

type, design or cost materially different from that it would otherwise have deployed. The content categories may include, among others, music, travel, health, sports, books, personal finance, automotive, home video sales and games.

- AT&T may enter into one or more mutually agreeable ventures with Liberty Media Corporation for the interactive video services described in the first sentence of the preceding paragraph. Such ventures will be structured as 50/50 ventures for a reasonable commercial term and provide that AT&T and Liberty Media Corporation will not provide interactive services in the category(s) of interactive video services provided through the ventures for the duration of such term other than the joint venture services in the applicable categories. When the distribution of such interactive video services occurs through a venture arrangement, AT&T will share in the revenue and expense of the provision of such interactive services *pro rata* to its ownership interest in lieu of the commercial arrangements described in the preceding paragraph. At the third anniversary of the formation of any such venture, AT&T may elect to purchase the ownership interest of Liberty Media Corporation in such venture at fair market value. The parties will endeavor to make such transaction, if any, tax efficient to Liberty Media Corporation.

## DESCRIPTION OF AT&T CAPITAL STOCK

*The following description of certain terms of the capital stock of AT&T does not purport to be complete and is qualified in its entirety by reference to the AT&T Charter and the AT&T Tracking Stock Amendment, a copy of which is attached as Appendix B to this Proxy Statement/Prospectus. For more information as to how you can obtain the AT&T Charter, see "Summary—Where You Can Find More Information."*

### General

The AT&T Charter currently provides that AT&T is authorized to issue 6.1 billion shares of capital stock, consisting of 6 billion shares of AT&T Common Stock and 100 million shares of AT&T Preferred Stock. As of January 1, 1999, 1,753,579,504 shares of AT&T Common Stock and no shares of AT&T Preferred Stock were issued and outstanding.

If the AT&T Merger Proposal is approved and the Merger is consummated, AT&T will increase the number of its authorized common shares. See "—AT&T Tracking Stock Amendment—General." The authorized number of shares of AT&T Preferred Stock will remain unchanged under the AT&T Tracking Stock Amendment.

### AT&T Common Stock

The holders of AT&T Common Stock are entitled to one vote for each share on all matters voted on by shareholders, including elections of directors, and, except as otherwise required by law or provided in any resolution adopted by the AT&T Board with respect to any series of AT&T Preferred Stock, the holders of such shares possess all voting power. The AT&T Charter does not provide for cumulative voting in the election of directors. Subject to any preferential rights of any outstanding series of AT&T Preferred Stock created by the AT&T Board from time to time, the holders of AT&T Common Stock are entitled to such dividends as may be declared from time to time by the AT&T Board from funds available therefor, and, upon liquidation, will be entitled to receive *pro rata* all assets of AT&T available for distribution to such holders.

If the AT&T Merger Proposal is approved and the Merger is consummated, the AT&T Charter will be amended to create New Liberty Media Group Tracking Stock and to make other changes in the AT&T Charter relating to the creation of a separate class of AT&T common shares as described under "—AT&T Tracking Stock Amendment."

## **AT&T Preferred Stock**

AT&T Preferred Stock may be issued from time to time in one or more series. All shares of AT&T Preferred Stock of all series will rank equally and be identical in all respects, except that the AT&T Board is authorized to fix the number of shares in each series, the designation thereof, and, subject to the provisions of Article Third of the AT&T Charter, the relative rights, preferences and limitations of each series and the variations in such rights, preferences and limitations as between series and specifically is authorized to fix with respect to each series:

- the dividend rate on the shares of such series and the date or dates from which dividends will be cumulative;
- the times when, the prices at which, and all other terms and conditions upon which, shares of such series will be redeemable;
- the amounts that the holders of shares of such series will be entitled to receive upon the liquidation, dissolution or winding up of AT&T, which amounts may vary depending on whether such liquidation, dissolution or winding up is voluntary or involuntary and, if voluntary, may vary at different dates;
- whether or not the shares of such series will be subject to the operation of a purchase, retirement or sinking fund and, if so, the extent to and manner in which such purchase, retirement or sinking fund will be applied to the purchase or redemption of the shares of such series for retirement or for other corporate purposes and the terms and provisions relative to the operation of the said fund or funds;
- whether or not the shares of such series will be convertible into or exchangeable for shares of any other class or series or for any class of common shares and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same;
- the restrictions, if any, upon the payment of dividends or making of other distributions on, and upon the purchase or other acquisition of, common shares;
- the restrictions, if any, upon the creation of indebtedness, and the restrictions, if any, upon the issue of any additional shares ranking on a parity with or prior to the shares of such series in addition to the restrictions provided for in Article Third of the AT&T Charter;
- the voting powers, if any, of the shares of such series in addition to the voting powers provided for in Article Third of the AT&T Charter; and
- such other rights, preferences and limitations as will not be inconsistent with Article Third of the AT&T Charter.

All shares of any particular series will rank equally and be identical in all respects, except that shares of any one series issued at different times may differ as to the date from which dividends will be cumulative.

Dividends on shares of AT&T Preferred Stock of each series will be cumulative from the date or dates fixed with respect to such series, and will be paid or declared or set apart for payment for all past dividend periods and for the current dividend period before any dividends (other than dividends payable in common shares) will be declared or paid or set apart for payment on common shares. Whenever, at any time, full cumulative dividends for all past dividend periods and for the current dividend period will have been paid or declared and set apart for payment on all then-outstanding shares of AT&T Preferred Stock and all requirements with respect to any purchase, retirement or sinking fund or funds for all series of AT&T Preferred Stock will have been complied with, the AT&T Board may declare dividends on the common shares and the shares of AT&T Preferred Stock will not be entitled to share therein.

Upon any liquidation, dissolution or winding up of AT&T, the holders of shares of AT&T Preferred Stock of such series will be entitled to receive the amounts to which such holders are entitled as fixed with respect to such series, including all dividends accumulated to the date of final distribution, before any payment or

distribution of assets of AT&T will be made to or set apart for the holders of common shares and, after such payments will have been made in full to the holders of shares of AT&T Preferred Stock, the holders of common shares will be entitled to receive any and all assets remaining to be paid or distributed to shareholders and the holders of shares of AT&T Preferred Stock will not be entitled to share therein. For the purposes of this paragraph, the voluntary sale, conveyance, lease, exchange or transfer of all or substantially all the property or assets of AT&T or a consolidation or merger of AT&T with one or more other corporations (whether or not AT&T is the surviving corporation of such consolidation or merger) will not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary.

The aggregate amount that all shares of AT&T Preferred Stock outstanding at any time will be entitled to receive on involuntary liquidation, dissolution or winding up will not exceed \$8 billion.

So long as any shares of AT&T Preferred Stock are outstanding, AT&T will not:

- authorize shares of stock ranking prior to shares of AT&T Preferred Stock or change any provision of Article Third of the AT&T Charter so to affect adversely shares of AT&T Preferred Stock without the affirmative vote or consent of the holders of at least 66⅔% of all the shares of AT&T Preferred Stock at the time outstanding;
- change any of the provisions of any series of AT&T Preferred Stock at the time outstanding so as to affect adversely shares of such series without the affirmative vote or consent of the holders of at least 66⅔% of such series of AT&T Preferred Stock; or
- increase the authorized number of shares of AT&T Preferred Stock or increase the authorized number of shares of any class of stock ranking on a parity with the AT&T Preferred Stock without the affirmative vote or consent of the holders of at least a majority of all the shares of AT&T Preferred Stock at the time outstanding.

Whenever, at any time or times, dividends payable on shares of AT&T Preferred Stock will be in default in an aggregate amount equivalent to six full quarterly dividends on any series of AT&T Preferred Stock at the time outstanding, the number of directors then constituting the AT&T Board will *ipso facto* be increased by two, and the outstanding shares of AT&T Preferred Stock will, in addition to any other voting rights, have the exclusive right, voting separately as a class and without regard to series, to elect two directors of AT&T to fill such newly created directorships, and such right will continue until such time as all dividends accumulated on all shares of AT&T Preferred Stock to the latest dividend payment date will have been paid or declared and set apart for payment.

No holder of shares of AT&T Preferred Stock of any series, irrespective of any voting or other right of shares of such series, will have, as such holder, any preemptive right to purchase any other shares of AT&T or any securities convertible into or entitling the holder to purchase such other shares.

If, in any case, the amounts payable with respect to any requirements to retire shares of AT&T Preferred Stock are not paid in full in the case of all series with respect to which such requirements exist, the number of shares to be retired in each series will be in proportion to the respective amounts that would be payable on account of such requirements if all amounts payable were paid in full.

Upon consummation of the Merger, AT&T will have available for issuance approximately authorized shares of AT&T Common Stock, approximately 1.97 billion authorized shares of New Liberty Media Group Class A Tracking Stock, approximately 195 million authorized shares of New Liberty Media Group Class B Tracking Stock and 100 million authorized shares of AT&T Preferred Stock. Such authorized shares of AT&T Common Stock and AT&T Preferred Stock and New Liberty Media Group Tracking Stock, subject to certain limitations set forth in the Inter-Group Agreement described under “—AT&T Tracking Stock Amendment,” are available for issuance without further action by AT&T’s shareholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which AT&T’s

securities may be listed or traded. If the approval of AT&T's shareholders is not required for the issuance of shares of AT&T Common Stock, AT&T Preferred Stock or New Liberty Media Group Tracking Stock, the AT&T Board may determine not to seek shareholder approval prior to issuing such shares.

Although the AT&T Board has no intention at the present time of doing so, it could issue common stock, warrants or a series of AT&T Preferred Stock that could, depending on the terms of such securities, impede the completion of a merger, tender offer or other takeover attempt. The AT&T Board will make any determination to issue such shares based on its judgment as to the best interests of AT&T and its shareholders. The AT&T Board, in so acting, could issue securities having terms that could discourage an acquisition attempt through which an acquirer may be able to change the composition of the AT&T Board, including a tender offer or other transaction that some, or a majority, of AT&T's shareholders might believe to be in their best interests or in which AT&T's shareholders might receive a premium for their stock over the then-current market price of such stock.

The authorized number of shares of AT&T Preferred Stock and the relative rights, preferences and limitations of the AT&T Preferred Stock will remain unchanged by the AT&T Tracking Stock Amendment.

#### ***Transfer Agent and Registrar***

Boston Equiserve Trust Company, N.A. is the transfer agent and registrar for the AT&T Common Stock.

#### **AT&T Tracking Stock Amendment**

*The following is a description of the material terms of the AT&T Tracking Stock Amendment, which is attached as Appendix B to this Proxy Statement/Prospectus and incorporated herein by reference. We urge you to read the AT&T Tracking Stock Amendment in its entirety.*

#### ***General***

If the AT&T Merger Proposal is adopted, AT&T's Charter will be amended to authorize AT&T to issue 8.85 billion shares, consisting of 100 million shares of AT&T Preferred Stock and 8.75 billion common shares, of which 6 billion common shares will be AT&T Common Stock, 2.5 billion common shares will be New Liberty Media Group Class A Tracking Stock and 250 million common shares will be New Liberty Media Group Class B Tracking Stock.

The AT&T Charter would also be amended to provide that the authorized shares of New Liberty Media Group Class B Tracking Stock will only be issued (a) pursuant to the Merger Agreement, (b) upon conversion, exercise or exchange of securities convertible, exercisable or exchangeable for shares of New Liberty Media Group Tracking Stock immediately following the Effective Time, (c) in a subdivision (by stock split or otherwise) of outstanding shares of New Liberty Media Group Class B Tracking Stock, or (d) subject to certain conditions, as a stock dividend or share distribution.

#### ***Voting Rights***

Holders of AT&T Common Stock and New Liberty Media Group Class B Tracking Stock will be entitled to one vote for each share of such stock held, and holders of New Liberty Media Group Class A Tracking Stock will be entitled to  $\frac{1}{10}$  of a vote for each share of such stock held, on all matters presented to such shareholders.

The AT&T Tracking Stock Amendment provides that, except as otherwise required by New York law or any special voting rights of AT&T Preferred Stock, the holders of AT&T Common Stock, New Liberty Media Group Tracking Stock and AT&T Preferred Stock, if any, entitled to vote with the common shareholders, will

vote together as one class. No separate class vote will be required for the approval of any matter except as described below.

The following circumstances will require the separate class approval of the New Liberty Media Group Tracking Stock:

- any amendment to the AT&T Charter that would change the total number of authorized shares or the par value of New Liberty Media Group Tracking Stock or that would adversely change the rights of New Liberty Media Group Tracking Stock;
- a Covered Disposition, which generally includes a sale or transfer by AT&T of its equity interest in Liberty Media Corporation or Liberty Media Group LLC or a grant of a pledge or other security interest in the equity interest of AT&T in Liberty Media Corporation or Liberty Media Group LLC; and
- any merger or similar transaction in which New Liberty Media Group Tracking Stock is converted, reclassified or changed into or otherwise exchanged for any consideration unless specified requirements are met that are generally intended to ensure that the rights of the holders are not materially altered and the composition of the holders is not changed.

Notwithstanding the foregoing, the separate approval of the holders of New Liberty Media Group Tracking Stock is not required in the case of a redemption described under “—Redemption—Redemption in Exchange for Stock of Qualifying Subsidiaries.”

The AT&T Tracking Stock Amendment also includes an anti-dilution adjustment provision so that the aggregate voting rights of AT&T Common Stock, on the one hand, and New Liberty Media Group Tracking Stock, on the other hand, will not change as a result of stock splits, reverse stock splits, stock dividends or distributions.

#### *Conversion Rights*

Each share of New Liberty Media Group Class B Tracking Stock will be convertible, at the option of the holder thereof, into one share of New Liberty Media Group Class A Tracking Stock. Shares of New Liberty Media Group Class A Tracking Stock will not be convertible into shares of New Liberty Media Group Class B Tracking Stock. AT&T will, from time to time, set aside and reserve for issuance a number of shares of New Liberty Media Group Class A Tracking Stock equal to the number of shares of New Liberty Media Group Class B Tracking Stock outstanding.

#### *Dividends*

*General.* Provided that AT&T has sufficient assets to pay a dividend, the AT&T Tracking Stock Amendment provides that dividends on New Liberty Media Group Tracking Stock are limited to an “available dividend amount” that is designed to be equivalent to the amount that would legally be available for dividends on that stock if the New Liberty Media Group were a stand-alone corporation. Dividends on AT&T Common Stock are limited to the amount of legally available funds less the “available dividend amount” for the New Liberty Media Group Tracking Stock. The AT&T Tracking Stock Amendment also generally provides that holders of New Liberty Media Group Class A Tracking Stock and New Liberty Media Group Class B Tracking Stock will receive equal dividends per share. The exceptions to this are described under “—Share Distributions—Distributions on New Liberty Media Group Tracking Stock.”

*Discrimination between Classes of Common Stock.* The AT&T Tracking Stock Amendment does not provide for mandatory dividends. Provided that there are sufficient assets to pay a dividend on a class of stock as described in the preceding paragraph, the AT&T Board will have the sole authority and discretion to declare and pay dividends, in equal or unequal amounts, on AT&T Common Stock or New Liberty Media Group Tracking Stock. The AT&T Board has this power, regardless of the respective available dividend amounts,

prior dividend amounts declared, liquidation rights or any other factor. This means that the AT&T Board could declare dividends on AT&T Common Stock while not declaring dividends on New Liberty Media Group Tracking Stock or *vice versa*.

*Policy Statement.* The Policy Statement sets forth the AT&T Board's dividend policy as it relates to New Liberty Media Group Tracking Stock. This policy generally provides that AT&T will distribute, subject to limitations in the AT&T Charter, any dividends AT&T receives from an entity included in the New Liberty Media Group to the holders of New Liberty Media Group Tracking Stock. This dividend policy may be amended, modified or rescinded only by the unanimous consent of the AT&T Board.

### *Share Distributions*

AT&T may declare and pay a distribution consisting of shares of AT&T Common Stock, New Liberty Media Group Tracking Stock or any other securities of AT&T or any other person (herein sometimes called a “**share distribution**”) only as set forth below.

*Distributions on New Liberty Media Group Tracking Stock.* AT&T may declare and pay share distributions to holders of New Liberty Media Group Tracking Stock that consist of shares of (a) New Liberty Media Group Class A Tracking Stock on an equal per share basis to all holders, (b) AT&T Common Stock on an equal per share basis to all holders, (c) New Liberty Media Group Class A Tracking Stock to Class A holders and New Liberty Media Group Class B Tracking Stock to Class B holders, in each case, on an equal per share basis, and (d) other AT&T securities or stock of any other person on an equal per share basis or, to the extent practicable, on a basis that gives shares having greater relative voting rights and related differences to the Class B holders.

AT&T will not reclassify, subdivide or combine one class of New Liberty Media Group Tracking Stock without reclassifying, subdividing or combining the other class of New Liberty Media Group Tracking Stock on an equal per share basis. AT&T will not effect a share distribution to the holders of New Liberty Media Group Tracking Stock of any securities of a subsidiary of AT&T or any other person unless such share distribution is tax free to the holders of New Liberty Media Group Tracking Stock (except with respect to cash received in lieu of fractional shares).

*Distributions on AT&T Common Stock.* AT&T may declare and pay share distributions to holders of AT&T Common Stock that consist of any securities of AT&T, any subsidiary of AT&T or any other person, except for shares of New Liberty Media Group Tracking Stock, securities attributed to the New Liberty Media Group, securities of any person included in the New Liberty Media Group or securities convertible, exercisable or exchangeable for any of the New Liberty Media Group securities described in this paragraph.

### *Redemption*

*Redemption in Exchange for Stock of Qualifying Subsidiaries.* The AT&T Tracking Stock Amendment provides that AT&T may, at any time, redeem all of the outstanding shares of New Liberty Media Group Tracking Stock in exchange for all of the shares of common stock of a Qualifying Subsidiary that holds all of the assets and liabilities of the New Liberty Media Group and holds no other material assets and liabilities. Any such redemption may only be made on a *pro rata* basis and must be tax free to holders of New Liberty Media Group Tracking Stock. AT&T shall:

- if and to the extent practicable, redeem shares of New Liberty Media Group Class A Tracking Stock and New Liberty Media Group Class B Tracking Stock in exchange for shares of separate classes or series of common stock of each such Qualifying Subsidiary with relative voting and related rights not greater than the corresponding differences in such rights between the two classes of New Liberty Media Group Tracking Stock.

