Tracking Stock as follows: 0.474x to 0.615x with a median of 0.521x (based on enterprise value as a multiple of 1998 EBITDA); 0.499x to 0.648x with a median of 0.561x (based on enterprise value as a multiple of 1999 EBITDA); and 0.507x to 0.615x with a median of 0.538x (based on enterprise value per subscriber), each as compared to the TCI Group Series A Exchange Ratio of 0.7757x and a blended exchange ratio in the Merger of 0.7825x for TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock.

M&A Comparables Analysis. DLJ reviewed 13 selected acquisitions or proposed acquisitions involving companies or cable systems that DLJ deemed to be comparable to TCI: (a) Avalon Cable (ABRY Partners Inc.)/Cable Michigan, Inc.; (b) public shareholders/Bob Rogers estate; (c) Cox/Prime Cable Co.; (d) TCI/Jones Intercable, Inc.; (e) Paul Allen/Marcus Cable Co.; (f) Mediacom Inc./Cablevision Systems Corp.; (g) Renaissance Media, Inc./Time Warner; (h) Prime Cable Co./SBC Communications Inc.; (i) InterMedia Partners VI/TCI; (j) Charter Communications Inc./US West Inc.; (k) US WEST Media Group/Continental Cablevision Inc.; (l) Times Mirror Cable Television/Cox; and (m) Bell Atlantic Corp. /TCI (collectively, the "**M&A Comparable Companies**"). In examining these acquisitions, DLJ compared the enterprise value of the acquired company implied by each of these transactions as a multiple of forward EBITDA (for the fiscal year following the current fiscal year as obtained by DLJ from various publicly available sources) to certain selected financial data and the enterprise value per cable system subscriber. DLJ's analysis of enterprise value as a multiple of forward EBITDA of the M&A Comparable Companies yielded a range of multiples of 9.5x to 13.1x with a median of 11.5x. Enterprise value per subscriber ranged from $1,186.8 to $3,840.1 with a median of $2,049.9.

DLJ then calculated implied exchange ratios per share of TCI Group Tracking Stock by applying TCI's actual and estimated financial results to the high and low multiples derived from its analysis of the M&A Comparable Companies. DLJ calculated ranges of implied exchange ratios of TCI Group Tracking Stock of 0.482x to 0.712x with a median of 0.610x (based on enterprise value as a multiple of forward EBITDA) and 0.196x to 0.907x with a median of 0.428x (based on enterprise value per subscriber), each as compared to the TCI Group Series A Exchange Ratio of 0.7757x and a blended exchange ratio in the Merger of 0.7825x for TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock.

Comparable Premiums Paid Analysis. DLJ determined the implied premium over the common stock trading prices for one day, one week and four weeks prior to the announcement date of all acquisitions announced over the last five years with a transaction value of greater than $10 billion. The median premiums for the selected transactions over the common stock trading prices for one day, one week and four weeks prior to the announcement date were 24.2%, 25.1% and 31.6%, respectively, and the average premiums for the selected transactions over the same time periods were 28.2%, 30.3% and 32.6%, respectively, as compared to the implied premiums in the Merger for TCI Group Series A Tracking Stock, individually, and the blended implied premiums for TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock, together, one day, one week and four weeks prior to June 22, 1998 of 40.5%, 52.6% and 37.1%, respectively, and 41.7%, 53.9% and 38.3%, respectively.

DLJ then calculated implied exchange ratios per share of TCI Group Tracking Stock by applying TCI's implied premiums to the median premiums and the mean premiums derived from its analysis of comparable premiums paid. DLJ calculated, for the implied premiums over the common stock trading prices for one day, one week and four weeks prior to June 19, 1998, (a) implied median exchange ratios for TCI Group Tracking Stock of 0.686x, 0.636x and 0.745x, respectively, and (b) implied mean exchange ratios for TCI Group Tracking Stock of 0.708x, 0.662x and 0.750x, respectively, each as compared to the TCI Group Series A

Exchange Ratio of 0.7757x and a blended exchange ratio in the Merger of 0.7825x for TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock.

Discounted Cash Flow Analysis. DLJ performed a discounted cash flow ("**DCF**") analysis (*i.e.*, an analysis of the present value of projected cash flows using the discount rates and terminal year EBITDA multiples indicated below) for the period commencing June 30, 1998 and ending December 31, 2002 of TCI Group, using projections and assumptions provided by TCI's management. The DCF for the video portion of TCI's cable business was estimated using discount rates ranging from 10% to 13% and terminal multiples of estimated EBITDA for TCI's fiscal year ending 2002 ranging from 9.0x to 10.0x. The DCF for the Internet and telephony portion of TCI's cable business was estimated using discount rates ranging from 14% to 16% and terminal multiples of estimated EBITDA for TCI's fiscal year ending 2002 ranging from 9.0x to 11.0x. Certain non-operating assets of TCI were valued by applying multiples to estimated 1998 EBITDA obtained by using publicly available research estimates and/or historical cost. This analysis yielded an implied exchange ratio range of 0.6763x to 0.8739x per fully diluted share of TCI Group Tracking Stock, as compared to the TCI Group Series A Exchange Ratio of 0.7757x and a blended exchange ratio in the Merger of 0.7825x for TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock.

Valuation of @Home. DLJ analyzed the equity value of @Home held by TCI Ventures Group using current (as of June 19, 1998) and historical (20-day average, 30-day average and 60-day average) stock prices. The enterprise value of @Home held by TCI Ventures Group based on the then-current stock price was $1,666.8 million and based on historical stock prices ranged from $1,643.3 million (20-day average) to $1,732.0 million (30-day average).

