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AT&T

Joan Marsh
Director
AT&T Federal Government Affairs

Suite 1000
1120 20th St. NW
Washington, DC 20036
202 457-3120
FAX 202 457-3110

August 5, 1999

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

RE: Notice of Oral Ex Parte
In the Matter of Applications for Transfer of Control to AT&T Corp. ("AT&T") of Licenses and Authorizations Held by MediaOne Group, Inc. ("Media One")
CS Docket No. 99-251

Dear Ms. Roman Salas:

On Wednesday, August 4, 1999, Stephen Garavito and the undersigned, of AT&T, Michael Jones of Willkie Farr & Gallagher, David Lawson of Sidley & Austin, and Steve Rosenblum of Wachtell, Lipton, Rosen & Katz, met with Darryl Cooper, Imani Ellis-Cheek, Anne Levine, Jason Oxman, Quyen Truong, and Andrew Wise of the FCC's Cable Services Bureau. The purpose of the meeting was to discuss the relationship between AT&T Corp. and the Liberty Media Group, as specified in the Agreement and Plan of Restructuring and Merger by and between AT&T and TCI and related documents. Under the TCI Merger Agreement, a wholly owned subsidiary of AT&T was merged with and into TCI, with TCI becoming a wholly owned subsidiary of AT&T. As a result, the assets and businesses of the resulting combined entity were divided into two groups: the Liberty Media Group, which is fully represented by a separate tracking stock of AT&T, and the AT&T Common Stock Group.

We discussed how the intent and purpose of the parties when structuring the TCI Merger transaction were to insulate Liberty's interests from the remainder of AT&T's businesses (and vice versa). As explained more fully in the August 4, 1999 letter from Stephen Garavito to Quyen Truong filed in this proceeding, Liberty was established as a financially and operationally autonomous entity, to the extent possible given the unitary legal ownership. Finally, we discussed some of Liberty's holdings, including its interest in General Instruments and its recently-announced deal with Teligent.

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

Sincerely,

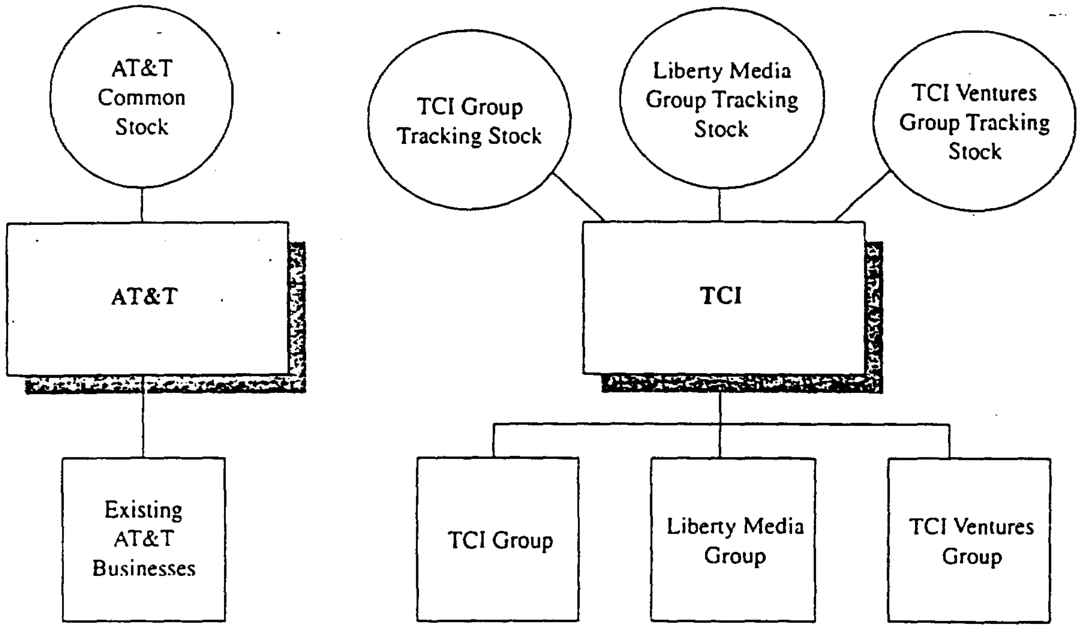
Joan Marsh (gs)

Joan Marsh

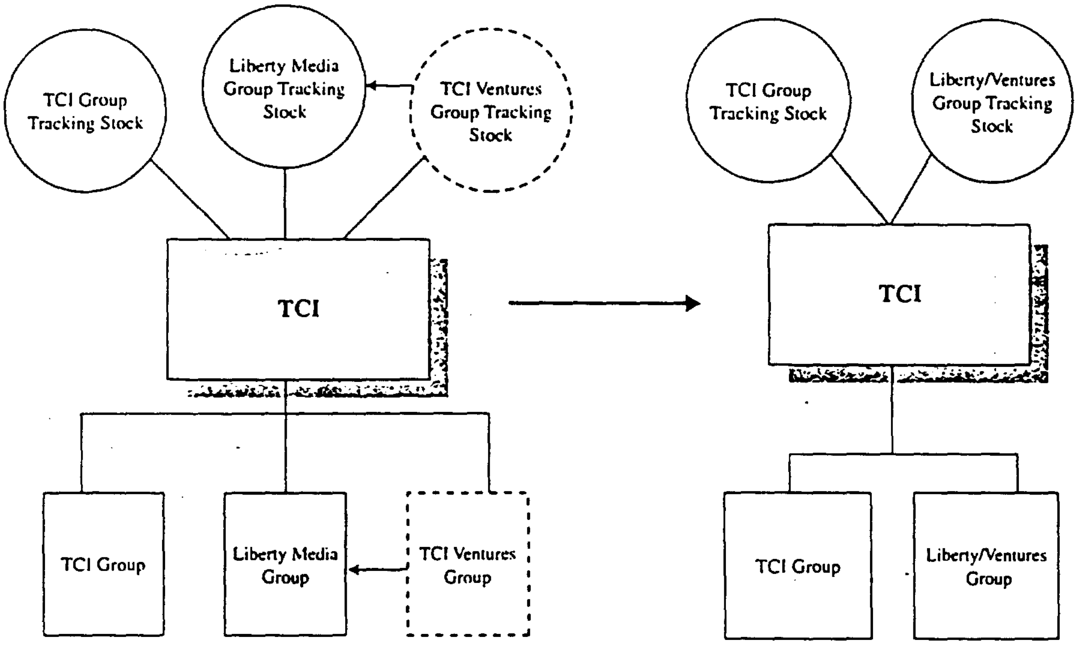
Attachments

The following diagrams illustrate the proposed transactions in general terms and are not comprehensive. They reflect the economic substance of the transactions, but do not precisely reflect the legal and corporate entities used to implement the transactions. For a more complete description of the proposed transactions, see "The Proposed Transactions" starting on page 24 and "The Transaction Agreements—The Merger Agreement" starting on page 67.

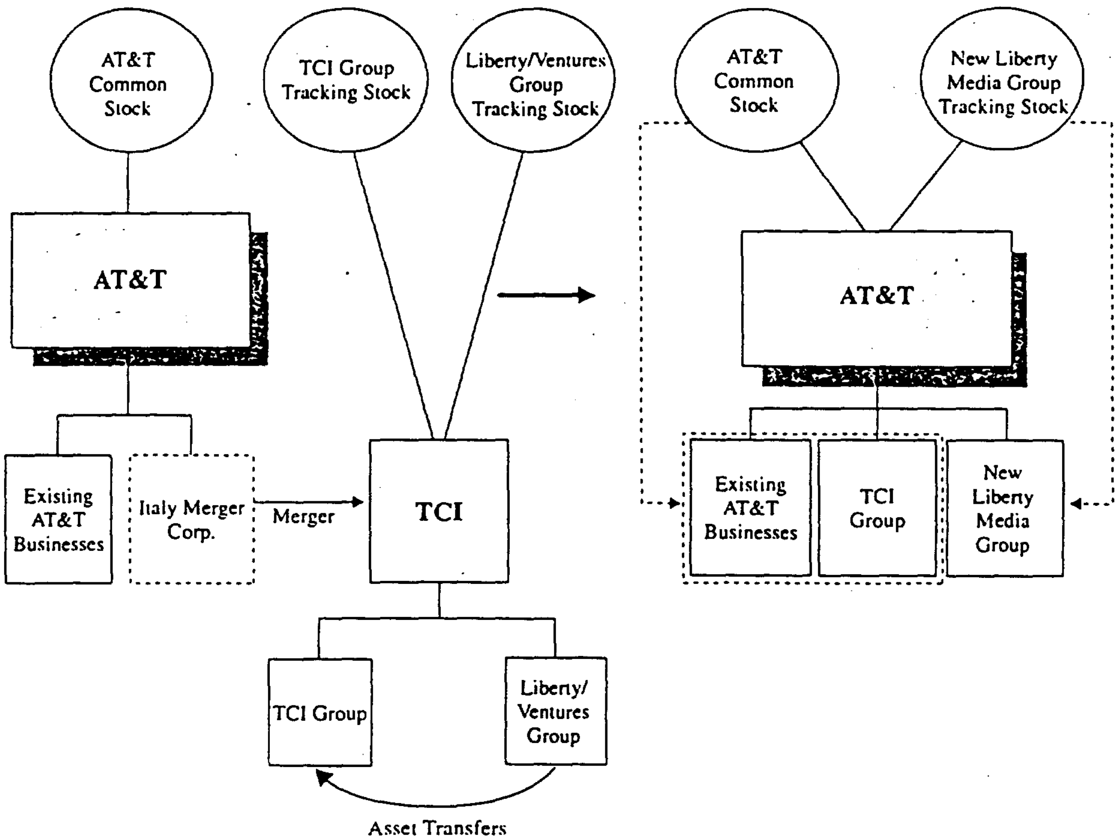
CURRENT STRUCTURE



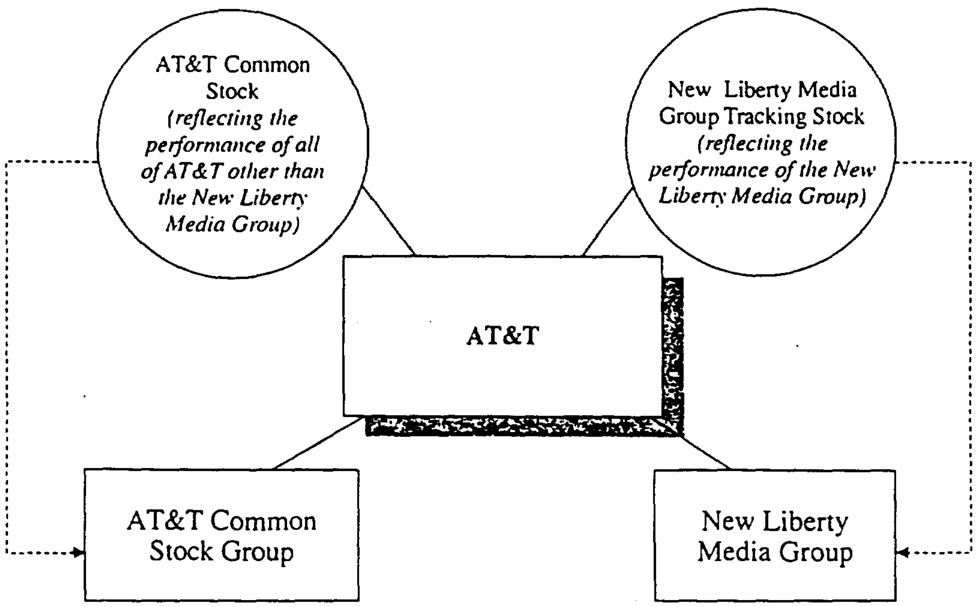
Step 1—Liberty/Ventures Combination



Step 2—Merger



POST-MERGER STRUCTURE



WHAT TCI SHAREHOLDERS WILL RECEIVE IN THE MERGER

The following charts illustrate the consideration that the holders of TCI capital stock will receive in the merger in exchange for their shares of TCI capital stock. To show the cash payments TCI holders will receive in place of fractional shares, we assume a value of AT&T common stock equal to $80 per share and a value of New Liberty Media Group tracking stock (Class A and Class B) equal to $45 per share. The actual cash payment will depend on trading prices after the merger.

TCI Group Tracking Stock

	Number of Shares of TCI Group Tracking Stock	Exchange Rate	Number of Shares of AT&T Common Stock	Cash Payment in Place of a Fractional Share
Series A	100	0.7757	77	$45.60
Series B.....................	100	0.8533	85	$26.40

Liberty Media Group Tracking Stock

	Number of Shares of Liberty Media Group Tracking Stock	Exchange Rate	Number of Shares of New Liberty Media Group Tracking Stock	Cash Payment in Place of a Fractional Share
Series A	100	1.00	100 (Class A)	$0
Series B.....................	100	1.00	100 (Class B)	$0

TCI Ventures Group Tracking Stock

Prior to the merger, TCI may combine the Liberty Media Group and the TCI Ventures Group. If the combination occurs, TCI will reclassify each share of TCI Ventures Group tracking stock into 0.52 of a share of the corresponding series of Liberty Media Group tracking stock. Each reclassified share will then become one share of New Liberty Media Group tracking stock in the merger. If the combination does not occur prior to the merger, each share of TCI Ventures Group tracking stock will be converted directly into 0.52 of a share of New Liberty Media Group tracking stock in the merger. In either event, the New Liberty Media Group will consist of the combined businesses of the current Liberty Media Group and the TCI Ventures Group, after giving effect to asset transfers that we describe in this document. Because the practical effect of either route is the same, TCI does not currently intend to complete the combination as a separate transaction if it expects the merger will occur soon after the shareholders meeting. The following assumes the exchange of TCI Ventures Group tracking stock directly in the merger.