*Mandatory Dividend or Redemption in Case of a Disposition of New Liberty Media Group Assets.* The AT&T Tracking Stock Amendment provides that, in the event of a sale, transfer, assignment or other disposition (with certain exceptions, a “Disposition”) by AT&T of all or substantially all of the properties and assets of the New Liberty Media Group, AT&T will take one of the following two actions.

- AT&T may declare and pay a dividend in cash and/or in securities or other properties to holders of New Liberty Media Group Tracking Stock equal to the net proceeds of such Disposition. If such Disposition involves all (not merely substantially all) of the properties and assets of the New Liberty Media Group, the amount of the dividend will be reduced by an amount to be reserved for payment to the holders of securities outstanding immediately following the Effective Time that are convertible, exercisable or exchangeable for shares of New Liberty Media Group Tracking Stock. To the extent that the proceeds of any Disposition include any securities or other property, the AT&T Board will determine the value of such securities or property.
- Alternatively, AT&T may redeem shares of New Liberty Media Group Tracking Stock as follows:
  - (a) if such Disposition involves all (not merely substantially all) of the properties and assets of the New Liberty Media Group, AT&T may redeem all of the outstanding shares of New Liberty Media Group Tracking Stock in exchange for a redemption price equal to the net proceeds of such Disposition reduced by an amount to be reserved for payment to the holders of securities outstanding immediately following the Effective Time that are convertible, exercisable or exchangeable for shares of New Liberty Media Group Tracking Stock; or
  - (b) if such Disposition involves substantially all (but not all) of the properties and assets of the New Liberty Media Group, AT&T may redeem a number of outstanding shares of New Liberty Media Group Tracking Stock in exchange for a redemption price equal to the net proceeds of such Disposition. The number of shares of each class of New Liberty Media Group Tracking Stock to be redeemed would be determined by dividing the amount of net proceeds allocated to the redemption of such class by the average market value of one share of New Liberty Media Group Class Tracking Stock during the 10-trading day period beginning on the 16th trading day following the completion of the Disposition.

For purposes of this section “—Mandatory Dividend or Redemption in Case of Disposition of New Liberty Media Group Assets:”

- “substantially all of the properties and assets” of the New Liberty Media Group means at least 80% of the then-current market value (as determined by the AT&T Board) of such properties and assets;
- except as described in the following bullet point, holders of New Liberty Media Group Class A Tracking Stock and holders of New Liberty Media Group Class B Tracking Stock will receive the same consideration per share; and
- AT&T will pay the dividend or redemption price in the same form as the proceeds received in the Disposition. If the proceeds consist of securities of an issuer other than AT&T:
  - if more than one class or series of securities is to be distributed and the securities differ only with respect to relative voting and related rights, to the extent practicable, AT&T will pay the dividend or redemption price in the form of separate classes or series of securities, with one class or series paid to holders of New Liberty Media Group Class A Tracking Stock and another class or series paid to holders of New Liberty Media Group Class B Tracking Stock, with holders of New Liberty Media Group Class B Tracking Stock receiving the securities with the higher relative rights; and
  - otherwise, AT&T will pay the dividend or redemption price in the form of a single class of securities to holders of New Liberty Media Group Class A Tracking Stock and New Liberty Media Group Class B Tracking Stock on an equal per share basis.

The provisions described in this section “—Mandatory Dividend or Redemption in Case of Disposition of New Liberty Media Group Assets” will not apply in certain circumstances, including the following: (a) as part of a Disposition of all of AT&T’s properties and assets in connection with a liquidation of AT&T, (b) a dividend, other distribution or redemption in accordance with any provision described in any other section under “AT&T Tracking Stock Amendment” (c) a Disposition to any person or group that the New Liberty Media Group, after giving effect to such Disposition, controls and is included in the New Liberty Media Group, or (d) as part of a “related business transaction,” which generally means a Disposition of all or substantially all of the properties and assets of the New Liberty Media Group in which AT&T receives equity securities of an entity that engages in or proposes to engage primarily in one or more businesses similar or complementary to those conducted by the New Liberty Media Group prior to such Disposition and is a part of the New Liberty Media Group following the transaction.

*Certain Provisions Respecting Convertible Securities.* If all of the outstanding shares of New Liberty Media Group Tracking Stock are redeemed, the following provisions will apply with respect to securities convertible into or exercisable or exchangeable for shares of New Liberty Media Group Tracking Stock:

- *Pre-Merger Convertible Securities.* After any date on which all outstanding shares of New Liberty Media Group Tracking Stock were redeemed, any share of New Liberty Media Group Tracking Stock that is issued on conversion, exercise or exchange of any securities convertible, exercisable or exchangeable for shares of New Liberty Media Group Tracking Stock immediately following the Effective Time will automatically be redeemed in exchange for the kind and amount of consideration that would have been received had such securities been converted into New Liberty Media Group Tracking Stock immediately prior to the redemption of all New Liberty Media Group Tracking Stock.
- *Other Convertible Securities.* After any date on which all outstanding shares of New Liberty Media Group Tracking Stock were redeemed, any share of New Liberty Media Group Tracking Stock that is issued on conversion, exercise or exchange of any convertible security issued following the Effective Time will, automatically be redeemed in exchange for \$.01 per share in cash.

#### **General**

*Public Announcement; Notices.* The AT&T Tracking Stock Amendment provides that, in the case of a Disposition or redemption, as specified in the AT&T Charter, AT&T will publicly announce or otherwise provide certain information to holders of New Liberty Media Group Tracking Stock.

*Fractional Shares.* AT&T will not be required to issue or deliver any fractional shares to any holder of New Liberty Media Group Tracking Stock upon any redemption, dividend or other distribution pursuant to the provisions described under “—Redemption.” In lieu thereof, AT&T will pay a cash adjustment in respect of such fractional share in an amount equal to the fair market value of such fractional share (without interest).

*Adjustments in Respect of Dividends or Other Distributions.* No adjustments in respect of dividends will be made upon the redemption of any shares of New Liberty Media Group Tracking Stock; *provided, however,* that, if a redemption date with respect to the New Liberty Media Group Tracking Stock will be subsequent to the record date for the payment of a dividend or other distribution to be paid on such stock, the holders of shares of New Liberty Media Group Tracking Stock at the close of business on such record date will be entitled to receive such dividend or other distribution, notwithstanding the redemption of such shares or AT&T’s default in payment of such dividend or distribution.

*Payment of Certain Taxes.* AT&T will pay any and all documentary, stamp or similar issue or transfer taxes that may be payable in respect of the issue or delivery of any shares of capital stock and/or other securities on redemption of shares of New Liberty Media Group Tracking Stock pursuant to the foregoing. AT&T will not, however, be required to pay any tax that may be payable in respect of any transfer involved in the issue and delivery of any shares of capital stock in a name other than that in which the shares of New Liberty Media Group Tracking Stock so redeemed were registered, and no such issue or delivery will be made

unless and until the person requesting such issue has paid to AT&T the amount of any such tax or has established to the satisfaction of AT&T that such tax has been paid.

#### ***Liquidation Rights***

In the event of a voluntary or involuntary liquidation, dissolution or winding up of AT&T (collectively, “**liquidation**”), payment or provision for payment shall first be made for the debts and other liabilities of AT&T, including the liquidation preferences of AT&T Preferred Stock. Thereafter, holders of AT&T Common Stock and holders New Liberty Media Group Tracking Stock will share in the funds of AT&T remaining for distribution to its common shareholders in proportion to the aggregate market capitalization of AT&T Common Stock, or the aggregate market capitalization of New Liberty Media Group Tracking Stock as applicable, to the aggregate market capitalization of the AT&T Common Stock and the New Liberty Media Group Tracking Stock. The market capitalizations will be calculated based on the 20-trading-day period ending on the trading day prior to the public announcement of the liquidation. Holders of New Liberty Media Group Class A Tracking Stock and Liberty Media Group Class B Tracking Stock will share equally, on a share for share basis.

Neither the consolidation or merger of AT&T with another corporation nor the sale, transfer or lease of all or substantially all of the assets of AT&T will itself constitute a liquidation. In addition, any transaction or series of related transactions that results in all of the assets and liabilities included in the New Liberty Media Group being held by one or more Qualifying Subsidiaries included in the New Liberty Media Group, and the distribution of such Qualifying Subsidiary (and no other material assets or liabilities) to the holders of New Liberty Media Group Tracking Stock will not constitute a liquidation, but will be subject to the provisions described under “—Redemption—Redemption in Exchange for Stock of Qualifying Subsidiaries.”

#### ***Other Classes of Common Shares***

There currently are no other classes of common stock of AT&T outstanding. If any such other classes were created, references to the rights of AT&T Common Stock would, as a general matter, also include rights for such other class of common stock of AT&T.

#### ***Determinations by the AT&T Board***

Any determinations made by the AT&T Board under any provision described under “Description of AT&T Capital Stock” will be final and binding on all shareholders of AT&T, except as may otherwise be required by law. AT&T will prepare a statement of any such determination by the AT&T Board respecting the fair market value of any properties, assets or securities and will file such statement with the Secretary of AT&T.

#### ***Relationship between the Groups***

Neither the New Liberty Media Group, on the one hand, nor the AT&T Common Stock Group, on the other hand will have any duty, responsibility or obligation to refrain from (a) engaging in the same or similar activities or lines of business as any member of the other group, (b) doing business with any potential or actual supplier or customer of any member of the other group, or (c) engaging in, or refraining from, any other activities whatsoever relating to any of the potential or actual suppliers or customers of any member of the other group. None of the directors or officers of the AT&T Common Stock Group or the Liberty Media Group will have any duty, responsibility or obligation to cause the respective groups to refrain from doing any of the foregoing.

Neither the New Liberty Media Group, on the one hand, nor the AT&T Common Stock Group, on the other hand will have any duty, responsibility or obligation (a) to communicate or offer any business or other corporate opportunity to any other person (including any business or other corporate opportunity that may arise that either group may be financially able to undertake, and that are, from their nature, in the line of more than

one group's business and are of practical advantage to more than one group), (b) to provide financial support to the other group (or any member thereof), or (c) otherwise to assist the other group. None of the directors or officers of the AT&T Common Stock Group or the Liberty Media Group will have any duty, responsibility or obligation to cause the respective groups to do any of the foregoing.

No director or officer of AT&T will be liable to AT&T or any holder of any securities of AT&T in respect of any failure or alleged failure of such officer or director to offer to (or to cause the New Liberty Media Group or the AT&T Common Stock Group to offer to) either group any corporate opportunity of any kind or nature that is pursued by the other group.

Nothing set forth in the three immediately preceding paragraphs will prevent any member of the New Liberty Media Group from entering into written agreements with the AT&T Common Stock Group to define or restrict any aspect of the relationship between the groups.

#### ***No Preemptive Rights***

Holders of AT&T Common Stock or New Liberty Media Group Tracking Stock do not have any preemptive rights to subscribe for any additional shares of capital stock or other obligations convertible into or exercisable for shares of capital stock that may hereafter be issued by AT&T.

For a discussion of certain differences between the NYBCL and the DGCL applicable to shareholders generally, see "Comparison of Certain Rights of Shareholders of AT&T and TCI."

### **COMPARISON OF CERTAIN RIGHTS OF SHAREHOLDERS OF AT&T AND TCI**

Upon consummation of the Merger, the shareholders of TCI will become shareholders of AT&T and their rights will be governed by the AT&T Charter and the AT&T By-Laws, which differ in certain material respects from the TCI Charter after giving effect to the TCI Charter Amendment (the "**Amended TCI Charter**") and the TCI By-Laws. As shareholders of AT&T, the rights of former TCI shareholders will also be governed by the NYBCL instead of the DGCL. New York is the jurisdiction of incorporation of AT&T and Delaware is the jurisdiction of incorporation of TCI.

The following comparison of the NYBCL, the AT&T Charter and the AT&T By-Laws, on the one hand, and the DGCL, the Amended TCI Charter and the TCI By-Laws, on the other hand, summarizes the material differences but is not intended to list all differences.

#### **Business Combinations**

Generally, under the DGCL, the approval by the affirmative vote of the holders of a majority of the outstanding stock (or, if the certificate of incorporation provides for more or less than one vote per share, a majority of the votes of the outstanding stock) of a corporation entitled to vote on the matter is required for a merger or consolidation or sale, lease or exchange of all or substantially all the corporation's assets to be consummated. The Amended TCI Charter requires, subject to the rights, if any, of any class or series of TCI Preferred Stock, the affirmative vote of 66 $\frac{2}{3}$ % of the total voting power of then-outstanding TCI Voting Securities, voting together as a single class, to approve (a) a merger or consolidation of TCI with, or into, another corporation, other than a merger or consolidation that does not require the consent of shareholders under the DGCL or a merger or consolidation that has been approved by at least 75% of the members of the TCI Board (in which case, in accordance with the DGCL, the affirmative vote of a majority of the total voting power of the outstanding capital stock entitled to vote would, with certain exceptions, be required for approval), or (b) the sale, lease or exchange of all or substantially all of the property and assets of TCI.

Under the NYBCL, a plan of merger or consolidation, a plan of share exchange or a sale, lease, exchange or other disposition of all or substantially all of the assets of a corporation is required to be approved (a) in the case of corporations like AT&T that were in existence on February 22, 1998 and that do not expressly provide in their certificates of incorporation for majority approval of such transactions, by two-thirds of the votes of all outstanding shares entitled to vote thereon, and (b) in the case of all other corporations, by a majority of the votes of all outstanding shares entitled to vote thereon. The AT&T Charter does not contain a provision expressly providing for majority approval of such transactions.

The NYBCL also provides that the holders of shares of a class, or series of a class, of capital stock of a corporation shall be entitled to vote together and to vote as a separate class on any merger or consolidation in which (a) such shares will remain outstanding after the merger or consolidation or will be converted into the right to receive shares of stock of the surviving or consolidated corporation or another corporation and (b) the charter of the surviving or consolidated corporation or such other corporation immediately after the effectiveness of the merger or consolidation would contain any provision that is not contained in the charter of the pre-merger corporation and that, if contained in an amendment thereto, would entitle the holders of shares of such class or series of a class to vote as a separate class pursuant to the procedures under the NYBCL for class voting on charter amendments discussed under “—Amendments to Charters.”

## State Takeover Legislation

### *Delaware Business Combination Law*

DGCL Section 203 (the “**Delaware Business Combination Law**”), in general, prohibits a business combination between a corporation and an interested shareholder within three years of the time such shareholder became an interested shareholder, unless:

- prior to such time the board of directors of the corporation approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;
- upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, exclusive of shares owned by directors who are also officers and by certain employee stock plans; or
- at or subsequent to such time, the business combination is approved by the board of directors and authorized by the affirmative vote at a shareholders’ meeting of at least 66 $\frac{2}{3}$ % of the outstanding voting stock that is not owned by the interested shareholder.

The term “business combination” is defined to include, among other transactions between an interested shareholder and a corporation or any direct or indirect majority owned subsidiary thereof, a merger or consolidation; a sale, pledge, transfer or other disposition (including as part of a dissolution) of assets having an aggregate market value equal to 10% or more of either the aggregate market value of all assets of the corporation on a consolidated basis or the aggregate market value of all the outstanding stock of the corporation; certain transactions that would increase the interested shareholder’s proportionate share ownership of the stock of any class or series of the corporation or such subsidiary; and any receipt by the interested shareholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation or any such subsidiary. In general, and subject to certain exceptions, an “interested shareholder” is any person who is the owner of 15% or more of the outstanding voting stock (or, in the case of a corporation with classes of voting stock with disparate voting power, 15% or more of the voting power of the outstanding voting stock) of the corporation, and the affiliates and associates of such person. The term “owner” is broadly defined to include any person that individually or with or through such person’s affiliates or associates, among other things, beneficially owns such stock, or has the right to acquire such stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement or understanding or upon the exercise of warrants or options or otherwise or has the right to vote such stock

pursuant to any agreement or understanding, or has an agreement or understanding with the beneficial owner of such stock for the purpose of acquiring, holding, voting or disposing of such stock.

The restrictions of the Delaware Business Combination Law do not apply to corporations that have elected, in the manner provided therein, not to be subject to the Delaware Business Combination Law or, with certain exceptions, which do not have a class of voting stock that is listed on a national securities exchange or authorized for quotation on NASDAQ/NM or held of record by more than 2,000 shareholders. Because the Amended TCI Charter and the TCI By-Laws do not opt out of the Delaware Business Combination Law, the Delaware Business Combination Law is applicable to the Merger. The TCI Board has unanimously approved the Merger and the transactions contemplated by the Merger Agreement and resolved that AT&T and Merger Sub shall not be interested shareholders as a result thereof for purposes of the Delaware Business Combination Law. See “The Transaction Agreements—The Merger Agreement—Representations and Warranties.”

#### ***New York Business Combination Law***

Section 912 of the NYBCL (the “**New York Business Combination Law**”) prohibits any “business combination” (defined to include a variety of transactions, including mergers, sales or dispositions of assets, issuances of stock, liquidations, reclassifications and benefits from the corporation, including loans or guarantees) with, involving or proposed by any “interested shareholder” for a period of five years after the date on which the interested shareholder became an interested shareholder. An “interested stockholder” is defined generally as any person who, directly or indirectly, beneficially owns 20% or more of the outstanding voting stock of a New York corporation. After such five-year period, a business combination between a New York corporation and such interested shareholder is prohibited unless either certain “fair price” provisions are complied with or the business combination is approved by a majority of the outstanding voting stock not beneficially owned by such interested shareholder or its affiliates. The restrictions of the New York Business Combination Law do not apply, however, to any business combination with an interested shareholder if such business combination, or the purchase of stock by the interested shareholder that caused such shareholder to become such, is approved by the board of directors of the New York corporation prior to the date on which the interested shareholder becomes such.