Valuation of Certain Other Assets. DLJ performed a DCF analysis for the period commencing June 30, 1998 and ending December 31, 2003 of NDTC/Headend in the Sky ("**HITS**"), using projections and assumptions provided by the management of TCI. The DCF was estimated using discount rates ranging from 12.0% to 14.0% and terminal multiples of estimated EBITDA for NDTC/HITS' fiscal year ending 2003 ranging from 8.0x to 10.0x. Based on TCI management estimates, the DCF values ranged from $887.7 million to $1,180.3 million, and, based on TCI management estimates while holding EBITDA margins to a maximum of 35%, DCF values ranged from $581.1 million to $778.9 million.

The summary set forth above does not purport to be a complete description of the analyses performed by DLJ but describes, in summary form, the principal elements of the presentation made by DLJ to the Special Committee and the TCI Board on June 23, 1998. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to summary description. Each of the analyses conducted by DLJ was carried out in order to provide a different perspective on the Liberty/Ventures Combination or the Merger, as the case may be, and to add to the total mix of information available. DLJ did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion as to fairness from a financial point of view. Rather, in reaching its conclusions, DLJ considered the results of the analyses in light of each other and ultimately reached each opinion based on the results of all analyses undertaken in connection with such opinion taken together as a whole. Accordingly, notwithstanding the separate factors summarized above, DLJ has indicated to TCI that, with respect to each of the DLJ Opinions, it believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all analyses and factors, could create an incomplete view of the evaluation process underlying its opinion. The analyses performed by DLJ are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses.

Pursuant to the terms of an engagement agreement dated June 23, 1998 (the "**DLJ Engagement Letter**"), TCI agreed to pay (a) a fee of $1 million, payable upon the execution of the DLJ Engagement Letter; (b) a fee of $9 million, payable upon the earlier of the execution of the Merger Agreement or the delivery by DLJ of the TCI Merger Opinion (irrespective of the conclusion reached therein); and (c) an additional $30 million, payable upon the Closing. In addition, TCI agreed to reimburse DLJ, upon request by DLJ from time to time, for all out-of-pocket expenses (including the reasonable fees and expenses of counsel) incurred by DLJ in connection with its engagement, and to indemnify DLJ and certain related persons against certain liabilities in connection with the engagement, including liabilities under U.S. federal securities laws. DLJ and TCI management negotiated the terms of the fee arrangement, and the TCI Board was aware of such arrangement, including the fact that a significant portion of the aggregate fee payable to DLJ is contingent upon consummation of the Merger.

In the ordinary course of business, DLJ and its affiliates may own or actively trade the securities of TCI and AT&T for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a long or short position in TCI or AT&T securities. DLJ has performed investment banking and other services in the past for TCI and has been compensated for such services.

In addition, subsequent to the execution of the Merger Agreement, TCI engaged Merrill Lynch, Pierce, Fenner & Smith Incorporated ("**Merrill Lynch**") to render financial advisory services in connection with the Liberty/Ventures Combination and the Merger. TCI has agreed to pay Merrill Lynch, upon consummation of the Merger, a fee of $1 million for rendering such services and up to an additional $4 million at the sole discretion of TCI. Merrill Lynch was not present at any meetings of, and did not render any opinion to, the Special Committee or the TCI Board in connection with TCI's consideration of the Liberty/Ventures Combination and the Merger.

Management and Operations of AT&T following the Merger

Following the Merger, AT&T's organizational structure will continue to evolve to improve efficiency and responsiveness to market demands. A centralized network group will handle day-to-day management of most of AT&T's network assets, including business and consumer long-distance and local and wireless assets. In addition to the network group, two other groups will be established: one to manage AT&T's cable assets and the other to manage AT&T's international assets. Similarly, a single business services group will manage marketing and sales for all business offers. In addition, initially, a centralized consumer marketing organization of the AT&T Consumer Services division will generally be responsible for overseeing the marketing and sales efforts of all products within the AT&T Consumer Services division. The consumer marketing organization's duties are expected to include (a) bundling products of the different groups, designing integrated service offerings, assuring technical compatibility of the offerings and establishing prices charged to the public for such offerings, (b) coordinating the marketing activities of the groups, and (c) seeking to enhance the efficient operation of each of the groups.

C. Michael Armstrong, Chairman and Chief Executive Officer of AT&T, will continue to have overall responsibility for all of these operations. John D. Zeglis, President of AT&T, also will become chief executive of the consumer services group. Leo J. Hindery, Jr., President and Chief Operating Officer of TCI, will be responsible for all of AT&T's cable-based businesses and will head all cable activities, including investments in cable affiliates and development of cable telephony through partnerships and other investments. Daniel E. Somers, Senior Executive Vice President and Chief Financial Officer of AT&T, also will oversee AT&T's international investments and services. Robert Annunziata, President of Business Services of AT&T, will be responsible for the business services group; and Daniel R. Hesse, President and Chief Executive Officer of AT&T's wireless services business, will be in charge of wireless operations. Frank Ianna, President of Network Services of AT&T, will have direct responsibility for the network group; and David C. Nagel, President of AT&T Labs and Chief Technology Officer of AT&T, will oversee research and technology development.

Accounting Treatment

The Merger

The Merger will be accounted for under the purchase method of accounting, with AT&T treated as the acquirer. As a result, AT&T will record the assets and liabilities of TCI at their estimated fair values and will record as goodwill the excess of the purchase price over such estimated fair values. The operating results of TCI will be combined with the results of AT&T from the date of the Merger. As a result, AT&T's earnings for 1999 will not include TCI's 1999 earnings prior to the Merger. See "Unaudited Pro Forma Condensed Financial Information" for a description of the adjustments expected to be recorded to the financial statements of AT&T.