	Number of Shares of TCI Ventures Group Tracking Stock	Exchange Ratio	Number of Shares of New Liberty Media Group Tracking Stock	Cash Payment in Place of a Fractional Share
Series A	80	0.52	41 (Class A)	$27.00
Series B	80	0.52	41 (Class B)	$27.00

TCI Preferred Stock

In the merger, TCI convertible preferred shares will be exchanged for AT&T shares. Holders of shares of TCI convertible preferred stock will receive the same number of shares of AT&T common stock or New Liberty Media Group tracking stock in the merger as they would receive if they were to convert their shares of preferred stock into shares of TCI Group tracking stock or Liberty Media Group tracking stock just before the merger. Shares of TCI Class B preferred stock will not be exchanged in the merger and will remain outstanding.

	Number of Shares of Preferred Stock	Exchange Ratio	Number of Shares of AT&T Common Stock	Number of Shares of New Liberty Media Group Tracking Stock	Cash Payment in Place of a Fractional Share
Series C—TCI Group	50	103.059502	5,152	—	$78.01
Series C—Liberty Media Group	50	56.25	—	2,812	$22.50
Series G	50	0.923083	46	—	$12.33
Series H	50	0.590625	—	29	$23.91

APPENDIX C

FORM OF BYLAW AMENDMENT FOR THE CAPITAL STOCK COMMITTEE

[Note: The Capital Stock Committee will be added to the Bylaw provisions establishing standing committees such as the Audit Committee and the Compensation Committee.]

Section *Capital Stock Committee.* The Board of Directors shall form a Capital Stock Committee, which committee shall consist of one director elected pursuant to Section 7.15 of the Agreement and Plan of Restructuring and Merger, dated June 23, 1998, among the Corporation, Italy Merger Corp. and Tele-Communications, Inc. and two directors who are not current or former officers, directors or employees of the Corporation or any of its affiliates, or otherwise affiliated with the Corporation (other than as members of the Board of Directors or any committee thereof). The Board of Directors shall delegate to the Capital Stock Committee the authority to, and the Capital Stock Committee will have the authority to, (i) interpret, make determinations under, and oversee the implementation of the policies set forth in the Policy Statement Regarding Liberty Media Group Tracking Stock Matters and to (ii) to the extent permitted by law, take all actions required to be taken by the Board of Directors of the Corporation in connection with authorization of the issuance of shares of Liberty Media Group Common Stock.

AT&T CORP.
BOARD OF DIRECTORS

POLICY STATEMENT REGARDING LIBERTY MEDIA GROUP TRACKING STOCK MATTERS

1. General Policy. It is the policy of the Board of Directors of AT&T Corp. (the "**Board**") that:

(i) all material matters as to which the holders of the Common Stock and the holders of the Liberty Media Group Common Stock may have potentially divergent interests shall be resolved in a manner that is in the best interests of AT&T Corp. and all of its common shareholders after giving fair consideration to the potentially divergent interests and all other relevant interests of the holders of the separate classes of common stock of AT&T Corp., and

(ii) a process of fair dealing shall govern the relationship between the Common Stock Group and the Liberty Media Group and the means by which the terms of any material transaction between them will be determined.

2. Role of the Capital Stock Committee with Respect to these Policies. The Capital Stock Committee of the Board shall have authority to interpret, make determinations under, and oversee the implementation of these policies.

3. Fiduciary Obligations. In making any and all determinations in connection with this policy, either directly or by appropriate delegation of authority, the members of the Capital Stock Committee shall act in accordance with their fiduciary duties as members of the Board.

4. Dividend Policy.

4.1. Cash Dividends.

The dividend policy of the Board with respect to the Liberty Media Group Common Stock shall be to declare and pay cash dividends on the Liberty Media Group Common Stock, subject to the limitations in the Charter, in an amount equal to the aggregate amount of any cash dividend payments received by AT&T Corp. or any of the non-Liberty Media Group subsidiaries from a member of the Liberty Media Group in respect of the interest of AT&T Corp. or any such subsidiary in such member of the Liberty Media Group.

4.2. Non-Cash Dividends.

The dividend policy of the Board with respect to non-cash dividends on the Liberty Media Group Common Stock shall be that in the event that any member of the Liberty Media Group makes any distribution (other than a cash dividend) to AT&T Corp. or any of its non-Liberty Media Group subsidiaries in respect of the interest in such member of the Liberty Media Group held by AT&T Corp. or any such subsidiary, subject to the limitations in the Charter, the Board shall declare and pay a dividend or make other provision with respect to a distribution on the Liberty Media Group Common Stock so that there shall be distributed to the holders of Liberty Media Group Common Stock, subject to the limitations in the Charter, the amount and type of the proceeds of such distribution in an aggregate amount equal to the proceeds of such distribution received from the applicable member of the Liberty Media Group.

4.3. Declaration and Payment.

The declaration and payment of all dividends and distributions by the Board on the Liberty Media Group Common Stock shall be made as promptly as practicable in connection with the declaration and payment of the corresponding dividend or distribution by the applicable member of the Liberty Media Group, *provided* that the payment of any such dividend or distribution shall be net of taxes incurred by the Common Stock Group as a result of such dividend or distribution and shall be reduced by any past due amounts owed to the Common Stock Group by the Liberty Media Group under the Tax Sharing Agreement.

5. Financial Reporting.

5.1. Financial Reporting.

AT&T Corp. will prepare and include in its filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934 consolidated financial statements of AT&T Corp. and combined financial statements of the Liberty Media Group (for so long as the Liberty Media Group Common Stock is outstanding). The combined financial statements of the Liberty Media Group will reflect the combined financial position, results of operations and cash flows of the businesses attributed thereto and in the case of annual financial statements shall be audited.

6. Definitions. Capitalized terms not defined in this policy shall have the meanings set forth in the Charter. References throughout this policy to "ARTICLES," set in all capital letters, are references to ARTICLES in the Charter.

6.1. Charter.

"Charter" means the Restated Certificate of Incorporation of AT&T Corp., as amended from time to time.

6.2. Group.

"Group" means any of the Common Stock Group or the Liberty Media Group, as the context requires.

6.3. Common Stock Group.

"Common Stock Group" has the meaning set forth in ARTICLE THIRD of the Charter (but shall include any other "tracking stock" group that AT&T Corp. may designate by future amendment to the Charter).

6.4. Common Stock.

"Common Stock" means the Common Stock as defined in ARTICLE THIRD of the Charter.

6.5. Liberty Media Group.

"Liberty Media Group" has the meaning set forth in ARTICLE THIRD of the Charter.

6.6. Liberty Media Group Common Stock.

"Liberty Media Group Common Stock" means the Class A Liberty Media Group Common Stock and the Class B Liberty Group Common Stock, each as defined in ARTICLE THIRD of the Charter.

6.7. Tax Sharing Agreement.

"Tax Sharing Agreement" means the Tax Sharing Agreement among AT&T Corp. and the "Liberty Group Entities" as defined therein, the principal terms of which are set forth in an exhibit to the Agreement and Plan of Restructuring and Merger, dated June 23, 1998, among the AT&T Corp., Italy Merger Corp. and Tele-Communications, Inc.

7. Amendment and Modification of these Policies. These policies and any resolution implementing the provisions hereof may at any time and from time to time be amended, modified or rescinded by the Board, and the Board may adopt additional or other policies or make exceptions with respect to the application of these policies in connection with particular facts and circumstances, all as the Board may determine, consistent with its fiduciary duties to AT&T and all of its shareholders; *provided* that the policies set forth in paragraph 4 of this Policy Statement shall not be amended, modified or rescinded without the unanimous consent of the Board.

BUSINESS OF THE LIBERTY MEDIA GROUP

Overview of the Liberty Media Group

The Liberty Media Group, through Liberty Media Corporation, and its attributed subsidiaries and affiliates, produces, acquires and distributes entertainment, sports and informational programming services, as well as electronic retailing services. Such programming is delivered via cable television and other distribution technologies to viewers in the United States and overseas. The Liberty Media Group's principal assets include interests in Encore Media Group LLC, Discovery Communications, Inc., Fox/Liberty regional and national sports networks, Time Warner Inc., QVC, Inc., and USA Networks, Inc. The Liberty Media Group also has interests in certain other domestic and international programming networks and businesses as indicated on the table below. This table sets forth the Liberty Media Group's attributed programming interests which are held directly and indirectly through partnerships, joint ventures, common stock investments and instruments convertible or exchangeable into common stock. Ownership percentages in the table are approximate, calculated as of November 30, 1998 and, where applicable and except as otherwise noted, assume conversion to common equity by the Liberty Media Group and, to the extent known by the Liberty Media Group, other holders. In some cases, the Liberty Media Group's interest may be subject to buy/sell procedures, repurchase rights or, under certain circumstances, dilution.

Entity	Subscribers at 9/30/98 (000's)	Year Launched	Attributed Ownership % at 11/30/98
ENTERTAINMENT AND INFORMATION			
Encore Media Group LLC			100%
Encore	12,205	1991	
MOVIEplex	8,239	1995	
Thematic Multiplex (aggregate units)	15,849	1994	
Love Stories			
Westerns			
Mystery			
Action			
True Stories			
WAM! Americas Kidz Network			
STARZ!	8,353	1994	
STARZ!2		1996	
BET Movies/STARZ!3		1997	88%
Viewer's Choice	111,911[1]	1985	10%
ACTV, Inc. (NASDAQ: IATV)	N/A		8%
Bay TV	1,372	1994	49%
BET Holdings II, Inc.			35%
BET Cable Network	55,223	1980	
BET Action Pay-Per-View	10,661[1]	1990	
BET on Jazz	4,000	1996	
Canales ñ	[2]	1998	100%
Court TV	33,255	1991	42%[3]
Discovery Communications, Inc.			49%
Discovery Channel	79,057	1985	
The Learning Channel	66,798	1980	
Animal Planet	42,767	1996	40%
Animal Planet Asia	400	1998	25%
Animal Planet Europe	5,138	1998	
Animal Planet Latin America	2,750	1998	25%
Discovery Science	[2]	1996	
Discovery Civilization	[2]	1996	

Entity	Subscribers at 9/30/98 (000's)	Year Launched	Attributed Ownership % at 11/30/98

ENTERTAINMENT AND INFORMATION (Continued)

Entity	Subscribers at 9/30/98 (000's)	Year Launched	Attributed Ownership % at 11/30/98
Discovery Travel & Living	[2]	1996	
Discovery Kids	[2]	1996	
Discovery Health	[2]	1998	
Discovery Wings	[2]	1998	
Discovery Asia	23,234	1994	
Discovery India	9,500	1996	
Discovery Japan	687	1996	29%[4]
Discovery Europe	16,631	1989	
Discovery Germany	204	1996	25%
Discovery Italy/Africa	645	1996	
Discovery Latin America	9,932	1996	
Discovery Latin America Kids Network	5,511	1996	
Travel Channel	18,763	1987	35%
People & Arts (Latin America)	7,241	1995	25%
Discovery Channel Online	Online	1995	
E! Entertainment Television	51,942	1990	10%
Fox Kids Worldwide, Inc.			[5]
Health TV	20	1997	100%
Kaleidoscope	7,983	1995	12%
Recovery Net	Online	1997	50%
International Channel	7,417	1990	90%
MacNeil/Lehrer Productions	N/A	N/A	67%
Odyssey	30,135	1988	33%
TCI Music, Inc. (NASDAQ: TUNE/TUNEP)			86%
Digital Music Express	3,521[6]	1991	
THE BOX	29,351	1985	
THE BOX SET	144	1997	
THE BOX—International Services	24,245		
SonicNet	Online	1997	
Addicted to Noise	Online	1997	
Streamland	Online	1997	
Telemundo Network	[7]		50%
Telemundo Station Group	[8]		25%
Time Warner Inc. (NYSE: TWX)			9%
Time Warner/Turner Programming Services[9]			
USA Networks, Inc. (NASDAQ/NM: USAI)			21%[10]
HSN	67,618[11]	1985	
America's Store	10,255[11]	1986	
ISN	Online	1995	
HSN en Espanol	2,500	1998	11%
HOT (Germany)	18,000	1995	9%
Shop Channel (Japan)	2,400	1996	11%[12]
SciFi Channel	50,951	1992	
USA Network	74,624	1980	
Ticketmaster	N/A		
Studios USA	N/A		
USA Broadcasting	27,500[13]	1986	
Superstar/Netlink Group LLC	1,198	N/A	40%[14]