A New York corporation may adopt an amendment to its by-laws, approved by the affirmative vote of a majority of votes of the outstanding voting stock, excluding the voting stock of interested shareholders and their affiliates and associates, expressly electing not to be governed by the New York Business Combination Law. Such amendment will not, however, be effective until 18 months after such shareholder vote and will not apply to any business combination with an interested shareholder who was such on or prior to the effective date of such amendment. AT&T has not amended the AT&T By-Laws to elect not to be governed by the New York Business Combination Law.

#### **Appraisal Rights**

Under the DGCL, except as otherwise provided by the DGCL, shareholders of a constituent corporation in a merger or consolidation have the right to demand and receive payment of the fair value of their stock in a merger or consolidation. However, except as otherwise provided by the DGCL, shareholders do not have appraisal rights in a merger or consolidation if, among other things, their shares are:

- listed on a national securities exchange or designated as a national market system security on an inter-dealer quotation system by the National Association of Securities Dealers, Inc.; or
- held of record by more than 2,000 shareholders;

and, in each case, the consideration such shareholders receive for their shares in a merger or consolidation consists solely of:

- shares of stock of the corporation surviving or resulting from such merger or consolidation;

- shares of stock of any other corporation that at the effective date of the merger or consolidation will be either listed on a national securities exchange, which is true in the case of each class of AT&T common stock to be issued pursuant to the Merger, or designated as a national market system security on an inter-dealer quotation system by the NASD or held of record by more than 2,000 shareholders;
- cash in lieu of fractional shares of the corporations described in the two immediately preceding bullet points; or
- any combination of shares of stock and cash in lieu of fractional shares described in the three immediately preceding bullet points.

See “The Proposed Transactions—Appraisal Rights.”

Shareholders of a New York corporation have the right to dissent and receive payment of the fair value of their shares, except as otherwise provided by the NYBCL, in the event of certain amendments or changes to the certificate of incorporation adversely affecting their shares, certain mergers or consolidations, certain sales, leases, exchanges or other dispositions of all or substantially all the corporation’s assets and certain share exchanges.

### **Amendments to Charters**

Under the DGCL, unless the certificate of incorporation requires a greater vote, a proposed amendment to the certificate of incorporation requires an affirmative vote of a majority of the voting power of the outstanding stock entitled to vote thereon and a majority of the voting power of the outstanding stock of each class entitled to vote thereon. The Amended TCI Charter requires the affirmative vote of 66 $\frac{2}{3}$ % of the total voting power of then-outstanding TCI Voting Securities, voting together as a single class, to approve any amendment, alteration or repeal of any provision of the Amended TCI Charter or the addition or insertion of other provisions therein. The approval of the holders of a majority of the outstanding shares of any class of capital stock of a corporation, voting separately as a class, is required under the DGCL to approve a proposed amendment to a corporation’s certificate of incorporation, whether or not entitled to vote on such amendment by the certificate of incorporation, if the amendment would increase or decrease the aggregate number of authorized shares of such class (except as provided in the last sentence of this paragraph), increase or decrease the par value of the shares of such class, or alter or change the powers, preferences or special rights of the shares of such class so as to affect them adversely. For this purpose, if a proposed amendment would alter or change the powers, preferences or special rights of one or more series of any class so as to affect them adversely, but would not so affect the entire class, then only the shares of the series so affected by the amendment would be entitled to vote as a separate class on the amendment. Accordingly, a proposed amendment the adverse effect of which on the powers, preferences or special rights of any series of common stock does not differ from its adverse effect on the powers, preferences or special rights of any other series of common stock would not entitle such series to vote as a class separately from the other series of common stock. The authorized number of shares of any class of stock may be increased or decreased (but not below the number of shares of such class outstanding) by the requisite vote described above if so provided in the original certificate of incorporation or in any amendment thereto that created such class of stock or that was adopted prior to the issuance of any shares of such class, or in an amendment authorized by a majority vote of the holders of shares of such class.

Under the NYBCL, amendments to a certificate of incorporation generally must be approved by vote of a majority of all outstanding shares entitled to vote thereon at a meeting of shareholders. The approval of a majority of the votes of all outstanding shares of any class of capital stock of a corporation, voting separately as a class, is required to approve a proposed amendment to a corporation’s certificate of incorporation, whether or not such holders are otherwise entitled to vote on such amendment by the certificate of incorporation, that:

- would decrease the par value of the shares of such class, change any shares of such class into a different number of shares of the same class or into the same or a different number of shares of a different class, alter or change the designation, relative rights, preferences or limitations of the shares of such class,

including the provision of new conversion rights or the alteration of any existing conversion rights, so as to affect them adversely;

- would exclude or limit the voting rights of such shares, except as such rights may be limited by voting rights given to new shares then being authorized of any existing or new class or series of shares; or
- would subordinate their rights by authorizing shares having preferences superior to the rights of such existing shares.

For this purpose, if a proposed amendment would have any of the effects listed in the immediately preceding sentence on one or more series of any class so as to affect them adversely, but would not so affect the entire class, then only the shares of the series so affected by the amendment would be entitled to vote as a separate class on the amendment. Accordingly, a proposed amendment the adverse effect of which on the powers, preferences or special rights of any series of common stock of AT&T does not differ from its adverse effect on the powers, preferences or special rights of any other series of common stock of AT&T would not entitle such series to vote separately from the other classes of common stock of AT&T. The holders of New Liberty Media Group Tracking Stock will also have a class vote under certain other circumstances as described under “Description of AT&T Capital Stock—AT&T Tracking Stock Amendment—Voting Rights.”

### **Amendments to By-Laws**

Under the DGCL, the power to adopt, alter and repeal by-laws is vested in the shareholders, except to the extent that a corporation’s certificate of incorporation vests concurrent power in the board of directors.

The Amended TCI Charter provides that, subject to the rights of the holders of any class of TCI Preferred Stock, the affirmative vote of ~~66<sup>2</sup>/<sub>3</sub>~~ % of the total voting power of then-outstanding TCI Voting Securities, voting together as a single class, is required to approve the adoption, amendment or repeal of any provision of the TCI By-Laws; *provided, however*, that this voting requirement shall not apply to, and no vote of the shareholders of TCI is required to authorize, the adoption, amendment or repeal of the TCI By-Laws by the TCI Board by action taken by the affirmative vote of not less than 75% of the members of the TCI Board then in office.

Under the NYBCL, except as otherwise provided in the certificate of incorporation, by-laws may be amended, repealed or adopted by a majority of the votes cast by the shares at the time entitled to vote in the election of any directors. When so provided in the certificate of incorporation or a by-law adopted by the shareholders, by-laws also may be amended, repealed or adopted by the board of directors by such vote as may be therein specified, which vote may be greater than the vote otherwise prescribed by the NYBCL, but any by-law adopted by the board of directors may be amended or repealed by the shareholders entitled to vote thereon as provided by the NYBCL.

The AT&T By-Laws may be amended by the shareholders of AT&T at any meeting, or by the AT&T Board at any meeting by a majority vote of the full AT&T Board or at two successive meetings by a majority vote of a quorum present.

### **No Preemptive Rights**

Under the DGCL, a shareholder does not possess preemptive rights unless such rights are specifically granted in the certificate of incorporation. The Amended TCI Charter does not provide for preemptive rights to shareholders to subscribe for any additional shares of capital stock or other obligations convertible into or exercisable for shares of capital stock that may be issued by TCI.

Under the NYBCL, except as otherwise provided in the NYBCL or in the certificate of incorporation, the holders of equity shares are granted certain preemptive rights. The AT&T Charter provides that no holder of AT&T common stock has any preemptive rights to purchase any shares or other securities of AT&T.

### **Duration of Proxies**

Under the DGCL, no proxy is valid more than three years after its date unless otherwise provided in the proxy. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally.

Under the NYBCL, no proxy is valid more than 11 months after its date unless otherwise provided in the proxy. Irrevocable proxies may be created for:

- a pledgee;
- a person who has purchased or agreed to purchase the shares;
- a creditor of the corporation who extends credit in consideration of the proxy;
- a person who has contracted to perform services as an officer of the corporation if a proxy is required by the employment contract; and
- a person designated under a voting agreement.

### **Shareholder Action**

Under the DGCL, unless otherwise provided in the certificate of incorporation, any action required or permitted to be taken at a meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a written consent or consents setting forth the action taken is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote upon such action were present and voted. The Amended TCI Charter provides that, except as otherwise provided in the terms of any class or series of TCI Preferred Stock, no action required to be taken or that may be taken at any annual or special meeting of the shareholders may be taken without a meeting, and the power of shareholders to consent in writing, without a meeting, is specifically denied.

The NYBCL provides that shareholder action may be taken without a meeting upon the written consent of the holders of all outstanding shares entitled to vote, and also allows, if the certificate of incorporation so provides, shareholder action without a meeting upon the written consent of holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize such action at a meeting at which all shares entitled to vote thereon were present and voted. The AT&T Charter does not contain such a provision.

### **Nomination Procedures and Shareholder Proposals**

Subject to the rights of any class or series of TCI Preferred Stock, the TCI By-Laws require that written notice of the intent to make a nomination for the election of directors at a meeting of shareholders and that contains certain other specified information must be received by TCI not later than (a) 90 days in advance of such meeting, with respect to an election of directors to be held at an annual meeting of shareholders, and (b) the close of business on the seventh day following the day on which notice of such meeting is first given to shareholders, with respect to an election of directors to be held at a special meeting of shareholders. In addition, in order to cause TCI to include a proposal regarding matters other than the election of directors, a shareholder must comply with the requirements of SEC Rule 14a-8.

The AT&T By-Laws require that, for business to be properly brought before an annual meeting by a shareholder, the shareholder must have delivered notice thereof to AT&T (containing certain information specified in the AT&T By-Laws) not less than 90 nor more than 120 days prior to the first anniversary of the preceding year's annual meeting. This requirement is separate and apart from and in addition to the

requirements that a shareholder must meet to have a shareholder proposal included in AT&T's proxy statement under SEC Rule 14a-8.

### **Special Shareholder Meetings**

The DGCL provides that a special meeting of shareholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the by-laws. The Amended TCI Charter and the TCI By-Laws provide that a special meeting of shareholders will be held at any time, subject to the rights of the holders of any class or series of TCI Preferred Stock, upon the call of the Secretary of TCI upon (a) the written request of the holders of not less than 66 $\frac{2}{3}$ % of the total voting power of the outstanding TCI Voting Securities or (b) the request of at least 75% of the members of the TCI Board then in office.

The NYBCL provides that, if, for a period of one month after the date fixed by or under the by-laws for the annual meeting of shareholders or, if no date has been so fixed, for a period of 13 months after the last annual meeting, there is a failure to elect a sufficient number of directors to conduct the business of the corporation, the board of directors shall call a special meeting for the election of directors. If such special meeting is not called by the board of directors within two weeks after the expiration of such period or if it is called but there is a failure to elect such directors for a period of two months after the expiration of such period, holders of 10% of the votes of the shares entitled to vote in an election of directors may, in writing, demand the call of a special meeting for the election of directors.

The NYBCL provides that special meetings of shareholders may be called by the board of directors and by such persons as may be authorized in the certificate of incorporation or the by-laws. The AT&T By-Laws provide that special meetings of the shareholders may be called at any time by the Chairman of the AT&T Board, by the AT&T Board or upon a request signed by shareholders representing at least one-third of the AT&T common stock.

### **Cumulative Voting**

Under the DGCL, the certificate of incorporation may provide that at all elections of directors, or at elections held under specified circumstances, each shareholder is entitled to cumulate such shareholder's votes. The Amended TCI Charter does not provide for cumulative voting for the election of directors.

Under the NYBCL, the certificate of incorporation may provide that in all elections of directors each shareholder is entitled to cumulate such shareholder's votes. The AT&T Charter does not contain such a provision.

### **Size of the Board of Directors and Classification of the TCI Board**

The DGCL permits the certificate of incorporation or the by-laws of a corporation to contain provisions governing the number and terms of directors. However, if the certificate of incorporation contains provisions fixing the number of directors, such number may not be changed without amending the certificate of incorporation. The DGCL permits the certificate of incorporation of a corporation or a by-law adopted by the shareholders to provide that directors be divided into one, two or three classes, with the term of office of one class of directors to expire each year. The DGCL also permits the certificate of incorporation to confer upon holders of any class or series of stock the right to elect one or more directors to serve for such terms and have such voting powers as are stated in the certificate of incorporation. The terms of office and voting powers of directors so elected may be greater or less than those of any other director or class of directors.

The Amended TCI Charter provides for a TCI Board of not less than three members, divided into three classes of approximately equal size, with each class to be elected for a three-year term. The exact number of directors is fixed by the TCI Board by resolution.

Subject to certain limitations, the NYBCL permits the number of directors of a corporation to be fixed by its by-laws, by action of the shareholders or by action of the board of directors under the specific provision of a by-law adopted by the shareholders. At each annual meeting of the shareholders, directors are to be elected to hold office until the next annual meeting, except as described below for corporations with classified boards. In addition, the NYBCL permits the certificate of incorporation or the specific provisions of a by-law adopted by the shareholders to provide that directors be divided into either two, three or four classes. All classes must be as nearly equal in number as possible. The term of office of one class of directors shall expire each year, with the terms of office of no two classes expiring the same year.

The AT&T Charter provides that the number of directors shall be as provided for in the AT&T By-Laws. The AT&T By-Laws provide that the number of directors shall be not less than 10 nor more than 25, the exact number of directors within such minimum and maximum limits to be fixed and determined by the vote of a majority of the entire AT&T Board. AT&T does not have a classified board of directors.

### **Removal of Directors**

The DGCL provides that a director or directors may be removed with or without cause by the holders of a majority in voting power of the shares then entitled to vote at an election of directors, except that (a) members of a classified board of directors may be removed only for cause, unless the certificate of incorporation provides otherwise, and (b) in the case of a corporation having cumulative voting, if less than the entire board of directors is to be removed, no director may be removed without cause if the votes cast against such director's removal would be sufficient to elect such director if then cumulatively voted at an election of the entire board of directors or of the class of directors of which such director is a part.

The Amended TCI Charter provides that directors may be removed only for cause (as defined in the Amended TCI Charter) upon the affirmative vote of 66 $\frac{2}{3}$ % of the total voting power of then-outstanding shares of TCI Group Series A Tracking Stock, TCI Group Series B Tracking Stock, Liberty/Ventures Group Series A Tracking Stock, Liberty/Ventures Group Series B Tracking Stock and any class or series of TCI Preferred Stock entitled to vote in an election of directors, voting together as a single class.

The NYBCL provides that any or all of the directors may be removed for cause by vote of the shareholders, and, if the certificate of incorporation or the specific provisions of a by-law adopted by the shareholders so provides, directors may be removed by action of the board of directors. If the certificate of incorporation or the by-laws so provide, any or all of the directors may be removed without cause by vote of the shareholders. The removal of directors, with or without cause, is subject to the following: (a) in the case of a corporation having cumulative voting, no director may be removed when the votes cast against such director's removal would be sufficient to elect the director if voted cumulatively and (b) if a director is elected by the holders of shares of any class or series, such director may be removed only by the applicable vote of the holders of the shares of that class or series voting as a class. An action to procure a judgment removing a director for cause may be brought by the attorney general or by the holders of 10% of the outstanding shares, whether or not entitled to vote.

Neither the AT&T Charter nor the AT&T By-Laws provide that directors may be removed without cause by action of the shareholders or that directors may be removed by the AT&T Board.

### **Vacancies**

Under the DGCL, unless otherwise provided in the certificate of incorporation or the by-laws, vacancies on a board of directors and newly created directorships resulting from an increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, *provided* that, in the case of a classified board of directors, such vacancies and newly created directorships may be filled by a majority of the directors elected by such class or by the sole remaining director so elected. In the case of a classified board of directors, directors elected to fill vacancies or newly

created directorships shall hold office until the next election of the class for which such directors have been chosen, and until their successors have been duly elected and qualified. In addition, if, at the time of the filling of any such vacancy or newly created directorship, the directors in office constitute less than a majority of the whole board of directors (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any shareholder or shareholders holding at least 10% of the total number of outstanding shares entitled to vote for such directors, summarily order an election to fill any such vacancy or newly created directorship, or replace the directors chosen by the directors then in office.

The Amended TCI Charter and the TCI By-Laws provide that, subject to the rights of the holders of any class or series of TCI Preferred Stock, any vacancies on the TCI Board caused by death, resignation, removal or otherwise and newly created directorships resulting from an increase in the number of directors, shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum, or the sole remaining director. The Amended TCI Charter and the TCI By-Laws also provide that any directors chosen to fill a vacancy on the TCI Board or newly created directorship will serve for the remainder of the full term of the class for which such director was chosen and until his successor shall be duly elected and shall have qualified.

Under the NYBCL, newly created directorships resulting from an increase in the number of directors and vacancies occurring on the board of directors for any reason, except the removal of directors without cause, may be filled by vote of the board of directors. Unless the certificate of incorporation or by-laws provide otherwise, a vacancy in a directorship elected by holders of a particular class of shares shall be filled by a vote of the other directors elected by holders of the same class of shares. However, the certificate of incorporation or by-laws may provide that such newly created directorships or vacancies are to be filled by vote of the shareholders. Unless the certificate of incorporation or the specific provisions of a by-law adopted by the shareholders provide that the board of directors may fill vacancies occurring on the board of directors by reason of the removal of directors without cause, such vacancies may be filled only by vote of the shareholders. A director elected to fill a vacancy, unless elected by the shareholders, will hold office until the next meeting of shareholders at which the election of directors is in the regular order of business and until his or her successor has been elected and qualified.

Neither the AT&T Charter nor the AT&T By-Laws provide for the removal of directors without cause. The AT&T By-Laws provide that any vacancy on the AT&T Board may be filled by a majority vote of the remaining directors, though less than a quorum.

#### **Indemnification of Directors and Officers**

Delaware law generally permits a corporation to indemnify its directors and officers against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with a third-party action, other than a derivative action, and against expenses actually and reasonably incurred in the defense or settlement of a derivative action, *provided* that there is a determination that the individual acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation. Such determination shall be made, in the case of an individual who is a director or officer at the time of such determination:

- by a majority of the disinterested directors, even though less than a quorum;
- by a committee of such directors designated by a majority vote of such directors, even though less than a quorum;
- by independent legal counsel, regardless of whether a quorum of disinterested directors exists; or
- by a majority vote of the shareholders, at a meeting at which a quorum is present.