General Accounting Matters following the Transactions

Following the Merger, AT&T will account for its interests in the New Liberty Media Group under the equity method. New Liberty Media Tracking Stock will track the performance of the equity interests in the New Liberty Media Group held by AT&T and will represent an indirect interest in the same assets and businesses that the Liberty/Ventures Group Tracking Stock did prior to the Merger (after giving effect to the Asset Transfers). However, pursuant to the Transaction Agreements, the New Liberty Media Group will be managed separately from AT&T, and, under Delaware corporate law, the Liberty Board will have virtually all of the New Liberty Media Group's corporate governance powers. In addition, the Class B and C directors on the Liberty Board (who will be designees of TCI prior to the Merger) will constitute a majority of the Liberty Board and AT&T's rights as the sole shareholder of the common stock of the New Liberty Media Group following the Merger will be limited to actions that will require shareholder approval. Those actions are (a) approval of the merger or sale of all or substantially all of the assets of Liberty Media Corporation, (b) the liquidation of Liberty Media Corporation, (c) amendment of the Liberty Media Corporation Certificate of Incorporation and (d) the election of directors. AT&T will not have the ability to remove the Class B and C directors (or their designees), or have an opportunity to elect a majority of the Liberty Board until 2006, at which time the election by AT&T to the Liberty Board of persons other than those designated by the then Class B and C directors will constitute a Triggering Event that will result in all of the assets and businesses of the New Liberty Media Group being transferred into an entity controlled by persons other than AT&T unless the Triggering Event is waived by Liberty Management LLC. For these reasons, management has concluded that AT&T will not have a controlling financial interest (as that term is used in SFAS 94) in the New Liberty Media Group following the Merger.

If the Transactions are consummated, AT&T will prepare financial statements in accordance with generally accepted accounting principles, consistently applied, for each group, and these financial statements, taken together, and after giving effect to eliminations and other adjustments, will comprise all of the accounts included in the corresponding financial statements of AT&T. The financial statements of each of the groups will principally reflect the financial position, results of operations and cash flows of the businesses included therein. Notwithstanding any allocation of assets or liabilities for dividend purposes or the purpose of preparing group financial statements, AT&T Common Stock and New Liberty Media Group Tracking Stock will both be common stock of AT&T, and holders of AT&T Common Stock and New Liberty Media Group Tracking Stock will continue to be subject to risks associated with an investment in a single corporation and all of AT&T's businesses, assets and liabilities.

Interests of Certain Persons in the Transactions

Members of TCI's management and the TCI Board may be deemed to have interests in the Merger that are different from, or in addition to, the interests of TCI shareholders generally. The Special Committee and the TCI Board were aware of these interests and considered them, among other matters, in approving the Merger Agreement and the transactions contemplated thereby. In addition, members of AT&T's management and the AT&T Board may be deemed to have interests in the Merger that are different from, or in addition to, the interests of AT&T shareholders generally. The AT&T Board was aware of these interests and considered them, among other matters, in approving the Merger Agreement and the transactions contemplated thereby. These interests are described below.

AT&T Board

At the Effective Time, AT&T will expand the size of the AT&T Board by one and will appoint Dr. Malone to the AT&T Board. In the event Dr. Malone is unable to serve, AT&T will appoint another individual designated by TCI and reasonably satisfactory to AT&T to the AT&T Board. From the Effective Time until the third anniversary of the Effective Time, AT&T will nominate Dr. Malone (or such other individual) for reelection to the AT&T Board. After the third anniversary of the Effective Time, so long as any New Liberty Media Group Tracking Stock is outstanding, AT&T will nominate and recommend for election to the AT&T Board an individual (who may be Dr. Malone) who, in the AT&T Board's reasonable judgment, by virtue of his or her background and experience, will understand and reflect issues of concern to the New Liberty Media Group and the holders of New Liberty Media Group Tracking Stock.

Management of the New Liberty Media Group

Following the Liberty/Ventures Combination, Dr. Malone, currently Chairman and Chief Executive Officer of TCI, will be Chairman of the Liberty/Ventures Group, Mr. Bennett, currently President and Chief Executive Officer of Liberty Media Corporation, will be President and Chief Executive Officer of the Liberty/Ventures Group and Mr. Howard, currently President of the TCI Ventures Group, will be Executive Vice President and Chief Operating Officer of the Liberty/Ventures Group. Following the Merger, such individuals will hold similar positions in the New Liberty Media Group.

Following the Merger, all of the equity interests in the New Liberty Media Group will be owned by AT&T; however, a majority of the members of the Liberty Board will be individuals designated by TCI prior to the Merger. Liberty Media Corporation will have three classes of directors: one class elected for a term of one year; one class elected for a term of seven years; and one class elected for a term of 10 years. Each class of directors will have an equal number of members. Such directors may not be removed other than for "cause," and, in the event of the death or resignation of a director, the remaining directors of such class will choose a successor to fill the remaining term of such deceased or resigning director. Thus, the second and third classes of directors will constitute a majority of the Liberty Board until at least 2006. Under Delaware law, the business of a corporation is managed by its board of directors. As a result, although AT&T will own all of the equity interests in the New Liberty Media Group and, initially, all of the common stock of Liberty Media Corporation, the incumbent directors of Liberty Media Corporation at the Effective Time (and their successors) will be able to control most aspects of the day-to-day business of Liberty Media Corporation and its subsidiaries following the Merger.