Entity	Subscribers at 9/30/98 (000's)	Year Launched	Attributed Ownership % at 11/30/98
ENTERTAINMENT AND INFORMATION (Continued)			
Netlink USA	5,016[15]	N/A	100%[14]
United Video Satellite Group, Inc. (NASDAQ/NM: UVSGA)	N/A		17%[14,16]
Prevue Channel	49,211	1988	
Sneak Prevue	34,983	1991	12%
ELECTRONIC RETAILING			
QVC, Inc.			43%
QVC Network	63,444	1986	
QVC-The Shopping Channel (UK)	6,917	1993	
QVC-Germany	11,464	1996	
iQVC	Online	1995	
SPORTS SERVICES			
Regional Sports Networks			
Fox Sports Arizona	970	1996	50%
Fox Sports Bay Area	2,758	1990	35%
Fox Sports Chicago	3,054	1984	35%
Fox Sports Cincinnati	2,387	1989	20%
Fox Sports Detroit	2,329	1984	50%
Fox Sports Intermountain West	632	1990	50%
Fox Sports Midwest	1,529	1989	50%
Fox Sports New England	2,934	1984	20%
Fox Sports New York	4,286	1982	19%
Fox Sports Northwest	2,194	1988	50%
Fox Sports Ohio	2,031	1989	20%
Fox Sports Pittsburgh	2,019	1985	50%
Fox Sports Rocky Mountain	2,133	1988	50%
Fox Sports South	6,251	1990	44%
Fox Sports Southwest	5,209	1983	50%
Fox Sports West	4,098	1985	50%
Fox Sports West 2	2,250	1997	50%
Home Team Sports	3,994	1984	17%
MSG Network	6,962	1969	19%
SportsChannel Florida	2,921	1993	6%
Sunshine Network	3,852	1988	27%
Metro Learning	1,542	1998	20%
Metro Guide	1,542	1998	20%
Metro Traffic	1,542	1998	20%
National Sports Networks			
FiT TV	8,300	1993	45%
Fox Sports Américas (US)	2,081	1993	29%[17]
Fox Sports Direct	5,240	1989	50%
Fox Sports Net	62,300	1996	25%
FX	36,900	1994	50%
Outdoor Life	13,803	1995	17%
Speedvision	15,763	1995	17%

SPORTS SERVICES (Continued)

Entity	Subscribers at 9/30/98 (000's)	Year Launched	Attributed Ownership % at 11/30/98
International Sports Programming			
Fox Sports Américas (Latin America)	8,064	1995	29%[17]
Fox Sports World	1,176	1997	29%[17]
STAR TV[18]	220,000[18]		4%[19]
Torneos y Competencias, SA. (Argentina)	N/A		23%[19]
J-Sports (Japan)	N/A	1998	39%[20]
Other			
New York Knicks			19%
New York Rangers			19%
Madison Square Garden Arena			19%
Radio City Music Hall			19%
Pepsi Center			7%
Colorado Avalanche			7%[21]
Denver Nuggets			7%[21]
Staples Center			20%

INTERNATIONAL PROGRAMMING, CABLE & TELEPHONY

TINTA	N/A	N/A	15%[22]

(1) Number of subscribers to whom service is available.

(2) Digital services. Subscriber information not currently available.

(3) The Liberty Media Group and Time Warner have the right to purchase the National Broadcasting Corporation's ("**NBC**") interest in Court TV and NBC has the right to require the Liberty Media Group and Time Warner to purchase NBC's interest in Court TV. If either of these rights is exercised, the Liberty Media Group's ownership will increase to 50%.

(4) Jupiter Programming Co., Ltd. ("**Jupiter Programming**"), of which TINTA owns 50%, has a 50% interest in Discovery Japan.

(5) Liberty's interest consists of shares of 30-year 9% preferred stock which have a stated aggregate value of $345 million and are not convertible into common stock.

(6) Includes residential and commercial addressable digital cable and direct broadcast satellite subscribers.

(7) Telemundo Network is a 24-hour broadcast network serving 61 markets in the United States, including the 37 largest Hispanic markets.

(8) Telemundo Station Group, Inc. owns and operates seven full power broadcast stations serving the seven largest Hispanic markets in the United States.

(9) Includes CNN, Cartoon Network, Headline News, TNT, Turner Classic Movies, TBS Superstation, CNNfn, CNN/SI, CNN International, TNT Latin America, Cartoon Network Latin America, TNT & Cartoon Network Europe, TNT and Cartoon Network Asia, HBO, Cinemax, Comedy Central, HBO Ole, HBO Asia, TVKO and WB Television Network. Following consummation of the Time Warner/Turner Broadcasting System, Inc. ("**TBS**") merger (the "**TBS/Time Warner Merger**") on October 10, 1996, the Liberty Media Group is no longer reporting subscriber numbers for these programming services.

(10) The Liberty Media Group owns direct and indirect interests in various USA Networks, Inc. ("**USAi**") and Home Shopping Network, Inc. ("**HSN**") securities which may be exchanged for USAi common stock. Assuming the exchange of such securities and the exchange of certain securities owned by Universal Studios, Inc. and certain of its affiliates for USAi common stock, the Liberty Media Group would own approximately 21% of USAi.

(11) Includes broadcast households and cable subscribers.

(12) Jupiter Programming holds a 70% interest in Shop Channel.

(13) Number of television households in areas of USA Broadcasting's owned and operated broadcast stations.

(14) The Liberty Media Group has agreed to sell its interest in Superstar/Netlink LLC Group ("**SNG**") and Netlink USA ("**Netlink**") to UVSG for 12,750,000 shares of UVSG Class B common stock. If consummated, this transaction would increase the aggregate number of UVSG shares owned by the Liberty Media Group to approximately 25 million and increase the Liberty Media Group's equity interest in UVSG to approximately 29%.

(15) Aggregate number of units. Netlink USA uplinks six broadcast stations.

(16) The TCI Ventures Group currently owns approximately a 57% equity interest and an 89% voting interest in UVSG.

(17) Held by a 50/50 joint venture between News Corp. and a 50/50 joint venture between the Liberty Media Group and TINTA ("**Liberty/TINTA**").

(18) STAR TV is a satellite-delivered television platform. Programming services on STAR TV'S platform include STAR Sports, STAR Plus, Phoenix Chinese Channel, STAR Movies and ZEE TV, among others. STAR TV reaches approximately 220 million people in Asia, India and the Middle East.

(19) Held by Liberty/TINTA. The ownership interest in the table reflects only the attributed interest of the Liberty Media Group.

(20) The remaining interest is held by Jupiter Programming.

(21) Interests represent rights to receive payments equal to approximately 7% of distributions by, and approximately 7% of proceeds from the sale of, the entities owning the Colorado Avalanche and the Denver Nuggets, rather than ownership interests in those entities.

(22) The remaining interest in TINTA is attributed to the TCI Ventures Group.

Cable television networks distribute their programming via cable and other distribution technologies, including direct-to-home satellite ("**DTH**") companies, broadcast television stations, satellite master antenna television ("**SMATV**"), multi-channel multi-point distribution systems ("**MMDS**"), and the Internet. Both basic cable networks and pay television programming services generally enter into separate multi-year agreements, known as "affiliation agreements," with operators of cable television systems, SMATV, MMDS and DTH distribution companies that have agreed to carry such networks. With the proliferation of new cable networks and services, competition for cable carriage on the limited available channel capacity has intensified. Basic cable networks generate their revenue principally from the sale of advertising time on the networks and from receipt of monthly per subscriber fees paid by cable operators, DTH distribution companies and other customers, who have contracted to receive and distribute such networks. Pay-TV networks do not sell advertising and generate their revenue principally from monthly subscriber fees.

Relationship with the TCI Group. Most of the networks affiliated with the Liberty Media Group have entered into affiliation agreements with Satellite Services, Inc. ("**SSI**") a company within the TCI Group. SSI purchases programming services from programming suppliers and then makes such services available to cable television systems owned by or affiliated with the TCI Group ("**SSI Affiliates**"). Customers served by SSI Affiliates ("**SSI Subscribers**") represented approximately 23% of U.S. households which received cable or satellite delivered programming at December 31, 1997 (based on estimates by Paul Kagan Associates, Inc. of cable, DTH and MMDS subscribers). In some cases, particularly regional networks, such as Bay TV and some of the regional sports networks, where an SSI Affiliate is the predominant cable provider in the region, the ratio of SSI Subscribers to overall subscribers to such networks significantly exceeds 23%. For example, at December 31, 1997, approximately 83.4% of the subscribers of Bay TV, a regional network for the San Francisco region, were SSI Affiliates. The following details each network (other than regional networks and regional sports networks) which had a number of SSI Subscribers, as a percentage of total subscribers, in excess of 23% as of December 31, 1997: FX (38.2%), Encore Media Group LLC ("**EMG**") (36.2%), Animal Planet (32.6%), International Channel (26.0%) and Odyssey (25.3%). Each of EMG and TCI Music, Inc. ("**TCI Music**") has entered into long term, fixed rate affiliation agreements with the TCI Group pursuant to which the TCI Group pays monthly fixed amounts in exchange for unlimited access to certain programming services of such companies.

Description of the Liberty Media Group

The principal assets attributed to the Liberty Media Group are described in greater detail below.

Programming Services

Encore Media Group LLC. EMG provides 25 channels of cable and satellite-delivered premium movie services, including Encore, which predominantly airs hit movies from the '60's, '70's and '80's as well as first run movies; six thematic multiplexed channels—*Love Stories, Westerns, Mystery, Action, True Stories* and *WAM!*, a 24-hour youth oriented education and entertainment service; *STARZ!* a first-run movie service; *STARZ!2*, offering "prime time movies all the time," and *BET Movies/STARZ!3* featuring African American actors and directors. EMG also offers *MOVIEplex*, a "theme by day" channel featuring a different *Encore* or thematic multiplex channel each day, on a weekly rotation.

*Discovery Communications, Inc. ("**Discovery**")* Discovery is the largest originator of documentary, non-fiction programming in the world. Discovery operates several business units. The first of these, Discovery Networks, US, consists of four basic cable networks: *Discovery Channel, The Learning Channel, Animal Planet*, and the recently acquired *Travel Channel*, and six networks created for the digital platform: *Discovery Science, Discovery Civilization, Discovery Home & Leisure, Discovery Kids, Discovery Health* and *Discovery Wings*. *Discovery Channel* and *The Learning Channel* provide nature, science, technology and other non-fiction programming, and are distributed in virtually all U.S. pay-television homes. *Animal Planet* offers a range of animal programming, including children's programs, game shows, feature films, wildlife documentaries and how-to pet shows.

Discovery Networks International distributes various Discovery networks in Latin America, Europe, Asia and Africa. Discovery's international networks serve more than 66 million customers in more than 50 countries outside the United States. Discovery Retail operates over 115 retail stores in the United States and the United Kingdom. These include The Nature Company stores, Discovery Channel Stores and one Discovery Channel Destination flagship store. Discovery also markets and distributes *BBC America*, which launched in March 1998. Discovery recently purchased *Eye on People*, a 24-hour cable channel focused on people and personalities, from CBS Corporation.

Time Warner Inc. Time Warner is the world's leading media company, and has interests in four fundamental areas of business: Entertainment, consisting primarily of interests in filmed entertainment, television production, television broadcasting, recorded music and music publishing; Cable Networks, consisting principally of interests in cable television programming; Publishing, consisting principally of interests in magazine publishing, book publishing and direct marketing; and Cable, consisting principally of interests in cable television systems. Time Warner is a holding company which derives its operating income and cash flow from its investments in its direct subsidiaries, Time Warner Companies, Inc. and TBS.

In connection with the TBS/Time Warner Merger in which the Liberty Media Group received Time Warner common shares, Time Warner, TBS, TCI and the Liberty Media Group entered into an Agreement Containing Consent Order with the FTC, dated August 14, 1996, as amended on September 4, 1996 (the "**FTC Consent Decree**"). Pursuant to the FTC Consent Decree, among other things, the Liberty Media Group agreed to exchange its shares of Time Warner common stock for shares of a separate series of Time Warner common stock with limited voting rights designated as Series LMCN-V Common Stock (the "**TW Exchange Stock**"). The TW Exchange Stock entitles the holder to one one-hundredth (1/100th) of a vote for each share with respect to the election of directors. The Liberty Media Group holds 57 million shares of the TW Exchange Stock, which represent less than 1% of the voting power of Time Warner's outstanding common stock.

ACTV, Inc. On September 21, 1998 the Liberty Media Group purchased a 7.5% interest in ACTV, Inc., a company which produces tools for the creation of programming that allows viewer participation for both television and internet platforms.

BET Holdings II, Inc. BET's primary operations are conducted by *BET Cable Network*, an advertiser-supported basic cable network which provides a broad mix of music videos, off-network situation comedies and original programming targeted to the interests and concerns of African-American viewers. BET also operates *BET on Jazz* featuring jazz concerts and music videos, as well as *BET Action Pay-Per-View*, which distributes films produced by major studios and independent film companies. In addition, BET has interests in magazine and book publishing, as well as motion picture production.