Without court approval, however, no indemnification may be made in respect of any derivative action in which such individual is adjudged liable to the corporation.

Delaware law requires indemnification of directors and officers for expenses relating to a successful defense on the merits or otherwise of a derivative or third-party action.

Delaware law permits a corporation to advance expenses relating to the defense of any proceeding to directors and officers contingent upon such individuals' commitment to repay any advances unless it is determined ultimately that such individuals are entitled to be indemnified.

Under Delaware law, the rights to indemnification and advancement of expenses provided in the law are non-exclusive, in that, subject to public policy issues, indemnification and advancement of expenses beyond that provided by statute may be provided by by-law, agreement, vote of shareholders, disinterested directors or otherwise.

The Amended TCI Charter provides that TCI officers and directors shall be indemnified to the fullest extent permitted by applicable law, and that TCI shall pay the expenses incurred in defending any proceeding in advance of its final disposition; *provided, however*, that the payment of expenses incurred by a director or officer in advance of the final disposition of the proceeding shall be made only upon the receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to be indemnified. TCI has entered into indemnification agreements with each of its directors.

Under the NYBCL, a corporation may indemnify its directors and officers made, or threatened to be made, a party to any action or proceeding, except for shareholder derivative suits, if such director or officer acted in good faith, for a purpose that he or she reasonably believed to be in or, in the case of service to another corporation or enterprise, not opposed to the best interests of the corporation, and, in criminal proceedings, in addition, had no reasonable cause to believe his or her conduct was unlawful. In the case of shareholder derivative suits, the corporation may indemnify a director or officer if he or she acted in good faith for a purpose that he or she reasonably believed to be in or, in the case of service to another corporation or enterprise, not opposed to the best interests of the corporation, except that no indemnification may be made in respect of (a) a threatened action, or a pending action that is settled or otherwise disposed of, or (b) any claim, issue or matter as to which such individual has been adjudged to be liable to the corporation, unless and only to the extent that the court in which the action was brought, or, if no action was brought, any court of competent jurisdiction, determines, upon application, that, in view of all the circumstances of the case, the individual is fairly and reasonably entitled to indemnity for such portion of the settlement amount and expenses as the court deems proper.

Any individual who has been successful on the merits or otherwise in the defense of a civil or criminal action or proceeding will be entitled to indemnification. Except as provided in the preceding sentence, unless ordered by a court pursuant to the NYBCL, any indemnification under the NYBCL pursuant to the above paragraph may be made only if authorized in the specific case and after a finding that the director or officer met the requisite standard of conduct by the disinterested directors if a quorum is available, or, if such a quorum so directs or is unavailable, (a) the board of directors upon the written opinion of independent legal counsel or (b) the shareholders.

The indemnification described above under the NYBCL is not exclusive of other indemnification rights to which a director or officer may be entitled, whether contained in the certificate of incorporation or by-laws, or, when authorized by such certificate of incorporation or by-laws, (a) a resolution of shareholders, (b) a resolution of directors or (c) an agreement providing for indemnification, *provided* that no indemnification may be made to or on behalf of any director or officer if a judgment or other final adjudication adverse to the director or officer establishes that his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled.

The AT&T By-Laws provide that AT&T is authorized, by (a) a resolution of shareholders, (b) a resolution of directors or (c) an agreement providing for such indemnification, to the fullest extent permitted by applicable law, to provide indemnification and to advance expenses to its directors and officers in respect of claims, actions, suits or proceedings based upon, arising from, relating to or by reason of the fact that any such director or officer serves or served in such capacity with the corporation or at the request of AT&T in any capacity with any other enterprise. AT&T has entered into indemnification agreements with certain of its officers and directors in accordance with the AT&T By-Laws.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling AT&T or TCI pursuant to the foregoing provisions, AT&T and TCI have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

#### **Limitation of Personal Liability of Directors**

The DGCL provides that a corporation's certificate of incorporation may include a provision limiting the personal liability of a director to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. However, no such provision can eliminate or limit the liability of a director for:

- any breach of the director's duty of loyalty to the corporation or its shareholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law;
- violation of certain provisions of the DGCL;
- any transaction from which the director derived an improper personal benefit; or
- any act or omission prior to the adoption of such a provision in the certificate of incorporation.

The Amended TCI Charter provides that, to the fullest extent permitted by the DGCL, a director of TCI shall not be liable to TCI or any of its shareholders for monetary damages for breach of fiduciary duty as a director.

The NYBCL provides that a corporation's certificate of incorporation may contain a provision eliminating or limiting the personal liability of directors to the corporation or its shareholders for damages for any breach of duty in such capacity. However, no such provision can eliminate or limit the liability of any director:

- if a judgment or other final adjudication adverse to such director establishes that such director's acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law, that the director personally gained in fact a financial profit or other advantage to which such director was not legally entitled, or that the director's acts violated certain provisions of the NYBCL; or
- for any act or omission prior to the adoption of such a provision in the certificate of incorporation.

The AT&T Charter provides that no director will be personally liable to AT&T or any of its shareholders for damages for any breach of duty as a director; *provided, however*, that the liability of a director will not be eliminated or limited:

- if a judgment or other final adjudication adverse to him or her establishes that his or her acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law, that he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled, or that his or her acts violated Section 719 of the NYBCL (which includes declaration of dividends, purchase of capital stock, distribution of assets to shareholders after dissolution of the corporation and loans to directors to the extent contrary to New York law); or
- for any act or omission prior to the adoption of this provision by the shareholders of AT&T.

### **Summary Comparison of Terms of TCI Group Tracking Stock and AT&T Common Stock**

The following is a summary of certain selected terms of TCI Group Tracking Stock and AT&T Common Stock, which description is qualified by reference to the more complete description of such terms contained elsewhere in this Proxy Statement/Prospectus and to the definitive terms of TCI Group Tracking Stock and AT&T Common Stock contained in the Amended TCI Charter and the AT&T Charter, respectively. Except as otherwise indicated, the following discussion assumes that (a) the Liberty/Ventures Combination Proposal has been approved and the Amended TCI Charter has been filed and become effective and (b) the AT&T Merger Proposal has been approved and the AT&T Charter has been filed and become effective.

	<b>TCI Group Tracking Stock</b>	<b>AT&amp;T Common Stock</b>
<b>Dividends and Share Distributions . .</b>	<p>Under the DGCL, a board of directors may authorize a corporation to make dividends and other distributions to its shareholders, subject to any restrictions in its certificate of incorporation, either (a) out of surplus (defined as net assets less statutory capital) or (b) if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Under the DGCL, no distribution out of net profits is permitted, however, if a corporation's capital is less than the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, until such deficiency has been repaired. In addition, under the DGCL, subject to certain limitations, a corporation's stock may be made subject to redemption by the corporation at its option, at the option of the holders of such stock or upon the happening of a specified event.</p> <p>TCI has never paid cash dividends on TCI Common Stock and does not currently intend to pay cash dividends on any series of TCI Common Stock, including TCI Group Tracking Stock.</p> <p>Dividends on TCI Group Tracking Stock are payable out of the lesser of assets of TCI legally available therefor and an available dividend amount that is designed to be equivalent to the amount</p>	<p>Under the NYBCL, except as otherwise provided in the NYBCL, dividends may be declared and paid and other distributions may be made out of surplus only, so that the net assets of the corporation remaining after such declaration, payment or distribution must at least equal the amount of its stated capital. A corporation may declare and pay dividends or make other distributions, except when the corporation is insolvent or would thereby be made insolvent, or when the declaration, payment or distribution would be contrary to any restrictions contained in the corporation's certificate of incorporation. In addition, under the NYBCL, subject to certain limitations, a corporation's certificate of incorporation may provide for one or more classes or series of shares to be redeemable at the option of the corporation or the holders thereof at such prices, within such times and under such conditions as are stated in the certificate of incorporation.</p> <p>AT&amp;T currently pays a quarterly cash dividend of \$0.33 per share of AT&amp;T Common Stock.</p> <p>Dividends on AT&amp;T Common Stock are payable only to the extent of legally available funds less the available dividend amount for New Liberty Media Group Tracking Stock. AT&amp;T may declare and</p>

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**TCI Group  
Tracking Stock**

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that would legally be available for dividends on such stock if the TCI Group were a stand-alone corporation. If dividends on TCI Group Tracking Stock are paid, equivalent per share dividends will be concurrently paid on both TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock. For this purpose, equivalent per share dividends include, in the case of distributions of securities, either distributions of identical securities or distributions of securities having differences in voting rights and in certain related rights (which differences are, in the case of distributions of securities of TCI or its subsidiaries (including stock dividends consisting of TCI Group Tracking Stock), not greater than the corresponding differences between TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock). TCI may, subject to prescribed limitations, declare and pay a share distribution with respect to TCI Group Tracking Stock consisting of shares of Liberty/Ventures Group Tracking Stock. TCI may not declare and pay a share distribution with respect to Liberty/Ventures Group Tracking Stock consisting of TCI Group Tracking Stock.

Subject to the foregoing provisions, dividends may be declared and paid on TCI Group Tracking Stock and/or Liberty/Ventures Group Tracking Stock in equal or unequal amounts, notwithstanding the relationship between the TCI Group Available Dividend Amount and the available dividend amount for the Liberty/Ventures Group, the respective amounts of prior dividends paid on, or liquidation rights of, TCI Group Tracking Stock or Liberty/Ventures Group Tracking Stock, or any other factor.

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**AT&T  
Common Stock**

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pay a share distribution with respect to AT&T Liberty Media Group Tracking Stock consisting of AT&T Common Stock. AT&T may not declare and pay a share distribution with respect to AT&T Common Stock consisting of shares of New Liberty Media Group Tracking Stock.

Subject to the foregoing provisions, dividends may be declared and paid on AT&T Common Stock and/or New Liberty Media Group Tracking Stock in equal or unequal amounts, notwithstanding the relationship between the AT&T Common Stock Group Available Dividend Amount and New Liberty Media Group Available Dividend Amount, the respective amounts of prior dividends paid on, or liquidation rights of, the AT&T Common Stock or New Liberty Media Group Tracking Stock, or any other factor.

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**TCI Group  
Tracking Stock**

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**AT&T  
Common Stock**

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Any decision to pay dividends in the future will depend on the financial condition, results of operations and business requirements of TCI as a whole. In making a determination as to the allocation of any future dividends between TCI Group Tracking Stock and Liberty/Ventures Group Tracking Stock, the TCI Board expects to follow a policy under which it will consider, among other factors, the relative financial condition, results of operations and business requirements of the respective groups.

Any decision to pay dividends on AT&T Common Stock in the future will depend on the financial condition, results of operations and business requirements of AT&T as a whole.

**Conversion at  
Option of  
Holder . . . . .**

Shares of TCI Group Series B Tracking Stock are convertible, at any time, at the option of the holder only, into the same number of shares of TCI Group Series A Tracking Stock. Shares of TCI Group Series A Tracking Stock are not convertible into shares of TCI Group Series B Tracking Stock.

None. Shares of AT&T Common Stock are not convertible into any other security of AT&T.

**Conversion at  
Option of  
TCI/AT&T, as  
applicable . . . .**

Shares of TCI Group Tracking Stock are not convertible into any other security of TCI. TCI may, in the sole discretion of the TCI Board, elect, at any time, to convert each outstanding share of Liberty/Ventures Group Tracking Stock into a number (or fraction) of shares of TCI Group Tracking Stock.

Shares of AT&T Common Stock are not convertible into any other security of AT&T. AT&T's Charter does not provide for conversion of shares of New Liberty Media Group Tracking Stock into shares of AT&T Common Stock.

**Voting  
Rights . . . . .**

TCI Group Series A Tracking Stock is entitled to one vote per share and TCI Group Series B Tracking Stock is entitled to 10 votes per share, voting as one class with Liberty/Ventures Group Tracking Stock and any TCI Preferred Stock entitled to vote, except to the extent separate class or series votes are required by law or the Amended TCI

AT&T Common Stock is entitled to one vote per share, voting as one class with New Liberty Media Group Tracking Stock and any AT&T Preferred Stock entitled to vote, except to the extent separate class votes are required by law or the AT&T Charter. The AT&T Charter does not provide for any rights for AT&T Common Stock to vote separately

	<b>TCI Group Tracking Stock</b>	<b>AT&amp;T Common Stock</b>
	Charter. The Amended TCI Charter does not provide for any rights for TCI Group Tracking Stock to vote separately from Liberty/Ventures Group Tracking Stock.	from New Liberty Media Group Tracking Stock.
<b>Liquidation . . .</b>	<p>Holders of shares of TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock will be entitled to share (on an equal per share basis) a portion of the funds of TCI remaining for distribution to its common shareholders based on the average daily ratio over a period of 20 trading days prior to the announcement of the liquidation, dissolution or winding up of TCI of the aggregate market capitalization of TCI Group Tracking Stock to the aggregate market capitalization of TCI Group Tracking Stock and Liberty/Ventures Group Tracking Stock.</p>	<p>Holders of shares of AT&amp;T Common Stock will be entitled to share in the aggregate a portion of the funds of AT&amp;T remaining for distribution to its common shareholders based on the average daily ratio over a period of 20 trading days prior to the announcement of the liquidation, dissolution or winding up of AT&amp;T of the aggregate market capitalization of the AT&amp;T Common Stock to the aggregate market capitalization of AT&amp;T Common Stock and New Liberty Media Group Tracking Stock.</p>
<b>Trading . . . . .</b>	TCI Group Tracking Stock trades on NASDAQ/NM.	AT&T Common Stock trades on the NYSE.
<b>No Initial Inter-Group Interest . . . . .</b>	<p>The TCI Group does not currently have any inter-group interest in the Liberty/Ventures Group, and the TCI Group currently has no plan or proposal to create such an inter-group interest prior to the Merger. The Liberty/Ventures Group is not allowed to create an inter-group interest in the TCI Group. An "inter-group interest" of one group in another group means the interest that the first group has at any relevant time in the common equity value of the issuing corporation that is attributable to the second group, which interest is not represented by outstanding shares of tracking stock intended to reflect the performance of such second group.</p>	<p>The AT&amp;T Charter does not provide for any inter-group interest between the AT&amp;T Common Stock Group and the New Liberty Media Group.</p>

**Summary Comparison of Terms of Liberty/Ventures Group Tracking Stock and New Liberty Media Group Tracking Stock**

The following is a summary of certain selected terms of Liberty/Ventures Group Tracking Stock and New Liberty Media Group Tracking Stock, which description is qualified by reference to the more complete description of such terms contained elsewhere in this Proxy Statement/Prospectus and to the definitive terms of Liberty/Ventures Group Tracking Stock and New Liberty Media Group Tracking Stock contained in the Amended TCI Charter and the AT&T Charter, respectively. Except as otherwise indicated, the following discussion assumes that (i) the Liberty/Ventures Combination Proposal has been approved and the Amended TCI Charter has been filed and become effective and (ii) the AT&T Merger Proposal has been approved and the AT&T Charter has been filed and become effective.

	<b>Liberty/Ventures Group Tracking Stock</b>	<b>New Liberty Media Group Tracking Stock</b>
<b>Dividends and Share Distribu- tions . . . . .</b>	<p>Under the DGCL, a board of directors may authorize a corporation to make dividends and other distributions to its shareholders, subject to any restrictions in its certificate of incorporation, either (a) out of surplus (defined as net assets less statutory capital) or (b) if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Under the DGCL, no distribution out of net profits is permitted, however, if a corporation's capital is less than the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets until such deficiency has been repaired. In addition, under the DGCL, subject to certain limitations, a corporation's stock may be made subject to redemption by the corporation at its option, at the option of the holders of such stock or upon the happening of a specified event.</p> <p>TCI has never paid cash dividends on TCI Common Stock and does not currently intend to pay cash dividends on any series of TCI Common Stock, including the Liberty/Ventures Group Tracking Stock.</p> <p>Dividends on Liberty/Ventures Group Tracking Stock are payable only to the extent of an available dividend amount that is designed to be equivalent to the</p>	<p>Under the NYBCL, except as otherwise provided in the NYBCL, dividends may be declared and paid and other distributions may be made out of surplus only, so that the net assets of the corporation remaining after such declaration, payment or distribution must at least equal the amount of its stated capital. A corporation may declare and pay dividends or make other distributions, except when the corporation is insolvent or would thereby be made insolvent, or when the declaration, payment or distribution would be contrary to any restrictions contained in the corporation's certificate of incorporation. In addition, under the NYBCL, subject to certain limitations, a corporation's certificate of incorporation may provide for one or more classes or series of shares to be redeemable at the option of the corporation or the holders thereof at such prices, within such times and under such conditions as are stated in the certificate of incorporation.</p> <p>Because New Liberty Media Group Tracking Stock is a newly created class of AT&amp;T capital stock, there is no dividend history associated with such shares.</p> <p>Dividends on New Liberty Media Group Tracking Stock are payable only to the extent of an available dividend amount that is designed to be equivalent to the</p>

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**Liberty/Ventures Group  
Tracking Stock**

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amount that would legally be available for dividends on such stock if the Liberty/Ventures Group were a stand-alone corporation. If dividends on Liberty/Ventures Group Tracking Stock are paid, equivalent per share dividends will be concurrently paid on both Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock. For this purpose, equivalent per share dividends include, in the case of distributions of securities, either distributions of identical securities or distributions of securities having differences in voting rights and in certain related rights (which differences are, in the case of distributions of securities of TCI or its subsidiaries (including stock dividends consisting of Liberty/Ventures Group Tracking Stock), not greater than the corresponding differences between Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock). TCI may, subject to prescribed limitations, declare and pay a share distribution with respect to TCI Group Tracking Stock consisting of shares of Liberty/Ventures Group Tracking Stock.