In addition, in the event the incumbent directors (and their designated successors) cease to constitute a majority of the Liberty Board, or Liberty Management LLC determines that, in its reasonable judgment, the incumbent Liberty Board is likely to cease to constitute a majority of the Liberty Board, such event will constitute a "**Triggering Event.**" Liberty Management LLC is a limited liability company, the equity interests of which are owned by certain current officers of Liberty Media Corporation. Upon the occurrence of a Triggering Event, subject to the terms and conditions of a contribution agreement (the "**Contribution Agreement**") that TCI will cause Liberty Media Corporation and Liberty Ventures LLC to enter into in connection with the Merger, all of the assets of Liberty Media Corporation and of certain other entities included in the New Liberty Media Group will be contributed to a limited liability company ("**Liberty Media Group LLC**"), substantially all of the equity interests of which are owned by AT&T, unless the Triggering Event is waived by Liberty Management LLC. However, Liberty Management LLC will own the remaining equity interests in Liberty Media Group LLC, will be the sole manager of Liberty Media Group LLC and will own a "controlling financial interest" (as that term is used in SFAS 94) in Liberty Media Group LLC.

As a result of these arrangements, persons other than AT&T will be able to exercise control over the management of the business of the New Liberty Media Group following the Merger such that AT&T will not have a ''controlling financial interest'' (as that term is used in SFAS 94) in the New Liberty Media Group. This means that, subject to its fiduciary duties to AT&T and any other shareholders of Liberty Media Corporation, and to the obligations under an inter-group agreement between AT&T and Liberty Media Corporation (the ''**Inter-Group Agreement**''), the Liberty Board, a majority of which will be individuals designated by TCI prior to the Merger, may under Delaware law operate Liberty Media Corporation in any manner that it determines to be in the best interests of Liberty Media Corporation, although such interests may differ from the interests of AT&T or the holders of New Liberty Media Group Tracking Stock. For example, subject to these duties and obligations, the Liberty Board may: (1) set management compensation, (2) issue shares of stock of Liberty Media Corporation, including preferred shares, (3) repurchase securities, including securities owned by officers or directors of Liberty Media Corporation, (4) cause Liberty Media Corporation to engage in businesses and activities that compete directly with AT&T, or (5) cause Liberty Media Corporation to pursue business opportunities that may also be of interest to AT&T. See ''Risk Factors Relating to the Merger—The Board of Directors of Liberty Media Corporation, a Majority of Which Will Be Individuals Designated by TCI Prior to the Merger, Has the Power to Take Actions that May Not Be in the Best Interests of AT&T or Holders of New Liberty Media Group Tracking Stock'' and ''—The Board of Directors of Liberty Media Corporation May Have No Fiduciary Duties to Holders of New Liberty Media Tracking Stock.''

Certain other corporations that will be attributed to the New Liberty Media Group but which are not subsidiaries of Liberty Media Corporation will have governance arrangements similar to those of Liberty Media Corporation described above. Moreover, the various Transaction Agreements will provide the New Liberty Media Group with a level of financial and operational separation from AT&T, certain access rights to AT&T's cable networks and certain rights enabling it to finance its operations separately from those of AT&T.

TCI Stock Ownership

All directors and executive officers of TCI are beneficial owners of TCI Group Tracking Stock, Liberty Media Group Tracking Stock and/or TCI Ventures Group Tracking Stock.

The Merger Agreement provides that each share of TCI Group Series B Tracking Stock will be exchanged at the TCI Group Series B Exchange Ratio of 0.8533 of a share of AT&T Common Stock, whereas each share of TCI Group Series A Tracking Stock will be exchanged at the TCI Group Series A Exchange Ratio of 0.7757 of a share of AT&T Common Stock. The difference in the TCI Group Exchange Ratios constitutes an approximate 10% premium payable to the holders of TCI Group Series B Tracking Stock. As of December 31, 1998, Dr. Malone and his spouse collectively owned 30,401,772 shares of TCI Group Series B Tracking Stock (excluding shares that they have the right to vote but in which they do not have a direct economic interest), or approximately 47.2% of the total number of shares of TCI Group Series B Tracking Stock outstanding as of such date. In addition, as of December 31, 1998, the other directors and members of management of TCI own an aggregate of 23,990,555 shares of TCI Group Series B Tracking Stock (including shares in which they have a direct economic interest but do not have the right to vote) or approximately 37.2% of the total number of shares of TCI Group Series B Tracking Stock outstanding as of such date. The TCI Board and the Special Committee carefully considered the premium payable to the holders of the TCI Group Series B Tracking Stock in connection with its decision to approve the Merger Agreement and determined that such premium was an acceptable control premium to such holders under the circumstances, and, in the case of Dr. Malone and Leslie Malone (collectively, the **"Malones"**) and the Estate of Bob Magness, the Estate of Betsy Magness, Gary Magness (individually and in certain representative capacities) and Kim Magness (individually and in certain representative capacities) (collectively, the ''**Magness Group**''), did not exceed the control premium limit established by TCI in separate agreements entered into with the Magness Group (the ''**Magness Group Call Agreement**'') and the Malones (the ''**Malone Call Agreement**'' and together with the Magness Group Call Agreement, the ''**Call Agreements**'').