Court TV. *Court TV* is a basic cable network which provides live and/or tape delayed coverage and analysis of selected criminal and civil legal proceedings. The Liberty Media Group and Time Warner have the right to purchase NBC's remaining interest in *Court TV*, and NBC has the right to require the Liberty Media Group and Time Warner to purchase NBC's remaining interest in *Court TV*, which would increase each remaining partner's interest to 50%.

TCI Music, Inc. TCI Music is a diversified music entertainment company delivering audio and video music services to commercial and residential customers via television, the Internet and other distribution technologies. TCI Music's principal services include *THE BOX*, an interactive all music video channel; *Digital Music Express*, a premium digital audio music service; and *SonicNet*, a leading music site on the Internet.

E! Entertainment Television. *E! Entertainment Television* is a 24-hour basic cable network devoted to the world of celebrities and entertainment. The network's programming mix includes entertainment news reports, original programs, and exclusive live coverage of major awards shows and celebrity events.

International Cable Channels Partnership, Ltd. ICCP distributes and markets ethnic programming in the United States. Its basic network, *International Channel*, provides news, sports, music, movies and general entertainment programming from around the world in more than 20 different languages. ICCP also operates *Premium Networks*, a digital tier of single-language channels, such as Chinese and French. In addition, ICCP markets and distributes *Canales ñ*, a newly launched digital tier of Spanish-language cable television channels designed to serve the growing Latino market in the United States.

Odyssey. Odyssey, a national basic cable network, provides viewers with non-denominational religious and values-based entertainment and informational programming. Hallmark Entertainment and The Jim Henson Company, both leaders in the production of family entertainment, recently invested in Odyssey, reducing the Liberty Media Group's ownership interest from 49% to 32.5%. Both Hallmark Entertainment and The Jim Henson Company will make their programming available to Odyssey.

MacNeil/Lehrer Productions. MacNeil/Lehrer Productions is the primary producer of the News Hour on the Public Broadcasting System and a producer of other high-quality documentary and public affairs programming.

Superstar/Netlink Group LLC. SNG is a joint venture owned 40% by the Liberty Media Group, 40% by UVSG and 20% by Turner-Vision, Inc. SNG markets packages of satellite entertainment programming to C-Band satellite dish owners in North America.

Netlink USA. Netlink uplinks the signals of six broadcast television stations to C-Band packagers such as SNG, in the United States and Canada and to cable systems in the United States. The C-Band packagers and cable companies pay Netlink a fee for the right to sell these services to their customers.

United Video Satellite Group, Inc. UVSG, which is currently controlled by TCI, provides satellite-delivered video, audio, data and program promotion services to cable television systems, satellite dish owners, radio stations and private network users primarily throughout North America. UVSG operates in five business segments: program promotion and guide services, DTH services, satellite distribution of video services, software development and systems integration services and satellite transmission services for private networks.

In February 1998, the Liberty Media Group and UVSG announced an agreement in principle to transfer Netlink and the Liberty Media Group's interest in SNG to UVSG (the "**Netlink Transaction**") in exchange for 12,750,000 shares of UVSG Class B common stock.

UVSG has also announced an agreement with The News Corporation ("**News Corp.**") to acquire from News Corp. certain assets, the principal businesses of which are publishing *TV Guide* magazine and other print and electronic television programming guides and distributing through the Internet an entertainment service known as *TV Guide Entertainment Network*, which includes an electronic television programming guide in exchange for shares of UVSG common stock (the "**TV Guide Acquisition**").

Assuming consummation of the Netlink Transaction and the TV Guide Acquisition, TCI would own approximately 44% of the equity and 48% of the voting power of UVSG (through the Liberty Media Group and the TCI Ventures Group). The Netlink Transaction and the TV Guide Acquisition are both subject to shareholder and regulatory approval.

USA Networks, Inc. USAi, formerly known as HSN, Inc., is a diversified media and electronic commerce company that is engaged in five principal areas of business: HSN, which primarily engages in the electronic retailing business; Networks and television production, which operates the *USA Network*, a general entertainment basic cable television network, and *The Sci-Fi Channel*, which features classic science fiction movies, science fact, fiction, movies and original production; Studios USA, which produces and distributes television programming; USA Broadcasting, which owns and operates a group of UHF and low power television stations; Ticketmaster Group, Inc., which is the leading provider of automated ticketing services in the United States; and Internet Services.

The Liberty Media Group's interest in USAi consists of shares of USAi common stock held by Liberty Media Group and its subsidiaries, shares of USAi common stock held by certain entities in which Liberty Media Group has an equity interest but only limited voting rights, and securities of certain subsidiaries of USAi which are exchangeable for shares of USAi common stock. In general, until the occurrence of certain events and with the exception of certain negative controls, Mr. Barry Diller has voting power over the Liberty Media Group's interest in USAi.

Fox Sports Networks. In April 1996, the Liberty Media Group and News Corp., formed Fox/Liberty Networks ("**Fox Sports**"), a joint venture to hold the Liberty Media Group's national and regional sports networks and the *FX* network. In December 1997, Fox Sports completed a series of transactions (the "**Rainbow Transactions**") with Rainbow Media Sports Holdings, Inc. ("**Rainbow**") in which Fox Sports acquired a 40% interest in Rainbow's eight regional sports networks, the Madison Square Garden entertainment complex, Radio City Productions LLC, the New York Rangers, a professional hockey team, and the New York Knicks, a professional basketball team. As of November 30, 1998, Fox Sports owned interests in, or was affiliated with, 25 regional sports networks, 17 of which operate under the Fox Sports name. These regional sports networks have rights to telecast live games of professional sports teams in the National Basketball Association, the National Hockey League and/or Major League Baseball, and numerous collegiate sports teams.

As part of the Rainbow Transaction, Fox Sports and Rainbow established a 50-50 partnership to operate *Fox Sports Net*, which provides affiliated regional sports networks, 24 hours per day, with national sports programming to supplement their regional sports offerings. *Fox Sports Net* features live and replayed sporting events, as well as other original sports programming, including a national sports news program, *Fox Sports News*. Fox Sports and Rainbow also established a national advertising representative firm to sell advertising time during both the regional affiliates' local programming and national network programming provided by *Fox Sports Net*.

Fox Sports also operates several national networks in addition to *Fox Sports Net*, including *FX*, a general entertainment network which also carries various sporting events; *FiT TV*, which features health and fitness programming; *Speedvision*, which provides coverage of the automotive, motorcycle, aviation and marine industries; and *Outdoor Life Network*, which is devoted to adventure, wildlife and environmental issues and the outdoor lifestyle.

At the international level, the Liberty Media Group and TINTA formed a joint venture with News Corp. to hold their international sports interests. These include *Fox Sports Américas*, a Spanish language sports network, distributed in the United States and in Latin America, and STAR TV, a satellite-delivered programming platform available to 220 million viewers in Asia, India and the Middle East. Outside of the venture with News Corp., Liberty and TINTA own an interest in J-Sports, a sports network in Japan featuring coverage of SUMO wrestling, soccer, baseball and other international sporting events; and Torneos y Competencias S.A. ("**TyC**"), Argentina's dominant sports programming service. TyC also owns an interest in Canal 9, a general entertainment broadcast channel in Buenos Aires, Argentina which has become an international superchannel, providing programming to the United States and, via cable, to outlying areas of Argentina.

The sports programming networks typically enter into rights agreements with one or more professional sports teams in their regions and acquire rights to collegiate and other sporting events through arrangements with regional conferences, individual schools, programming syndicators and event organizers. Fox Sports also acquires national rights agreements with professional leagues, such as Major League Baseball, and with regional collegiate conferences. Programming acquired under national rights agreements may be exhibited on *Fox Sports Net* and *FX* in addition to the regional sports networks. The duration of the rights agreements with the professional teams ranges from one to 14 years. The rights agreements for collegiate sporting events typically range from two to 10 years. Certain factors such as player strikes, bankruptcy of leagues or individual teams or team relocations may have an adverse effect on the revenue of the regional sports networks.

Telemundo. On August 12, 1998, the Liberty Media Group, in a 50-50 partnership with Sony Pictures Entertainment, acquired 100% of the Telemundo network and approximately 50% of the Telemundo station group. The Telemundo network is a broadcast network which provides 24-hour Hispanic language programming to 61 markets in the United States, including the 37 largest Hispanic markets, and reaches approximately 85% of all Hispanic households in the United States. The Telemundo station group owns and operates eight full power UHF stations and 15 low power television stations serving some of the largest Hispanic markets in the United States and Puerto Rico. While the Liberty Media Group has approximately a 25% interest in the Telemundo station group, its voting power is less than 5% to meet certain regulatory requirements.

Electronic Retailing. The Liberty Media Group has significant investments in the two largest home shopping companies in the United States—QVC and HSN. These companies market and sell a wide variety of consumer products and services primarily by means of televised shopping programs on the QVC and HSN networks and via the Internet through *íQVC* and *Internet Shopping Network*. QVC also operates shopping networks in the United Kingdom and Germany, while HSN operates home shopping networks in Japan and Germany.

TINTA. On November 19, 1998 TINTA completed its merger with a wholly owned subsidiary of TCI and, as a result, TCI now owns 100% of TINTA. Prior to the TINTA merger the TCI Ventures Group owned approximately 83% of TINTA's Series A Common Stock and all of TINTA's Series B Common Stock. Until the completion of the Liberty/Ventures Combination, approximately 85% of TINTA will be attributed to the TCI Ventures Group and 15% will be attributed to the Liberty Media Group. See "Business of the TCI Ventures Group—Description of the TCI Ventures Group" for more details on the business of TINTA.

Regulation-Programming Companies

The FCC regulates the providers of satellite communications services and facilities for the transmission of programming services, the cable television systems that carry such services, and, to some extent, the availability of the programming services themselves through its regulation of program licensing. Cable television systems are also regulated by municipalities or other state and local government authorities. Continued rate regulation or other franchise conditions could place downward pressure on subscriber fees earned by the programming companies described above in which Liberty Media Group has interests (the "**Programming Companies**") and regulatory carriage requirements could adversely affect the number of channels available to carry the Programming Companies.

Regulation of Program Licensing. The Cable Television Consumer Protection and Competition Act of 1992, (the "**1992 Cable Act**") directed the FCC to promulgate regulations regarding the sale and acquisition of cable programming between multi-channel video programming distributors (including cable operators) and satellite-delivered programming services in which a cable operator has an attributable interest. The legislation and the implementing regulations adopted by the FCC preclude virtually all exclusive programming contracts between cable operators and satellite programmers affiliated with any cable operator (unless the FCC first determines the contract serves the public interest) and generally prohibit a cable operator that has an attributable interest in a satellite programmer from improperly influencing the terms and conditions of sale to unaffiliated multi-channel video programming distributors. Further, the 1992 Cable Act requires that such affiliated programmers make their programming services available to cable operators and competing multi-channel video programming distributors such as MMDS and direct broadcast satellite distributors on terms and conditions that do not unfairly discriminate among such distributors. The Telecommunications Act has extended these rules to programming services in which telephone companies and other common carriers have attributable ownership interests. The FCC recently revised its program licensing rules, by implementing a damages remedy in situations where the defendant knowingly violates the regulations and by establishing a timeline for the resolution of such complaints, among other things.

Regulation of Carriage of Programming. Under the Telecommunications Act, the FCC has adopted regulations prohibiting cable operators from requiring a financial interest in a programming service as a condition to carriage of such service, coercing exclusive rights in a programming service or favoring affiliated programmers so as to restrain unreasonably the ability of unaffiliated programmers to compete.

Regulation of Ownership. The 1992 Cable Act required the FCC, among other things, (a) to prescribe rules and regulations establishing reasonable limits on the number of channels on a cable system that will be allowed to carry programming in which the owner of such cable system has an attributable interest and (b) to consider the necessity and appropriateness of imposing limitations on the degree to which multi-channel video programming distributors (including cable operators) may engage in the creation or production of video programming. In 1993, the FCC adopted regulations limiting carriage by a cable operator of national programming services in which that operator holds an attributable interest to 40% of the first 75 activated channels on each of the cable operator's systems. The rules provide for the use of two additional channels or a 45% limit, whichever is greater, provided that the additional channels carry minority-controlled programming services. The regulations also grandfather existing carriage arrangements that exceed the channel limits, but require new channel capacity to be devoted to unaffiliated programming services until the system achieves compliance with the regulations. These channel occupancy limits apply only up to 75 activated channels on the cable system, and the rules do not apply to local or regional programming services. These rules may limit carriage of the Programming Companies on certain systems of affiliated cable operators. In the same rulemaking, the FCC concluded that additional restrictions on the ability of multi-channel distributors to engage in the creation or production of video programming were then unwarranted.