Subject to the foregoing provisions, dividends may be declared and paid on TCI Group Tracking Stock and/or Liberty/Ventures Group Tracking Stock in equal or unequal amounts, notwithstanding the relationship between the TCI Group Available Dividend Amount and the Liberty/Ventures Group Available Dividend Amount, the respective amounts of prior dividends paid on, or liquidation rights of, the TCI Group Tracking Stock or the Liberty/Ventures Group Tracking Stock, or any other factor.

Any decision to pay dividends in the future will depend on the financial condi-

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**New Liberty Media Group  
Tracking Stock**

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amount that would legally be available for dividends on such stock if the New Liberty Media Group were a stand-alone corporation. If dividends on New Liberty Media Group Tracking Stock are paid, equivalent per share dividends will be concurrently paid on both New Liberty Media Group Class A Tracking Stock and New Liberty Media Group Class B Tracking Stock. For this purpose, equivalent per share dividends include, in the case of distributions of securities, either distributions of identical securities or distributions of securities having differences in voting rights and in certain related rights (which differences are, in the case of distributions of securities of AT&T or its subsidiaries (including stock dividends consisting of New Liberty Media Group Tracking Stock), not greater than the corresponding differences between New Liberty Media Group Class A Tracking Stock and New Liberty Media Group Class B Tracking Stock). AT&T may not declare and pay a share distribution with respect to AT&T Common Stock, or any other class of common stock of AT&T (excluding the New Liberty Media Group Tracking Stock), consisting of shares of New Liberty Media Group Tracking Stock.

Subject to the foregoing provisions, dividends may be declared and paid on AT&T Common Stock and/or New Liberty Media Group Tracking Stock in equal or unequal amounts, notwithstanding the relationship between the AT&T Common Stock Group Available Dividend Amount and the New Liberty Media Group Available Dividend Amount, the respective amounts of prior dividends paid on, or liquidation rights of, AT&T Common Stock or New Liberty Media Group Tracking Stock, or any other factor.

Any decision to pay dividends in the future will depend on the financial condi-

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**Liberty/Ventures Group  
Tracking Stock**

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tion, results of operations and business requirements of TCI as a whole. In making a determination as to the allocation of any future dividends between TCI Group Tracking Stock and Liberty/Ventures Group Tracking Stock, the TCI Board expects to follow a policy under which it will consider, among other factors, the relative financial condition, results of operations and business requirements of the respective groups.

**Dividend,  
Redemption and  
Conversion Rights  
Applicable on  
Disposition of  
Liberty/Ventures  
Group Assets . . . .**

If TCI disposes of all or substantially all of the assets attributed to the Liberty/Ventures Group (defined as 80% or more on a current market value basis), other than in a transaction referred to in the following sentence, TCI is required, at its option, either to (a) distribute to holders of Liberty/Ventures Group Tracking Stock an amount in cash and/or securities or other property equal to their proportionate interest in the net proceeds of such disposition, either by special dividend or by redemption of all or part of the outstanding shares of Liberty/Ventures Group Tracking Stock, or (b) convert each outstanding share of Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock into a number (or fraction) of fully paid and nonassessable shares of TCI Group Series A Track-

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**New Liberty Media Group  
Tracking Stock**

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tion, results of operations and business requirements of AT&T as a whole. However, subject to the limitations in the AT&T Charter, it is the AT&T Board's intent to distribute any cash or non-cash dividends received by AT&T from any entity included in the New Liberty Media Group to holders of New Liberty Media Group Tracking Stock. See "Relationship between the AT&T Common Stock Group and the New Liberty Media Group—Policy Statement—Dividend Policy." In making a determination as to the allocation of any future dividends between the AT&T Common Stock and the New Liberty Media Group Tracking Stock, the AT&T Board expects to follow a policy under which it will consider, among other factors, the relative financial condition, results of operations and business requirements of the respective groups.

If AT&T, subject to certain restrictions, disposes of all or substantially all of the assets attributed to the New Liberty Media Group (defined as 80% or more on a current market value basis), other than in a transaction referred to in the following sentence, AT&T is required to distribute to holders of New Liberty Media Group Tracking Stock an amount in cash and/or securities or other property equal to their proportionate interest in the net proceeds of such disposition, either by special dividend or by redemption of all or part of the outstanding shares of New Liberty Media Group Tracking Stock; *provided, however*, that AT&T pay such dividend or redemption price in the same form as the proceeds of such disposition were received. See "The Proposed Transactions—Interests of Certain Persons in the Transactions—Management of the New

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**Liberty/Ventures Group  
Tracking Stock**

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ing Stock or TCI Group Series B Tracking Stock, respectively, equal, in each case to 110% of the average daily ratio over the 10-trading day period beginning on the 16th trading day after consummation of the transaction of the market value of one share of Liberty/Ventures Group Series A Tracking Stock to the market value of one share of TCI Group Series A Tracking Stock. TCI will not be required to take any of the foregoing actions if the disposition of all or substantially all of the assets attributed to the Liberty/Ventures Group occurs in a transaction in which TCI receives primarily equity securities of an entity engaged or proposing to engage primarily in a similar or complementary business or occurs in connection with the disposition of all of the assets of TCI. The proportionate interest in the net proceeds of a disposition that would be distributed to holders of Liberty/Ventures Group Tracking Stock would be based on (a) in the case of a special dividend or partial redemption following the disposition of less than all the properties and assets of the Liberty/Ventures Group, the Liberty/Ventures Group Outstanding Interest Fraction (a measure of the percentage interest in the Liberty/Ventures Group represented by outstanding shares of Liberty/Ventures Group Tracking Stock, taking into account any intergroup interest of the TCI Group), or (b) in the case of a complete redemption following the disposition of all of the properties and assets of the Liberty/Ventures Group, the Adjusted Liberty/Ventures Group Outstanding Interest Fraction (a similar measure that differs in that it also takes into account the dilutive effect of pre-existing convertible securities). Such a partial redemption could be effected *pro rata* among the holders of such shares or by such other method as may be determined by the TCI Board to be equitable. A holder of shares of Liberty/Ventures Group Tracking Stock

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**New Liberty Media Group  
Tracking Stock**

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Liberty Media Group." AT&T will not be required to take any of the foregoing actions if the disposition of all or substantially all of the assets attributed to the New Liberty Media Group occurs in a transaction in which AT&T receives primarily equity securities of an entity engaged or proposing to engage primarily in a similar or complementary business or occurs in connection with the disposition of all of the assets of AT&T. The proportionate interest in the New Liberty Media Group Net Proceeds of a disposition that would be distributed to holders of New Liberty Media Group Tracking Stock would equal (a) in the case of a special dividend or partial redemption following the disposition of less than all the properties and assets of the New Liberty Media Group, 100%, or (b) in the case of a special dividend or complete redemption following the disposition of all of the properties and assets of the New Liberty Media Group, the percentage that the outstanding shares of New Liberty Media Group Tracking Stock represent of the sum of such outstanding shares and the number of shares of New Liberty Media Group Tracking Stock issuable upon conversion, exercise or exchange of convertible securities existing immediately following the Merger. Such a partial redemption could be effected *pro rata* among the holders of such shares or by such other method as may be determined by the AT&T Board to be equitable. A holder of shares of New Liberty Media Group Tracking Stock who had not disposed of such shares prior to the applicable record date or effective date of such dividend or redemption would be required to participate in the distribution of New Liberty Media Group Net Proceeds (whether as a special dividend on or redemption of New Liberty Media Group Tracking Stock), unless, in the case of a partial redemption effected in a manner that was not *pro rata* (but was otherwise permit-

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**Liberty/Ventures Group  
Tracking Stock**

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who had not disposed of such shares prior to the applicable record date or effective date of such dividend, redemption or conversion would be required to participate in the distribution of net proceeds (whether as a special dividend on or redemption of Liberty/Ventures Group Tracking Stock) or in the conversion of Liberty/Ventures Group Tracking Stock into TCI Group Tracking Stock, as applicable, described above, unless, in the case of a partial redemption effected in a manner that was not *pro rata* (but was otherwise permitted by the Amended TCI Charter), such holder's shares were not selected for redemption.

**Conversion at Option of Holder . . . .**

Shares of Liberty/Ventures Group Series B Tracking Stock are convertible at any time, at the option of the holder only, into the same number of shares of Liberty/Ventures Group Series A Tracking Stock. Shares of Liberty/Ventures Group Series A Tracking Stock are not convertible into shares of Liberty/Ventures Group Series B Tracking Stock.

**Conversion at Option of TCI/AT&T, as applicable . . . . .**

TCI may, in the sole discretion of the TCI Board, elect at any time to convert each outstanding share of Liberty/Ventures Group Tracking Stock into a number (or fraction) of shares of TCI Group Tracking Stock equal to the ratio of the private market value (as determined by appraisal) of one share of Liberty/Ventures Group Tracking Stock to the average market value over a 20-trading day period prior to the commencement of such appraisal process of one share of TCI Group Series A Tracking Stock.

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**New Liberty Media Group  
Tracking Stock**

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ted by the AT&T Charter), such holder's shares were not selected for redemption.

Under the DGCL, the Liberty Board could arrange such a disposition subject to approval by AT&T as sole shareholder.

Shares of New Liberty Media Group Class B Tracking Stock are convertible at any time, at the option of the holder only, into the same number of shares of New Liberty Media Group Class A Tracking Stock. Shares of New Liberty Media Group Class A Tracking Stock are not convertible into shares of New Liberty Media Group Class B Tracking Stock.

None. The AT&T Charter does not provide for the conversion of shares of New Liberty Media Group Tracking Stock into shares of AT&T Common Stock.

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**Liberty/Ventures Group  
Tracking Stock**

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**Redemption in Exchange for Stock of  
Subsidiary . . . . .**

Subject to certain restrictions, TCI could, at any time, in the sole discretion of the TCI Board, redeem (without premium) all outstanding shares of Liberty/Ventures Group Tracking Stock in exchange for a proportionate interest in the outstanding shares of any one or more Liberty/Ventures Group Qualifying Subsidiaries that hold all of the assets and liabilities attributed to the Liberty/Ventures Group. The percentage of the stock of the Liberty/Ventures Group Qualifying Subsidiary or Liberty/Ventures Group Qualifying Subsidiaries owned by TCI that is distributable in the redemption would be based on the Adjusted Liberty/Ventures Group Outstanding Interest Fraction. In such a case, the TCI Board could elect to distribute, with respect to each such Liberty/Ventures Group Qualifying Subsidiary, either a single class of subsidiary stock or two classes of subsidiary stock having relative voting rights and differences in certain related rights not greater than the corresponding differences between Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock. All shares of any such Liberty/Ventures Group Qualifying Subsidiary so distributed would be fully paid and nonassessable. A holder of shares of Liberty/Ventures Group Tracking Stock who had not disposed of such shares prior to the redemption date would be required to participate in such redemption of shares of Liberty/Ventures Group Tracking Stock for stock of such Liberty/Ventures Group Qualifying Subsidiary.

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**New Liberty Media Group  
Tracking Stock**

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Subject to certain restrictions, AT&T could, at any time, in the sole discretion of the AT&T Board, redeem (without premium) all outstanding shares of New Liberty Media Group Tracking Stock in exchange for an aggregate number of the outstanding shares of common stock of a Qualifying Subsidiary of AT&T that holds all of the assets and liabilities attributed to the New Liberty Media Group and no other material assets or liabilities, equal to the number of such outstanding shares held by AT&T. See "The Proposed Transactions—Interests of Certain Persons in the Transactions—Management of the New Liberty Media Group." In such a case, the AT&T Board shall, if and to the extent practicable, redeem New Liberty Media Group Tracking Stock for shares of separate classes or series of stock of such Qualifying Subsidiary having relative voting rights and differences in certain related rights not greater than the corresponding differences between New Liberty Media Group Class A Tracking Stock and New Liberty Media Group Class B Tracking Stock, with holders of New Liberty Media Group Class B Tracking Stock receiving the class or series having the higher relative voting rights or, to the extent such redemption is impracticable, redeem New Liberty Media Tracking Stock for shares of a single class of common stock of such Qualifying Subsidiary, without distinction between the shares so distributed. All shares of any such Qualifying Subsidiary so distributed would be fully paid and non-assessable. A holder of shares of New Liberty Media Group Tracking Stock who had not disposed of such shares prior to the redemption date would be required to participate in such redemption of shares of New Liberty Media Group Tracking Stock for stock of such Qualifying Subsidiary.

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**Liberty/Ventures Group  
Tracking Stock**

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A Liberty/Ventures Group Qualifying Subsidiary may include an existing subsidiary of TCI that may in the future hold, directly or indirectly, all of the assets and liabilities attributed to the Liberty/Ventures Group or any future subsidiary of TCI that meets the definition of Liberty/Ventures Group Qualifying Subsidiary and holds such assets and liabilities, whether or not created exclusively for such purpose. To the extent that any such Liberty/Ventures Group Qualifying Subsidiary held assets and/or liabilities in addition to those attributed to the Liberty/Ventures Group, it is expected that, in connection with any such redemption, such additional assets or liabilities would either be attributed to the Liberty/Ventures Group or transferred by such Liberty/Ventures Group Qualifying Subsidiary to TCI or to another subsidiary of TCI attributed to the TCI Group. In each case, either (a) any then-existing Inter-Group Interest of the TCI Group in the Liberty/Ventures Group would be appropriately adjusted or (b) other consideration that the TCI Board may determine, in its discretion, to be appropriate would be paid by one group to the other group.

TCI does not currently have any plans or proposals to effect any redemption of the Liberty/Ventures Group Tracking Stock in exchange for shares of one or more Liberty/Ventures Group Qualifying Subsidiaries. Further, the TCI Board has not determined under what circumstances it might be appropriate for TCI to do so.

TCI believes that, under current law, a holder of Liberty/Ventures Group Tracking Stock generally would not be entitled to money damages or other remedies against TCI or the TCI Board based on a decision by the TCI Board to redeem the outstanding shares of Liberty/Ventures Group Tracking Stock in accordance with the procedures described above, unless such redemption otherwise repre-

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**New Liberty Media Group  
Tracking Stock**

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A Qualifying Subsidiary for purposes of this section may include an existing subsidiary of AT&T that may in the future hold, directly or indirectly, all of the assets and liabilities attributed to the New Liberty Media Group or any future subsidiary that meets the definition of Qualifying Subsidiary and holds such assets and liabilities, whether or not created exclusively for such purpose. To the extent that any such Qualifying Subsidiary held assets and/or liabilities in addition to those attributed to the New Liberty Media Group, it is expected that, in connection with any such redemption, such additional assets or liabilities would either be attributed to the New Liberty Media Group or transferred by such Qualifying Subsidiary to AT&T or to another subsidiary of AT&T attributed to a group other than the New Liberty Media Group. In each case, appropriate consideration as determined by the AT&T Board and the board of directors of the applicable subsidiary, in its discretion, to be appropriate would be paid by one group to the other group.

AT&T does not currently have any plans or proposals to effect any redemption of New Liberty Media Group Tracking Stock in exchange for shares of one or more Qualifying Subsidiaries. Further, the AT&T Board has not determined under what circumstances it might be appropriate for AT&T to do so.

AT&T believes that, under current law, a holder of New Liberty Media Group Tracking Stock generally would not be entitled to money damages or other remedies against AT&T or the AT&T Board based on a decision by the AT&T Board to redeem the outstanding shares of New Liberty Media Group Tracking Stock in accordance with the procedures described above, unless such redemption otherwise

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**Liberty/Ventures Group  
Tracking Stock**

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sented a breach by such directors of their respective fiduciary or other duties to the shareholders of TCI as a whole.

**Voting Rights . . . .** Liberty/Ventures Group Series A Tracking Stock will be entitled to one vote per share and Liberty/Ventures Group Series B Tracking Stock will be entitled to 10 votes per share, voting as one class with the TCI Group Tracking Stock and any TCI Preferred Stock entitled to vote, except to the extent separate class or series votes are required by law or the Amended TCI Charter. The Amended TCI Charter does not provide for any rights for Liberty/Ventures Group Tracking Stock to vote separately from TCI Group Tracking Stock.

**Liquidation . . . . .** Holders of shares of Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock will be entitled to share (on an equal per share basis) a portion of the funds of TCI remaining for distribution to its common shareholders based on the average daily ratio over a period of 20

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**New Liberty Media Group  
Tracking Stock**

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represented a breach by such directors of their respective fiduciary or other duties to the shareholders of AT&T as a whole.

New Liberty Media Group Class A Tracking Stock will be entitled to  $\frac{1}{10}$  of a vote per share and New Liberty Media Group Class B Tracking Stock will be entitled to one vote per share, voting as one class with AT&T Common Stock, any other class of common stock of AT&T and any AT&T Preferred Stock entitled to vote, except to the extent separate class votes are required by law or the AT&T Charter. The AT&T Charter provides for New Liberty Media Group Tracking Stock to vote separately from AT&T Common Stock and any other class of common stock of AT&T with respect to, among other things, (a) any amendment, alteration or repeal of any provision of the AT&T Charter that would adversely affect New Liberty Media Group Tracking Stock, (b) certain direct or indirect sales, transfers or conveyances by AT&T of any of its equity interest in the New Liberty Media Group or certain grants of pledges or other security interests in the capital stock thereof, and (c) subject to prescribed limitations, transactions in which New Liberty Media Group Tracking Stock would be converted, reclassified or changed into or otherwise exchanged for any consideration (except for conversions of New Liberty Media Group Class B Tracking Stock into New Liberty Media Group Class A Tracking Stock at the option of the holders and redemptions provided for under the AT&T Charter).

Holders of shares of New Liberty Media Group Class A Tracking Stock and New Liberty Media Group Class B Tracking Stock will be entitled to share (on an equal per share basis) a portion of the funds of AT&T remaining for distribution to its common shareholders based on the average daily ratio over a period of 20

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**Liberty/Ventures Group  
Tracking Stock**

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trading days prior to the announcement of the liquidation, dissolution or winding up of TCI of the aggregate market capitalization of the Liberty/Ventures Group Tracking Stock to the aggregate market capitalization of TCI Group Tracking Stock and Liberty/Ventures Group Tracking Stock.

**Trading . . . . .** If the Liberty/Ventures Combination is effected, it is expected that Liberty/Ventures Group Tracking Stock will trade on NASDAQ/NM under the same symbols as the Liberty Media Group Tracking Stock currently trades ("LBTYA" and "LBTYB").