In addition, the Merger Agreement provides that holders of Liberty/Ventures Group Series B Tracking Stock will receive shares of New Liberty Media Group Class B Tracking Stock that entitle such holders to cast one vote per share, while holders of Liberty/Ventures Group Series A Tracking Stock will receive shares of New Liberty Media Group Class A Tracking Stock that entitle such holders to cast 1/10 vote per share. This distinction between the shares of New Liberty Media Group Class A Tracking Stock and New Liberty Media Group Class B Tracking Stock maintains the present 10-to-one voting ratio currently in effect between the holders of Liberty Media Group Series B Tracking Stock and TCI Ventures Group Series B Tracking Stock and the holders of Liberty Media Group Series A Tracking Stock and TCI Ventures Group Series A Tracking Stock. As of December 31, 1998, Dr. Malone and his spouse beneficially owned 34,775,586 shares of Liberty Media Group Series B Tracking Stock and TCI Ventures Group Series B Tracking Stock, or approximately 45.2% of such shares outstanding as of such date. In addition, as of December 31, 1998, the other directors and members of management of TCI owned an aggregate of 34,392,372 of such shares, or approximately 44.7% of such shares outstanding as of such date. Dr. Malone also holds options to acquire an additional 1,125,000 shares of Liberty Media Group Series A Tracking Stock, 1,200,000 shares of TCI Ventures Group Series A Tracking Stock and 2,800,000 shares of TCI Ventures Group Series B Tracking Stock. Pursuant to the terms of the Shareholders' Agreement, dated as of February 9, 1998, among TCI, the Magness Group and the Malones (the "**Shareholders' Agreement**"), Dr. Malone will have the power to vote all shares of New Liberty Media Group Class B Tracking Stock held by the Magness Group. Dr. Malone also will have the power to vote all shares of New Liberty Media Group Class B Tracking Stock held by certain trusts of which Mr. Hindery is the trustee. As a result, immediately following the Merger and assuming the exercise of his options to purchase shares of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock, Dr. Malone will have the power to vote securities having approximately 46.1% of the voting power with respect to any matters upon which the holders of New Liberty Media Group Tracking Stock will vote as a separate class.

Three persons who are directors and/or executive officers of TCI own shares of the 12% Series C Cumulative Compounding preferred stock of WestMarc Communications, Inc., a subsidiary of TCI. Dr. Malone, an executive officer and director of TCI, owns, as trustee for his children, 68 shares, Kim Magness, a director of TCI, owns 31 shares individually and owns 944 shares as personal representative of the Estate of Bob Magness, and Larry E. Romrell, an executive officer of TCI, owns 103 shares.

As described more fully under "The Transaction Agreements—The Merger Agreement—Certain Actions by AT&T and the Surviving Corporation," AT&T has agreed that, for a period of 15 years following the Effective Time, neither it nor the Surviving Corporation will take certain actions with regard to the preferred stock of WestMarc Communications, including any redemption of, or modification of the terms of, such preferred stock or any actions that would adversely affect WestMarc Communications' ability to pay the required dividends of 12% per annum on such preferred stock. The terms of such preferred stock provide that it may be redeemed by WestMarc Communications following a "change in control" of TCI.

Most of the outstanding shares of WestMarc Communications preferred stock were issued in connection with TCI's 1990 acquisition of WestMarc Communications, a then separate public company. TCI has since issued shares of WestMarc Communications preferred stock to executive officers as incentive equity-based compensation as well as in connection with certain acquisitions. Currently, there are 24 holders of record of such preferred stock, including the persons referred to above.

In considering the terms of the Merger Agreement, the TCI Board determined that such restrictions were necessary in order to protect the economic value of the WestMarc Communications preferred stock. In making this determination, the TCI Board noted that the holders of the preferred stock had accepted such shares based in part upon the fact that they were not redeemable by WestMarc Communications other than in connection with a change in control and that the TCI Board had no plan or intention to cause WestMarc Communications to redeem such preferred stock. Under the circumstances in which TCI was being acquired in a negotiated transaction, the TCI Board believed that it was appropriate to obtain protection for such holders through the protective covenants that were included in the Merger Agreement.

Except as described above, shares of each series of TCI Group Tracking Stock will be treated identically in the Merger and shares of each series of Liberty/Ventures Group Tracking Stock will be treated identically in the Merger.

TCI Options

Certain directors and executive officers of TCI hold options (and stock appreciation rights ("**TCI SARs**") granted in tandem) to purchase shares of TCI Group Tracking Stock, Liberty Media Group Tracking Stock or TCI Ventures Group Tracking Stock. In addition, certain executive officers of TCI have been granted options to purchase 5.5 million shares of Liberty Media Group Tracking Stock, contingent upon completion of the Merger. Pursuant to the Merger Agreement, each option to purchase shares of TCI Group Tracking Stock will be assumed by AT&T and converted into an option to purchase a number of shares of AT&T Common Stock determined by multiplying the number of shares of TCI Group Tracking Stock subject to such option at the Effective Time by the appropriate TCI Group Exchange Ratio. The per share exercise price of such AT&T Common Stock options will be equal to the exercise price per share of the corresponding TCI Group Tracking Stock option immediately prior to the Effective Time divided by the applicable TCI Group Exchange Ratio, rounded down to the nearest whole cent. Each option to purchase shares of Liberty/Ventures Group Tracking Stock will be assumed by AT&T and converted into an option to purchase a number of shares of New Liberty Media Group Tracking Stock equal to the number of shares of Liberty/Ventures Group Tracking Stock subject to such option immediately prior to the Effective Time. The per share exercise price will be equal to the exercise price per share of the corresponding Liberty/Ventures Group Tracking Stock option immediately prior to the Effective Time. Notwithstanding the foregoing, if the Liberty/Ventures Combination is not completed prior to the Merger, (a) each option to purchase shares of Liberty Media Group Tracking Stock will be assumed by AT&T and converted into an option to purchase a number of shares of New Liberty Media Group Tracking Stock equal to the number of shares of Liberty Media Group Tracking Stock subject to such option immediately prior to the Effective Time, and (b) each option to purchase shares of TCI Ventures Group Tracking Stock will be assumed by AT&T and converted into an option to purchase a number of shares of New Liberty Media Group Tracking Stock determined by multiplying the number of shares of TCI Ventures Group Tracking Stock subject to such option by 0.52. The exercise price for the option described in clause (a) of the preceding sentence will be equal to the exercise price per share of the corresponding Liberty Media Group Tracking Stock option immediately prior to the Effective Time and the exercise price for the option described in clause (b) of the preceding sentence will be equal to the exercise price of the corresponding TCI Ventures Group Tracking Stock option immediately prior to the Effective Time divided by 0.52, rounded down to the nearest whole cent. No fractional shares of AT&T Common Stock or New Liberty Media Group Tracking Stock will be issued upon the exercise of options, and, if the foregoing conversion of options would result in such option becoming exercisable for a fractional share, the number of shares subject to such option will be rounded up to the nearest whole number of shares, with no cash payment with respect thereto. The terms and conditions (including schedules for vesting) of each such option shall otherwise remain as they exist at the Effective Time. Corresponding adjustments will be made to each TCI SAR granted in tandem with such option.