Regulation of Carriage of Broadcast Stations. The 1992 Cable Act granted broadcasters a choice of must carry rights or retransmission consent rights. The rules adopted by the FCC generally provided for mandatory carriage by cable systems of all local full-power commercial television broadcast signals selecting must carry rights and, depending on a cable system's channel capacity, non-commercial television broadcast signals. Such

BUSINESS OF THE TCI VENTURES GROUP

The assets attributed to the TCI Ventures Group, a new business unit created in 1997, include interests in Internet services; satellite communications; wired and wireless domestic telephony; international cable, telephony and programming; digital services; and other technology investments, listed in the table below. Such table lists the assets attributed to the TCI Ventures Group which are held directly and indirectly through partnerships, joint ventures, common stock investments and instruments convertible or exchangeable into common stock. In some cases, the TCI Ventures Group's interest may be subject to buy-sell procedures, repurchase rights, performance guarantees and other restrictions. Ownership percentages in the table are approximate, calculated as of November 30, 1998:

Company	Attributed Ownership[1]	Business
	Internet Services	
At Home Corporation (NASDAQ/NM: ATHM)	39% equity 72% voting	High-speed multimedia Internet services
Sportsline USA, Inc. (NASDAQ/NM: SPLN)	3%	Internet provider of branded interactive sports information, programming and merchandise
iVillage, Inc.	4%	Developer and Internet and on-line provider of branded communications and information services for adult women
KPCB Java Fund, L.P.	5%	Investor in Java application development
	Diversified Satellite Communications	
United Video Satellite Group, Inc. (NASDAQ/NM: UVSGA)	57% equity 89% voting	Satellite distribution of video, audio, data and program promotion services
	Domestic Telephony	
Sprint PCS Group (NYSE: PCS)	24% equity[2] less than 1% voting	Digital PCS under the "Sprint" brand name
Western Tele-Communications, Inc.	100%	Provider of microwave and wireline transport of telecommunications services
AT&T (NYSE: T)	3%	Telecommunications
	International Cable, Telephony and Programming	
Tele-Communications International, Inc.	85% equity 92% voting	International cable, telephony and programming
	Digital Services	
National Digital Television Center, Inc.	100%	Provider of television production, digital compression, and transmission and authorization services to programmers, cable systems and other video distributors

Company	Attributed Ownership[1]	Business
	Other Assets	
Academic Systems Corporation	5%	Provider of higher education multimedia instruction manuals
Antec Corporation (NASDAQ/NM: ANTC)	19%	Manufacturer of products for hybrid fiber/coaxial broadband networks
CSG Systems International, Inc. (NYSE: CSG)	5.5%[3]	Provider of processing software and other customer management services to video and data distributors
General Instrument Corporation (NYSE: GIC)	13%[4]	World-wide supplier of systems and equipment for high performance networks delivering video, voice and data/Internet services
Intessera, Inc.	100%	Provider of database management software
The Lightspan Partnership, Inc.	8%	Developer of educational programming
MCNS Holdings, L.P.	25%	Developer of multimedia communications network and associated technologies

(1) Unless otherwise noted, ownership percentages represent both equity and voting interests.

(2) The TCI Ventures Group holds securities of Sprint which are exercisable for or convertible into Sprint PCS Stock.

(3) The TCI Ventures Group holds warrants which are exercisable for 1.5 million shares of common stock and which are subject to certain vesting requirements.

(4) Excludes warrants to purchase approximately 21.4 million additional shares of General Instrument Corporation (''**GI**'') common stock at $14.25 per share, subject to certain vesting requirements and the payment to the TCI Group of approximately $176 million.

As described elsewhere in this Proxy Statement/Prospectus, TCI is proposing to combine the businesses and assets of the TCI Ventures Group with the businesses and assets of the Liberty Media Group. Such combination is subject to shareholder approval; however, such combination is not contingent upon consummation of the Merger. In addition, the Merger Agreement provides that, immediately prior to the consummation of the Merger, the TCI Ventures Group (or the Liberty/Ventures Group, if the Liberty/Ventures Combination has been completed) will transfer or attribute to TCI Group its interest in @Home, NDTC, WTCI, AT&T and certain other assets in exchange for approximately $5.5 billion in cash. If the Merger is not consummated, however, the TCI Ventures Group (or the Liberty/Ventures Group, if the Liberty/Ventures Combination has been completed) will continue to have such assets and businesses attributed to it.

Description of the TCI Ventures Group

The principal assets attributed to the TCI Ventures Group are described in greater detail below.

Internet Service

The TCI Ventures Group's primary Internet service asset is its investment in @Home, a provider of Internet services over the cable television infrastructure to consumers and businesses.

At Home Corporation. @Home, which became a public company in July 1997, is the creator and operator of an Internet "backbone" that delivers data to homes and businesses through the cable infrastructure and a cable modem at speeds up to 100 times faster than traditional telephone dial-up alternatives.

@Home currently offers two Internet services: @Home for residential consumers and @Work for businesses and tele-commuters. @Home's primary offering "the @Home service" allows residential subscribers to connect their personal computers via cable modem to a new high-speed network developed and managed by @Home. @Home has entered into distribution arrangements with cable companies whose cable systems pass approximately 10.0 million homes. @Home's residential offering had approximately 210,000 cable modem subscribers across North America at September 30, 1998 representing an increase of approximately 43% from the 147,000 subscribers reported at June 30, 1998. The base of homes with two-way upgraded plant increased to approximately 57.3 million at September 30, 1998 from 7.9 million at June 30, 1998. For businesses, @Home's @Work service provides a platform for Internet, intranet and extranet connectivity solutions and networked business applications over both cable infrastructure and leased digital telecommunications lines. As of September 30, 1998, @Work had over 1,200 corporate customers, and the @Work service was available in 21 metropolitan markets.

TCI was a founding partner of @Home and the TCI Ventures Group currently holds a 39% equity interest and a 72% voting interest in @Home. Four officers or directors of TCI currently serve on @Home's 12 member board; however, the TCI Ventures Group has the right, at any time, to increase the size of @Home's Board of Directors and elect a majority of the directors of the @Home Board of Directors. The TCI Ventures Group's controlling position in @Home is, however, subject to certain negative controls. TCI has agreed that @Home will be the exclusive high-speed Internet service provider distributed over TCI's cable systems, subject to certain exceptions, until at least June 4, 2002 subject to early termination in certain circumstances. In February 1998, NDTC, on behalf of TCI, entered into a Memorandum of Understanding with @Home pursuant to which @Home agreed to develop software and provide integration services for TCI's advanced set top devices that will deliver both digital television and data services.

Competition. The markets for consumer and business Internet services and online content are extremely competitive, and the TCI Ventures Group expects that competition in these areas will intensify in the future. @Home's most direct competitors in these markets are Internet service providers ("**ISPs**"), national long-distance carriers and local exchange carriers, wireless service providers, online service providers ("**OSPs**") and Internet content aggregators.

Government Regulation. The law relating to liability of OSPs and ISPs for information carried on or disseminated through their networks is currently unsettled. A number of lawsuits have sought to impose liability for defamatory speech and infringement of copyrights. Some courts have held OSPs/ISPs liable for the copyright infringement of others accomplished using the OSP/ISP's facility, while other courts have held that such providers would be liable only upon taking affirmative steps in furtherance of the infringement. In addition, copyright and trademark laws are evolving both domestically and internationally, and there is uncertainty concerning how broadly the rights afforded under these laws will be applied to online environments. Various legislative proposals addressing copyright liability for OSPs/ISPs have been introduced in Congress, which may be considered in conjunction with U.S. Congress's consideration of legislation to implement the World Intellectual Property Organization Copyright Treaty.

Diversified Satellite Communications

UVSG. The TCI Ventures Group currently has a 57% equity interest and an 89% voting interest in UVSG. UVSG provides satellite video, audio, data and program promotion services to multi-channel providers, satellite dish owners, radio stations and private network users throughout North America, and software development and systems integration services to commercial entities, the federal government and defense related agencies in locations throughout the United States. UVSG operates the following related satellite transmission businesses: (a) Prevue Networks, Inc., a wholly owned subsidiary that develops and distributes on-screen television program promotion and guide services, (b) Superstar Satellite Entertainment, a division that markets and distributes programming to C-Band DTH satellite dish owners in North America through SNG (c) UVTV, a division that markets and distributes three superstations primarily to cable operators, and (d) SpaceCom Systems, Inc., a wholly owned subsidiary that provides audio and data satellite transmission services to the paging industry and others. UVSG also has a 70% interest in SSDS, Inc., which provides information technology consulting, integration and software development services to large organizations with complex computer needs. UVSG is a leading provider of electronic program guide information, the primary distributor of Superstation WGN and the largest distributor of programming via C-Band satellite. UVSG also provides systems integration services to businesses and to the U.S. federal government on a nationwide basis. For further information on UVSG, see ''Description of the Liberty Media Group—Programming Services.''

Domestic Telephony

The TCI Ventures Group's telephony assets consist primarily of its ownership of (a) an approximately 24% equity interest in the ''**Sprint PCS Group,**'' consisting of shares of Sprint PCS Stock (which have limited voting rights) and certain warrants and shares of convertible preferred stock exercisable for or convertible into such shares; (b) 100% of WTCI; and (c) approximately 47 million shares of AT&T Common Stock.

The Sprint PCS Group, which markets its wireless telephony products and services under the ''Sprint''® and ''Sprint PCS''® brand names, operates the only 100% digital PCS wireless network in the United States, with licenses to provide service nationwide utilizing a single frequency band and a single technology. The Sprint PCS Group owns licenses to provide service to the entire United States population, including Puerto Rico and the U.S. Virgin Islands.

WTCI provides long-distance transport of video, voice and data traffic and other telecommunications services to telecommunications carriers on wholesale basis. WTCI provides these services primarily through a digital broadband microwave network located in a 12-state region.

Competition. There is substantial competition in the domestic wireless telecommunications industry, and the Sprint PCS Group has stated its expectation that such competition will intensify as a result of the entrance of new competitors and the increasing pace of development of new technologies, products and services. Each of the markets in which the Sprint PCS Group competes is served by other two-way wireless service providers, including cellular and PCS operators and resellers.

Government Regulation. The FCC regulates the licensing, construction, operation, acquisition, resale and interconnection arrangements of domestic wireless telecommunications systems. The activities of wireless service providers are subject to regulation in varying degrees, depending on the jurisdiction, by state and local regulatory agencies as well. The FCC, in conjunction with the U.S. Federal Aviation Administration, also regulates tower marking and lighting, and FCC environmental rules may cause certain PCS network facilities to become subject to regulation under the National Environmental Policy Act.

International Cable and Programming and Telephony

TINTA. TCI owns 100% of the equity in TINTA, of which 85% is attributed to the TCI Ventures Group and 15% is attributed to the Liberty Media Group. TINTA provides diversified programming services and operates broadband cable television and telephony distribution networks in selected markets outside the United States. At September 30, 1998, TINTA had ownership interests in or managed 61 cable and satellite programming services, which are received by subscribers in various countries outside the United States. TINTA also has ownership interests in companies operating broadband networks that, at September 30, 1998, provided cable television service to an aggregate of approximately 4.6 million basic subscribers and, primarily in the United Kingdom, provided telephone service over approximately 1.3 million telephone lines.

TINTA has recently placed greater emphasis on the acquisition and development of multi-channel programming businesses, while maintaining meaningful and complementary interests in cable distribution assets. TINTA's distribution and programming ventures are concentrated in the United Kingdom, Europe, Latin America, Asia, Australia and the Caribbean, with particular focus, at present, on the United Kingdom, Argentina and Japan.

Included among TINTA's cable and telephony distribution assets are an indirect 21% interest in Telewest Communications plc ("**Telewest**") and a 40% interest in Jupiter Telecommunications Co. Ltd ("**Jupiter**"). Telewest is a leading provider of cable television and cable telephony services in the United Kingdom providing cable television services over a broadband (*i.e.*, high capacity) network and uses such network, together with twisted-pair copper wire connections for final delivery to the customer premises, to provide telephony services to its customers. Jupiter provides residential and business cable telephony in Japan.

TINTA also currently has an approximate 28% ownership interest and certain conditional management rights in Cablevisión S.A. ("**Cablevisión**"), which is the second largest cable television company in Argentina. At September 30, 1998, Cablevisión provided cable television service to an aggregate of approximately 1.5 million subscribers.

TINTA's programming interests include a 37% equity interest (representing a 50% voting interest) in Flextech p.l.c. ("**Flextech**"), a 33% interest in MultiThematiques, S.A. ("**MultiThematiques**") and a 50% interest in Jupiter Programming. Through its subsidiaries and affiliates, Flextech creates, packages and markets entertainment and information programming for distribution on cable television and DTH satellite providers throughout the United Kingdom and parts of continental Europe. Flextech's ordinary shares trade on the London Stock Exchange. MultiThematiques and Jupiter Programming provide multi-channel programming to cable television and DTH satellite providers in continental Europe and Japan, respectively. In addition, in August 1998, TINTA purchased Pramer S.R.L., an Argentine company which programs, markets and distributes 16 cable channels in Argentina, of which 10 are distributed throughout Latin America, and which markets one terrestrial station to operators in Argentina and neighboring countries.

Competition. The various cable operators in which TINTA has interests directly compete for customers and advertisers in local markets with other providers of entertainment, news and information. Such cable operators also compete with companies who use alternative methods of distributing the same or similar video programming offered by cable television systems.