**No Initial Inter-Group Interest . . .** The TCI Group does not currently have any inter-group interest in the Liberty/Ventures Group, and the TCI Group currently has no plan or proposal to create such an inter-group interest prior to the Merger. The Liberty/Ventures Group is not allowed to create an inter-group interest in the TCI Group.

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**New Liberty Media Group  
Tracking Stock**

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trading days prior to the announcement of the liquidation, dissolution or winding up of AT&T of the aggregate market capitalization of the New Liberty Media Group Tracking Stock to the aggregate market capitalization of the AT&T Common Stock, any other class of common stock of AT&T (excluding the New Liberty Media Group Tracking Stock) and the New Liberty Media Group Tracking Stock.

If the Merger is effected, it is expected that New Liberty Media Group Tracking Stock will trade on the NYSE.

The AT&T Charter does not provide for any inter-group interest between the AT&T Common Stock Group and the New Liberty Media Group.

## [ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

**EXPLANATORY NOTE:** These additional pages 142-190 relate solely to matters to be considered at the TCI Special Meeting and will be included in the Proxy Statement/Prospectus to be delivered to TCI shareholders only. These additional pages contain TCI proxy statement information only and shall not be deemed to constitute prospectus information.

### LIBERTY/VENTURES COMBINATION

This section of the Proxy Statement/Prospectus describes the material aspects of the proposed Liberty/Ventures Combination. The following descriptions of the Liberty/Ventures Tracking Stock do not purport to be complete and are qualified in their entirety by reference to the TCI Charter Amendment. A copy of the TCI Charter Amendment is attached as Appendix H to this Proxy Statement/Prospectus and is incorporated herein by reference. TCI shareholders are urged to read the TCI Charter Amendment in its entirety.

#### Background of and Reasons for the Liberty/Ventures Combination

During 1998, the type and characteristics of several significant assets of the TCI Ventures Group were changed in a manner that caused management of TCI and the TCI Board to begin to re-evaluate the business of the TCI Ventures Group and resulted in the TCI Board concluding that a combination of the TCI Ventures Group and the Liberty Media Group would be in the best interests of TCI and its shareholders. In particular, in January 1998 AT&T entered into an agreement to acquire Teleport in exchange for AT&T Common Stock (which transaction was consummated in July 1998, resulting in the TCI Ventures Group becoming the owner of approximately 47 million shares of AT&T Common Stock). In May 1998, TCI and the other partners in certain partnerships holding Sprint Corporation's PCS business entered into a restructuring agreement with Sprint Corporation pursuant to which Sprint Corporation would acquire all of the equity interests in these Sprint PCS partnerships in exchange for shares of Sprint PCS Stock. (This restructuring of Sprint Corporation's PCS business was consummated in November 1998.) In addition, @Home had gone public in July 1997 and was becoming a more mature company with a significant market capitalization and, as a result of significant equity issuances to third parties, an expanding distribution footprint. Thus, since the initial distribution of TCI Ventures Group Tracking Stock in September 1997, a number of assets of the TCI Ventures Group had changed, or were proposed to be changed, from privately held or newly public companies in which the TCI Ventures Group actively participated and guided management to publicly held investment securities in which the TCI Ventures Group had less management involvement.

In addition, TCI management noted that a number of the TCI Ventures Group's assets are "content" oriented, making such assets complementary to the various programming assets held by the Liberty Media Group. For example, both United Video Satellite Group, Inc. ("UVSG") and Tele-Communications International, Inc. ("TINTA") hold programming-related assets. Other assets and businesses of the TCI Ventures Group, while not traditional "programming" assets of the type held by the Liberty Media Group, are content oriented and are interrelated with various programming services.

Management of TCI had noted its concerns relating to the changing nature of the TCI Ventures Group's assets to the TCI Board from time to time during early 1998. In mid-June 1998, management of TCI proposed to the TCI Board that the Liberty Media Group and the TCI Ventures Group be combined. The TCI Board reviewed this proposal at its June 16, 1998 Board meeting and directed the Special Committee to review the proposal and to consider an appropriate structure for such a combination as well as an appropriate ratio for reclassifying TCI Ventures Group Tracking Stock into Liberty Media Group Tracking Stock which, in connection with such reclassification, is referred to herein as "Liberty/Ventures Group Tracking Stock." The TCI Board also directed that DLJ, which had been engaged to consider the proposed merger with AT&T, be engaged to provide financial advice to the Special Committee and the TCI Board regarding the terms of any combination of the TCI Ventures Group and the Liberty Media Group.

## [ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

Prior to the June 23, 1998 TCI Board meeting, the Special Committee met on several occasions to consider the terms of the proposed Liberty/Ventures Combination. Management of the TCI Ventures Group and the Liberty Media Group met with the Special Committee to present the proposed terms of the Liberty/Ventures Combination and the proposed Liberty/Ventures Combination Exchange Ratios. These ratios had been negotiated by the executive officers of the Liberty Media Group and the TCI Ventures Group. Following these management presentations, on June 23, 1998, DLJ, TCI's financial advisor, delivered to the TCI Board its oral opinion, which opinion was subsequently confirmed in writing in the Liberty/Ventures Opinion, to the effect that, as of such date, and based on and subject to the assumptions, limitations and qualifications 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.

Following these presentations to the Special Committee and after discussion and analysis, the Special Committee determined that the terms of the Liberty/Ventures Combination were advisable and fair to and in the best interests of the holders of TCI Common Stock and the holders of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock and the Special Committee recommended that the TCI Board approve the terms of the Liberty/Ventures Combination.

At its meeting on June 23, 1998, the TCI Board, based upon the recommendation of the Special Committee, determined that the combination of the Liberty Media Group and the TCI Ventures Group would be in the best interests of TCI and its shareholders, because of, among other reasons, the complementary nature of certain of the assets of the TCI Ventures Group and the Liberty Media Group and the management efficiencies which would result from the combination. In making its unanimous recommendation, the TCI Board determined that a single management group would be better able to take advantage of the complementary aspects of the individual assets of each group and that a single management group would result in management efficiencies. In addition, each of the Special Committee and the TCI Board believed that the Liberty Media Group's management's experience in dealing with its diverse assets and businesses could be applied successfully to the assets and businesses of the TCI Ventures Group. The TCI Board also noted that many of the officers of the TCI Ventures Group had significant experience in the management of operating assets which could be easily transferred to the assets and businesses of the Liberty Media Group.

For further information regarding the background of the Liberty/Ventures Combination, see "The Proposed Transactions—TCI's Reasons for the Transactions; Recommendation of the Special Committee and the TCI Board."

### **Business of the Liberty Media Group and the TCI Ventures Group**

The Liberty Media Group is presently comprised of TCI's businesses and investments in entities that are engaged in the production, acquisition and distribution through all available formats and media of branded entertainment, educational and informational programming and software, including multimedia products, and investments in entities engaged in electronic retailing, direct marketing, advertising sales related to programming services, infomercials and transaction processing. The TCI Ventures Group includes TCI's principal international assets and substantially all of TCI's non-cable and non-programming domestic assets. Pursuant to the Liberty/Ventures Combination, all of the assets and businesses of the TCI Ventures Group would be combined with those of the Liberty Media Group, thereby forming the Liberty/Ventures Group. See "Business of the Liberty Media Group—Description of the Liberty Media Group" and "Business of the TCI Ventures Group—Description of the TCI Ventures Group."

[ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

Liberty/Ventures Group Tracking Stock is intended to reflect the separate performance of the Liberty/Ventures Group. However, holders of Liberty/Ventures Group Tracking Stock will be subject to all of the risks associated with an investment in TCI and all of its businesses, assets and liabilities. There is no assurance as to the degree to which the market value of Liberty/Ventures Group Tracking Stock will reflect the separate performance of the Liberty/Ventures Group.

**Terms of the Liberty/Ventures Combination**

If the Liberty/Ventures Combination is approved at the TCI Special Meeting, TCI anticipates filing the TCI Charter Amendment with the Secretary of State of the State of Delaware promptly thereafter. However, if the Merger is expected to be completed promptly after the TCI Special Meeting, TCI does not intend to complete the combination of the Liberty Media Group and the TCI Ventures Group, and will instead have such combination occur as part of the Merger. TCI currently 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. The TCI Board has determined that the completion of the Liberty/Ventures Combination will be subject to the condition that TCI has received the opinion of Baker & Botts, LLP, as to the tax-free nature of the Liberty/Ventures Combination. See “The Proposed Transactions—Material Federal Income Tax Consequences—Material Federal Income Tax Consequences of the Liberty/Ventures Combination to Holders of TCI Ventures Group Stock” for a description of such opinion and the tax effects of the Liberty/Ventures Combination.

Effective upon such filing, each outstanding share of TCI Ventures Group Series A Tracking Stock will be reclassified as and changed into 0.52 of a share of Liberty Media Group Series A Tracking Stock, which is referred to herein as “Liberty/Ventures Group Series A Tracking Stock,” and each outstanding share of TCI Ventures Group Series B Tracking Stock will be reclassified as and changed into 0.52 of a share of Liberty Media Group Series B Tracking Stock, which is referred to herein as “Liberty/Ventures Group Series B Tracking Stock.” Each outstanding option to purchase a share of TCI Ventures Group Tracking Stock will be converted into an option to purchase 0.52 of a share of Liberty/Ventures Group Tracking Stock at an exercise price per share equal to the quotient of (i) the exercise price per share of the existing option to purchase shares of TCI Ventures Group Tracking Stock divided by (ii) 0.52. The TCI Charter Amendment will also amend and restate certain provisions of the TCI Charter to delete references to the TCI Ventures Group and the TCI Ventures Group Tracking Stock currently contained therein, to redefine the “Liberty Media Group” to include the assets and businesses included in each of the Liberty Media Group and the TCI Ventures Group immediately prior to the effectiveness of the TCI Charter Amendment, to provide for the authorized number of shares of Liberty/Ventures Group Tracking Stock to be 1.5 billion shares of Liberty/Ventures Group Series A Tracking Stock and 150 million shares of Liberty/Ventures Group Series B Tracking Stock, representing the sum of the previously authorized numbers of shares of Liberty Media Group Tracking Stock and TCI Ventures Group Tracking Stock, and to make certain other conforming changes necessary to effect the Liberty/Ventures Combination. If the Increased Authorization Proposal is approved, the TCI Charter Amendment will provide for the authorized number of shares of Liberty/Ventures Group Tracking Stock to be 2.5 billion shares of Liberty/Venture Group Series A Tracking Stock and 250 million shares of Liberty/Ventures Group Series B Tracking Stock.

Upon the effectiveness of the TCI Charter Amendment, TCI will cause all of the capital stock of Liberty Media Corporation, the entity that holds substantially all of the assets attributed to the Liberty Media Group, to be contributed to TCI Ventures Group, LLC, the entity that holds substantially all of the assets attributed to the TCI Ventures Group. The name of TCI Ventures Group, LLC will then be changed to “Liberty Ventures, LLC.”

If the TCI Charter Amendment is approved by shareholders at the TCI Special Meeting and the TCI Charter Amendment is filed and becomes effective, TCI will instruct The Bank of New York, the transfer agent

[ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

for TCI Common Stock, to send each holder of TCI Ventures Group Tracking Stock a letter of transmittal regarding the surrender of certificates for TCI Ventures Group Tracking Stock and the issuance to such holder of new certificates representing shares of Liberty/Ventures Group Tracking Stock in connection with the Liberty/Ventures Combination. Current holders of shares of Liberty Media Group Tracking Stock will continue to hold their certificates representing such shares.

The combined Liberty Media Group and TCI Ventures Group, following the Liberty/Ventures Combination, will be called the “Liberty Media Group;” however, for purposes of this Proxy Statement/Prospectus, the combined group is referred to as the “Liberty/Ventures Group.” Dr. Malone, Chairman and Chief Executive Officer of TCI, will serve as Chairman of the Liberty/Ventures Group, Mr. Bennett, President and Chief Executive Officer of Liberty Media Corporation, will be President and Chief Executive Officer of the Liberty/Ventures Group and Mr. Howard, President of the TCI Ventures Group, will be Executive Vice President and Chief Operating Officer of the Liberty/Ventures Group.

*No Initial Inter-Group Interest*

An “inter-group interest” refers to the interest that one group may have in the common equity value of the other group. The amount of the inter-group interest is reflected in terms of a number of shares of the tracking stock intended to reflect the performance of the second group. An inter-group interest is not evidenced by issued and outstanding shares.

When the Liberty Media Group was created, the TCI Board decided that the TCI Group would not retain an inter-group interest in such group. The TCI Board determined a number of shares of Liberty Media Group Tracking Stock that represented 100% of the common equity value of TCI that was attributable to the Liberty Media Group’s assets. TCI then distributed all of such shares as a dividend to the holders of TCI Group Tracking Stock. Similarly, the TCI Board determined that the TCI Group would not retain an inter-group interest in the TCI Ventures Group. No inter-group interest of the TCI Group in the other groups has since been created and none is intended to be created prior to the Liberty/Ventures Combination. The Liberty/Ventures Combination will not result in the creation of an inter-group interest. The Amended TCI Charter does not allow for an inter-group interest of the Liberty/Ventures Group in the TCI Group.

Following the effectiveness of the Liberty/Ventures Combination, the TCI Group could create an inter-group interest in the Liberty/Ventures Group only if:

- the TCI Group made a subsequent transfer of cash or other property to the Liberty/Ventures Group and such transfer was specifically designated by the TCI Board as being made to create an inter-group interest in the Liberty/Ventures Group (in contrast to other transfers such as loans or purchase and sale transactions) or
- outstanding shares of Liberty/Ventures Group Tracking Stock were purchased with funds attributed to the TCI Group and were then retired or otherwise ceased to be outstanding.

If the TCI Group were to create an inter-group interest in the Liberty/Ventures Group that interest would be represented by a “**Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest.**” This is intended to express the inter-group interest as an investment in shares of Liberty/Ventures Group Tracking Stock. By way of example, if the TCI Group were to transfer funds to the Liberty/Ventures Group in creation of an inter-group interest (rather than as a loan), the Number of Shares Issuable with Respect to the Liberty/Ventures Inter-Group Interest so created would be the number determined by dividing the amount of such funds by the market value of a share of Liberty/Ventures Group Tracking Stock at the time of such transfer. Any subsequent transfer of funds of assets by the TCI Group to the Liberty/Ventures Group would increase the Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest

[ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

in the same manner. If the Liberty/Ventures Group transferred funds or assets to the TCI Group and the TCI Board decided that the transfer was in reduction of the inter-group interest, the Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest would similarly be reduced.

If shares of Liberty/Ventures Group Tracking Stock were purchased with funds of the TCI Group and canceled or added to treasury, the Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest would increase on a share for share basis. If the shares so purchased remained outstanding as a result of being held by a subsidiary included in the TCI Group, no inter-group interest would be created nor would any existing inter-group interest be increased. Instead, the TCI Group would hold outstanding shares of Liberty/Ventures Group Tracking Stock.

If shares of Liberty/Ventures Group Tracking Stock are sold at a time when the TCI Group has an inter-group interest in the Liberty/Ventures Group, the TCI Board may determine to designate such sale as being in respect of such inter-group interest. In that event, the Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest would be reduced, on a share for share, basis and the sale proceeds would be allocated to the TCI Group. The TCI Board has the discretion to determine that the shares to be issued in respect of any inter-group interest will be Liberty/Ventures Group Series A Tracking Stock or Liberty/Ventures Group Series B Tracking Stock or both, subject to there being a sufficient number of authorized and unissued shares of the applicable series.

The Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest, if any would also be:

- adjusted as appropriate to reflect
  - (a) subdivisions (by stock split or otherwise) and combinations (by reverse stock split or otherwise) of Liberty/Ventures Group Tracking Stock,
  - (b) dividends or distributions payable in shares of Liberty/Ventures Group Tracking Stock to holders of such stock, and
  - (c) reclassifications of Liberty/Ventures Group Tracking Stock, and
- decreased by the number of shares of Liberty/Ventures Group Tracking Stock
  - (a) issued upon conversion, exercise or exchange of TCI Convertible Securities (other than Pre-Existing Convertible Securities) that are not attributed to the Liberty/Ventures Group, or
  - (b) issued by TCI as a dividend or distribution or by reclassification or exchange to holders of TCI Group Tracking Stock.

“**TCI Convertible Securities**” means any securities of TCI (other than any series of TCI Common Stock) or any TCI subsidiary that are convertible into, exchangeable for or evidence the right to purchase any shares of any series of TCI Common Stock. “**Pre-Existing Convertible Securities**” means (a) the convertible notes due December 12, 2021, issued by TCI UA, Inc, a subsidiary of TCI, (b) TCI Series C-Liberty Media Group Preferred Stock, (c) TCI Series H Preferred Stock, (d) certain options granted or assumed by TCI or its predecessor or a subsidiary that, immediately following the initial distribution of Liberty Media Group Tracking Stock, evidenced the right to purchase shares of Liberty Media Group Tracking Stock, and (e) options to purchase TCI Ventures Group Tracking Stock which were issued upon the September 10, 1997 consummation of the offers to exchange shares of TCI Group Tracking Stock for shares of TCI Ventures Group Tracking Stock in adjustment of certain options to purchase shares of TCI Group Series A Tracking Stock.

Because an inter-group interest is not represented by outstanding shares, no voting rights are associated with the Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest.

[ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

DESCRIPTION OF LIBERTY/VENTURES GROUP TRACKING STOCK  
AND EFFECTS ON EXISTING TCI COMMON STOCK

*The following description is qualified by reference to Appendix H to this Proxy Statement/Prospectus, which contains the full text of the TCI Charter Amendment.*

**General**

The TCI Charter currently provides that TCI is authorized to issue 3,602,375,096 shares of capital stock, including

- 3,550,000,000 shares of TCI Common Stock, of which
  - 1,750,000,000 shares are designated TCI Group Series A Tracking Stock,
  - 150,000,000 shares are designated TCI Group Series B Tracking Stock,
  - 750,000,000 shares are designated Liberty Media Group Series A Tracking Stock,
  - 75,000,000 shares are designated Liberty Media Group Series B Tracking Stock,
  - 750,000,000 shares are designated TCI Ventures Group Series A Tracking Stock, and
  - 75,000,000 shares are designated TCI Ventures Group Series B Tracking Stock, and
- 52,375,096 shares of TCI Preferred Stock.