Subsequent to the date of execution of the Merger Agreement, TCI amended the option agreements relating to grants made under the TCI 1996 Stock Incentive Plan to provide that, upon a termination of employment by a TCI employee with "good reason" or by TCI without "cause" following the Effective Time, the options, TCI SARs or other awards granted under such plan and outstanding as of the Effective Time will be fully vested and, in the case of stock options or TCI SARs, be immediately exercisable, and will remain outstanding for their full original term as if the individual had remained employed by TCI. The practical effect of this amendment is that, under certain specified circumstances, options granted under the TCI 1996 Stock Incentive Plan will become fully vested upon the option holder's separation from AT&T. For example, if, as a result of the Merger, AT&T chose to close an office of TCI and move the employees to another state, an individual could terminate employment with TCI for "good reason" due to such relocation. Upon such termination and assuming such individual had been granted options pursuant to the 1996 Stock Incentive Plan, all options held by such individual would become fully vested.

TCI Restricted Stock Awards

Certain executive officers and directors of TCI hold restricted stock awards ("**TCI Restricted Stock Awards**") under certain TCI employee benefit plans representing the right to receive, upon vesting, shares of TCI Group Series A Tracking Stock, TCI Ventures Group Series A Tracking Stock and Liberty Media Group Series A Tracking Stock. TCI Restricted Stock Awards of 488,500 shares of TCI Group Tracking Stock have been granted to certain directors and executive officers of TCI, contingent upon the completion of the Merger. At the Effective Time, by virtue of the Merger and without any further action on the part of any holder thereof, each restricted share of TCI Common Stock will be converted into restricted shares of AT&T Common Stock or New Liberty Media Group Tracking Stock (as applicable) and will remain subject to the same restrictions applicable to such restricted share immediately prior to the Effective Time. See "The Transaction Agreements —The Merger Agreement—Conversion or Cancellation of TCI Shares in the Merger."

Tax Protection Agreements

As provided in the Merger Agreement, prior to the Effective Time, TCI will enter into agreements with certain of its employees (including directors and executive officers of TCI) providing for indemnification of such individuals from the effects of certain U.S. federal excise taxes that may become payable by such employees as a result of the Merger and the resulting change in control of TCI. The Surviving Corporation will be required to assume the financial obligations under such agreements with respect to employees of the TCI Group and the New Liberty Media Group will be required to assume the financial obligations under such agreements with respect to employees of the New Liberty Media Group. Assuming that all employees who currently hold unvested options, TCI SARs and restricted stock, and/or who are eligible to receive certain contractual severance payments, either terminate employment with good reason or are terminated without cause on March 1, 1999 as a result of the Merger, and that each such employee would have been subject to the effects of certain U.S. federal excise taxes, the maximum potential liability of the Surviving Corporation and the New Liberty Media Group with respect to the tax protection agreements is currently estimated to be approximately $220 million, calculated based on December 11, 1998 closing stock prices.

Employment Agreements and Other Arrangements

TCI has existing employment agreements and other compensation arrangements with the following executive officers: Dr. Malone, Mr. Hindery, Marvin Jones, Executive Vice President, Stephen M. Brett, Executive Vice President, Secretary and General Counsel, and Larry E. Romrell, Executive Vice President. In addition, Donne F. Fisher and J.C. Sparkman, former executive officers of TCI who are members of the TCI Board, have existing consulting agreements with TCI. AT&T has agreed to cause the Surviving Corporation to honor, from and after the Effective Time, the obligations with respect to the executive, employment and other agreements and arrangements of those officers who are officers of the TCI Group. In addition, AT&T has agreed to assume the obligations under all of the employee plans and benefit arrangements relating to the TCI Group. Separately, Liberty Media Corporation has agreed to pay to Jerome H. Kern, a director and executive officer of TCI, immediately prior to the Merger the sum of $10 million for services rendered in connection with the negotiation of the Merger Agreement and the consummation of the Merger.