The business of distributing programming for cable and satellite television is also highly competitive. TINTA's programming subsidiaries and affiliates directly compete with other programming services for distribution on a limited number of television channels and, when distribution is obtained, they compete for viewers and advertisers with other programming services.

Government Regulation. Substantially every country in which TINTA has, or proposes to make, an investment regulates, in varying degrees, (a) the granting of cable and telephony franchises, the construction of cable and telephony systems and the operations of cable, other multi-channel television operators and telephony operators and service providers, as well as the acquisition of, and foreign investments in, such operators and service providers, and (b) the broadcast and content of programming and Internet services and foreign investment in programming companies. Regulations or laws may cover wireline and wireless telephony, satellite and cable communications and Internet services, among others. Regulations or laws that exist at the time TINTA makes an investment in a subsidiary or affiliate may thereafter change, and there can be no assurance that material and adverse changes in the regulation of the services provided by TINTA's subsidiaries and affiliates will not occur in the future. Regulation can take the form of price controls, service requirements and programming and other content restrictions, among others. Moreover, some countries do not issue exclusive licenses to provide multi-channel television services within a geographic area, and in those instances TINTA may be adversely affected by an overbuild by a competing cable operator. In certain countries where multi-channel television is less developed, there is minimal regulation of cable television, and, hence, the protections of the cable operator's investment available in the United States and other countries (such as rights to renewal of franchises and utility pole attachment) may not be available in these countries.

National Digital Television Center, Inc., NDTC, which operates through a number of wholly owned subsidiaries of TCI, provides a wide range of analog and digital television services to programmers, cable operators and satellite distributors.

NDTC's Video Services unit, through its state-of-the-art facilities outside of Denver and additional facilities in New York, Los Angeles and Hong Kong, provides services such as studio production, post-production, on-air origination, digital compression, encryption and authorization, and satellite uplink services. NDTC's HITS unit manages a package of compressed digital signals and sells this service along with GI's authorization services to United States cable operators. The HITS programming lineup consists of over 130 program channels and 40 digital music channels. Currently, most of the major United States cable operators, representing approximately 42 million potential customers, utilize HITS. HITS currently has approximately 1.3 million digital subscribers. NDTC's Technology unit manages a team developing an advanced digital settop terminal. This team consists primarily of GI, Microsoft Corporation, Sun Mircrosystems, Inc., Prevue Networks, Inc. and @Home. Scheduled for quantity delivery in late 1999, the advanced digital settop terminal is expected to combine traditional television services with high-speed interactive services. NDTC is also managing the Internet-like services that will be offered on the advanced digital settop terminal and, under contract with GI, the national settop authorization system service.

On July 17, 1998, NDTC acquired approximately 21.4 million shares of restricted common stock of GI in exchange for (a) certain assets of NDTC's settop authorization business, (b) the license of certain related technology to GI, (c) a $50 million promissory note from the TCI Ventures Group, and (iv) a nine-year revenue guarantee in favor of GI. NDTC has also entered into a service agreement pursuant to which it provides certain services to GI's settop authorization business.

Pursuant to an agreement between NDTC and GI, the TCI Group holds warrants to purchase approximately 21.4 million additional shares of GI common stock at $14.25 per share which vest upon the purchase of certain quantities of advanced digital settop terminals. The TCI Ventures Group will pay the TCI Group an aggregate of approximately $176 million in cash and the TCI Ventures Group will retain these warrants. If any warrants are forfeited solely because the TCI Group fails to purchase the required number of advanced digital settop terminals, the TCI Group will pay to the TCI Ventures Group an amount equal to $8.25 for each warrant forfeited, adjusted as appropriate for any changes in the capitalization of GI.

materially from such statements. These factors include, but are not limited to:

- the adoption and implementation of balanced and effective rules and regulations by the FCC and state regulatory agencies to implement the provisions of the Telecommunications Act; the outcome of litigation relative thereto; and the impact of regulatory changes relating to access reform, the unbundling of cable facilities and international settlement reform;

- success and market acceptance for new initiatives, including the launch of cable telephony, many of which are untested; the level and timing of the growth and profitability of new initiatives; start-up costs associated with entering new markets, including advertising and promotional efforts; successful deployment and technological implementations of new systems and applications to support new initiatives; the ability to address the needs of customers for broadband and Internet access; and local conditions and obstacles;

- competitive pressures, including pricing pressures, alternative routing developments, and the ability to offercombined service packages that include local service; technological developments, including the rate of technological advances in, and implementation of, internet telephony services that compete with traditional telephony services; the extent and pace at which different competitive environments develop for each segment of the telecommunications industry; the extent at and duration for which competitors from each segment of the telecommunications industry are able to offer combined or full service packages prior to AT&T being able to; and the degree to which AT&T experiences material competitive impacts to its traditional service offerings prior to achieving adequate local service entry;

- the availability, terms and deployment of capital; the impact of regulatory and competitive developments on capital outlays; the ability to achieve cost

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savings and realize productivity improvements; the ability to effectively integrate TCI's and TCG's operations with AT&T; the ability to realize cost-saving and revenue synergies from the TCI merger and TCG merger; the ability to successfully implement the BT, Time Warner and cable operator joint ventures; the ability to expand the cable footprint and the wireless footprint in an economical and expeditious manner; and the ability to enter into agreements which provide for reasonable roaming rates for wireless services; and

- the ability to attract and retain qualified management employees in all key areas of the business; general economic conditions, government and regulatory policies, and business conditions in the communications industry.

Readers are cautioned not to put undue reliance on such forward looking statements. For a more detailed description of these and additional uncertainties and other factors that could cause actual results to differ materially from such forward looking statements, see "Results of Operations", "Financial Condition", "Regulatory and Legislative Developments", and "Competition" included in or incorporated by reference into this Form 10-K. As described elsewhere in this Form 10-K, these uncertainties and factors could adversely affect the timing and success of AT&T's entrance into the local exchange services market and AT&T's ability to offer combined service packages that include local service, thereby adversely affecting AT&T's future revenues and earnings. AT&T disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

LIBERTY MEDIA GROUP

LIBERTY MEDIA GROUP

Programming Services

Liberty Media Group, through Liberty Media Corporation, and its attributed subsidiaries and affiliates, produces, acquires and distributes entertainment, sports and informational programming services, as well as electronic retailing services. Such programming is delivered via cable television and other distribution technologies to viewers in the United States and overseas. Liberty Media Group's assets also include video and telephony distribution businesses which operate in countries outside the United States. Liberty Media Group's principal assets include interests in Encore Media Group LLC, Discovery Communications, Inc., Fox/Liberty regional and national sports networks, Time Warner Inc., QVC, Inc., and USA Networks, Inc. Liberty Media Group also has interests in certain other domestic and international programming networks and businesses.

Cable television networks distribute their programming via cable and other distribution technologies, including direct-to-home satellite (DTH) companies, broadcast television stations, SMATV systems, MMDS, and the Internet. Both basic cable networks and pay television programming services generally enter into separate multi-year agreements, known as "affiliation agreements," with operators of cable television systems, SMATV systems, MMDS and DTH distribution companies that have agreed to carry such networks. With the proliferation of new cable networks and services, competition for cable carriage on the limited available channel capacity has intensified. Basic cable networks generate their revenue principally from the sale of advertising time on the networks and from receipt of monthly per subscriber fees paid by cable operators, DTH distribution companies and other customers, who have contracted to receive and distribute such networks. Pay-TV networks do not sell advertising and generate their revenue principally from monthly subscriber fees.

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Relationship with the TCI Group. Most of the networks affiliated with Liberty Media Group have entered into affiliation agreements with Satellite Services, Inc. (TCI-SSI) a company within the TCI Group. TCI-SSI purchases programming services from programming suppliers and then makes such services available to cable television systems owned by or affiliated with the TCI Group (TCI-SSI Affiliates). Customers served by TCI-SSI Affiliates (TCI-SSI Subscribers) represented approximately 24% of U.S. households which received cable or satellite delivered programming at December 31, 1998. The following details each national network which had a number of TCI-SSI Subscribers, as a percentage of total subscribers, in excess of 24% as of December 31, 1998: FX (28%), Fox Sports World (64%), Fox Sports World Espanol (35%), and International Channel (26%). Regional networks, such as Bay TV and the regional sports networks may be disproportionately dependent on the predominant cable provider in their region, whether a TCI-SSI Affiliate or an unaffiliated cable operator. Therefore, where a TCI-SSI Affiliate is the predominant cable provider in the region, the ratio of TCI-SSI Subscribers to overall subscribers to such networks significantly exceeds 24%. For example, at December 31, 1998, approximately 87% of the subscribers of Bay TV, a regional network for the San Francisco region, were TCI-SSI Affiliates. Each of EMG and TCI Music, Inc. ("TCI Music") has entered into long term, fixed rate affiliation agreements with the TCI Group pursuant to which the TCI Group pays monthly fixed amounts in exchange for unlimited access to certain programming services of such companies.

Programming Services

Encore Media Group LLC. EMG provides 25 channels of cable and satellite-delivered premium movie services, including Encore, which predominantly airs hit movies from the `60's, `70's and `80's as well as first run movies; six thematic multiplexed channels--Love Stories, Westerns, Mystery, Action, True Stories and WAM!, a 24-hour youth oriented education and entertainment service; STARZ! a first-run movie service; STARZ!2, offering "prime time movies all the time," and BET Movies/STARZ!3 featuring African American actors and directors. EMG also offers MOVIEplex, a "theme by day" channel featuring a different Encore or thematic multiplex channel each day, on a weekly rotation.

Discovery Communications, Inc. ("Discovery") Discovery is the largest originator of documentary, non-fiction programming in the world. Discovery operates several business units. The first of these, Discovery Networks, US, consists of four basic cable networks: Discovery Channel, The Learning Channel, Animal Planet, and the recently acquired Travel Channel, and six networks created for the digital platform: Discovery Science, Discovery Civilization, Discovery Home & Leisure, Discovery Kids, Discovery Health and Discovery Wings. Discovery Channel and The Learning Channel provide nature, science, technology and other non-fiction programming, and are distributed in virtually all U.S. pay-television homes. Animal Planet offers a range of animal programming, including children's programs, game shows, feature films, wildlife documentaries and how-to pet shows.

Discovery Networks International distributes various Discovery networks in Latin America, Europe, Asia and Africa. Discovery's international networks serve more than 66 million customers in more than 50 countries outside the United States. Discovery Retail operates over 115 retail stores in the United States and the United Kingdom. These include The Nature Company stores, Discovery Channel Stores and one Discovery Channel Destination flagship store. Discovery also markets and distributes BBC America, which launched in March 1998. Discovery recently purchased Eye on People, a 24-hour cable channel focused on people and personalities, from CBS Corporation.

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Time Warner Inc. Time Warner has interests in four fundamental areas of business: Entertainment, consisting primarily of interests in filmed entertainment, television production, television broadcasting, recorded music and music publishing; Cable Networks, consisting principally of interests in cable television programming; Publishing, consisting principally of interests in magazine publishing, book publishing and direct marketing; and Cable, consisting principally of interests in cable television systems. Time Warner is a holding company which derives its operating income and cash flow from its investments in its direct subsidiaries, Time Warner Companies, Inc. and TBS.

In connection with the TBS/Time Warner Merger in which Liberty Media Group received Time Warner common shares, Time Warner, TBS, TCI and Liberty Media Group entered into an Agreement Containing Consent Order with the Federal Trade Commission (FTC), dated August 14, 1996, as amended on September 4, 1996 (the FTC Consent Decree). Pursuant to the FTC Consent Decree, among other things, Liberty Media Group agreed to exchange its shares of Time Warner common stock for shares of a separate series of Time Warner common stock with limited voting rights designated as Series LMCN-V common stock (the "TW Exchange Stock"). The TW Exchange Stock entitles the holder to one one-hundredth (1/100th) of a vote for each share with respect to the election of directors. Liberty Media Group holds approximatley 114 million shares of the TW Exchange Stock, which represent less than 1% of the voting power of Time Warner's outstanding common stock. Each share of TW Exchange Stock is exchangeable, under certain circumstances, for one share of Time Warner common Stock.

ACTV, Inc. On September 21, 1998 Liberty Media Group purchased a 7.5% interest in ACTV, Inc., a company which produces tools for the creation of programming that allows viewer participation for both television and internet platforms.

BET Holdings II, Inc. (BET). BET's primary operations are conducted by BET Cable Network, an advertiser-supported basic cable network which provides a broad mix of music videos, off-network situation comedies and original programming targeted to the interests and concerns of African American viewers. BET also operates BET on Jazz featuring jazz concerts and music videos, as well as BET Action Pay-Per-View, which distributes films produced by major studios and independent film companies. In addition, BET has interests in magazine and book publishing, as well as motion picture production.

Court TV. Court TV is a basic cable network which provides live and/or tape delayed coverage and analysis of selected criminal and civil legal proceedings.

TCI Music, Inc. TCI Music is a diversified music entertainment company delivering audio and video music services to commercial and residential customers via television, the Internet and other distribution technologies. TCI Music's principal services include THE BOX, an interactive all music video channel; Digital Music Express, a premium digital audio music service; and SonicNet, a leading music site on the Internet.