If the Liberty/Ventures Combination Proposal is approved, the TCI Charter will be amended to reclassify the TCI Ventures Group Series A Tracking Stock and TCI Ventures Group Series B Tracking Stock as Liberty Media Group Series A Tracking Stock and Liberty Media Group Series B Tracking Stock, respectively. Pursuant to the Liberty/Ventures Combination Proposal, each share of TCI Ventures Group Series A Tracking Stock would be reclassified as 0.52 of a share of Liberty/Ventures Group Series A Tracking Stock, and each share of TCI Ventures Group Series B Tracking Stock would be reclassified as 0.52 of a share of Liberty/Ventures Group Series B Tracking Stock. Pursuant to the Amended TCI Charter, TCI would be authorized to issue 3,602,375,096 shares of capital stock, including

- 3,550,000,000 shares of TCI Common Stock, of which
  - 1,750,000,000 shares would be designated TCI Group Series A Tracking Stock,
  - 150,000,000 shares would be designated TCI Group Series B Tracking Stock,
  - 1,500,000,000 shares would be designated Liberty/Ventures Group Series A Tracking Stock, and
  - 150,000,000 would be designated Liberty/Ventures Group Series B Tracking Stock, and
- 52,375,096 shares of TCI Preferred Stock.

If both the Liberty/Ventures Combination Proposal and the Increased Authorization Proposal are approved, the TCI Charter will, in addition to the amendment discussed in the previous paragraph, be amended to increase the authorized number of shares of Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock. Pursuant to the Amended TCI Charter, TCI would be authorized to issue 4,702,375,096 shares of capital stock, including:

- 4,650,000,000 shares of TCI Common Stock, of which
  - 1,750,000,000 shares would be designated TCI Group Series A Tracking Stock,

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- 150,000,000 shares would be designated TCI Group Series B Tracking Stock,
- 2,500,000,000 shares would be designated Liberty/Ventures Group Series A Tracking Stock, and
- 250,000,000 shares would be designated Liberty/Ventures Group Series B Tracking Stock, and
- 52,375,096 shares of TCI Preferred Stock.

Any remaining authorized but unissued shares of Liberty/Ventures Group Tracking Stock will be available for issuance by TCI from time to time, as determined by the TCI Board, for any proper corporate purpose, which could include effecting stock dividends or splits, raising capital, acquiring other companies or making investments, or providing compensation or benefits to employees. The issuance of such shares would not be subject to approval by the shareholders of TCI, unless deemed advisable by the TCI Board or required by applicable law, regulation or NASDAQ/NM requirements.

### **Voting Rights**

#### *General*

Under the Amended TCI Charter, holders of Liberty/Ventures Group Series A Tracking Stock are entitled to one vote for each share held and holders of Liberty/Ventures Group Series B Tracking Stock are entitled to 10 votes for each share held. Holders of TCI Group Series A Tracking Stock will continue to be entitled to one vote for each share held and holders of TCI Group Series B Tracking Stock will continue to be entitled to 10 votes for each share held. Except as described under “—Limited Class or Series Voting,” holders of TCI capital stock entitled to vote will vote as one class with respect to all matters.

If the Liberty/Ventures Combination Proposal is approved, the aggregate voting power of the former holders of TCI Ventures Group Tracking Stock will be reduced. Because each share of TCI Ventures Group Tracking Stock will be converted into 0.52 of a share of the corresponding series of Liberty/Ventures Group Tracking Stock in the Liberty/Ventures Combination, each share of TCI Ventures Group Series A Tracking Stock, as reclassified, would effectively be entitled to 0.52 of a vote, rather than one vote, per share, and each share of TCI Ventures Group Series B Tracking Stock, as reclassified, would effectively be entitled to 5.2 votes, rather than 10 votes, per share.

#### *Super-Majority Requirements*

The affirmative vote of holders of at least 66⅔% of the total voting power of the outstanding TCI Voting Securities, voting together as a single class, is required for:

- the amendment, alteration or repeal of any provision of, or the addition or insertion of new provisions to, the TCI Charter;
- the adoption, amendment or repeal of any provision of the TCI By-Laws, unless the adoption, amendment or repeal is approved by at least 75% of the members of the TCI Board, in which case no shareholder vote will be required;
- the merger or consolidation of TCI with or into any other corporation, other than a merger or consolidation that does not require the consent of shareholders under the DGCL or which at least 75% of the members of the TCI Board then in office have approved (in which case such merger or consolidation would require the approval of a majority of the total voting power of then-outstanding TCI Voting Securities),
- the sale, lease or exchange of all or substantially all of the property and assets of TCI; or
- the dissolution of TCI.

## [ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

In addition, the TCI Charter provides that a director may only be removed for “cause,” (as defined in the TCI Charter). Other than where a director has been convicted of a felony, a 66⅔% majority of the TCI Board must determine that there is cause for removal. The removal of the director must be approved by the holders of 66⅔% of the total voting power of then-outstanding shares of TCI capital stock entitled to vote in the election of directors.

### *Limited Class or Series Voting*

Under the TCI Charter, the holders of TCI Group Tracking Stock, Liberty Media Group Tracking Stock, TCI Ventures Group Tracking Stock and TCI Preferred Stock, if any, entitled to vote on a matter will vote as one class, except as otherwise required by the DGCL and except for any special voting rights of any class or series of TCI Preferred Stock. The Liberty/Ventures Combination Proposal will not effect any change in such class voting of shareholders, except that holders of TCI Ventures Group Tracking Stock will become holders of Liberty/Ventures Group Tracking Stock. The DGCL does not require a separate class or series vote of the holders of TCI Group Common Stock or Liberty/Ventures Group Common Stock to approve any matter except:

- a change in par value;
- in certain circumstances not applicable in the case of TCI’s outstanding stock, an increase or decrease in the authorized shares of such class or series; or
- an amendment to the TCI Charter that would alter or change the powers, preferences or special rights of the shares of such class so as to affect them adversely.

Notwithstanding the last bullet point above, if an amendment to the TCI Charter would alter or change the powers, preferences or special rights of one or more series of a class of TCI capital stock so as to affect them adversely, but would not so affect the entire class, then only the shares of the series so affected by the amendment would be entitled to a separate series vote on the amendment. Because most matters brought to a shareholder vote will require the approval of only a specified percentage of TCI’s outstanding capital stock entitled to vote (including TCI Group Tracking Stock and Liberty/Ventures Group Tracking Stock) voting together as a single class, if the holders of one or more series of TCI Common Stock have more than the number of votes required to approve any such matter, such holders would be in a position to control the outcome of the vote on such matter.

## **Dividends**

### *General*

The DGCL limits the amount of dividends or distributions that TCI can make to holders of TCI Common Stock. Such amount is determined on the basis of TCI as a whole and not on the basis of any individual group. The amount of TCI’s funds available for distribution will be affected by the amount of (a) any net losses of any group, (b) any dividends or distributions on, or repurchases of, TCI Common Stock, and (c) dividends on, or certain repurchases of, TCI Preferred Stock. Dividends or distributions on TCI Common Stock are also subject to the prior payment of any dividends due on outstanding shares of TCI Preferred Stock. Certain subsidiaries of TCI are subject to loan agreements which contain provisions that limit the amount of dividends, other than stock dividends, that those companies may pay. Future loan agreements may also contain similar restrictions and limits.

### *Dividends on Liberty/Ventures Group Tracking Stock*

In addition to the general limits on dividends by TCI discussed above, dividends on Liberty/Ventures Group Tracking Stock will be further limited to an amount not in excess of the Liberty/Ventures Group

[ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

Available Dividend Amount. This amount is intended to be similar to the amount that would be legally available for the payment of dividends on Liberty/Ventures Group Tracking Stock under the DGCL if the Liberty/Ventures Group were a separate Delaware corporation. The “**Liberty/Ventures Group Available Dividend Amount**” means, as of any date, the product of the Liberty/Ventures Group Outstanding Interest Fraction and either:

(a) the excess of (1) an amount equal to the total assets of the Liberty/Ventures Group less the total liabilities (not including preferred stock) of the Liberty/Ventures Group as of such date over (2) the aggregate par value of, or any greater amount determined to be capital in respect of, all outstanding shares of Liberty/Ventures Group Tracking Stock and each class or series of TCI Preferred Stock attributed to the Liberty/Ventures Group; or

(b) in case there is no such excess, an amount equal to the Earnings (Loss) Attributable to the Liberty/Ventures Group (if positive) for the fiscal year in which such date occurs and/or the preceding fiscal year.

“**Earnings (Loss) Attributable to the Liberty/Ventures Group,**” means, for any period, the net earnings or loss of the Liberty/Ventures Group for such period determined on a basis consistent with the determination of the net earnings or loss of the Liberty/Ventures Group for such period as presented in the combined financial statements of the Liberty/Ventures Group, including income and expenses of TCI attributed to the operations of the Liberty/Ventures Group on a substantially consistent basis.

The “**Liberty/Ventures Group Outstanding Interest Fraction**” is the fraction that the outstanding shares of Liberty/Ventures Group Tracking Stock represents as of any date of the sum of such outstanding shares and the Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest, if any.

If the Liberty/Ventures Combination Proposal is approved, the Liberty/Ventures Group Available Dividend Amount would reflect the combined assets and liabilities of the TCI Ventures Group and the Liberty Media Group. There can be no assurance that there will be a Liberty/Ventures Group Available Dividend Amount.

Except for dividends declared or paid as described under “—Share Distributions” and “—Conversion and Redemption—Mandatory Dividend, Redemption or Conversion of Liberty/Ventures Group Tracking Stock,” any dividends paid on Liberty/Ventures Group Series A Tracking Stock or Liberty/Ventures Group Series B Tracking Stock will be paid only on both series, in equal amounts per share.

At the time of any dividend or other distribution on the outstanding shares of Liberty/Ventures Group Tracking Stock, including any dividend paid upon a Disposition of all or substantially all of the assets and businesses of the Liberty/Ventures Group, as described below, if the TCI Group then has an inter-group interest in the Liberty/Ventures Group, the TCI Group will be credited, and the Liberty/Ventures Group will be charged, with an amount equal to (a) the aggregate amount of such dividend or distribution paid or distributed in respect of outstanding shares of Liberty/Ventures Group Tracking Stock multiplied by (b) a fraction the numerator of which is the Liberty/Ventures Group Inter-Group Interest Fraction and the denominator of which is the Liberty/Ventures Group Outstanding Interest Fraction. “**Liberty/Ventures Group Inter-Group Interest Fraction**” is the fraction that the Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest, if any, represents as of any date of the sum of such Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest and the aggregate number of shares of Liberty/Ventures Group Tracking Stock outstanding on such date.

If a subsidiary of TCI attributed to the TCI Group acquired shares of Liberty/Ventures Group Tracking Stock and these shares were not canceled, they would continue to be outstanding and would entitle the holder

[ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

to receive dividends and distributions paid on the Liberty/Ventures Group Tracking Stock. An interest of the TCI Group in the Liberty/Ventures Group that is represented by outstanding shares of Liberty/Venture Group Tracking Stock is not an inter-group interest.

***Dividends on TCI Group Tracking Stock***

In addition to the general limitations on dividends by TCI discussed above, dividends on TCI Group Tracking Stock will be further limited to an amount not in excess of the TCI Group Available Dividend Amount, which is intended to be similar to the amount that would be legally available for the payment of dividends on TCI Group Tracking Stock under the DGCL if the TCI Group were a separate Delaware Corporation. The “**TCI Group Available Dividend Amount**” means, as of any date, either:

- (a) the excess of (1) an amount equal to the total assets of the TCI Group less the total liabilities (not including preferred stock) of the TCI Group over (2) the aggregate par value of, or any greater amount determined to be capital in respect of, all outstanding shares of TCI Group Tracking Stock and each class or series of TCI Preferred Stock attributed to the TCI Group; or
- (b) if there is no such excess, an amount equal to the Earnings (Loss) Attributable to the TCI Group (if positive) for the fiscal year in which such date occurs and/or the preceding fiscal year.

The “**Earnings (Loss) Attributable to the TCI Group**” means, for any period, the net earnings or loss of the TCI Group for such period determined on a basis consistent with the determination of the net earnings or loss of the TCI Group for such period as presented in the combined financial statements of the TCI Group for such period, including income and expenses of TCI attributed to the operations of the TCI Group on a substantially consistent basis, including, without limitation, corporate administrative costs, net interest and income taxes.

The provisions of the TCI Charter regarding dividends on TCI Group Tracking Stock will not be affected by the Liberty/Ventures Combination Proposal because the assets and liabilities attributed to the TCI Group will not change.

***Discrimination Between or Among Series of TCI Common Stock***

The TCI Board, subject to the restrictions as to amounts available for dividends and the types of share distributions which are permitted, as described below, will have the authority and discretion to declare and pay dividends on TCI Group Tracking Stock or Liberty/Ventures Group Tracking Stock in equal or unequal amounts, notwithstanding the relationship between the TCI Group Available Dividend Amount and the Liberty/Ventures Group Available Dividend Amount, the respective amounts of prior dividends declared on, or liquidation rights of, TCI Group Tracking Stock or Liberty/Ventures Group Tracking Stock or any other factor. This could include declaring and paying no dividends on the Liberty/Ventures Group Tracking Stock while declaring and paying dividends on the TCI Group Tracking Stock or vice versa.

**Share Distributions**

TCI may declare and pay a distribution consisting of shares of TCI Group Tracking Stock, Liberty/Ventures Group Tracking Stock or any other securities of TCI or any other person (sometimes referred to as a “share distribution”) to holders of TCI Common Stock only as provided below.

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***Distributions on Liberty/Ventures Group Tracking Stock***

If at any time a share distribution is paid on Liberty/Ventures Group Tracking Stock, such share distribution will be declared and paid only as follows or as permitted with respect to redemptions and other distributions referred to herein:

- share distributions consisting of shares of Liberty/Ventures Group Series A Tracking Stock (or related TCI Convertible Securities) may be made to holders of Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock, on an equal per share basis;
- share distributions consisting of shares of Liberty/Ventures Group Series B Tracking Stock (or related TCI Convertible Securities) may be made to holders of Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock, on an equal per share basis;
- share distributions consisting of shares of Liberty/Ventures Group Series A Tracking Stock (or related TCI Convertible Securities) may be made to holders of Liberty/Ventures Group Series A Tracking Stock and, on an equal per share basis, shares of Liberty/Ventures Group Series B Tracking Stock (or related TCI Convertible Securities) may be made to holders of Liberty/Ventures Group Series B Tracking Stock; or
- share distributions consisting of any other securities of TCI (other than TCI Group Tracking Stock or Liberty/Ventures Group Tracking Stock) or any other person (or related TCI Convertible Securities), may be made either as:
  - a distribution of identical securities to holders of Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock, on an equal per share basis; or
  - a distribution of one class or series of securities to holders of Liberty/Ventures Group Series A Tracking Stock and another class or series of securities to holders of Liberty/Ventures Group Series B Tracking Stock, provided that (a) the securities distributed do not differ in any respect other than their relative voting rights and related differences, and holders of shares of Liberty/Ventures Group Series B Tracking Stock receive the class or series having the higher relative voting rights and (b) if the securities so distributed constitute capital stock of a subsidiary of TCI, such rights do not differ to a greater extent than the corresponding differences in voting rights, designation, conversion, redemption and share distribution provisions between Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock.

Because the Liberty/Ventures Group is not permitted to have an inter-group interest in the TCI Group, no distributions on Liberty/Ventures Group Tracking Stock of shares of TCI Group Tracking Stock (or related TCI Convertible Securities) are permitted.

TCI will not reclassify, subdivide or combine one series of Liberty/Ventures Group Tracking Stock without reclassifying, subdividing or combining the other series, on an equal per share basis.

***Distributions on TCI Group Tracking Stock***

If at any time a share distribution is to be made with respect to the TCI Group Tracking Stock, such share distribution will be declared and paid only as follows:

- share distributions consisting of shares of TCI Group Series A Tracking Stock or, if the TCI Group has an inter-group interest in the Liberty/Ventures Group, Liberty/Ventures Group Series A Tracking Stock (or related TCI Convertible Securities) to holders of TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock, on an equal per share basis;

[ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

- share distributions consisting of shares of TCI Group Series B Tracking Stock or, if the TCI Group has an inter-group interest in the Liberty/Ventures Group, Liberty/Ventures Group Series B Tracking Stock (or related TCI Convertible Securities), to holders of TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock, on an equal per share basis; or
- share distributions consisting of shares of TCI Group Series A Tracking Stock or, if the TCI Group has an inter-group interest on the Liberty/Ventures Group, Liberty/Ventures Group Series A Tracking Stock (or related TCI Convertible Securities), to holders of TCI Group Series A Tracking Stock and, on an equal per share basis, shares of TCI Group Series B Tracking Stock or Liberty/Ventures Group Series B Tracking Stock (or related TCI Convertible Securities) to holders of TCI Group Series B Tracking Stock; or
- share distributions consisting of shares or other securities of TCI (other than TCI Group Tracking Stock or Liberty/Ventures Group Tracking Stock) or any other person (or related TCI Convertible Securities), either as:
  - a distribution of identical securities, on an equal per share basis, to holders of TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock; or
  - a distribution of one class or series of securities to holders of TCI Group Series A Tracking Stock and another class or series of securities to holders of TCI Group Series B Tracking Stock, provided that (a) the securities distributed do not differ in any respect other than their relative voting rights and related differences and holders of shares of TCI Group Series B Tracking Stock receive the class or series having the higher relative voting rights and (b) if the securities so distributed constitute capital stock of a subsidiary of TCI, such rights do not differ to a greater extent than the corresponding differences in voting rights, designation, conversion, redemption and share distribution provisions between TCI Group Series A Tracking Stock and TCI Group Series B Tracking Stock.