Indemnification

The Merger Agreement provides that the present and former directors, officers and employees of TCI and any of its subsidiaries will be indemnified by AT&T against all liabilities arising out of actions or omissions occurring on or prior to the Effective Time (including the Transactions). The Merger Agreement also provides that AT&T will advance expenses to such individuals as incurred to the fullest extent permitted under applicable law, *provided* that the individual to whom expenses are advanced undertakes to repay such advances if it is ultimately determined that such individual is not entitled to indemnification. In both cases, indemnification shall be provided only to the extent any directors' and officers' liability insurance policy of TCI or its subsidiaries does not provide coverage and payment of the liabilities.

Further, AT&T's indemnification obligations will not apply to any liabilities arising out of actions or omissions that relate to the Liberty Media Group or the TCI Ventures Group (including with respect to the Liberty/Ventures Group Exchange Ratios or, if applicable, the Liberty Media Group Exchange Ratios and the TCI Ventures Group Exchange Ratios, the Liberty/Ventures Combination (insofar as it relates to the Liberty Media Group and the TCI Ventures Group), disclosures with respect to the Liberty/Ventures Group, the Liberty Media Group or the TCI Ventures Group, or any other decisions with respect to the Liberty/Ventures Group, the Liberty Media Group or the TCI Ventures Group); *provided* that the foregoing will not affect the obligations of the Surviving Corporation under the Merger Agreement. In addition, AT&T has agreed that all rights to indemnification under the TCI Charter, the TCI By-Laws or other agreements and instruments in favor of directors and officers of TCI and its subsidiaries in respect of periods prior to the Effective Time will remain in effect for a period of six years following the Effective Time. AT&T will cause the Surviving Corporation to maintain in effect for not less than six years after the Effective Time the current policies (or comparable policies) of directors' and officers' liability insurance maintained by TCI and TCI's subsidiaries with respect to matters occurring prior to the Effective Time.

TCI Directors

The Merger Agreement provides that the members of the TCI Board at the Effective Time will become the Board of Directors of the Surviving Corporation, which will then be a wholly owned subsidiary of AT&T.

Call Agreements and Related Matters

In connection with the settlement of certain litigation, TCI, the Magness Group and the Malones entered into the Shareholders' Agreement, which provides for, among other things, certain participation rights by the Magness Group and the Malones with respect to transactions in TCI Group Series B Tracking Stock, Liberty Media Group Series B Tracking Stock and TCI Ventures Group Series B Tracking Stock (collectively, "**TCI Series B Tracking Stock**"). Such agreement also provides that a representative of Dr. Malone and a representative of the Magness Group will consult with each other on all matters to be brought to a vote of TCI's shareholders: *provided, however*, that, if a mutual agreement on how to vote cannot be reached, Dr. Malone shall vote TCI Series B Tracking Stock owned by the Magness Group pursuant to an irrevocable proxy given by the Magness Group.

Also, in connection with such settlement, TCI entered into the Call Agreements. Under the Call Agreements, each of the Magness Group and the Malones granted to TCI a right to acquire all of the shares of TCI Series B Tracking Stock owned by them upon Dr. Malone's death or upon a contemplated sale of such TCI Series B Tracking Stock to third parties. When such right is triggered, TCI may acquire the TCI Series B Tracking Stock at a price equal to the market price of the TCI Group Series A Tracking Stock, Liberty Media Group Series A Tracking Stock or TCI Ventures Group Series A Tracking Stock (collectively, "**TCI Series A Tracking Stock**") corresponding to the TCI Series B Tracking Stock to be acquired, plus a 10% premium, or, in the event of a sale, the lesser of such price and the price offered by such third parties. In addition, each Call Agreement provides that, if TCI is sold to a third party, then the maximum premium the Magness Group or the Malones may receive for their TCI Series B Tracking Stock would be the price paid for the respective TCI Series A Tracking Stock by such third party, plus a 10% premium. Each Call Agreement also prohibits any member of the Magness Group or the Malones from disposing of their TCI Series B Tracking Stock, except for certain exempt transfers (such as transfers to related parties or to the other group or public sales of up to an aggregate of 5% of their TCI Series B Tracking Stock after conversion to the respective TCI Series A Tracking Stock) and except for a transfer made in compliance with TCI's purchase right described above. If TCI exercises its call right as to one group, TCI may also be required to purchase shares of TCI Series B Tracking Stock from the other group if such group exercises its "tag-along" rights under the Shareholders' Agreement.

In connection with the Merger, Liberty Media Corporation will become entitled to exercise TCI's rights under each Call Agreement and the Shareholders' Agreement with respect to New Liberty Media Group Class B Tracking Stock to be acquired by the Malones and the Magness Group as a result of the Merger. As a result, upon Dr. Malone's death or a contemplated sale by the Malones or the Magness Group of New Liberty Media Group Class B Tracking Stock following the Merger, the Liberty Board will be in a position to control the disposition of New Liberty Media Group Class B Tracking Stock. In the event that the shares of New Liberty Media Group Tracking Stock are exchanged for shares of a subsidiary, the rights and obligations of Liberty Media Corporation under each Call Agreement and the Shareholders' Agreement will become exercisable by such subsidiary, and the provisions of the Call Agreements and the Shareholders' Agreement will continue to apply with respect to any shares of such subsidiary issued to the Malones or the Magness Group in such transaction that are entitled to higher voting rights than the other shares issued in such transaction.

The interests of the members of TCI's management and of the TCI Board described above constitute all of the material interests of those persons known to TCI in the Transactions that are different from, or constitute an extra or special benefit not shared on a *pro rata* basis with, the public shareholders of TCI.