E! Entertainment Television. E! Entertainment Television is a 24-hour basic cable network devoted to the world of celebrities and entertainment. The network's programming mix includes entertainment news reports, original programs, and exclusive live coverage of major awards shows and celebrity events.

International Cable Channels Partnership, Ltd. (ICCP). ICCP distributes and markets ethnic programming in the United States. Its basic network,

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International Channel, provides news, sports, music, movies and general entertainment programming from around the world in more than 20 different languages. ICCP also operates Premium Networks, a digital tier of single-language channels, such as Chinese and French. In addition, ICCP markets and distributes Canales n, a newly launched digital tier of Spanish-language cable television channels designed to serve the growing Latino market in the United States.

Odyssey. Odyssey, a national basic cable network, provides viewers with non-denominational religious and values-based entertainment and informational programming. Hallmark Entertainment and The Jim Henson Company, both leaders in the production of family entertainment, recently invested in Odyssey, reducing the Liberty Media Group's ownership interest from 49% to approximately 33%. Both Hallmark Entertainment and The Jim Henson Company will make their programming available to Odyssey.

MacNeil/Lehrer Productions. MacNeil/Lehrer Productions is the primary producer of the News Hour on the Public Broadcasting System and a producer of other high-quality documentary and public affairs programming.

TV Guide, Inc. (formerly United Video Satellite Group, Inc.) is a media and communications company engaged predominantly in providing print, passive and interactive program listings guides to households, distributing superstation programming to cable television systems and DTH satellite providers, and marketing satellite delivered programming to C-band satellite dish owners.

On March 1, 1999, UVSG acquired Liberty Media Group's 40% interest in Superstar/Netlink Group LLC (SNG), and Liberty Media Group's 100% interest in Netlink USA in exchange for 12,750,000 shares of UVSG Class B Common Stock (the Netlink Transaction). As a result of the Netlink Transaction, UVSG owns approximately 80% of SNG which markets packages of satellite entertainment programming to C-band satellite dish owners in North America. Netlink USA uplinks the signals of six broadcast television stations to C-band packagers such as SNG.

On the same date, UVSG acquired from TVG Holdings, Inc., an indirect subsidiary of News Corp., the stock of News America Publications, Inc. and TVSM, Inc. (the TV Guide Transaction). These entities publish TV Guide Magazine and other printed television program listings guides and distribute, through the internet, an entertainment service known as TV Guide Online. News Corp. received consideration consisting of approximately 22.5 million shares of UVSG Class A common stock, approximately 37.5 million shares of UVSG Class B common stock and $800 million in cash. News Corp. then elected to purchase approximately 6.5 million additional shares of UVSG Class A Common Stock for approximately $129 million in cash to equalize its ownership with that of TCI.

Upon closing of the foregoing transactions, UVSG's name was changed to TV Guide, Inc. TCI and News Corp. each owned approximately 44% of the issued and outstanding common stock of UVSG and each owned approximately 49% of the total voting power of UVSG. TCI's entire interest in UVSG is attributed to Liberty Media Group and TCI Ventures Group.

USA Networks, Inc. USAi, formerly known as HSN, Inc., is a diversified media and electronic commerce company that is engaged in five principal areas of business: HSN, which primarily engages in the electronic retailing business; Networks and television production, which operates the USA Network, a general entertainment basic cable television network, and The Sci-Fi Channel, which

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features classic science fiction movies, science fact, fiction, movies and original production; Studios USA, which produces and distributes television programming; USA Broadcasting, which owns and operates a group of UHF and low power television stations; Ticketmaster Group, Inc., which is the leading provider of automated ticketing services in the United States; and Internet services.

Liberty Media Group's interest in USAi consists of shares of USAi common stock held by Liberty Media Group and its subsidiaries, shares of USAi common stock held by certain entities in which Liberty Media Group has an equity interest but only limited voting rights, and securities of certain subsidiaries of USAi which are exchangeable for shares of USAi common stock. In general, until the occurrence of certain events and with the exception of certain negative controls, Mr. Barry Diller has voting power over Liberty Media Group's interest in USAi.

Fox Sports Networks. In April 1996, Liberty Media Group and News Corp., formed Fox/Liberty Networks (Fox Sports), a joint venture to hold Liberty Media Group's national and regional sports networks and the FX network. In December 1997, Fox Sports completed a series of transactions (the Rainbow Transactions) with Rainbow Media Sports Holdings, Inc. (Rainbow) in which Fox Sports acquired a 40% interest in Rainbow's eight regional sports networks, the Madison Square Garden entertainment complex, Radio City Productions LLC, the New York Rangers, a professional hockey team, and the New York Knicks, a professional basketball team. As of December 31, 1998, Fox Sports owned interests in, or was affiliated with, 24 regional sports networks, 17 of which operate under the Fox Sports name. These regional sports networks have rights to telecast live games of professional sports teams in the National Basketball Association, the National Hockey League and/or Major League Baseball, and numerous collegiate sports teams.

As part of the Rainbow Transaction, Fox Sports and Rainbow established a 50-50 partnership to operate Fox Sports Net, which provides affiliated regional sports networks, 24 hours per day, with national sports programming to supplement their regional sports offerings. Fox Sports Net features live and replayed sporting events, as well as other original sports programming, including a national sports news program, Fox Sports News. Fox Sports and Rainbow also established a national advertising representative firm to sell advertising time during both the regional affiliates' local programming and national network programming provided by Fox Sports Net.

Fox Sports also operates several national networks in addition to Fox Sports Net, including FX, a general entertainment network which also carries various sporting events; FiT TV, which features health and fitness programming; Speedvision, which provides coverage of the automotive, motorcycle, aviation and marine industries; and Outdoor Life Network, which is devoted to adventure, wildlife and environmental issues and the outdoor lifestyle.

At the international level, Liberty Media Group and TINTA formed a joint venture with News Corp. to hold their international sports interests. These include Fox Sports World Espanol, a Spanish language sports network, distributed in the United States and in Latin America, and STAR TV, a satellite-delivered programming platform available to 220 million viewers in Asia, India and the Middle East. Outside of the venture with News Corp., Liberty Media Group and TINTA own an interest in J-Sports, a sports network in Japan featuring coverage of SUMO wrestling, soccer, baseball and other international sporting events; and Torneos y Competencias S.A. ("TyC"), Argentina's dominant sports programming service. TyC also owns an interest in Canal 9, a general

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entertainment broadcast channel in Buenos Aires, Argentina which has become an international superchannel, providing programming to the United States and, via cable, to outlying areas of Argentina.

The sports programming networks typically enter into rights agreements with one or more professional sports teams in their regions and acquire rights to collegiate and other sporting events through arrangements with regional conferences, individual schools, programming syndicators and event organizers. Fox Sports also acquires national rights agreements with professional leagues, such as Major League Baseball, and with regional collegiate conferences. Programming acquired under national rights agreements may be exhibited on Fox Sports Net and FX in addition to the regional sports networks. The duration of the rights agreements with the professional teams ranges from one to 20 years. The rights agreements for collegiate sporting events typically range from two to 10 years. Certain factors such as player strikes, bankruptcy of leagues or individual teams or team relocations may have an adverse effect on the revenue of the regional sports networks.

Telemundo. On August 12, 1998, Liberty Media Group, in a 50-50 partnership with Sony Pictures Entertainment, acquired 100% of the Telemundo network and approximately 50% of the Telemundo station group. The Telemundo network is a broadcast network which provides 24-hour Hispanic language programming to 61 markets in the United States, including the 37 largest Hispanic markets, and reaches approximately 85% of all Hispanic households in the United States. The Telemundo station group owns and operates eight full power UHF stations and 15 low power television stations serving some of the largest Hispanic markets in the United States and Puerto Rico. While Liberty Media Group has approximately a 25% interest in the Telemundo station group, its voting power is less than 5% to meet certain regulatory requirements.

Electronic Retailing. Liberty Media Group has significant investments in the two largest home shopping companies in the United States--QVC and HSN. These companies market and sell a wide variety of consumer products and services primarily by means of televised shopping programs on the QVC and HSN networks and via the Internet through iQVC and Internet Shopping Network. QVC also operates shopping networks in the United Kingdom and Germany, while HSN operates home shopping networks in Japan and Germany.

TINTA. On November 19, 1998 TINTA completed its merger with a wholly owned subsidiary of TCI and, as a result, TCI now owns 100% of TINTA. Prior to the TINTA merger the TCI Ventures Group owned approximately 83% of TINTA's Series A common stock and all of TINTA's Series B common stock. Following the TINTA merger, approximately 85% of TINTA was attributed to the TCI Ventures Group and 15% was attributed to the Liberty Media Group.

Regulation-Programming Companies

The FCC regulates the providers of satellite communications services and facilities for the transmission of programming services, the cable television systems that carry such services, and, to some extent, the availability of the programming services themselves through its regulation of program licensing. Cable television systems are also regulated by municipalities or other state and local government authorities. Continued rate regulation or other franchise conditions could place downward pressure on subscriber fees earned by the programming companies described above in which Liberty Media Group has interests (the Programming Companies) and regulatory carriage requirements could adversely affect the number of channels available to carry the Programming Companies.

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Regulation of Program Licensing. The 1992 Cable Act directed the FCC to promulgate regulations regarding the sale and acquisition of cable programming between multi-channel video programming distributors (including cable operators) and satellite-delivered programming services in which a cable operator has an attributable interest. The legislation and the implementing regulations adopted by the FCC preclude virtually all exclusive programming contracts between cable operators and satellite programmers affiliated with any cable operator (unless the FCC first determines the contract serves the public interest) and generally prohibit a cable operator that has an attributable interest in a satellite programmer from improperly influencing the terms and conditions of sale to unaffiliated multi-channel video programming distributors. Further, the 1992 Cable Act requires that such affiliated programmers make their programming services available to cable operators and competing multi-channel video programming distributors such as MMDS and direct broadcast satellite distributors on terms and conditions that do not unfairly discriminate among such distributors. The Telecommunications Act has extended these rules to programming services in which telephone companies and other common carriers have attributable ownership interests. The FCC recently revised its program licensing rules, by implementing a damages remedy in situations where the defendant knowingly violates the regulations and by establishing a timeline for the resolution of such complaints, among other things.

Regulation of Carriage of Programming. Under the Telecommunications Act, the FCC has adopted regulations prohibiting cable operators from requiring a financial interest in a programming service as a condition to carriage of such service, coercing exclusive rights in a programming service or favoring affiliated programmers so as to restrain unreasonably the ability of unaffiliated programmers to compete.

Regulation of Ownership. The 1992 Cable Act required the FCC, among other things, (a) to prescribe rules and regulations establishing reasonable limits on the number of channels on a cable system that will be allowed to carry programming in which the owner of such cable system has an attributable interest and (b) to consider the necessity and appropriateness of imposing limitations on the degree to which multi-channel video programming distributors (including cable operators) may engage in the creation or production of video programming. In 1993, the FCC adopted regulations limiting carriage by a cable operator of national programming services in which that operator holds an attributable interest to 40% of the first 75 activated channels on each of the cable operator's systems. The rules provide for the use of two additional channels or a 45% limit, whichever is greater, provided that the additional channels carry minority-controlled programming services. The regulations also grandfather existing carriage arrangements that exceed the channel limits, but require new channel capacity to be devoted to unaffiliated programming services until the system achieves compliance with the regulations. These channel occupancy limits apply only up to 75 activated channels on the cable system, and the rules do not apply to local or regional programming services. These rules may limit carriage of the Programming Companies on certain systems of affiliated cable operators. In the same rulemaking, the FCC concluded that additional restrictions on the ability of multi-channel distributors to engage in the creation or production of video programming were then unwarranted.

Regulation of Carriage of Broadcast Stations. The 1992 Cable Act granted broadcasters a choice of must carry rights or retransmission consent rights. The rules adopted by the FCC generally provided for mandatory carriage by cable systems of all local full-power commercial television broadcast signals selecting must carry rights and, depending on a cable system's channel capacity, non-commercial television broadcast signals. Such statutorily mandated carriage

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of broadcast stations coupled with the provisions of the 1984 Cable Act, which require cable television systems with 36 or more "activated" channels to reserve a percentage of such channels for commercial use by unaffiliated third parties and permit franchise authorities to require the cable operator to provide channel capacity, equipment and facilities for PEG access channels access, could adversely affect some or substantially all of the Programming Companies by limiting the carriage of such services in cable systems with limited channel capacity. The FCC recently initiated a proceeding asking to what extent cable operators must carry all digital signals transmitted by broadcasters. The imposition of such additional must carry regulation, in conjunction with the current limited cable system channel capacity, would make it likely that cable operators will be forced to drop cable programming services, which may have an adverse impact on the Programming Companies' programming interests.

Closed Captioning Regulation. The 1992 Cable Act also required the FCC to establish rules and an implementation schedule to ensure that video programming is fully accessible to the hearing impaired through closed captioning. The rules adopted by the FCC will require substantial closed captioning over an eight to 10 year phase-in period with only limited exemptions. As a result, the Programming Companies are expected to incur significant additional costs for closed captioning.