If TCI distributes shares of Liberty/Ventures Tracking Stock to the holders of TCI Group Tracking Stock, the sum of (x) the number of shares of Liberty/Ventures Group Tracking Stock to be distributed (or the number of such shares issuable upon conversion of any related TCI Convertible Securities so distributed) and (y) the number of shares of Liberty/Ventures Group Tracking Stock that are subject to issuance upon conversion of any TCI Convertible Securities then outstanding that are attributed to the TCI Group (other than Pre-Existing Convertible Securities), shall not exceed the Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest.

TCI will not reclassify, subdivide or combine one series of TCI Group Tracking Stock without reclassifying, subdividing or combining the other series, on an equal per share basis.

### **Conversion and Redemption**

#### *Conversion at the Option of the Holder*

Each share of Liberty/Ventures Group Series B Tracking Stock will be convertible, at the option of the holder thereof, into one share of Liberty/Ventures Group Series A Tracking Stock. Shares of Liberty/Ventures Group Series A Tracking Stock will not be convertible into shares of Liberty/Ventures Group Series B Tracking Stock.

#### *Conversion at the Option of TCI*

The TCI Board may at any time declare that all of the outstanding shares of Liberty/Ventures Group Series A Tracking Stock will be converted into a number (or fraction) of fully paid and nonassessable shares of

[ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

TCI Group Tracking Stock of the corresponding series. Such conversion would be made at the Liberty/Ventures Optional Conversion Ratio, which is the ratio of the private market value of a share of Liberty/Ventures Group Tracking Stock, determined by appraisal, to the public trading price of a share of TCI Group Tracking Stock.

The “**Liberty/Ventures Group Optional Conversion Ratio**” means the quotient (calculated to the nearest five decimal places) obtained by dividing (a) Liberty/Ventures Group Tracking Stock Per Share Value by (b) the average market value of one share of TCI Group Series A Tracking Stock over the 20-trading day period ending on the trading day preceding the Appraisal Date. The “**Liberty/Ventures Group Tracking Stock Per Share Value**” will equal the quotient obtained by dividing the Liberty/Ventures Group Private Market Value by the Adjusted Outstanding Shares of Liberty/Ventures Group Tracking Stock, which will be determined in the manner provided below. The Amended TCI Charter generally defines the “**market value**” of any class or series of TCI capital stock on any given trading day as the average of the high and low reported sale prices of a share of such class or series on the NASDAQ/NM or other stock exchange on such trading day. The market value calculation will be appropriately adjusted to reflect changes in prices resulting from dividends, stock splits, reverse splits and similar events. These adjustments are set forth in detail in the Amended TCI Charter.

The “**Liberty/Ventures Group Private Market Value**” means an amount equal to the private market value of the Liberty/Ventures Group as of the last day of the calendar month preceding the month in which the last of the two appraisers referred to below are selected (the last day of such calendar month is referred to as the “**Appraisal Date**”).

In the event that TCI determines to establish the Liberty/Ventures Group Private Market Value, TCI will designate an investment banking firm of recognized national standing (the “**First Appraiser**”) and a committee composed of independent directors (as determined under NASDAQ/NM rules) of the TCI Board will designate a second investment banking firm of recognized national standing (the “**Second Appraiser**”). The date the last of such appraisers is selected is referred to as the “**Selection Date.**” Not later than the 30th day after the Selection Date, the First Appraiser and the Second Appraiser will each have determined its final view as to the private market value of the Liberty/Ventures Group as of the Appraisal Date. If the higher of the respective final views of the First Appraiser and the Second Appraiser as to such private market value (the “**Higher Appraised Amount**”) is not more than 120% of the lower of such respective final views (the “**Lower Appraised Amount**”), the Liberty/Ventures Group Private Market Value (subject to any adjustment as to the shares deemed outstanding as described below) will be the average of those two amounts. If the Higher Appraised Amount is more than 120% of the Lower Appraised Amount, the First Appraiser and the Second Appraiser will agree upon and jointly designate a third investment banking firm of recognized national standing (the “**Mutually Designated Appraiser**”) to determine such private market value. The Mutually Designated Appraiser will, no later than the 20th day after the date the Mutually Designated Appraiser is designated, determine such private market value (the “**Mutually Appraised Amount**”), and the Liberty/Ventures Group Private Market Value (subject to any adjustment as to the shares deemed outstanding as described below) will be:

- if the Mutually Appraised Amount is between the Lower Appraised Amount and the Higher Appraised Amount, (1) the average of (x) the Mutually Appraised Amount and (y) the Lower Appraised Amount or the Higher Appraised Amount, whichever is closer to the Mutually Appraised Amount, or (2) the Mutually Appraised Amount if neither the Lower Appraised Amount nor the Higher Appraised Amount is closer to the Mutually Appraised Amount; or
- if the Mutually Appraised Amount is greater than the Higher Appraised Amount or less than the Lower Appraised Amount, the average of the Higher Appraised Amount and the Lower Appraised Amount.

[ADDITIONAL PAGE TO TCI SHAREHOLDERS ONLY]

For these purposes, if any such investment banking firm expresses its final view of the private market value of the Liberty/Ventures Group as a range of values, such investment banking firm's final view of such private market value will be deemed to be the midpoint of such range of values.

Each of the investment banking firms referred to above will be instructed to determine the private market value of the Liberty/Ventures Group as of the Appraisal Date based upon the amount a willing purchaser would pay to a willing seller, in an arm's-length transaction, if it were acquiring the Liberty/Ventures Group, as if the Liberty/Ventures Group were a publicly traded non-controlled corporation and the purchaser was acquiring all of the capital stock of such corporation and without consideration of any potential regulatory constraints limiting the potential purchasers of the Liberty/Ventures Group, other than regulatory constraints which would have existed if the Liberty/Ventures Group were a publicly traded non-controlled entity.

Following the determination of the Liberty/Ventures Group Private Market Value, the investment banking firms whose final views of the private market value of the Liberty/Ventures Group were used in the calculation of the Liberty/Ventures Group Private Market Value will determine the Adjusted Outstanding Shares of Liberty/Ventures Group Tracking Stock together with any further appropriate adjustments to the Liberty/Ventures Group Private Market Value resulting from such determination. The "**Adjusted Outstanding Shares of Liberty/Ventures Group Tracking Stock**" means a number, as determined by such investment banking firms as of the Appraisal Date, equal to the sum of the number of shares of Liberty/Ventures Group Tracking Stock outstanding, the Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest, the number of shares of Liberty/Ventures Group Tracking Stock issuable upon the conversion, exercise or exchange of all Pre-Existing Convertible Securities that continue to be outstanding, and the number of shares of Liberty/Ventures Group Tracking Stock issuable upon the conversion, exercise or exchange of those TCI Convertible Securities (other than Pre-Existing Convertible Securities) the holders of which would derive an economic benefit from conversion, exercise or exchange of such TCI Convertible Securities that exceeds the economic benefit of not converting, exercising or exchanging such TCI Convertible Securities. If such investment banking firms do not agree on the number of shares deemed outstanding as provided in this paragraph, the Liberty/Ventures Group Tracking Stock Per Share Value will be the average of the quotients so obtained on the basis of the respective determinations of such firms.

TCI is not required to convert shares of Liberty/Ventures Group Tracking Stock into TCI Group Tracking Stock even if it has gone through the process of determining the Liberty/Ventures Group Tracking Stock Per Share Value. If TCI determines to convert shares of Liberty/Ventures Group Series A Tracking Stock into TCI Group Series A Tracking Stock and shares of Liberty/Ventures Group Series B Tracking Stock into TCI Group Series B Tracking Stock at the Liberty/Ventures Group Optional Conversion Ratio, such conversion will occur on a conversion date on or prior to the 120th day following the Appraisal Date. If TCI determines not to undertake such conversion, TCI may at any time thereafter undertake to reestablish the Liberty/Ventures Group Tracking Stock Per Share Value as of a subsequent date.

Any such conversion would dilute the interests of holders of TCI Group Tracking Stock and would preclude holders of Liberty/Ventures Group Tracking Stock from retaining their interest in a security reflecting separately the business of the Liberty/Ventures Group. In addition, the adjustments in respect of Pre-Existing Convertible Securities would dilute the interests of holders of Liberty/Ventures Group Tracking Stock upon any conversion of shares of Liberty/Ventures Group Tracking Stock into TCI Group Tracking Stock at the Liberty/Ventures Group Optional Conversion Ratio.

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***Mandatory Dividend, Redemption or Conversion of Liberty/Ventures Group Tracking Stock***

Upon the Disposition in one transaction or a series of related transactions by TCI and its subsidiaries of all or substantially all of the properties and assets of the Liberty/Ventures Group to any one or more persons, entities or groups, TCI will, on or prior to the 85th trading day following the consummation of such Disposition, take one of the following actions:

(a) Subject to the limitations described under “—Dividends,” declare and pay a dividend in cash and/or securities or other property (other than a dividend or distribution of TCI Common Stock) to the holders of the outstanding shares of Liberty/Ventures Group Tracking Stock, equally on a share for share basis (subject to the provisions described in the last sentence of the following paragraph), in an aggregate amount equal to the product of the Liberty/Ventures Group Outstanding Interest Fraction as of the record date for determining the holders entitled to receive such dividend and the Liberty/Ventures Group Net Proceeds of such Disposition. The “**Liberty/Ventures Group Net Proceeds**” generally means an amount, if any, equal to the gross proceeds of such Disposition after any payment of, or provision for any taxes, liabilities and other obligations of the Liberty/Ventures Group borne by TCI in respect of such Disposition and preferential amounts, accumulated and unpaid dividends and other obligations in respect of TCI Preferred Stock attributed to the Liberty/Ventures Group. To the extent the proceeds of any Disposition include any securities or other property other than cash, the TCI Board will determine the value of such securities or property.

(b) Provided there are assets of TCI legally available therefor and the Liberty/Ventures Group Available Dividend Amount would have been sufficient to pay a dividend in lieu thereof as described above, then:

- if such Disposition involves all (not merely substantially all) of the properties and assets of the Liberty/Ventures Group, TCI may redeem all outstanding shares of Liberty/Ventures Group Tracking Stock in exchange for cash and/or securities or other property (other than TCI Common Stock) in an aggregate amount equal to the product of the Adjusted Liberty/Ventures Group Outstanding Interest Fraction as of the date of such redemption and the Liberty/Ventures Group Net Proceeds of such Disposition. Such aggregate amount would be allocated (subject to the provisions described in the last sentence of the following paragraph) to shares of Liberty/Ventures Group Tracking Stock so that the amount of consideration paid for the redemption of each share of Liberty/Ventures Group Series A Tracking Stock and each share of Liberty/Ventures Group Series B Tracking Stock is the same; or
- if such Disposition involves substantially all (but not all) of the properties and assets of the Liberty/Ventures Group, TCI may apply an aggregate amount of cash and/or securities or other property (other than TCI Common Stock) equal to the product of the Liberty/Ventures Group Outstanding Interest Fraction as of the date shares are selected for redemption and the Liberty/Ventures Group Net Proceeds of such Disposition to the redemption of outstanding shares of Liberty/Ventures Group Tracking Stock, such aggregate amount to be allocated (subject to the provisions described in the last sentence of the following paragraph) to shares of Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock in the ratio of the number of shares of each such series outstanding. The number of shares of each such series to be redeemed would equal the lesser of (1) the whole number nearest the number determined by dividing the aggregate amount so allocated to the redemption of such series by the average market value of one share of Liberty/Ventures Group Series A Tracking Stock during the 10-trading day period beginning on the 16th trading day following the consummation of such Disposition and (b) the number of shares of such series outstanding, so that the amount of consideration paid for the redemption of each share of Liberty/Ventures Group Series A Tracking Stock and each share of Liberty/Ventures Group Series B Tracking Stock is the same; or

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- convert (1) each outstanding share of Liberty/Ventures Group Series A Tracking Stock into a number (or fraction) of shares of TCI Group Series A Tracking Stock and (2) each outstanding share of Liberty/Ventures Group Series B Tracking Stock into a number (or fraction) of shares of TCI Group Series B Tracking Stock, in each case, equal to 110% of the average daily ratio (calculated to the nearest five decimal places) of the market value of one share of Liberty/Ventures Group Series A Tracking Stock to the market value of one share of TCI Group Series A Tracking Stock during the 10-trading day period referred to in the preceding bullet of this paragraph.

TCI may elect to pay the dividend or redemption price referred to in clause (a) or (b) above either in the same form as the proceeds of the Disposition were received or in any other combination of cash or securities or other property (other than TCI Common Stock) that the TCI Board determines will have an aggregate market value on a fully distributed basis, of not less than the amount equal to the product of the Liberty/Ventures Group Net Proceeds and, in the case of a dividend or partial redemption, the Liberty/Ventures Group Outstanding Interest Fraction, or, in the case of a complete redemption, the Adjusted Liberty/Ventures Group Outstanding Interest Fraction.

If the dividend or redemption price is paid in the form of securities of an issuer other than TCI, the TCI Board may determine either to:

- (a) pay the dividend or redemption price in the form of separate classes or series of securities, with one class or series of such securities to holders of Liberty/Ventures Group Series A Tracking Stock and another class or series of securities to holders of Liberty/Ventures Group Series B Tracking Stock, *provided* that such securities (and any other securities issuable upon conversion, exercise or exchange of such securities) do not differ in any respect other than their relative voting rights and related differences in designation, conversion, redemption and share distribution provisions with holders of shares of Liberty/Ventures Group Series B Tracking Stock receiving the class or series having the higher relative voting rights; or
- (b) pay the dividend or redemption price in the form of a single class of securities on an equal per share basis.

If the securities referred to in clause (a) above constitute capital stock of a subsidiary of TCI, the rights of such securities will not differ to a greater extent than the corresponding differences in voting rights, designation, conversion, redemption and share distribution provisions between Liberty/Ventures Group Series A Tracking Stock and Liberty/Ventures Group Series B Tracking Stock.

For purposes of the foregoing, the “**Adjusted Liberty/Ventures Group Outstanding Interest Fraction**” is the fraction that the outstanding shares of Liberty/Ventures Group Tracking Stock represents as of any date of the sum of (a) such outstanding shares, (b) the Number of Shares Issuable with Respect to the Liberty/Ventures Group Inter-Group Interest, and (c) the number of shares of Liberty/Ventures Group Tracking Stock issuable upon conversion, exercise or exchange of Pre-Existing Convertible Securities.

In addition, for the purposes of the foregoing, “substantially all of the properties and assets of the Liberty/Ventures Group” means a portion of such properties and assets that represents at least 80% of the then-current market value (as determined by the TCI Board) of the properties and assets of the Liberty/Ventures Group as of such date. The assets to be transferred to the TCI Group in connection with the Merger will not constitute a disposition of all or substantially all of the assets of the Liberty/Ventures Group and the Asset Transfers will not result in TCI being required to take any of the foregoing actions with respect to the Liberty/Ventures Group Tracking Stock.

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Notwithstanding anything to the contrary in this section “—Conversion and Redemption—Mandatory Dividend, Redemption or Conversion of Liberty/Ventures Group Tracking Stock,” the provisions of this section will not apply to:

- (a) the Disposition by TCI of all of TCI’s properties and assets in one transaction or a series of related transactions in connection with the liquidation, dissolution or winding up of TCI;
- (b) a dividend, other distribution or redemption in accordance with any provision described under “—Dividends,” “—Share Distributions,” “—Redemption in Exchange for Stock of Subsidiary” or “—Liquidation Rights;”
- (c) a Disposition to any person, entity or group that TCI, directly or indirectly, after giving effect to the Disposition, controls; or
- (d) a Disposition in connection with a TCI Related Business Transaction.

A “**TCI Related Business Transaction**” generally means any Disposition of all or substantially all of the properties and assets of a group in which TCI receives as proceeds of such Disposition primarily equity securities of the purchaser or acquiror of such properties and assets, any entity that succeeds to such properties and assets or a third-party issuer, which purchaser, acquiror or other issuer is engaged or proposes to engage primarily in one or more businesses similar or complementary to the businesses conducted by the applicable group prior to such Disposition, as determined in good faith by the TCI Board.

The TCI Related Business Transaction exception to the foregoing requirements would enable TCI to enter into transactions in which the properties or assets of the Liberty/Ventures Group may be considered to be “disposed of” in exchange for equity securities of an entity engaged or proposing to engage in similar or complementary businesses to those of the Liberty/Ventures Group while maintaining the capital structure and delineation of business groups contemplated by the Liberty/Ventures Combination Proposal.

The effect of using the Adjusted Liberty/Ventures Group Outstanding Interest Fraction instead of the Liberty/Ventures Group Outstanding Interest Fraction in the determination of amounts to be paid in redemption of shares of Liberty/Ventures Group Tracking Stock following a Disposition of all of the properties and assets of the Liberty/Ventures Group is to allocate to the TCI Group a portion of the Liberty/Ventures Group Net Proceeds of the Disposition, in addition to the amount so allocated in respect of any inter-group interest, sufficient to provide for the delivery of the portion of the consideration deliverable by TCI upon any post-Disposition conversion, exercise or exchange of Pre-Existing Convertible Securities that is in substitution for shares of Liberty/Ventures Group Tracking Stock that would have been issuable upon such exchange if it had occurred prior to such Disposition. To the extent such Pre-Existing Convertible Securities are included in the determination of the Adjusted Liberty/Ventures Group Outstanding Interest Fraction, TCI’s obligations in respect of such securities would not be a reduction in the calculation of the Liberty/Ventures Group Net Proceeds.

In the event any redemption of Liberty/Ventures Group Tracking Stock or conversion of Liberty/Ventures Group Tracking Stock into TCI Group Tracking Stock is made in circumstances in which securities or property are allocated to the TCI Group in respect of Pre-Existing Convertible Securities entitled to receive such securities or property upon conversion, exercise or exchange (such securities or other property, the “**Reserved Property**”), the TCI Group will segregate and hold such property separate (in the case of any Reserved Property other than TCI Group Tracking Stock), or duly reserve shares of TCI Group Tracking Stock issuable upon such conversion, exercise or exchange, for the benefit of the holders of Pre-Existing Convertible Securities. In the event the holders of any such Pre-Existing Convertible Securities do not convert, exercise or exchange such securities prior to the expiration of any conversion or exercise right or the retirement of such