Material Federal Income Tax Consequences

Tax Opinions and Material Federal Income Tax Consequences of the Merger to TCI Shareholders

It is a non-waivable condition of the Merger that TCI receive an opinion from Baker & Botts, L.L.P., counsel to TCI, that:

- the Merger should be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "**Code**");
- each of AT&T, Merger Sub and TCI should be a party to the reorganization within the meaning of Section 368(b) of the Code;
- no gain or loss should be recognized by TCI as a result of the Merger; and
- no gain or loss should be recognized by a shareholder of TCI as a result of the Merger with respect to shares of TCI Common Stock converted solely into AT&T Common Stock or New Liberty Media Group Tracking Stock.

It is a non-waivable condition of the Merger that AT&T receive an opinion from Wachtell, Lipton, Rosen & Katz, special counsel to AT&T, that:

- the Merger should be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code;
- each of AT&T, Merger Sub and TCI should be a party to the reorganization within the meaning of Section 368(b) of the Code;
- no gain or loss should be recognized by TCI, AT&T or Merger Sub as a result of the Merger; and
- no gain or loss should be recognized by a shareholder of TCI as a result of the Merger with respect to shares of TCI Common Stock converted solely into AT&T Common Stock or New Liberty Media Group Tracking Stock.

The effect of any cash received by a TCI shareholder in lieu of a fractional share of AT&T Common Stock or New Liberty Media Group Tracking Stock is discussed below.

Opinions of counsel are not equivalent to rulings from the IRS, and the conclusions expressed in such opinions could be challenged by the IRS. Certain of the conclusions expressed by counsel in their opinions are based on the view that Liberty/Ventures Group Tracking Stock (or, if the Liberty/Ventures Combination is not completed prior to the Merger, Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock) would be common stock of TCI and New Liberty Media Group Tracking Stock would be common stock of AT&T. There are, however, no Code provisions, U.S. federal income tax regulations, court decisions or published IRS rulings bearing directly on the treatment of tracking stocks for purposes of the matters to be addressed in the opinions. In addition, the IRS announced during 1987 that it was studying the U.S. federal income tax consequences of stock that has certain voting and liquidation rights in an issuing corporation, but whose dividend rights are determined by reference to the earnings of a segregated portion of the issuing corporation's assets, and that it would not issue any advance rulings regarding such stock. Although the IRS has since withdrawn such stock from its list of matters under consideration, it has reiterated that it will not issue advance rulings regarding such stock. Although counsel for TCI believes that the Liberty/Ventures Group Tracking Stock (or, if the Liberty/Ventures Combination is not completed prior to the Merger, Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock) represents stock of TCI and counsel for TCI and counsel for AT&T believe that New Liberty Media Group Tracking Stock represents stock of AT&T, in the absence of authorities directly on point for the above-described purposes or an advance ruling from the IRS, this issue is not entirely free from doubt and there is a risk that the IRS could assert that such tracking stocks represent property other than stock of TCI or AT&T, respectively. If the IRS were to assert that the tracking stocks were property other than stock of the respective issuing corporations (TCI or AT&T, as described above), counsel for TCI (with respect to New Liberty Media Group Tracking Stock and TCI tracking stocks) and AT&T (with respect to New Liberty Media Group Tracking Stock) believe, in reliance upon general principles of law, that it is unlikely that the IRS would prevail in a court of law on this issue due to the particular rights inherent in such tracking stocks. See "Risk Factors Relating to the Merger—Lack of Certainty that Merger Will be Tax Free."

Assuming that the Merger qualifies as a reorganization within the meaning of Section 368(a) of the Code:

- no gain or loss will be recognized by a shareholder of TCI as a result of the Merger with respect to shares of TCI Convertible Preferred Stock converted solely into AT&T Common Stock or New Liberty Media Group Tracking Stock;
- the aggregate tax basis of the AT&T Common Stock and New Liberty Media Group Tracking Stock received by TCI shareholders in the Merger will be the same, in each instance, as the aggregate tax basis of the TCI Common Stock and TCI Preferred Stock surrendered in exchange therefor, excluding any basis allocable to fractional share interests in AT&T Common Stock or New Liberty Media Group Tracking Stock for which cash is received; and
- the holding period of the AT&T Common Stock or New Liberty Media Group Tracking Stock received by TCI shareholders in the Merger will include the period during which the TCI Common Stock or TCI Preferred Stock surrendered in exchange therefor were held, *provided* that such TCI shares were held as capital assets at the Effective Time.

A holder of shares of TCI Common Stock or TCI Preferred Stock who receives cash in the Merger in lieu of a fractional share interest in AT&T Common Stock or New Liberty Media Group Tracking Stock will be treated as having received the fractional share interest and then having sold such interest for the cash received. This sale will generally result in the recognition of gain or loss for U.S. federal income tax purposes, measured by the difference between the amount of cash received and the tax basis of the shares of TCI Common Stock or TCI Preferred Stock allocable to such fractional share interest, which gain or loss will be capital gain or loss, *provided* that the shares of TCI Common Stock or TCI Preferred Stock were held as a capital asset at the Effective Time. In addition, in the case of an individual holder of shares of TCI Common Stock or TCI Preferred Stock, any such capital gain will generally be subject to a maximum U.S. federal income tax rate of 20% if the shareholder's holding period in such shares was more than one year at the Effective Time.

Material Federal Income Tax Consequences of the Merger to AT&T Shareholders

Based on the advice of its counsel, AT&T expects that there will be no federal income tax consequences of the Merger to AT&T shareholders with respect to their AT&T shares. Thus, AT&T shareholders will recognize no gain or loss with respect to their AT&T shares as a result of the Merger, and the AT&T shareholders' tax basis and holding period in such shareholders' AT&T shares will not change as a result of the Merger.