Copyright Regulation. Under regulations adopted by the Copyright Office, satellite carriers such as Netlink USA are not "cable systems" within the meaning of the Copyright Revision Act of 1976 as amended. Accordingly, satellite carriers are not permitted to provide superstation or network station broadcast signals to home satellite dish owners under the separate compulsory license extended to cable systems. Instead, Congress granted a statutory copyright license to satellite carriers retransmitting the broadcast signals of "superstations," such as KWGN and WGN, and of network stations to the public for private home viewing under the Satellite Home Viewer Act of 1994 (the SHV Act), which license is scheduled to expire on December 31, 1999. Although bills, which, among other things, would extend the license granted under the SHV Act, have been introduced in Congress, if the license is not further extended, satellite carriers will be required to negotiate private licenses for the retransmission of copyright material to home satellite dish owners after 1999. Satellite carriers may only distribute the signals of network broadcast stations, as distinguished from superstations, to "unserved households" that are outside the Grade B contours of a primary station affiliated with such network. The FCC released new rules on February 2, 1999 for determining whether households are unserved. Netlink USA entered into an agreement with the National Association of Broadcasters, the ABC, CBS, FOX and NBC networks, their affiliate associations, and several hundred broadcast stations, effective May 1, 1998, to identify by zip code those geographic areas which are "unserved" by network affiliated stations. Depending upon the implementation of the agreement and such identification, Netlink USA may be required, after expiration of a transition period on August 31, 1999, to disconnect a substantial number of existing subscribers. Under the SHV Act, satellite carriers must pay a monthly fee for each subscriber. To the extent that satellite carriers transmit superstation or network station signals to cable operators, such cable operators pay the copyright fee under the separate compulsory license.

Satellites and Uplink. In general, authorization from the FCC must be obtained for the construction and operation of a communications satellite. The FCC authorizes utilization of satellite orbital slots assigned to the United States by the World Administrative Radio Conference. Such slots are finite in number, thus limiting the number of carriers that can provide satellite transponders and the number of transponders available for transmission of

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programming services. At present, however, there are numerous competing satellite service providers that make transponders available for video services to the cable industry.

Proposed Changes in Regulation. The regulation of programming services, cable television systems, satellite carriers and television stations is subject to the political process and has been in constant flux over the past decade. Further material changes in the law and regulatory requirements must be anticipated and there can be no assurance that the Liberty Media Group's business will not be affected adversely by future legislation, new regulation or deregulation.

Competition-Programming Companies

The business of distributing programming for cable television is highly competitive. The Programming Companies directly compete with other programming services for distribution on a limited number of cable television channels and on other distribution media. In addition to competition for cable distribution, viewers and advertisers, the Programming Companies also compete, to varying degrees, for programming content.

HSN and QVC operate in direct competition with businesses which are engaged in retail merchandising.

BUSINESS OF THE TCI VENTURES GROUP

On March 9, 1999, TCI combined the businesses and assets of Liberty Media Group and of TCI Ventures Group in conjunction with the TCI merger. The following information about TCI Ventures Group is dated as of March 1, 1999 and does not reflect the effects of the Liberty/Ventures Combination. In connection with the TCI merger and immediately prior thereto, certain of the assets attributed to TCI Ventures Group were transferred to TCI Group in exchange for approximately $5.5 billion cash.

The assets attributed to the TCI Ventures Group, a business unit created in 1997, include interests in certain technology investments. Assets attributed to the TCI Ventures Group are held directly and indirectly through partnerships, joint ventures, common stock investments and instruments convertible or exchangeable into common stock. In some cases, the TCI Ventures Group's interest may be subject to buy-sell procedures, repurchase rights, performance guarantees and other restrictions.

Diversified Satellite Communications

TV Guide, Inc. (formerly UVSG) Following completion of the Netlink and TV Guide Transactions, TCI had approximately a 44% equity interest and a 49% voting interest in UVSG of which a 27% equity interest and a 32% voting interest was attributed to TCI Ventures Group and the balance of which was attributed to Liberty Media Group. UVSG is a media and communications company engaged predominantly in providing print, passive and interactive program listings guides to households, distributing superstation programming to cable television systems and DTH satellite providers, and marketing satellite delivered programming to C-band satellite dish owners. UVSG has been organized into three operating groups: Magazine Group; Entertainment Group; and United Video Group. The Magazine Group publishes and distributes TV Guide Magazine and customized monthly programming guides for cable and satellite operators in the US and internationally. The Entertainment Group supplies satellite-delivered on-screen program promotion and guide services, including TV Guide Channel and

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Sneak Prevue. The United Video Group provides DTH satellite services, satellite distribution of video entertainment services, software development and systems integration services and satellite transmission services for private networks. This group includes SNG and Netlink USA in addition to UVSG's UVTV division which markets and distributes to cable television systems and other multi-channel video distributors WGN (Chicago), KTLA (Los Angeles) and WPIX (New York), three independent "superstations".

Domestic Telephony

The TCI Ventures Group's telephony assets consist primarily of its ownership of an approximately 24% equity interest in the "Sprint PCS Group," consisting of shares of Sprint PCS Stock (which have limited voting rights) and certain warrants and shares of convertible preferred stock exercisable for or convertible into such shares.

Pursuant to the Final Judgment agreed to by TCI, AT&T and the DOJ on December 31, 1998, Liberty/Ventures Group prior to the AT&T Merger transferred all of the Sprint Securities to a trust with the Trustee, pursuant to a trust agreement approved by the DOJ. The Final Judgment, if entered by the United States District Court for the District of Columbia, would require the Trustee, on or before May 23, 2002, to dispose of a portion of the Sprint Securities held by the trust and beneficially owned by Liberty/Ventures Group sufficient to cause Liberty/Ventures Group to own beneficially no more than 10% of the outstanding Series 1 PCS stock of Sprint on a fully diluted basis (assuming the issuance of all shares of Series 1 PCS stock of Sprint ultimately issuable in respect of the applicable securities of Sprint upon the exercise, conversion or other issuance thereof in accordance with the terms of such securities) on such date. On or before May 23, 2004, the Trustee must divest the remainder of the Sprint Securities beneficially owned by Liberty/Ventures Group. For additional information, see note 2 to the Company's consolidated financial statements included in Part II of this report.

International Cable and Programming

TINTA. TCI owns 100% of the equity in TINTA, of which 85% is attributed to the TCI Ventures Group and 15% is attributed to the Liberty Media Group. TINTA provides diversified programming services and operates broadband cable television and telephony distribution networks in selected markets outside the United States. At December 31, 1998, TINTA had ownership interests in or managed 61 cable and satellite programming services, which are received by subscribers in various countries outside the United States. TINTA also has ownership interests in companies operating broadband networks that, at December 31, 1998, provided cable television service to an aggregate of approximately 4.5 million basic subscribers and, primarily in the United Kingdom, provided telephone service over approximately 1.5 million telephone lines.

TINTA has recently placed greater emphasis on the acquisition and development of multi-channel programming businesses, while maintaining meaningful and complementary interests in cable distribution assets. TINTA's distribution and programming ventures are concentrated in the United Kingdom, Europe, Latin America, Asia and the Caribbean, with particular focus, at present, on the United Kingdom, Argentina and Japan.

Included among TINTA's cable and telephony distribution assets are an indirect 22% interest in Telewest Communications plc (Telewest) and a 40% interest in Jupiter Telecommunications Co. Ltd (Jupiter). Telewest is a leading provider of cable television and cable telephony services in the United Kingdom

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providing cable television services over a broadband (i.e., high capacity) network and uses such network, together with twisted-pair copper wire connections for final delivery to the customer premises, to provide telephony services to its customers. Jupiter provides residential and business television and cable telephony in Japan.

TINTA also currently has an approximate 28% ownership interest and certain conditional management rights in Cablevision S.A. (Cablevision), which is one of the two largest cable television companies in Argentina. At December 31, 1998, Cablevision provided cable television service to an aggregate of approximately 1.5 million subscribers.

TINTA's programming interests include a 37% equity interest (representing a 50% voting interest) in Flextech p.l.c. (Flextech), a 30% interest in MultiThematiques, S.A. (MultiThematiques) and a 50% interest in Jupiter Programming. Through its subsidiaries and affiliates, Flextech creates, packages and markets entertainment and information programming for distribution on cable television and DTH satellite providers throughout the United Kingdom and parts of continental Europe. Flextech's ordinary shares trade on the London Stock Exchange. MultiThematiques and Jupiter Programming provide multi-channel programming to cable television and DTH satellite providers in continental Europe and Japan, respectively. In addition, in August 1998, TINTA purchased Pramer S.C.A., an Argentine company which programs, markets and distributes 16 cable channels in Argentina, of which 10 are distributed throughout Latin America, and which markets one terrestrial station to operators in Argentina and neighboring countries.

Liberty/TINTA, through a 50/50 joint venture with News Corp., holds international sports interests. These include Fox Sports World Espanol, a Spanish language sports network, distributed in the United States and in Latin America, and STAR TV, a satellite-delivered programming platform available to 220 million viewers in Asia, India and the Middle East. Outside of the venture with News Corp., Liberty Media Group and TINTA own an interest in J-Sports, a sports network in Japan featuring coverage of SUMO wrestling, soccer, baseball and other international sporting events; and TyC, Argentina's dominant sports programming service. TyC also owns an interest in Canal 9, a general entertainment broadcast channel in Buenos Aires, Argentina which has become an international superchannel, providing programming to the United States and, via cable, to outlying areas of Argentina.

Competition. The various cable operators in which TINTA has interests directly compete for customers and advertisers in local markets with other providers of entertainment, news and information. Such cable operators also compete with companies who use alternative methods of distributing the same or similar video programming offered by cable television systems.

The business of distributing programming for cable and satellite television is also highly competitive. TINTA's programming subsidiaries and affiliates directly compete with other programming services for distribution on a limited number of television channels and, when distribution is obtained, they compete for viewers and advertisers with other programming services.

Government Regulation. Substantially every country in which TINTA has, or proposes to make, an investment regulates, in varying degrees, (a) the granting of cable and telephony franchises, the construction of cable and telephony systems and the operations of cable, other multi-channel television operators and telephony operators and service providers, as well as the acquisition of, and foreign investments in, such operators and service

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providers, and (b) the broadcast and content of programming and Internet services and foreign investment in programming companies. Regulations or laws may cover wireline and wireless telephony, satellite and cable communications and Internet services, among others. Regulations or laws that exist at the time TINTA makes an investment in a subsidiary or affiliate may thereafter change, and there can be no assurance that material and adverse changes in the regulation of the services provided by TINTA's subsidiaries and affiliates will not occur in the future. Regulation can take the form of price controls, service requirements and programming and other content restrictions, among others. Moreover, some countries do not issue exclusive licenses to provide multi-channel television services within a geographic area, and in those instances TINTA may be adversely affected by an overbuild by a competing cable operator. In certain countries where multi-channel television is less developed, there is minimal regulation of cable television, and, hence, the protections of the cable operator's investment available in the United States and other countries (such as rights to renewal of franchises and utility pole attachment) may not be available in these countries.

SEGMENT, OPERATING REVENUE AND RESEARCH AND DEVELOPMENT EXPENSE INFORMATION

For information about the Company's research and development expense, see Note 2 to the Consolidated Financial Statements. For information about the consolidated operating revenues contributed by the Company's major classes of products and services, see the revenue tables and descriptions on pages 31, 32 and 38-43 and Consolidated Statements of Income on page 52 of the Company's annual report to shareholders for the year ended December 31, 1998. All such information is incorporated herein by reference pursuant to General Instruction G(2).

EMPLOYEE RELATIONS

At December 31, 1998 AT&T employed approximately 107,800 persons in its operations, approximately 105,000 of whom are located domestically. About 40% of the domestically located employees of AT&T are represented by unions. Of those so represented, about 95% are represented by the Communications Workers of America (CWA), which is affiliated with the AFL-CIO; about 4% by the International Brotherhood of Electrical Workers (IBEW), which is also affiliated with the AFL-CIO. In addition, there is a very small remainder of domestic employees represented by other unions. Labor agreements with most of these unions extend through May 2002.

ITEM 2. PROPERTIES.

The properties of AT&T Corp. consist primarily of plant and equipment used to provide long distance and wireless telecommunications services and cable television services and administrative office buildings.

Telecommunications plant and equipment consists of: central office equipment, including switching and transmission equipment; connecting lines (cables, wires, poles, conduits, etc.); wireless cell sites, antennas and wireless switching facilities; land and buildings; and miscellaneous properties (work equipment, furniture, plant under construction, etc.). The majority of the connecting lines are on or under public roads, highways and streets and international and territorial waters. The remainder are on or under private property. AT&T also operates a number of sales offices, customer care centers, and other facilities, such as research and development laboratories.

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AT&T continues to manage the deployment and utilization of its assets in order to meet its global growth objectives while at the same time ensuring that these assets are generating value for the shareholder. AT&T will continue to manage its asset base consistent with globalization initiatives, marketplace forces, productivity growth and technology change.